

*TOWN OF MOUNT DESERT, MAINE*

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

*FOR THE FISCAL YEAR  
ENDED JUNE 30, 2014*

**TOWN OF MOUNT DESERT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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***TOWN OF MOUNT DESERT  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2014***

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## ***INDEPENDENT AUDITOR'S REPORT***

May 14, 2015

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

### ***Report on the Financial Statements***

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, 2014, 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, 2014, 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, 2014**

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, 2014. 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, 2014 by \$33,142,189 (presented as “net position”). Of this amount, \$8,441,748 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 \$1,130,078 (a 3.5% increase) for the year ended June 30, 2014. Net position of governmental activities increased by \$1,011,942 (a 3.3% increase), while net position of business-type activities showed an increase of \$118,136 (a 7.7% increase).

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the year ended June 30, 2014; the Town's governmental funds reported a combined ending fund balance of \$7,770,204 with \$1,727,245 being general unassigned fund balance. This unassigned fund balance represents approximately 11.6% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations decreased by \$1,611,029 for the year ended June 30, 2014. 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**

73% 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, 2014 Total</b>	<b>June 30, 2013 Total</b>
Current Assets	10,007,607	582,523	10,590,130	15,848,245
Capital Assets	40,148,246	3,020,339	43,168,585	38,036,744
<b>Total Assets</b>	<b>50,155,853</b>	<b>3,602,862</b>	<b>53,758,715</b>	<b>53,884,989</b>
Current Liabilities	3,064,659	180,730	3,245,389	2,837,448
Other Liabilities	15,564,039	1,760,000	17,324,039	18,989,497
<b>Total Liabilities</b>	<b>18,628,698</b>	<b>1,940,730</b>	<b>20,569,428</b>	<b>21,826,945</b>
<b>Deferred Inflows of Resources</b>	<b>47,098</b>		<b>47,098</b>	<b>45,933</b>
Net Investment in Capital Assets	23,028,748	1,150,339	24,179,087	17,321,356
Restricted	521,354		521,354	437,422
Unrestricted	7,929,955	511,793	8,441,748	14,253,333
<b>Total Net Position</b>	<b>31,480,057</b>	<b>1,662,132</b>	<b>33,142,189</b>	<b>32,012,111</b>
<b>Total Liabilities and Net Position</b>	<b>50,155,853</b>	<b>3,602,862</b>	<b>53,758,715</b>	<b>53,884,989</b>

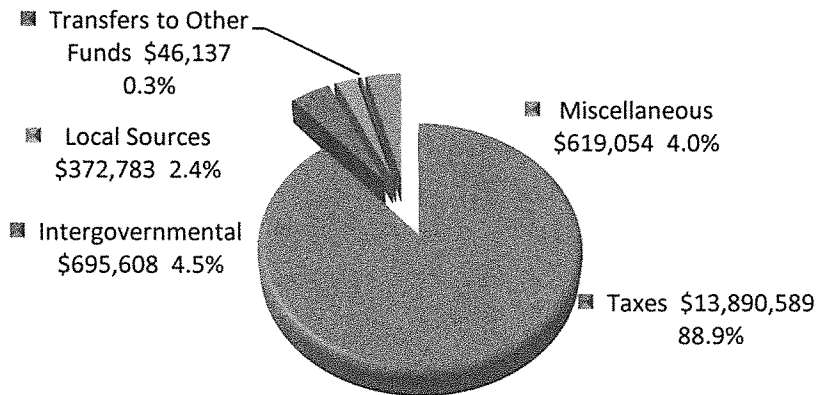
**Changes in Net Position**

Approximately 89% of the Town's total revenue came from property and excise taxes, approximately 4% came from State subsidies and grants, and approximately 7% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,490,496 of the total expenses for the fiscal year.

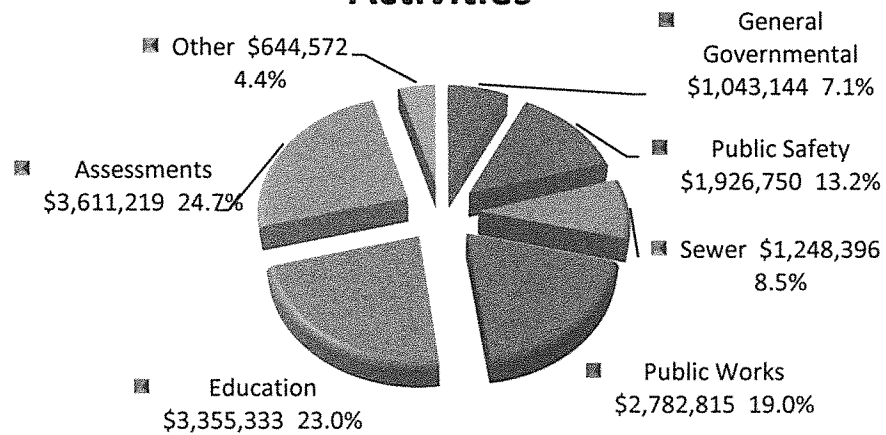
	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>June 30, 2014 Total</b>	<b>June 30, 2013 Total</b>
<b><i>Revenues:</i></b>				
Taxes	13,890,589		13,890,589	13,076,742
Intergovernmental Revenues	695,608		695,608	742,713
Charges for Services	372,783	764,787	1,137,570	976,181
Fair Value Increase (Decrease)	490,698		490,698	381,473
Gain on Sale of Asset	-		-	38,000
Transfers In / Out	46,137	(46,637)	(500)	(553)
Miscellaneous	128,356		128,356	327,708
<b><i>Total</i></b>	<b>15,624,171</b>	<b>718,150</b>	<b>16,342,321</b>	<b>15,542,264</b>
<b><i>Expenses:</i></b>				
General Government	1,043,144		1,043,144	974,257
Health and Welfare	300		300	3,846
Public Safety	1,926,750		1,926,750	1,896,910
Public Works	2,782,815		2,782,815	2,482,911
Sewer	1,248,396		1,248,396	1,209,879
Sewer Capital	6,722		6,722	5,959
Recreation and Library	125,668		125,668	165,465
Marine Dept.		600,014	600,014	557,450
Community Development	34,711		34,711	-
Debt Service	186,261		186,261	118,354
Other	281,701		281,701	312,366
Assessments	3,611,219		3,611,219	3,439,460
Education Programs	3,355,333		3,355,333	3,304,765
Capital Outlay	9,209		9,209	-
<b><i>Total</i></b>	<b>14,612,229</b>	<b>600,014</b>	<b>15,212,243</b>	<b>14,471,622</b>
<b><i>Changes in Net Position</i></b>	<b>1,011,942</b>	<b>118,136</b>	<b>1,130,078</b>	<b>1,070,642</b>



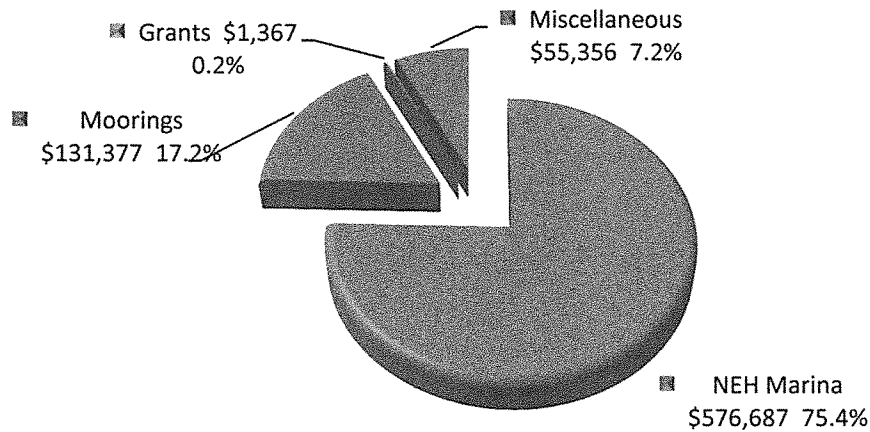
## Revenues By Source - Governmental Activities



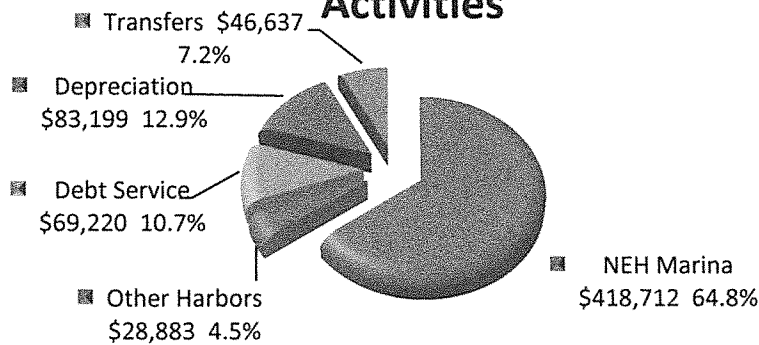
## Expenditures By Source - Governmental Activities



## 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 \$7,770,204, a decrease of \$5,764,194 in comparison with the prior year. Approximately 22 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:

- \$20,007 negative variance in municipal management. The town shorted the budget on technical costs and equipment costs related to implementation.
- \$42,925 positive variance in police department. There was savings from shared services and over budgeted on other lines.
- \$28,729 positive variance in fire department. There was savings from change in custodial services, savings in labor costs and over budgeted on other lines.
- \$30,713 positive variance in waste collection and disposal. There was savings from tipping fees and over budgeted on other lines.

### **CAPITAL ASSET ADMINISTRATION**

#### **Capital Assets**

The Town's investment in capital assets for its governmental and business-like activities amounts to \$65,469,476, net of accumulated depreciation of \$22,268,308, leaving a net book value of \$43,201,168. 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, 2014**

**Exhibit A**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash and Equivalents	2,023,885		2,023,885
Investments	6,003,813	582,523	6,586,336
Receivables			
Taxes	850		850
Tax Liens	96,498		96,498
Bonds	1,696,992		1,696,992
Accounts	138,701		138,701
Due from Other Governments	40,234		40,234
Prepaid Expenditures	3,450		3,450
Inventory	3,184		3,184
Capital Assets:			
Land	2,625,091		2,625,091
Construction Work in Progress	7,273,813		7,273,813
Other Capital Assets, Net of Depreciation	30,249,342	3,052,923	33,302,265
<b>Total Assets</b>	<b>50,155,853</b>	<b>3,635,446</b>	<b>53,791,299</b>
<b>Liabilities</b>			
Accounts Payable	776,424	10,034	786,458
Retainage Payable	253,013		253,013
Accrued Interest Payable		54,268	54,268
Accrued Compensated Absences	167,370	6,428	173,798
Accrued Salaries Payable	294,836		294,836
Due to Other Governments	17,557		17,557
Long-term Liabilities:			
Due Within One Year	1,555,459	110,000	1,665,459
Due in More Than One Year	15,564,039	1,760,000	17,324,039
<b>Total Liabilities</b>	<b>18,628,698</b>	<b>1,940,730</b>	<b>20,569,428</b>
<b>Deferred Inflows of Resources:</b>			
Prepaid Taxes	47,098		47,098
<b>Total Deferred Inflows of Resources</b>	<b>47,098</b>	<b>-</b>	<b>47,098</b>
<b>Net Position</b>			
Net Investment in Capital Assets	23,028,748	1,182,923	24,211,671
Restricted	521,354		521,354
Unrestricted	7,929,955	511,793	8,441,748
<b>Total Net Position</b>	<b>31,480,057</b>	<b>1,694,716</b>	<b>33,174,773</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>50,155,853</b>	<b>3,635,446</b>	<b>53,791,299</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, 2014**

**Exhibit B**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants	Governmental Activities	Business-like Activities	Total
Primary Government						
Governmental Activities						
General Government	1,043,144	87,390		(955,754)		(955,754)
Health & Welfare - General Assistance	300			(300)		(300)
Public Safety	1,903,507	3,851		(1,899,656)		(1,899,656)
Public Works	2,806,058	998		(2,805,060)		(2,805,060)
Sewer	1,248,396	656		(1,247,740)		(1,247,740)
Sewer Capital	6,722			(6,722)		(6,722)
Recreation and Library	125,668			(125,668)		(125,668)
Community Development	34,711			(34,711)		(34,711)
Debt Service	186,261			(186,261)		(186,261)
Other	281,701			(281,701)		(281,701)
Education	3,611,219	56,654	301,850	(3,252,715)		(3,252,715)
Assessments	3,355,333			(3,355,333)		(3,355,333)
Capital Outlay	9,209			(9,209)		(9,209)
Total Governmental Activities	14,612,229	149,549	301,850	(14,160,830)		(14,160,830)
Business-type Activities						
Marina	567,430	725,249	22,855		180,674	180,674
Total Business-type Activities	567,430	725,249	22,855		180,674	180,674
Total Primary Government	15,179,659	874,798	324,705	(14,160,830)	180,674	(13,980,156)
General Revenues:						
Taxes						
Property				13,284,759		13,284,759
Auto Excise				577,051		577,051
Boat Excise				28,779		28,779
Intergovernmental Revenues				334,217		334,217
Increase (Decrease) in FMV				493,585		493,585
Other Local Sources				408,244		424,927
Transfers Marina				46,637	16,683	-
Transfers Fiduciary Funds				(500)	(46,637)	(500)
Total Revenues, Special Items and Transfers				15,172,772	(29,954)	15,142,818
Changes in Net Position				1,011,942	150,720	1,162,662
Net Position - Beginning				30,468,115	1,543,996	32,012,111
Net Position - Ending				31,480,057	1,694,716	33,174,773

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

*Exhibit C*  
*Page 1 of 2*

	<i>General Fund</i>	<i>WWTP Upgrades</i>	<i>Capital Improvement Program</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets</b>					
Cash and Equivalents	2,023,885				2,023,885
Investments	4,952,935		1,039,673	11,205	6,003,813
Receivables					
Taxes	850				850
Tax Liens	96,498				96,498
Bonds		1,613,340		83,652	1,696,992
Other	138,701				138,701
Due from Other Governments	40,234				40,234
Prepaid Expenditures	3,450				3,450
Inventory	3,184				3,184
Due from Other Funds	105,801	36,956		205,512	348,269
<b>Total Assets</b>	<b>7,365,538</b>	<b>1,650,296</b>	<b>1,039,673</b>	<b>300,369</b>	<b>10,355,876</b>
<b>Liabilities</b>					
Accounts Payable	253,248	493,613	11,099	18,464	776,424
Retainage Payable		180,773		72,240	253,013
Accrued Salaries Payable	294,836				294,836
Due to Other Governments	17,557				17,557
Due to Other Funds	1,070,989		83,905		1,154,894
<b>Total Liabilities</b>	<b>1,636,630</b>	<b>674,386</b>	<b>95,004</b>	<b>90,704</b>	<b>2,496,724</b>
<b>Deferred Inflows of Resources:</b>					
Prepaid Taxes	47,098				47,098
Unearned Property Tax Revenue	41,850				41,850
<b>Total Deferred Inflows of Resources</b>	<b>88,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,948</b>
<b>Fund Balances</b>					
Nonspendable				8,874	8,874
Restricted	484,905			27,575	512,480
Committed	3,138,963	975,910	944,669	170,907	5,230,449
Assigned	288,847			2,309	291,156
Unassigned	1,727,245				1,727,245
<b>Total Fund Balances</b>	<b>5,639,960</b>	<b>975,910</b>	<b>944,669</b>	<b>209,665</b>	<b>7,770,204</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>7,365,538</b>	<b>1,650,296</b>	<b>1,039,673</b>	<b>300,369</b>	<b>10,355,876</b>

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

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

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

Total Fund Balance	7,770,204
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$21,876,647	40,148,246
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds: Unearned Taxes	41,850
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds: Bonds Payable Accrued Compensated Absences Capital Leases Payable Transfers to Fiduciary and Proprietary Funds	(17,109,290) (167,370) (10,208) 806,625
	<u>(16,480,243)</u>
Net Position of Governmental Activities	<u><u>31,480,057</u></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, 2014**

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

	<i>General Fund</i>	<i>WWTP Upgrades</i>	<i>Capital Improvement Program</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>					
Taxes	13,918,020				13,918,020
Intergovernmental Revenues	695,608				695,608
Local Sources	287,641		39,117	46,025	372,783
Fair Value Increase (Decrease)	490,698				490,698
Miscellaneous	128,356				128,356
Total Revenues	15,520,323	-	39,117	46,025	15,605,465
<b>Expenditures</b>					
General Government	1,010,894		20,134		1,031,028
General Assistance	300				300
Public Safety	1,690,626		406,713		2,097,339
Public Works	2,322,970		243,170	10,000	2,576,140
Sewer	789,374		21,849		811,223
Sewer Capital	6,722				6,722
Recreation and Library	125,668				125,668
Community Development	21,147			13,564	34,711
Debt Service	1,499,790				1,499,790
All Other	279,093			108	279,201
Education Programs	3,769,625				3,769,625
Assessments	3,355,333				3,355,333
Capital Outlay		3,682,393		2,149,274	5,831,667
Total Expenditures	14,871,542	3,682,393	691,866	2,172,946	21,418,747
Excess of Revenues Over (Under) Expenditures	648,781	(3,682,393)	(652,749)	(2,126,921)	(5,813,282)
Other Financing Sources (Uses)					
Transfers from Other Funds	49,088		479,890	21,478	550,456
Transfers to Other Funds	(500,323)		(1,045)		(501,368)
Total Other Financing Sources (Uses)	(451,235)	-	478,845	21,478	49,088
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	197,546	(3,682,393)	(173,904)	(2,105,443)	(5,764,194)
Fund Balance - July 1	5,442,414	4,658,303	1,118,573	2,315,108	13,534,398
Fund Balance - June 30	5,639,960	975,910	944,669	209,665	7,770,204

(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, 2014**

*Exhibit D*  
*Page 2 of 2*

Net change in fund balances - total governmental funds	(5,764,194)
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	6,607,130
Depreciation expense	(1,406,670)
	<u>5,200,460</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unearned Taxes	(27,431)
	<u>(27,431)</u>
Bond proceeds proved 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	4,861
General obligation bond principal payments	1,611,029
	<u>1,615,890</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	(2,951)
Accrued compensated absences	(9,832)
	<u>(12,783)</u>
Change in net position of governmental activities	<u>1,011,942</u>

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

**TOWN OF MOUNT DESERT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2014**

**Exhibit E**

	<b>Proprietary Fund Types</b>
	<b>Marina Fund</b>
<b>Assets</b>	
<b>Current Assets:</b>	
Investments	582,523
Due from Other Funds	807,682
<b>Total Current Assets</b>	<b>1,390,205</b>
<b>Noncurrent Assets:</b>	
Capital Assets, net	3,052,923
<b>Total Noncurrent Assets</b>	<b>3,052,923</b>
<b>Total Assets</b>	<b>4,443,128</b>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accrued Interest Payable	54,268
Accounts Payable	10,034
<b>Long-term Liabilities:</b>	
Due Within One Year	110,000
Due in More Than One Year	1,760,000
<b>Total Liabilities</b>	<b>1,934,302</b>
<b>Net Position</b>	
Net Investment in Capital Assets	1,182,923
Unassigned	1,325,903
<b>Total Net Position</b>	<b>2,508,826</b>
<b>Total Liabilities and Net Position</b>	<b>4,443,128</b>
Amounts reported for business activities in the Statement of Net Position are different because:	
Total Net Position	2,508,826
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	(6,428)
Transfers to Fiduciary and Proprietary Funds	(807,682)
	<b>(814,110)</b>
Net Position of Business Activities	<b>1,694,716</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, 2014**

	<u><b>Proprietary Fund</b></u> <u><b>Marina Fund</b></u>
Operating Revenues:	
NEH Marina	576,687
Mooring	131,377
Launch Services	22,855
Pump Out Grant	1,367
Ticket Booth Fees	2,550
Marina Concessions	7,390
Other Marina Revenue	5,878
Total Operating Revenues:	<u>748,104</u>
Operating Expenditures:	
NEH Marina	413,236
Seal Harbor Marina	5,430
Bartlett Narrows Harbor	904
Somesville Harbor	338
Mooring and Floats	
Debt Service	69,220
Depreciation	83,826
Total Operating Expenditures	<u>572,954</u>
Net Operating Income	<u>175,150</u>
Non-operating Revenues (Expenses)	
Interest Revenue	16,683
Total Non-operating Revenues (Expenses)	<u>16,683</u>
<b>Net Income (Loss) before contributions and transfers</b>	191,833
Transfer to Other Funds	<u>(49,088)</u>
<b>Change in Net Position</b>	142,745
<b>Total Net Position - Beginning</b>	<u>2,366,081</u>
<b>Total Net Position - Ending</b>	<u><u>2,508,826</u></u>
Net change in fund balances - total business funds	142,745
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	2,451
Accrued compensated absences	5,524
	<u>7,975</u>
Change in net position of business activities	<u><u>150,720</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, 2014**

**Exhibit G**

	<b><i>Proprietary Fund Types Marina Fund</i></b>
<b><i>Cash Flows from Operating Activities</i></b>	
Received from Customers	733,469
Payments to Suppliers	(214,123)
Payments to Employees	(358,831)
Other Receipts (Payments)	(542,694)
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>(382,179)</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	(47,790)
	<hr/>
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b>(157,790)</b>
	<hr/>
<b><i>Cash Flows from Investing Activities</i></b>	
Net Purchase/Sales of Investment	523,286
Interest and Dividends	16,683
	<hr/>
<b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	<b>539,969</b>
	<hr/>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>-</b>
<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)	142,745
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	83,826
(Increase) Decrease in Loan Receivable	(582,523)
(Increase) Decrease in Due from Other Funds	2,451
Increase (Decrease) in Accrued Interest Payable	(2,797)
Increase (Decrease) in Accounts Payable	(25,881)
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>(382,179)</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, 2014**

**Exhibit H**

		<b><i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i></b>
<b><i>Assets</i></b>		
Investments		<u>15,509</u>
<b>Total Assets</b>		<u><u>15,509</u></u>
<b><i>Liabilities and Net Position</i></b>		
Liabilities		
Due to Other Funds		<u>1,057</u>
Total Liabilities		<u>1,057</u>
Net Position		
Restricted		13,765
Unassigned		<u>687</u>
Total Net Position		<u>14,452</u>
<b>Total Liabilities and Net Position</b>		<u><u>15,509</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, 2014**

**Exhibit I**

	<i>Private Purpose</i> <i>Trust Fund</i> <i>Horace Reynolds</i> <i>Scholarship Fund</i>
Revenues	
Investment Income	483
	483
Expenditures	
Scholarships	553
Total Expenditures	553
Excess of Revenues Over (Under)	
Expenditures	(70)
Net Position - July 1	14,522
<b>Net Position - June 30</b>	<b>14,452</b>

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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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

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

The Town reports the following major governmental funds:

The General Fund is used to account for all or most of the Town's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

The 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, 2014**

**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, \$41,850 had been so classified and reported on the general fund balance sheet. Property taxes were levied on July 1 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, 2014 for the 2013 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, 2014**

**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, 2014**

**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, 2014**

**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, 2014 fund balances on the balance sheet as follows:

	<b>General Fund</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	3,184				3,184
Frank Stanley Principal				4,413	4,413
Cemetery Principal				4,461	4,461
<u><b>Restricted</b></u>					
School Department	458,982				458,982
Planning Grant	22,739				22,739
Wayfinding Signs				27,575	27,575
<u><b>Committed</b></u>					
Town Reserves	3,138,963				3,138,963
Capital Imp. Program			944,669		944,669
Sidewalk Project				56,148	56,148
Municipal Garage				114,759	114,759
WWTP Upgrades		975,910			975,910
<u><b>Assigned</b></u>					
Shellfish Fund	11,451				11,451
Encumbrances	277,396				277,396
Frank Stanley Income				2,309	2,309
<u><b>Unassigned</b></u>					
General Fund	1,727,245				1,727,245
<u><b>Total Fund Balance</b></u>	<u>5,639,960</u>	<u>975,910</u>	<u>944,669</u>	<u>209,665</u>	<u>7,770,204</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, 2014**

**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 net investment in capital assets.

*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 2013-2014, \$325,000 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 \$277,396 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, 2014**

**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 \$2,023,885 and the bank balance was \$2,096,258. Of the bank balance, \$377,328 was covered by federal depository insurance and 1,719,201 were collateralized through Camden National and Bar Harbor Bank & Trust.

**B. Investments**

At June 30, 2014, 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	
<i>Reserves and CIP</i>						
Common Stock	455,882	455,882				A+
Common Stock	761,705	761,705				A
Common Stock	708,120	708,120				A-
Common Stock	298,447	298,447				B+
Common Stock	440,300	440,300				B
Common Stock	1,004,042	1,004,042				NR
Corporate Bonds	152,280		152,280			AA
Corporate Bonds	591,825		591,825			A+
Corporate Bonds	765,685	103,258	507,684	154,743		A
Corporate Bonds	258,247	206,291	51,956			A-
Corporate Bonds	301,279		301,279			AA-
Mutual Funds - Bonds	10,822	10,822				NR
U.S. Gov't Agency	462,419	90,971	371,448			AA+
Bonds - Foreign	208,748	208,748				AA
Bonds - Foreign	155,330	155,330				AA-
	6,575,131	4,443,916	1,976,472	154,743	-	
<i>Trust Funds</i>						
Mutual Funds	26,714	26,713				NR
	26,714	26,713	-	-	-	

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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	2,031,506,635	
Tax Rate (per \$1,000)	<u>6.51</u>	
Commitment	<u>13,225,108</u>	
Appropriations	14,912,773	
Less:		
State Municipal Revenue Sharing	50,000	
Homestead Reimbursement	19,430	
BETE Reimbursement	281	
Other Revenue	<u>1,617,954</u>	
	<u>1,687,665</u>	
Net Assessment for Commitment	<u>13,225,108</u>	

Uncollected taxes and liens at June 30 for the current year commitment totaled \$78,347. Unpaid liens at June 30 totaled \$18,151.

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	105,801	1,070,989
Wayfinding Signs	27,575	
Com. Dev. Movies Prog.	5,546	
Capital Project Funds	209,347	83,905
Horace Reynolds Scholarship		1,057
Enterprise Funds	807,682	
Totals	<u><u>1,155,951</u></u>	<u><u>1,155,951</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, 2014, were as follows:

	<u><i>Transfers From</i></u>	<u><i>Transfers To</i></u>
General Fund	49,088	500,323
Com. Dev. Movies Program	5,464	
Capital Projects	495,904	1,045
Enterprise Funds		49,088
Totals	<u><u>550,456</u></u>	<u><u>550,456</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, 2014**

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

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2014 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>
<b><i>Governmental Activities;</i></b>				
<i>Capital assets not being depreciated</i>				
Land	2,625,091			2,625,091
Construction Work in Progress	1,571,811	5,702,002		7,273,813
<i>Capital assets being depreciated</i>				
Buildings	16,110,348	9,435		16,119,783
Equipment	4,495,741	603,249	21,389	5,077,601
Infrastructure	30,636,160	292,444		30,928,604
<i>Total capital assets being depreciated</i>	51,242,249	905,128	21,389	52,125,988
<i>Less accumulated depreciation for</i>				
Buildings	6,030,768	355,480		6,386,248
Equipment	2,335,391	275,745	21,389	2,589,747
Infrastructure	12,125,206	775,445		12,900,651
<i>Total accumulated depreciation</i>	20,491,365	1,406,670	21,389	21,876,646
<i>Net capital assets being depreciated</i>	30,750,884	(501,542)	-	30,249,342
<b><i>Governmental Activities Capital Assets, net</i></b>	<b>34,947,786</b>	<b>5,200,460</b>	<b>-</b>	<b>40,148,246</b>

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**E. Capital Assets**

	<i><b>Beginning Balance</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Ending Balance</b></i>
<i><b>Business-type Activities;</b></i>				
<i>Capital asset not being depreciated</i>				
Land	103,201			103,201
<i>Capital assets being depreciated</i>				
Marina	3,293,592	47,790		3,341,382
<i>Total capital assets being depreciated</i>	3,293,592	47,790	-	3,341,382
<i>Less accumulated depreciation for</i>				
Marina	307,835	83,826		391,661
<i>Total accumulated depreciation</i>	307,835	83,826	-	391,661
<i>Net capital assets being depreciated</i>	2,985,757	(36,036)	-	2,949,721
<i><b>Business-type Activities Capital Assets, net</b></i>	3,088,958	(36,036)	-	3,052,922

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

Governmental Activities

General Government	10,817
Public Safety	150,732
Public Works	655,497
Recreation and Library	2,500
Education	147,472
Sewer	439,652
Total Depreciation Expense - Governmental Activities	1,406,670

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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>
2015	5,357
2016	5,357
Total Minimum Lease Payments	10,714
Less: Amount Representing Interest	(506)
Present Value of Future Minimum Lease Payments	<u>10,208</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%	2,677,500
2004 Sewer Bond, Maturing 2024	1.03%	2,420,000
2006 General Obligation Bond, Maturing 2016	6.5%	375,000
2009 Sewer Bond Maturing 2024	1.13%	3,533,330
2012 Somesville Sidewalk Maturing 2022	2.99%	1,200,000
2014 WWTP Upgrade Maturing 2033	.32%	4,708,153
2014 Municipal Garage Maturing 2028	2.61%	<u>2,195,307</u>
		<u>17,109,290</u>
 <i>Purpose</i>	 <i>Interest Rate</i>	 <i>Amount</i>
Marina Fund		
2014 Marina Project Maturing 2031	3.64%	<u>1,870,000</u>

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**G. Long-Term Debt (continued)**

**1. General Obligation Debt (continued)**

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$1,682,987, and the Marina fund interest of \$613,008 is as follows:

<i>Year Ended</i> <i>June 30,</i>	<i>General Obligation Debt</i>	<i>Marina Fund</i>	<i>Totals</i>
2015	1,853,838	178,068	2,031,906
2016	1,825,921	174,064	1,999,985
2017	1,790,388	170,225	1,960,613
2018	1,632,771	166,056	1,798,827
2019	1,601,478	162,052	1,763,530
2020-2024	6,950,018	750,321	7,700,339
2025-2029	2,142,659	650,210	2,792,869
2030-2033	995,204	232,012	1,227,216
Total	18,792,277	2,483,008	21,275,285

**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	18,720,319	1,980,000
Additions		
Reductions	(1,611,029)	(110,000)
Balance – June 30	17,109,290	1,870,000

**3. Overlapping Debt**

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

<i>Units</i>	<i>Net debt outstanding June 30, 2014</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
MDICSD	3,461,785	34.52%	1,195,008
Hancock County	2,197,500	14.81%	325,450
Totals	5,659,285		1,520,458

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, 2014**

**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	4,461		4,461
Scholarships	<u>18,178</u>	<u>2,996</u>	<u>21,174</u>
Total	<u>22,639</u>	<u>2,996</u>	<u>25,635</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, 2014**

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

**C. Pension Plans (Continued)**

The School Department participates in the Maine Public Employees Retirement System Consolidated Plan for Participating Schools (Consolidated Plan), and the Maine Public Employees Retirement System's Teacher Plan, both, which are cost sharing multiple-employer defined benefit pension plans. 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, PO Box 349, Augusta, Maine 04333-0349 or by calling 1-800-451-9800.

**Funding Policy**

Consolidated Plan members are required to contribute 6.5% of their annual covered salary and the School is required to contribute an actuarially determined rate. The current rate is 5.3% of annual covered payroll, less a monthly credit of \$45. The contribution requirements of plan members and the School Department are established by the Maine Public Employees Retirement System Board of Trustees. The School Department's contributions to the Consolidated Plan for the years ended June 30, 2012, 2013 and 2014 were \$1,806, \$3,218 and \$4,339 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 a portion of the employer contribution, which amounted to 13.03% of the annual covered salary for fiscal year 2014. The State's cost for 2014 was approximately \$178,775. The School Unit is required to pay 2.65% of non-federally funded teachers' compensation and 16.15% for federally funded teachers' compensation. This cost amounted to \$36,359 and \$5,185 respectively for 2014. The federal portion is chargeable to the applicable grants.

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 2014. The State's cost for 2014 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 2014 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

***TOWN OF MOUNT DESERT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014***

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

***D. Risk Management (Continued)***

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.

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, 2014.

**TOWN OF MOUNT DESERT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Exhibit J**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	13,802,108	13,802,108	13,918,020	115,912
Intergovernmental Revenues	163,339	163,634	177,159	13,525
Charges for Services	84,752	102,733	92,895	(9,838)
Miscellaneous	126,100	126,100	128,356	2,256
<b>Total Revenues</b>	<b>14,176,299</b>	<b>14,194,575</b>	<b>14,316,430</b>	<b>121,855</b>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	1,010,940	1,005,940	966,901	39,039
Health and Welfare - General Assistance	6,000	6,000	300	5,700
Public Safety	1,595,325	1,615,901	1,539,265	76,636
Public Works	2,356,154	2,356,154	2,325,032	31,122
Sewer	838,629	838,629	794,565	44,064
Sewer Capital	-	-	-	-
Recreation and Library	128,950	128,950	125,668	3,282
Community Development	25,000	30,000	25,000	5,000
Debt Service	1,406,977	1,406,977	1,375,763	31,214
All Other	286,444	286,444	279,093	7,351
Education	3,356,872	3,356,872	3,356,872	-
Assessments	3,327,261	3,327,261	3,330,333	(3,072)
<b>Total Expenditures</b>	<b>14,338,552</b>	<b>14,359,128</b>	<b>14,118,792</b>	<b>240,336</b>
<b>Excess Revenues Over Expenditures</b>	<b>(162,253)</b>	<b>(164,553)</b>	<b>197,638</b>	<b>362,191</b>
<b>Other Financing Sources</b>				
Transfers from Other Funds	390,898	393,198	398,510	5,312
Transfer to Other Funds	(553,645)	(553,645)	(553,645)	-
<b>Total Other Financing Sources</b>	<b>(162,747)</b>	<b>(160,447)</b>	<b>(155,135)</b>	<b>5,312</b>
<b>Net Change in Fund Balance</b>	<b>(325,000)</b>	<b>(325,000)</b>	<b>42,503</b>	<b>367,503</b>
<b>Beginning Fund Balances - Budgetary Basis</b>			<b>1,684,742</b>	
<b>Ending Fund Balances - Budgetary Basis</b>			<b>1,727,245</b>	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<b>739,562</b>	
<b>Ending Fund Balances - GAAP Basis</b>			<b>2,466,807</b>	



**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	13,225,108	13,252,540	27,432
Supplemental Taxes		30,195	30,195
Motor Vehicle Excise	525,000	577,051	52,051
Boat Excise	32,000	28,779	(3,221)
Interest on Taxes	20,000	29,455	9,455
	<u>13,802,108</u>	<u>13,918,020</u>	<u>115,912</u>
Intergovernmental Revenues			
Acadia National Park - PILT	30,000	32,815	2,815
ANP Otter Creek Treatment Plant	50,000	58,437	8,437
ANP Seal Harbor Sewer	15,000	14,471	(529)
State Road Assistance	43,000	39,692	(3,308)
General Assistance	2,000	150	(1,850)
Homestead Reimbursement	19,430	19,430	-
Snowmobile Reimbursement		549	549
Tree Growth	3,000	10,459	7,459
Veterans Exemption	742	761	19
BETE Exemption	281	295	14
Other State Revenues	181	100	(81)
	<u>163,634</u>	<u>177,159</u>	<u>13,525</u>
Charges for Services			
Police Department	2,500	3,551	1,051
Fire Department		300	300
Sewers	583	656	73
Recycling	1,500	998	(502)
Paid Parking	50,000	17,801	(32,199)
Planning and Zoning	33,350	51,837	18,487
Licenses and Permits	9,500	10,480	980
Town Clerk	5,300	7,272	1,972
	<u>102,733</u>	<u>92,895</u>	<u>(9,838)</u>

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Miscellaneous			
Solid Waste Performance Credit	46,000	39,350	(6,650)
Payments in Lieu of Taxes	3,500	5,043	1,543
Interest on Investments	65,000	50,479	(14,521)
Insurance Dividends/Refunds	10,000	4,821	(5,179)
Other	1,600	28,663	27,063
	<u>126,100</u>	<u>128,356</u>	<u>2,256</u>
Transfers and Other Sources			
NEH Marina	43,198	49,088	5,890
Reserves	300,000	300,000	-
Municipal Revenue Sharing	50,000	49,422	(578)
	<u>393,198</u>	<u>398,510</u>	<u>5,312</u>
	14,587,773	<u><u>14,714,940</u></u>	<u><u>127,167</u></u>
Fund Balance Used to Reduce Tax Rate	<u>325,000</u>		
<b>Total Revenues and Use of     Fund Balance</b>	<u><u>14,912,773</u></u>		

**TOWN OF MOUNT DESERT  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

*Exhibit A-2  
Page 1 of 2*

	<i>Encumbered from 2014</i>	<i>Appropriation</i>	<i>Revenues/ Transfers In</i>	<i>Expenditures</i>	<i>Encumbered to 2015</i>	<i>(Over) Under Budget</i>
General Government						
Governing Body/Legislative		28,061		16,983		11,078
Municipal Management	21,494	494,625		533,126	3,000	(20,007)
Town Clerk/Registrar/Elections	413	92,145		87,485	2,372	2,701
Planning Board		21,475		7,622		13,853
Finance/Treasury	1,000	113,758		113,437	1,500	(179)
Assessment/Revaluations	14,700	109,283		113,130	6,737	4,116
Code Enforcement	32,040	126,993		118,257	35,677	5,099
Human Resources	25,000			8,998	2,084	13,918
Employee Benefits		19,600		11,140		8,460
	94,647	1,005,940		1,010,178	51,370	39,039
Health and Welfare - General Assistance		6,000		300		5,700
Public Safety						
Police Department	1,250	691,719		638,044	12,000	42,925
Fire Department		355,755		327,026		28,729
Communications	400	293,927		290,345		3,982
Emergency Management		1,000				1,000
Fire Hydrant Rental		273,500		273,500		-
	1,650	1,615,901		1,528,915	12,000	76,636
Public Works						
Highways, Streets and Roads	45,064	1,568,981		1,575,320	50,000	(11,275)
Waste Collection and Disposal	17,500	537,536		509,323	15,000	30,713
Buildings & Grounds	10,374	217,909		205,663	10,000	12,620
Parks and Cemeteries		31,728		32,664		(936)
	72,938	2,356,154		2,322,970	75,000	31,122
Sewer						
Sewer Treatment	9,809	551,671		531,197	15,000	15,283
Northeast Harbor Plant		113,400		110,974		2,426
Somesville Plant		54,800		47,229		7,571
Seal Harbor Plant		89,658		81,527		8,131
Otter Creek Plant		29,100		18,447		10,653
	9,809	838,629		789,374	15,000	44,064

**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, 2014**

	<i>Encumbered from 2014</i>	<i>Appropriation</i>	<i>Revenues/ Transfers In</i>	<i>Expenditures</i>	<i>Encumbered to 2015</i>	<i>(Over) Under Budget</i>
Sewer Capital						
Pump Station Replacement	126,895			6,722	120,173	-
Return Pumps						-
	126,895	-		6,722	120,173	-
Recreation and Library						
Libraries		32,500		32,500		-
Recreation		96,450		93,168		3,282
		128,950		125,668		3,282
Community Development		30,000		21,147	3,853	5,000
Debt Service						
Principal on Bonds/Notes		1,128,912		1,100,460		28,452
Interest on Bonds/Notes		278,065		275,303		2,762
		1,406,977		1,375,763		31,214
All Other						
Rural Wastewater Support		173,000		165,770		7,230
Public Agencies		113,444		113,323		121
		286,444		279,093		7,351
Education						
Elementary School	388,465	3,356,872	486,454	3,769,625	462,166	-
Assessments						
MDI High School		2,494,120		2,494,120		-
County Tax		796,168		796,168		-
Overlay	25,000	36,973		65,045		(3,072)
	25,000	3,327,261		3,355,333	0	(3,072)
Operating Transfers Out						
Community Development Movies Program		5,464		5,464		-
Reserves		548,181		548,181		-
		553,645		553,645		-
<b>Totals</b>	<b>719,404</b>	<b>14,912,773</b>	<b>486,454</b>	<b>15,138,733</b>	<b>739,562</b>	<b>240,336</b>

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Exhibit A-3**

Unassigned Fund Balance, July 1	1,684,742	
Unassigned Fund Balance, June 30	<u>1,727,245</u>	
<b>Increase</b>		<b><u><u>42,503</u></u></b>

***Analysis of Change***

Additions		
Budget Summary		
Revenue Surplus - Exhibit A-1	127,167	
Unexpended Balance of		
Appropriations - Exhibit A-2	<u>240,336</u>	
Budget Surplus		<u>367,503</u>
Deductions		
Beginning Fund Balance Used		
to Reduce Tax Rate		<u>(325,000)</u>
<b>Increase</b>		<b><u><u>42,503</u></u></b>

**TOWN OF MOUNT DESERT**  
**ALL GENERAL RESERVE FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2014**

**Exhibit A-4**

<i>Assets</i>	<i>Town Reserve Funds</i>	<i>Planning Grant</i>	<i>Shellfish Fund</i>	<i>Total</i>
Investments	3,254,988			3,254,988
Accounts Receivable	2,153			2,153
Due from Other Funds	4,939	22,739	11,451	39,129
<b>Total Assets</b>	<b>3,262,080</b>	<b>22,739</b>	<b>11,451</b>	<b>3,296,270</b>
<i>Liabilities and Fund Balances</i>				
Liabilities				
Accounts Payable	223			223
Due to Other Funds	122,894			122,894
<b>Total Liabilities</b>	<b>123,117</b>	<b>-</b>	<b>-</b>	<b>123,117</b>
Fund Balances				
Restricted		22,739		22,739
Committed	3,138,963			3,138,963
Assigned			11,451	11,451
<b>Total Fund Balances</b>	<b>3,138,963</b>	<b>22,739</b>	<b>11,451</b>	<b>3,173,153</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>3,262,080</b>	 <b>22,739</b>	 <b>11,451</b>	 <b>3,296,270</b>

**TOWN OF MOUNT DESERT**  
**ALL GENERAL RESERVES**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Exhibit A-5**

	<b>Municipal Revenue Sharing</b>	<b>General Reserve Funds</b>	<b>Planning Grant</b>	<b>Shellfish Fund</b>	<b>Total</b>
<b>Revenues</b>					
Intergovernmental Revenues	31,995				31,995
Local Sources		192,616		2,130	194,746
Fair Value Increase (Decrease)		490,698			490,698
Total Revenues	31,995	683,314	-	2,130	717,439
<b>Expenditures</b>					
General Government		716			716
Public Safety		161,711			161,711
Debt Service		124,027			124,027
Total Expenditures	-	286,454	-	-	286,454
<b>Excess of Revenues Over (Under)</b>					
Expenditures	31,995	396,860	-	2,130	430,985
<b>Other Financing Sources (Uses)</b>					
Transfers from Other Funds		53,322			53,322
Transfers to Other Funds	(49,422)	(300,000)			(349,422)
Total Other Financing Sources (Uses)	(49,422)	(246,678)			(296,100)
<b>Excess of Revenues and Other Financing Sources Over (Under)</b>					
Expenditures and Other Uses	(17,427)	150,182	-	2,130	134,885
<b>Fund Balance - July 1</b>	17,427	2,988,781	22,739	9,321	3,038,268
<b>Fund Balance - June 30</b>	-	3,138,963	22,739	11,451	3,173,153

**TOWN OF MOUNT DESERT  
GENERAL RESERVE FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2014**

	<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	4,293		83	743	(716)	4,403
Police Reserve	23,661	23,322	1,030		(19,546)	28,467
Police Training Reserve	33,087		955			34,042
Pollution Control Equipment	0					-
Revaluation Reserve	31,681	30,000	1,781			63,462
Wastewater Bond Repayment	1,476,496		39,765		(124,027)	1,392,234
Sub-Total	1,569,218	53,322	43,614	743	(144,289)	1,522,608
General (Fair Value Changes)	1,419,121		490,698		(300,000)	1,609,819
Police Reimbursements						
Hancock County Drug Task Force				54,548	(54,548)	-
Hancock County UAD Task Force				9,803	(9,803)	-
Bar Harbor Police Chief				49,012	(46,684)	2,328
Bulletproof Vests				708	(708)	-
Police Security Detail	442			10,003	(8,333)	2,112
Police Outside Detail				10,132	(8,036)	2,096
MDEA Reimbursement				14,053	(14,053)	-
Sub-Total	442			148,259	(142,165)	6,536
Total	2,988,781	53,322	534,312	149,002	(586,454)	3,138,963



**TOWN OF MOUNT DESERT**  
**ALL SPECIAL REVENUE FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2014**

**Exhibit B-1**

<i>Assets</i>	<i>Wayfinding Signs</i>	<i>Com. Dev. Movies Program</i>	<i>Totals</i>
Due from Other Funds	27,575	5,546	33,121
<b>Total Assets</b>	<b>27,575</b>	<b>5,546</b>	<b>33,121</b>
 <i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable		5,546	5,546
Total Liabilities	-	5,546	5,546
Fund Balances			
Restricted	27,575		27,575
Total Fund Balances	27,575	-	27,575
<b>Total Liabilities and Fund Balances</b>	<b>27,575</b>	<b>5,546</b>	<b>33,121</b>

**TOWN OF MOUNT DESERT**  
**ALL CAPITAL PROJECT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Exhibit B-2**  
**Page 1 of 2**

	<i>Wayfinding Signs</i>	<i>Com. Dev. Movies Program</i>	<i>Totals</i>
Revenues			
Local Sources	37,575	8,100	45,675
Total Revenues	37,575	8,100	45,675
Expenditures			
Public Works Department	10,000		10,000
Community Development		13,564	13,564
Total Expenditures	10,000	13,564	23,564
Excess of Revenues Over (Under) Expenditures	27,575	(5,464)	22,111
Other Financing Sources (Uses)			
Bond Proceeds			
Transfer from Other Funds		5,464	5,464
Transfer to Other Funds			
	-	5,464	5,464
Excess of Revenues and Other Sources Over (Under) Expenditures	27,575	-	27,575
Fund Balance - July 1			
Fund Balance - June 30	27,575	-	27,575

**TOWN OF MOUNT DESERT**  
**ALL CAPITAL PROJECT FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2014**

*Exhibit C-1*

<i>Assets</i>	<i>Town Office Construction</i>	<i>Municipal Garage</i>	<i>WWTP Upgrades</i>	<i>Somesville Sidewalk Project</i>	<i>Capital Improvement Program</i>	<i>Total</i>
Investments					1,039,673	1,039,673
Bonds Receivable		83,652	1,613,340			1,696,992
Due from Other Funds	12,622	77,785	36,956	81,984		209,347
<b>Total Assets</b>	<b>12,622</b>	<b>161,437</b>	<b>1,650,296</b>	<b>81,984</b>	<b>1,039,673</b>	<b>2,946,012</b>
<i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable	12,622	44,523	180,773	15,095		253,013
Accounts Payable		2,155	493,613	10,741	11,099	517,608
Due to Other Funds					83,905	83,905
<b>Total Liabilities</b>	<b>12,622</b>	<b>46,678</b>	<b>674,386</b>	<b>25,836</b>	<b>95,004</b>	<b>854,526</b>
Fund Balances						
Committed		114,759	975,910	56,148	944,669	2,091,486
<b>Total Fund Balances</b>	<b>-</b>	<b>114,759</b>	<b>975,910</b>	<b>56,148</b>	<b>944,669</b>	<b>2,091,486</b>
<b>Total Liabilities and Fund Balances</b>	<b>12,622</b>	<b>161,437</b>	<b>1,650,296</b>	<b>81,984</b>	<b>1,039,673</b>	<b>2,946,012</b>

**TOWN OF MOUNT DESERT**  
**ALL CAPITAL PROJECT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit C-2

	Town Office Construction	Municipal Garage	WWTP Upgrades	Somesville Sidewalk Project	Capital Improvement Program	Total
Revenues						
Local Sources					1,000	1,000
Interest Income					38,117	38,117
Total Revenues	-	-	-	-	39,117	39,117
Expenditures						
General Government					20,134	20,134
Public Safety					406,713	406,713
Public Works Department					243,170	243,170
Sewer					21,849	21,849
Construction	28,875	1,817,858	3,402,603	101,840		5,351,176
Engineering		121,812	219,622	2,121		343,555
Miscellaneous		51,062	60,168	25,706		136,936
Total Expenditures	28,875	1,990,732	3,682,393	129,667	691,866	6,523,533
Excess of Revenues Over (Under) Expenditures	(28,875)	(1,990,732)	(3,682,393)	(129,667)	(652,749)	(6,484,416)
Other Financing Sources (Uses)						
Transfer from Other Funds	16,014				479,890	495,904
Transfer to Other Funds	16,014	-	-	-	(1,045)	(1,045)
Excess of Revenues and Other Sources Over (Under) Expenditures	(12,861)	(1,990,732)	(3,682,393)	(129,667)	(173,904)	(5,989,557)
Fund Balance - July 1	12,861	2,105,491	4,658,303	185,815	1,118,573	8,081,043
<b>Fund Balance - June 30</b>	-	<b>114,759</b>	<b>975,910</b>	<b>56,148</b>	<b>944,669</b>	<b>2,091,486</b>

**TOWN OF MOUNT DESERT**  
**CAPITAL IMPROVEMENT FUNDS**  
**STATEMENT OF ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<i>Balance July 1</i>	<i>Transfers In</i>	<i>Interest</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Transfers Out</i>	<i>Balance June 30</i>
Capital Improvement Funds - General							
Assessment Capital Reserve	2,626	1,250	112				3,988
Bait House	1,602	500	61				2,163
CEO Work Truck	12,309	5,262	507				18,078
Clerk's Capital Improvement	2,977		86				3,063
Communications Cap. Imp.	3,074		109			(1,045)	2,138
Communications Radio	19,908	49,419	2,002				71,329
Fire Equipment/Engine	193,920	221,291	8,955	1,000	(388,186)		36,980
Fire Pond and Dry Hydrant		27,000	631		(18,527)		9,104
Fire Station Building	44,209	6,023	1,450				51,682
Land Acquisition	220,686		6,372				227,058
Public Works Equipment	192,265	66,750	5,836		(92,695)		172,156
Refuse Truck	157,199	30,000	2,973		(139,095)		51,077
Town Office Building	29,188	3,986	821		(17,634)		16,361
Town Manger Telephone		6,667	193				6,860
Town Roads	60,287	25,000	2,276		(11,380)		76,183
Treasurer's Capital Improvement	3,135	1,492	85		(2,500)		2,212
Wastewater	147,254	26,250	5,009				178,513
Wastewater Work Truck	27,934	9,000	639		(21,849)		15,724
Sub-Total - General	1,118,573	479,890	38,117	1,000	(691,866)	(1,045)	944,669
Capital Improvement Funds - Marina							
Bartlett Harbor Moorings/Floats	20,123	4,000	696				24,819
Bartlett Narrows Dock	2,044	3,897	172				6,113
Harbor Boat Reserve	18,088	10,013	811				28,912
Marina Equipment Reserve	6,352	2,000	241				8,593
Northeast Harbor Marina	332,954		8,726		(38,174)	(8,468)	295,038
Northeast Harbor Marina Work Truck	14,394	2,435	486				17,315
Northeast Harbor Moorings/Floats	56,425	29,740	2,502	500			89,167
Seal Harbor Dock	89,590		2,262			(11,262)	80,590
Seal Harbor Moorings/Floats		32,013	787	5,154	(22,211)		15,743
Sub-Total - Marina	539,970	84,098	16,683	5,654	(60,385)	(19,730)	566,290

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET**  
**ALL PERMANENT FUNDS**  
**JUNE 30, 2014**

**Exhibit D-1**

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	6,722	4,483	11,205
<b>Total Assets</b>	<b>6,722</b>	<b>4,483</b>	<b>11,205</b>
<b><i>Liabilities and Fund Balances</i></b>			
Liabilities			
Accounts Payable		22	22
Due to Other Funds			-
<b>Total Liabilities</b>	<b>-</b>	<b>22</b>	<b>22</b>
Fund Balances			
Reserved for Endowments	4,413	4,461	8,874
Assigned	2,309		2,309
<b>Total Fund Balances</b>	<b>6,722</b>	<b>4,461</b>	<b>11,183</b>
<b>Total Liabilities and Fund Balances</b>	<b>6,722</b>	<b>4,483</b>	<b>11,205</b>

**TOWN OF MOUNT DESERT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Exhibit D-2**

	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
Investment Income	200	150	350
Expenditures			
Scholarships			-
Cemetery Maintenance		108	108
	-	108	108
Excess of Revenues Over Expenditures	200	42	242
Fund Balance - July 1	6,522	4,419	10,941
<b>Fund Balance - June 30</b>	<b>6,722</b>	<b>4,461</b>	<b>11,183</b>

**TOWN OF MOUNT DESERT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-through Number</i>	<i>Program or Award Amount</i>	<i>Accrued or (Deferred) Revenue at July 1</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Accrued or (Deferred) Revenue at June 30</i>
U.S. Department of Education: Rural School Achievement Program Passed Through Bar Harbor School Department:	84.358		19,913		13,832	(13,832)	-
NCLB Title 1A - Basic Compensatory Education	84.010	013-05A-3057-13	12,268	-	12,268	(12,268)	-
Passed Through State Department of Educational and Cultural Services:							
Title VI, Part B - Local Entitlement	84.027	013-05A-3046-12	43,964	-	43,964	(43,964)	-
Title VI, Part B - Local Entitlement Preschool	84.027	013-05A-3046-12	195	-	195	(195)	-
Total U.S. Department of Education			76,340	-	70,259	(70,259)	-
U.S. Department of Agriculture Passed Through State Department of Educational and Cultural Services:							
National School Lunch Program	10.555	-	14,995	-	14,995	(14,995)	-
Federal Performance Based Lunch	10.555	-	1,296	-	1,296	(1,296)	-
School Breakfast Program	10.556	-	3,756	-	3,756	(3,756)	-
Food Distribution	10.550	-	5,502	-	5,502	(5,502)	-
Total U.S. Department of Agriculture			25,549	-	25,549	(25,549)	-
<b>Total</b>			<b>101,889</b>	<b>-</b>	<b>95,808</b>	<b>(95,808)</b>	<b>-</b>