

TOWN OF MOUNT DESERT, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR
ENDED JUNE 30, 2016*

TOWN OF MOUNT DESERT
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2016

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***TOWN OF MOUNT DESERT
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2016***

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INDEPENDENT AUDITOR'S REPORT

March 21, 2017

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 (the Town) as of and for the year ended June 30, 2016, which collectively comprise the Town's basic financial statements as listed in the table of contents, including the 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, 2016, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension disclosure schedules on pages 3-9, 41 and 42-43, 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.

Supplementary Information

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 supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates 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.

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, 2016

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, 2016. 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, 2016 by \$34,724,292 (presented as “net position”). Of this amount, \$7,622,321 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 \$1,833,405 (a 5.6 % increase) for the year ended June 30, 2016. Net position of governmental activities increased by \$1,632,461 (a 5.4% increase), while net position of business-type activities showed an increase of \$200,944 (a 7.5% increase).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the year ended June 30, 2016; the Town's governmental funds reported a combined ending fund balance of \$7,595,360 with \$2,479,562 being general unassigned fund balance. This unassigned fund balance represents approximately 16% of the total general fund expenditures for the year.

Long-term Debt:

The Town's total long-term debt obligations decreased by \$1,150,438 for the year ended June 30, 2016. 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 33-34 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 10-11 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 12-15 of this report. The basic proprietary fund financial statements can be found on pages 16-18 of this report. The fiduciary fund financial statements can be found on pages 19-20 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 21-40 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 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

76% 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.

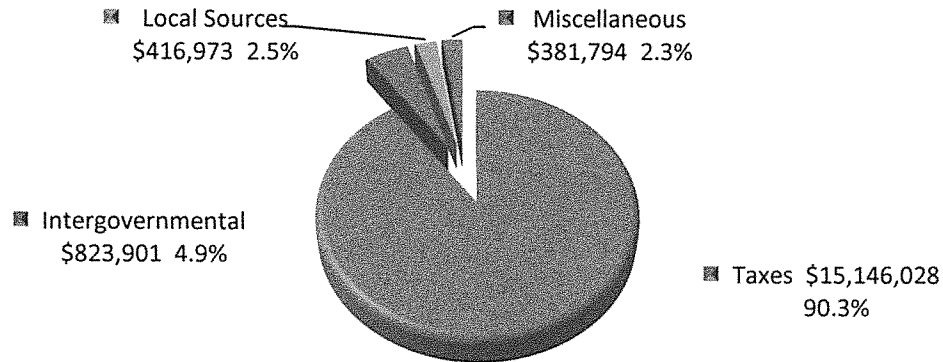
	<i>Governmental Activities</i>	<i>Business-like Activities</i>	<i>June 30, 2016 Total</i>	<i>June 30, 2015 Total</i>
Current Assets	9,142,307	1,545,707	10,688,014	10,251,488
Capital Assets	40,029,730	3,029,420	43,059,150	43,307,788
Total Assets	49,172,037	4,575,127	53,747,164	53,559,276
Total Deferred Outflows of Resources	635,427		635,427	118,396
Total Assets and Deferred Outflows of Resources	49,807,464	4,575,127	54,382,591	53,677,672
Current Liabilities	4,207,956	167,691	4,375,647	3,937,196
Other Liabilities	13,185,678	1,540,000	14,725,678	16,350,039
Total Liabilities	17,393,634	1,707,691	19,101,325	20,287,235
Deferred Inflows of Resources	556,974		556,974	499,550
Net Investment in Capital Assets	25,147,935	1,379,420	26,527,355	25,187,593
Restricted	574,616		574,616	516,898
Unrestricted	6,134,305	1,488,016	7,622,321	7,186,396
Total Net Position	31,856,856	2,867,436	34,724,292	32,890,887
Total Liabilities and Net Position	49,807,464	4,575,127	54,382,591	53,677,672

Changes in Net Position

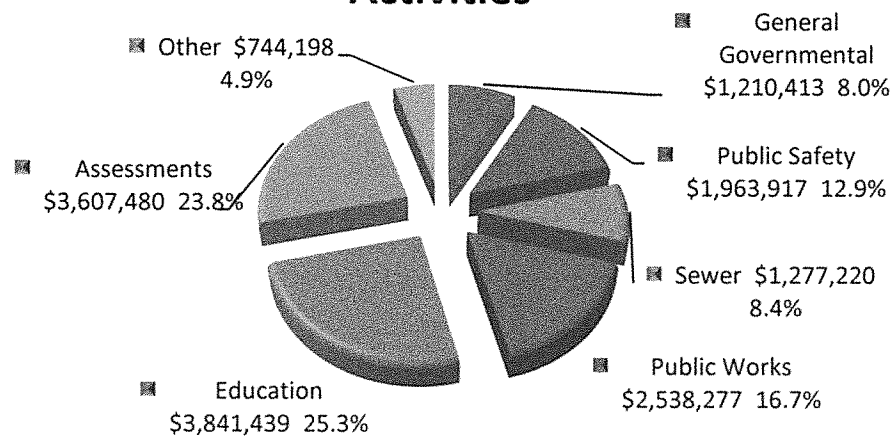
Approximately 90% of the Town's total revenue came from property and excise taxes, approximately 5% came from State subsidies and grants, and approximately 5% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,942,255 of the total expenses for the fiscal year.

	<i>Governmental Activities</i>	<i>Business-like Activities</i>	<i>June 30, 2016 Total</i>	<i>June 30, 2015 Total</i>
<i>Revenues:</i>				
Taxes	15,146,028		15,146,028	14,397,912
Intergovernmental Revenues	823,901		823,901	737,628
Charges for Services	416,973	839,274	1,256,247	1,288,338
Fair Value Increase (Decrease)	212,107		212,107	(147,739)
Gain on Sale of Asset			-	9,200
Transfers In / Out	46,709	(46,709)	-	1,057
Miscellaneous	169,687		169,687	184,908
<i>Total</i>	16,815,405	792,565	17,607,970	16,471,304
<i>Expenses:</i>				
General Government	1,210,412		1,210,412	1,233,203
General Assistance & Rural Wastewater	172,733		172,733	222
Public Safety	1,963,917		1,963,917	2,286,448
Public Works	2,538,277		2,538,277	3,093,331
Sewer	1,275,220		1,275,220	1,451,749
Marine Dept.		591,621	591,621	590,404
Community Development	114,285		114,285	59,904
Debt Service	206,923		206,923	248,481
Other	252,258		252,258	421,164
Assessments	3,607,480		3,607,480	3,541,732
Education Programs	3,841,439		3,841,439	3,776,138
Capital Outlay			-	52,414
<i>Total</i>	15,182,944	591,621	15,774,565	16,755,190
<i>Changes in Net Position</i>	1,632,461	200,944	1,833,405	(283,886)

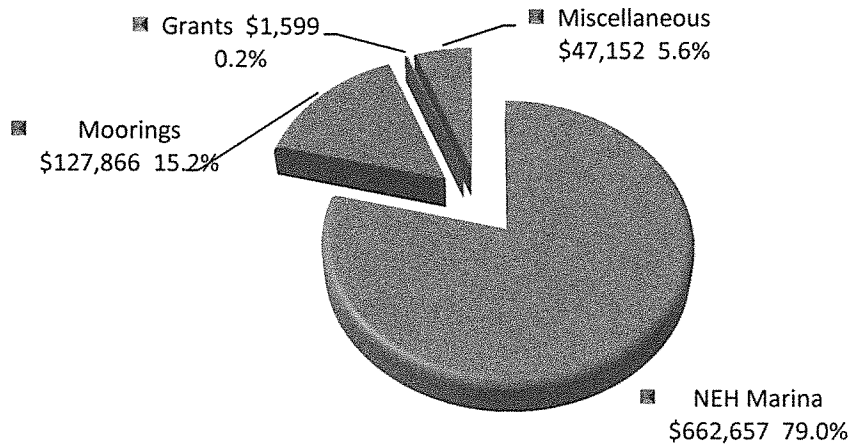
Revenues By Source - Governmental Activities



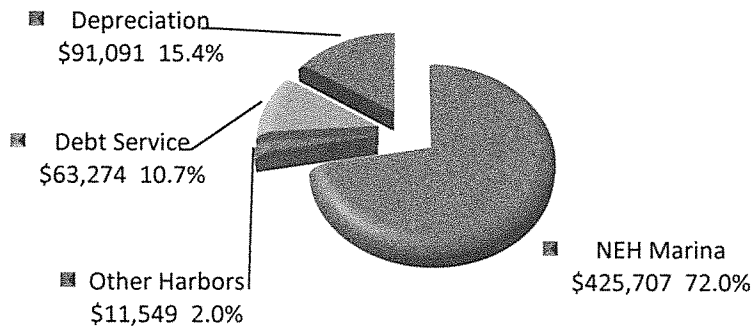
Expenditures By Source - Governmental Activities



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 \$7,595,360, an increase of \$350,389 in comparison with the prior year. Approximately 32 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:

- \$77,974 positive variance in motor vehicle excise. The motor vehicle excise revenue has continued to be underestimated because actual receipts have not been taken into consideration and an anticipation that the poor economy would dictate that fewer new vehicles would be purchased.
- \$47,695 negative variance in town administration. The overage can be primarily attributed to over expenditure of the legal services budget due to the negotiation of the collective bargaining unit for the public works department. There were two significant litigations associated with this contract before it was settled. The other major overrun was due to having two customer service positions budgeted but three were employed due to customer service clerk being selected for town clerk and retaining her customer service position while training for her new position.
- \$94,143 positive variance in police department. The variance is due to police chief sharing – the full chief's salary is budgeted because of our sharing agreement with Bar Harbor. Overtime and academy fees were anticipated providing shift backfill for an officer going to the 18 week police academy. We did not need to send anyone so the funds were not expended. Fuel prices were lower than anticipated. We also did not have to pay as much for training classes as anticipated.
- \$61,353 positive variance in fire department. The variance is due to volunteer firefighters working less hours than expected, volunteer firefighters not fully entitled to the year-end stipends as they were budgeted for, overtime for full time firefighter was taken in comp time rather than pay, recruitment funds not being used, not using/price adjustments for vehicle fuel, fleet repairs are an unknown from year to year so there was an excess, building maintenance and repairs are somewhat of an unknown so there was an excess there, and excess in small equipment and tools.
- \$203,074 positive variance in highways. The variance is based primarily on the relatively easy winter we had. The lack of snow and milder temperatures resulted in less of an impact on budget lines related to building heat and snow plowing and removal as compared to the winter of FY-15 when we had a lot of snow and seasonable temperatures. These budget lines would include, for example, wages, overtime pay, building heating costs, and vehicle fuel in the amount used being less and the per gallon costs being lower than they have been in many years, salt-sand, vehicle fuel both in volume used and the per gallons costs being lower than they have been in years, and general repairs and maintenance associated with the plow trucks and equipment.
- \$49,283 positive variance in waste management. We are under budget primarily for two reasons: the low cost of vehicle fuel as described above in the highways division and the monies left for tipping fees at both EMR and PERC. The amounts spend for tipping fees is volume driven – less trash, the lower the costs to dispose of it. This also accounts for some of the monies left in the vehicle fuel budget line – less was used.
- \$34,305 positive variance in buildings and grounds. The variance is due to the low price of heating and vehicle fuel, and being an easy winter, less than anticipated heating fuel being used. The largest portion of the unspent funds is in the amount of \$20,000 for other insurance. We also had cost savings in electricity – with the boiler's not working so hard thru the easy winter, we reduced our power consumption costs.
- \$78,802 positive variance in sewer operation. Like in the divisions described above, low vehicle fuel costs and less volume used than anticipated due to the easy winter contributed to these savings. There is approximately \$31,000 in unexpended funds in a wage line and in the health insurance line. Our sludge disposal costs were down due to the operations of the crew – reducing volume hence costs while still maintaining excellent treatment.
- \$23,733 negative variance in interest on bonds/notes. This is a budget error on the treasurer's part; the wrong amortization schedule line for the municipal garage interest was used and overlooked entering the GOB fees from the Somesville sewer worksheet.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-like activities amounts to \$68,623,317, net of accumulated depreciation of \$25,564,167, leaving a net book value of \$43,059,150. Current additions include \$7,190 for fire department generator, \$5,933 for a police repeater, \$5,700 for police digital recorder, \$24,828 for a police vehicle, \$112,570 for a trackless tractor with snow blower, \$70,648 for a plow, wing, and equipment, \$31,987 for public works truck, and \$698,268 in road projects. Additional information on the Town's capital assets can be found in Note 3E of the notes to the financial statements on pages 31-32 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, 2016

Exhibit A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Equivalents	3,071,082		3,071,082
Investments	5,640,572	670,060	6,310,632
Taxes and Liens Receivables	66,903		66,903
Bonds Receivables	242,041		242,041
Accounts Receivable	119,905		119,905
Internal Balances		875,647	875,647
Prepaid Expenditures	270		270
Inventory	1,534		1,534
Capital Assets:			
Land	2,624,097		2,624,097
Construction Work in Progress	145,197		145,197
Other Capital Assets, Net of Depreciation	37,260,436	3,029,420	40,289,856
Total Assets	49,172,037	4,575,127	53,747,164
Deferred Outflows of Resources:			
Related to Pensions	635,427		635,427
Total Deferred Outflow of Resources	635,427		635,427
Total Assets and Deferred Outflows of Resources	49,807,464	4,575,127	54,382,591
Liabilities			
Accounts Payable	225,337	1,620	226,957
Retainage Payable	19,675	1,803	21,478
Accrued Interest Payable		46,074	46,074
Accrued Compensated Absences	195,845	8,194	204,039
Accrued Salaries Payable	284,835		284,835
Internal Balances	875,647		875,647
Long-term Liabilities:			
Net Pension Liability	910,500		910,500
Due Within One Year	1,696,117	110,000	1,806,117
Due in More Than One Year	13,185,678	1,540,000	14,725,678
Total Liabilities	17,393,634	1,707,691	19,101,325
Deferred Inflows of Resources:			
Prepaid Taxes	97,291		97,291
Related to Pensions	459,683		459,683
Total Deferred Inflows of Resources	556,974	-	556,974
Net Position			
Net Investment in Capital Assets	25,147,935	1,379,420	26,527,355
Restricted	574,616		574,616
Unrestricted	6,134,305	1,488,016	7,622,321
Total Net Position	31,856,856	2,867,436	34,724,292
Total Liabilities, Deferred Inflows of Resources, and Net Position	49,807,464	4,575,127	54,382,591

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, 2016

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>
<u>Primary Government</u>				<u>Business-like Activities</u>
<u>Governmental Activities</u>				<u>Total</u>
General Government	1,210,413	116,624		(1,093,789)
General Assistance & Rural Wastewater Support	172,753			(172,753)
Public Safety	1,963,917	3,641		(1,960,276)
Public Works	2,538,277	774		(2,537,503)
Sewer	1,275,220	687		(1,274,533)
Community Development	114,285			(114,285)
Debt Service	206,923			(206,923)
Other	252,258			(252,258)
Education	3,841,439	72,500	259,227	(3,509,712)
Assessments	3,607,480			(3,607,480)
<u>Total Governmental Activities</u>	<u>15,182,965</u>	<u>194,226</u>	<u>259,227</u>	<u>(14,729,512)</u>
<u>Business-type Activities</u>				
Marina	591,621	802,540	18,665	229,584
<u>Total Business-type Activities</u>	<u>591,621</u>	<u>802,540</u>	<u>18,665</u>	<u>229,584</u>
<u>Total Primary Government</u>	<u>15,774,586</u>	<u>996,766</u>	<u>277,892</u>	<u>(14,499,928)</u>
<u>General Revenues:</u>				
Taxes				
Property				14,490,385
Auto Excise				627,974
Boat Excise				27,669
Intergovernmental Revenues				369,859
Increase (Decrease) in FMV				212,107
Other Local Sources				605,339
Transfers Marina				-
<u>Total Revenues, Special Items and Transfers</u>				<u>16,333,333</u>
<u>Changes in Net Position</u>				
				1,833,405
<u>Net Position - Beginning</u>				32,890,887
<u>Net Position - Ending</u>				34,724,292

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

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit C
Page 1 of 2

	<i>General Fund</i>	<i>Capital Improvement Program</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets				
Cash and Equivalents	3,071,082			3,071,082
Investments	4,152,556	1,476,246	11,770	5,640,572
Receivables				
Taxes	1,496			1,496
Tax Liens	65,407			65,407
Bonds			242,041	242,041
Other	119,905			119,905
Prepaid Expenditures	270			270
Inventory	1,534			1,534
Due from Other Funds	252,794		67,345	320,139
Total Assets	7,665,044	1,476,246	321,156	9,462,446
Liabilities				
Accounts Payable	187,295	6,543	24,019	217,857
Retainage Payable			19,675	19,675
Accrued Salaries Payable	284,835			284,835
Due to Other Governments	7,480			7,480
Due to Other Funds	1,113,051	6,943	75,792	1,195,786
Total Liabilities	1,592,661	13,486	119,486	1,725,633
Deferred Inflows of Resources:				
Prepaid Taxes	97,291			97,291
Unavailable Property Tax Revenue	44,162			44,162
Total Deferred Inflows of Resources	141,453	-	-	141,453
Fund Balances				
Nonspendable	1,534		8,524	10,058
Restricted	563,593		965	564,558
Committed	2,621,154	1,462,760	189,716	4,273,630
Assigned	265,087		2,465	267,552
Unassigned	2,479,562			2,479,562
Total Fund Balances	5,930,930	1,462,760	201,670	7,595,360
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	7,665,044	1,476,246	321,156	9,462,446

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

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit C
Page 2 of 2

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

Total Fund Balance	7,595,360
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$25,011,757	40,029,730
Deferred outflows of resources related to pension plans	635,427
Deferred inflows of resources related to pension plans	(459,683)
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Net Pension Liability	(910,500)
Unavailable Taxes	44,162
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(14,656,519)
Accrued Compensated Absences	(195,845)
Capital Leases Payable	(225,276)
Net Position of Governmental Activities	<u><u>31,856,856</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, 2016

Exhibit D
Page 1 of 2

	<i>General Fund</i>	<i>Capital Improvement Program</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues				
Taxes	15,130,628			15,130,628
Intergovernmental Revenues	823,901			823,901
Local Sources	368,999	40,335	7,639	416,973
Fair Value Increase (Decrease)	212,107			212,107
Miscellaneous	169,687			169,687
Total Revenues	16,705,322	40,335	7,639	16,753,296
Expenditures				
Current:				
General Government	1,133,328	6,544		1,139,872
General Assistance & Rural Wastewater Support	172,733			172,733
Public Safety	1,752,711	18,823		1,771,534
Public Works	2,104,157	132,820	136,302	2,373,279
Sewer	773,962			773,962
Community Development	114,285			114,285
All Other	252,059		199	252,258
Education Programs	4,119,740			4,119,740
Assessments	3,607,480			3,607,480
Debt Service	1,459,861			1,459,861
Capital Outlay			664,612	664,612
Total Expenditures	15,490,316	158,187	801,113	16,449,616
Excess of Revenues Over (Under) Expenditures	1,215,006	(117,852)	(793,474)	303,680
Other Financing Sources (Uses)				
Transfers from Other Funds	406,598	464,663	51,180	922,441
Transfers to Other Funds	(529,552)	(51,180)	(295,000)	(875,732)
Total Other Financing Sources (Uses)	(122,954)	413,483	(243,820)	46,709
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	1,092,052	295,631	(1,037,294)	350,389
Fund Balance - July 1	4,838,878	1,167,129	1,238,964	7,244,971
Fund Balance - June 30	5,930,930	1,462,760	201,670	7,595,360

(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, 2016

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds 350,389

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	1,619,050
Capital asset disposals	(24,639)
Depreciation expense	(1,851,164)
	<u>(256,753)</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Unavailable Taxes	<u>15,400</u>
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Capital lease obligation principal payments	77,715
New Capital Lease	(149,753)
New Debt	
General obligation bond principal payments	<u>1,550,438</u>
	<u>1,478,400</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	
Deferred Outflows of Pension Expense	517,031
Deferred Inflows of Pension Expense	7,051
Net Pension Liability	(463,916)
Accrued compensated absences	(15,141)
	<u>45,025</u>

Change in net position of governmental activities	<u><u>1,632,461</u></u>
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TOWN OF MOUNT DESERT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2016

Exhibit E

	Proprietary Fund Types Marina Fund
Assets	
Current Assets:	
Investments	670,060
Due from Other Funds	875,647
Total Current Assets	1,545,707
Noncurrent Assets:	
Capital Assets, net	3,029,420
Total Noncurrent Assets	3,029,420
Total Assets	4,575,127
Liabilities and Net Position	
Liabilities	
Current Liabilities:	
Accrued Interest Payable	46,074
Retainage Payable	1,803
Accounts Payable	1,620
Long-term Liabilities:	
Due Within One Year	110,000
Due in More Than One Year	1,540,000
Total Liabilities	1,699,497
Net Position	
Net Investment in Capital Assets	1,379,420
Unassigned	1,496,210
Total Net Position	2,875,630
Total Liabilities and Net Position	4,575,127

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

Total Net Position	2,875,630
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	(8,194)
Transfers to Fiduciary and Proprietary Funds	
	(8,194)
Net Position of Business Activities	2,867,436

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

TOWN OF MOUNT DESERT

Exhibit F

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Marina Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Operating Revenues:				
NEH Marina	593,183	593,183	662,657	69,474
Moorings	122,000	122,000	127,866	5,866
Launch Services	20,000	20,000	18,665	(1,335)
Pump Out Grant			1,599	1,599
Ticket Booth Fees	2,500	2,500	850	(1,650)
Marina Concessions	7,500	7,500	9,568	2,068
Total Operating Revenues:	745,183	745,183	821,205	76,022
Operating Expenditures:				
NEH Marina	428,166	428,166	420,858	7,308
Seal Harbor Marina	7,300	7,300	7,948	(648)
Bartlett Narrows Harbor	3,980	3,980	1,877	2,103
Somesville Harbor	350	350	125	225
Moorings and Floats			1,599	(1,599)
Debt Service	174,064	174,064	63,274	110,790
Depreciation			91,091	(91,091)
Total Operating Expenditures	613,860	613,860	586,772	27,088
Net Operating Income	131,323	131,323	234,433	103,110
Non-operating Revenues (Expenses)				
Interest Revenue			18,069	-
Total Non-operating Revenues (Expenses)	-	-	18,069	-
Net Income (Loss) before contributions and transfers	131,323	131,323	252,502	103,110
Transfer to Other Funds	(131,323)	(131,323)	(46,709)	84,614
Change in Net Position	-	-	205,793	187,724
Total Net Position - Beginning			2,669,837	
Total Net Position - Ending			2,875,630	
Net change in fund balances - total business funds			205,793	
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				
Accrued compensated absences			(4,849)	
			(4,849)	
Change in net position of business activities			200,944	

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, 2016

Exhibit G

	Proprietary Fund Types
	Marina Fund
Cash Flows from Operating Activities	
Received from Customers	821,205
Payments to Suppliers	(218,284)
Payments to Employees	(236,407)
Other Receipts (Payments)	(108,001)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	258,513
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Capital Debt	(110,000)
Disposals of Capital Assets	23,966
Purchases of Capital Assets	(99,076)
	<hr/>
Net Cash Used in Capital and Related Financing Activities	(185,110)
	<hr/>
Cash Flows from Investing Activities	
Net Purchase/Sales of Investment	(91,472)
Interest and Dividends	18,069
	<hr/>
Net Cash Provided by (Used in) Investing Activities	(73,403)
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	-
	<hr/>
Balances - beginning of the year	-
	<hr/>
Balances - end of the year	-
	<hr/> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Net Operating Income (Loss)	205,793
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	91,091
(Increase) Decrease in Due from Other Funds	(38,709)
Increase (Decrease) in Accrued Interest Payable	(789)
Increase (Decrease) in Retainage Payable	1,803
Increase (Decrease) in Accounts Payable	(676)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	258,513
	<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, 2016

Exhibit H

	<i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i>
<i>Assets</i>	
Investments	13,627
Total Assets	13,627
<i>Liabilities and Net Position</i>	
Liabilities	
Due to Other Funds	
Total Liabilities	-
Net Position	
Restricted	13,281
Unassigned	346
Total Net Position	13,627
Total Liabilities and Net Position	13,627

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, 2016

Exhibit I

	<i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i>
Revenues	
Investment Income	<u>435</u>
	<u>435</u>
Expenditures	
Scholarships	<u>453</u>
Total Expenditures	<u>453</u>
Excess of Revenues Over (Under)	
Expenditures	(18)
Net Position - July 1	<u>13,645</u>
Net Position - June 30	<u><u>13,627</u></u>

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

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 recognized when transactions occur 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major enterprise fund:

The marina fund accounts for the activities of the harbor department. 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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Assets, Liabilities and Net 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 unavailable tax revenue. At June 30, \$44,162 had been so classified and reported on the general fund balance sheet. Property taxes were levied on July 6 on property values assessed on April 1. Taxes were due on July 1, 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 29, 2016 for the 2016 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.

4. Capital Assets

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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. Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet will report a separate section for deferred outflows and/or inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and therefore will not be recognized as revenue until that time. The School Department has an item that qualifies as deferred outflows of resources, and it has an item that qualifies as a deferred inflow. Both items are related to pensions. These amounts are considered unavailable and will be recognized as an outflow of resources (expenditure) and an inflow of resources (revenue) in the period that the amounts become available.

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Employees Retirement System (System) and additions to/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred.

7. 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.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. 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.

Under State Law, no municipality can incur debt which would cause its total outstanding debt, exclusive of debt incurred for school, storm or sanitary sewer, energy facilities, or municipal airports, to exceed 7.50% of its last full state valuation. A municipality may incur debt for schools not exceeding 10%, storm or sanitary sewers 7.50%, and municipal airports, water districts and special purpose districts 3% of its last full state valuation. In no event can the total debt exceed 15% of its last full valuation. Full state valuation is the valuation of taxable property as certified by the State Tax Assessor, adjusted to 100%.

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

9. 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, 2016

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, 2016 fund balances on the balance sheet as follows:

	General Fund	Capital Improvement Program	Other Governmental Funds	Total
<u>Nonspendable</u>				
School Inventory	1,534			1,534
Frank Stanley Principal			4,220	4,220
Cemetery Principal			4,304	4,304
<u>Restricted</u>				
School Department	532,762			532,762
Municipal Revenue Sharing	8,092			8,092
Planning Grant	22,739			22,739
Com. Dev. Movies Program			965	965
<u>Committed</u>				
Town Reserves	2,621,154			2,621,154
Police Dept. Renovations			952	952
Seal Harbor Comfort Station			15,803	15,803
Otter Creek Fire Pond			20,520	20,520
Otter Creek Landing			19,979	19,979
Steamboat Wharf			17,802	17,802
Brookside Road			10,878	10,878
Capital Imp. Program		1,462,760		1,462,760
Sidewalk Project			42,176	42,176
Municipal Garage			3,700	3,700
WWTP Upgrades			57,906	57,906
<u>Assigned</u>				
Shellfish Fund	14,859			14,859
Encumbrances	250,228			250,228
Frank Stanley Income			2,465	2,465
<u>Unassigned</u>				
General Fund	2,479,562			2,479,562
<u>Total Fund Balance</u>	<u>5,930,930</u>	<u>1,462,760</u>	<u>201,670</u>	<u>7,595,360</u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 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:

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 2015-2016, \$300,000 of the beginning General Fund fund balance was applied for this purpose.

Reserve funds, once established by the Town Meeting, may be expended with approval of the Board of Selectmen for the purpose for which the reserve was established.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments are carried forward to supplement appropriations of the subsequent year. The General Fund reserve for encumbrances totals \$250,228 at June 30 and is detailed in Exhibit A-2.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town's deposit policy for custodial credit risk requires compliance with the provisions of state law. State Statute 5706 require banks to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the Town Treasurer in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of Federal Deposit Insurance Town (FDIC).

One or more of the financial institutions holding the Town's cash accounts are participating in the FDIC Transaction Account Guarantee Program. For all accounts, the Town's cash deposits, including certificates of deposits, are insured up to \$250,000 per custodian by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the Town and thus no custodial risk exists.

At June 30, the carrying amount of the Town's deposits was \$3,071,082 and the bank balance was \$3,262,365. Of the bank balance, \$921,856 was covered by federal depository insurance and 2,103,147 were collateralized through Camden National and Bar Harbor Bank & Trust, \$237,362 was uncollateralized.

B. Investments

At June 30, 2016, the Town had the following investments, maturities, and credit ratings:

		Maturities in Years				Credit
	Fair					Rating
Type	Value	< 1	1-5	6-10	> 10	S&P
Reserves and CIP						
Common Stock	457,679		457,679			A+
Common Stock	362,687		362,687			A
Common Stock	126,429		126,429			AA+
Common Stock	419,731		419,731			NR
Corporate Bonds	103,014			103,014		A-
Corporate Bonds	609,225		609,225			AA-
Corporate Bonds	196,809		196,809			BBB+
Corporate Bonds	143,181		143,181			BB-
Equities	3,880,107	3,880,107				NR
	6,298,862	3,880,107	2,315,741	103,014	-	
Trust Funds						
Mutual Funds	25,397	25,397				NR
	25,397	25,397	-	-	-	

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (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	2,035,140,735	
Tax Rate (per \$1,000)	7.11	
		<hr/>
Commitment	14,469,851	<hr/>
		<hr/>
Appropriations	15,890,307	
Less:		
State Municipal Revenue Sharing	25,000	
Homestead Reimbursement	20,474	
BETE Reimbursement	940	
Other Revenue	1,374,042	
		<hr/>
	1,420,456	<hr/>
Net Assessment for Commitment	14,469,851	<hr/>
		<hr/>

Uncollected taxes and liens at June 30 for the current year commitment totaled \$59,814. Unpaid liens at June 30 totaled \$5,593.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2016 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	252,794	1,113,051
Com. Dev. Movies Prog.	965	
Capital Project Funds	66,380	81,972
Cemetery Trusts		763
Marina Fund	<u>875,647</u>	
Totals	<u><u>1,195,786</u></u>	<u><u>1,195,786</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, 2016, were as follows:

	<u><i>Transfers From</i></u>	<u><i>Transfers To</i></u>
General Fund	406,598	529,552
Wayfinding Signs	1,180	
Capital Projects	514,663	346,180
Marina Fund		<u>46,709</u>
Totals	<u><u>922,441</u></u>	<u><u>922,441</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, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	2,624,097			2,624,097
Construction Work in Progress	7,435,109	528,418	(7,818,330)	145,197
<i>Capital assets being depreciated</i>				
Buildings	16,979,789	7,452,447		24,432,236
Equipment	5,199,413	355,707	(161,643)	5,393,477
Infrastructure	31,264,395	1,093,498		32,357,893
<i>Total capital assets being depreciated</i>	<u>53,443,597</u>	<u>8,901,652</u>	<u>(161,643)</u>	<u>62,183,606</u>
<i>Less accumulated depreciation for</i>				
Buildings	6,878,570	554,483		7,433,053
Equipment	2,630,905	427,552	(144,314)	2,914,143
Infrastructure	13,706,845	869,129		14,575,974
<i>Total accumulated depreciation</i>	<u>23,216,320</u>	<u>1,851,164</u>	<u>(144,314)</u>	<u>24,923,170</u>
<i>Net capital assets being depreciated</i>	<u>30,227,277</u>	<u>7,050,488</u>	<u>(17,329)</u>	<u>37,260,436</u>
<i>Governmental Activities Capital Assets, net</i>	<u>40,286,483</u>	<u>7,578,906</u>	<u>(7,835,659)</u>	<u>40,029,730</u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities;</i>				
<i>Capital asset not being depreciated</i>				
Land	103,201			103,201
<i>Capital assets being depreciated</i>				
Marina	3,396,199	126,069	(43,639)	3,478,629
<i>Total capital assets being depreciated</i>	3,396,199	126,069	(43,639)	3,478,629
<i>Less accumulated depreciation for</i>				
Marina	478,095	91,091	(16,776)	552,410
<i>Total accumulated depreciation</i>	478,095	91,091	(16,776)	552,410
<i>Net capital assets being depreciated</i>	2,918,104	34,978	(26,863)	2,926,219
<i>Business-type Activities Capital Assets, net</i>	3,021,305	34,978	(26,863)	3,029,420

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

Governmental Activities

General Government	52,218
Public Safety	171,936
Public Works	934,890
Education	152,524
Sewer	539,596
Total Depreciation Expense - Governmental Activities	1,851,164

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (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>
2017	81,735
2018	57,763
2019	57,764
2020	40,297
2021	5,282
Total Minimum Lease Payments	242,841
Less: Amount Representing Interest	(17,565)
Present Value of Future Minimum Lease Payments	<u>225,276</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><u>Purpose</u></i>	<i><u>Interest Rate</u></i>	<i><u>Amount</u></i>
General Government		
2002 School Construction Bond, maturing 2023	3.05 – 5.25%	2,082,500
2004 Sewer Bond, Maturing 2025	1.03%	1,980,000
2006 General Obligation Bond, Maturing 2017	6.5%	125,000
2009 Sewer Bond Maturing 2024	1.13%	2,826,667
2012 Somesville Sidewalk Maturing 2022	2.99%	900,000
2013 WWTP Upgrade Maturing 2033	.32%	4,212,558
2013 Municipal Garage Maturing 2028	2.61%	1,814,744
2016 Capital Improvements Maturing 2025	1.99%	<u>715,050</u>
		<u>14,656,519</u>
 <i><u>Purpose</u></i>	 <i><u>Interest Rate</u></i>	 <i><u>Amount</u></i>
Marina Fund		
2011 Marina Project Maturing 2031	3.64%	<u>1,650,000</u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (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 \$1,182,369, and the Marina fund interest of \$480,876 is as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Marina Fund</i>	<i>Totals</i>
2017	1,876,123	170,225	2,046,348
2018	1,717,083	166,056	1,883,139
2019	1,684,367	162,052	1,846,419
2020	1,651,539	158,048	1,809,587
2021	1,618,624	154,165	1,772,789
2022-2026	5,286,384	710,237	5,996,621
2027-2031	1,507,969	610,093	2,118,062
2032-2033	496,799		496,799
Total	15,838,888	2,130,876	17,969,764

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	16,206,957	1,760,000
Additions		
Reductions	(1,550,438)	(110,000)
Balance – June 30	14,656,519	1,650,000

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, 2016</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
MDICSD	2,308,100	34.52%	796,756
Hancock County	900,000	15.35%	138,150
Totals	3,208,100		934,906

The Town's proportionate share of the above debt is paid through annual assessments by the respective units.

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. Pension Plans

Plan Description

The Town's employees are covered under the ICMA or Maine Public Employees Retirement System (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.

Defined Benefit Employee Pension Plan

Plan Description

Qualifying personnel of the Town of Mount Desert participates in the Maine Public Employees Retirement System (System) State Employee and Teacher (SET) Plan and the Participating Local Districts (PLD) Consolidated Retirement Plan. Both plans are a multiple-employer, cost-sharing pension plan with a special funding situation for the SET Plan. The State of Maine is also a non-employer contributing entity for the SET Plan in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school systems contribute the normal cost, calculated actuarially, for the teacher members.

Pension Benefits

SET benefit terms are established in Maine Statute. The PLD Consolidated Plan has an advisory group, also established by statute, who review the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occur upon the earning of five years of service credit for State employees and teachers. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – OTHER INFORMATION (Continued)

B. Pension Plans (continued)

normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employees and teacher members.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual interest credited to members' accounts is set by the System's Board of Trustees.

Member and Employer Contributions

Retirement benefits are funded by contributions from members, employers, State contributions and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the Plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. For the year ended June 30, 2016, the SET Plan member contribution rate was 7.65% and the employer contribution rate was 3.36% of applicable member compensation. The employer is also responsible for contributing 10.57% of all federally funded member compensation. The State of Maine, as a non-employer contributing entity, pays 10.02% of the applicable member compensation into the System. For the year ended June 30, 2016, the PLD Plan member contribution rate was 7.5% and the employer contribution rate was 8.9% of applicable member compensation.

The required contributions paid into the System for the year ended June 30, 2016 and the previous two years are as follows:

SET Plan:

<i>For the year ended</i>	<i>Employee</i>	<i>Employer</i>	<i>State of Maine</i>	<i>Applicable</i>	<i>Applicable</i>
<i>June 30,</i>	<i>Contributions</i>	<i>Contributions</i>	<i>Contributions</i>	<i>Member</i>	<i>Member Federal</i>
				<i>Compensation</i>	<i>Compensation</i>
2016	\$ 115,607	\$ 56,675	\$ 151,422	\$ 1,511,199	\$ 42,345
2015	\$ 111,289	\$ 44,723	\$ 183,598	\$ 1,454,758	\$ 45,717
2014	\$ 107,416	\$ 41,544	\$ 178,776	\$ 1,404,134	\$ 32,104

PLD Plan:

<i>For the year ended</i>	<i>Employee</i>	<i>Employer</i>	<i>Applicable</i>
<i>June 30,</i>	<i>Contributions</i>	<i>Contributions</i>	<i>Member</i>
			<i>Compensation</i>
2016	\$ 95,852	\$ 113,744	\$ 1,278,022
2015	\$ 93,193	\$ 103,843	\$ 1,331,326
2014	\$ 90,268	\$ 83,280	\$ 1,289,542

Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred. For the teacher group, total employer and non-employer contributions

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – OTHER INFORMATION (Continued)

B. Pension Plans (continued)

were the basis for the allocation, adjusted to remove the normal cost contributions paid by the local school systems on behalf of their employees. These leave contributions toward the unfunded liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those School Systems contributing towards the unfunded liability of the plan using grant funding.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the Town of Mount Desert reported a net pension liability of \$51,980 for the SET Plan and \$858,520 for the PLD Plan. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. Mount Desert School Department's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. The School participates under the Town of Mount Desert, Maine's Plan and the School's share is 6% of the total Town proportion for the PLD Plan. At June 30, 2016, the Town of Mount Desert's proportion of contributions was .269090% for the PLD Plan and .003850% for the SET Plan, which was an increase of .013214% for the PLD Plan and .001051% for the SET Plan from each of its proportions measured at June 30, 2015.

For the fiscal year ended June 30, 2016, the Town of Mount Desert recognized pension expense of \$170,419. At June 30, 2016, the School's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	34,664	110,623
Changes in Assumption	77,302	-
Net Difference between projected and actual earnings on pension plan investments	275,970	343,181
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,072	5,879
Employer Contributions made subsequent to measurement date	170,419	
	<u>635,427</u>	<u>459,683</u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – OTHER INFORMATION (Continued)

B. Pension Plans (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year Ended June 30,</i>	<i>SET Plan</i>	<i>PLD Plan</i>
2017	10,947	(15,426)
2018	3,259	(15,426)
2019	(1,700)	(45,323)
2020	2,750	66,243

Actuarial Assumptions

The collective total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u><i>SET Plan</i></u>	<u><i>PLD Plan</i></u>
Investment Rate of Return:	7.125% per anum for 6/30/15	7.25% per anum
Salary Increases, Mert and Inflation:	3.5% to 13.5% per year	3.5% to 9.5% per year
Cost of Living Benefit:	3.5% per annum for Teachers	3.12% per annum for PLD's
Mortality Rates	For PLD members, the RP2000 Tables projected forward to 2015 using Scale AA are used. For active members of the Teacher Plan, the ages are set back 2 years.	

These actuarial assumptions used in the June 30, 2015 were set in 2011 with a margin for future improvement based on the five year experience study process and will be examined following this valuation based on the experience from 2010 to 2015 to determine the base and projection tables to use for the 2016 valuation forward as well as ascertain the margin for future improvements.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – OTHER INFORMATION (Continued)

B. Pension Plans (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	5.2%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.0%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.125% for the SET Plan and 7.25% for the PLD Plan. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.125% for the SET Plan and 7.25% for the PLD Plan as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

SET Plan:	<u>1% Decrease ▼ (6.125%)</u>	<u>Current Discount Rate (7.125%)</u>	<u>1% Increase ▼ (8.125%)</u>
Proportionate Share of the Net Pension Liability	\$ 91,004	\$ 51,980	\$ 19,477
PLD Plan:	<u>1% Decrease ▼ (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase ▼ (8.25%)</u>
Proportionate Share of the Net Pension Liability	\$ 1,710,425	\$ 858,520	\$ 50,860

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS' Actuarial Valuation Reports available online at www.mainebers.org or contacting the System at (207) 512-3100.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – OTHER INFORMATION (Continued)

C. Risk Management

The town is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the town participated in public entity risk pools sponsored by the Maine Municipal Association (MMA) for workers' compensation, and property damage.

Workers' Compensation - MMA's workers' compensation self-insured trust retains \$400,000 of risk and purchases excess insurance for claims which exceed \$400,000 up to a maximum coverage of \$2,000,000. All participants are jointly and severally liable; therefore, if collected claims exceed collective contributions the trust has a right to assess additional contributions to its members.

Property and Casualty - MMA's Self-Funded Risk Management Pool (Pool) was created to establish and administer a risk management service and to bring about prevention or lessening of casualty and property losses to member towns. The town pays an annual premium to the Pool for various coverage's and services. The Pool retains loss of property risk which exceeds \$1,000 up to a maximum coverage of \$100,000 and purchases an additional \$255,000,000 per occurrence. The Pool retains the first \$100,000 liability coverage per occurrence and purchases excess insurance for claims which exceed \$100,000 up to a maximum of \$1,000,000 per occurrence, \$3,000,000 aggregate coverage, and crime coverage which exceeds \$1,000 up to a maximum coverage of \$250,000.

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, 2016.

TOWN OF MOUNT DESERT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit J

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	15,068,851	15,068,851	15,130,628	61,777
Intergovernmental Revenues	170,114	170,114	162,393	(7,721)
Charges for Services	113,150	113,150	121,726	8,576
Miscellaneous	166,600	184,250	169,687	(14,563)
Total Revenues	15,518,715	15,536,365	15,584,434	48,069
Expenditures (Net of Departmental Revenues)				
General Government	1,176,418	1,175,668	1,133,616	42,052
General Assistance & Rural Wastewater Support	183,120	183,120	172,733	10,387
Public Safety	1,756,907	1,761,157	1,587,377	173,780
Public Works	2,429,318	2,429,318	2,145,390	283,928
Sewer	914,085	914,085	762,869	151,216
Community Development	118,600	136,250	123,627	12,623
Debt Service	1,303,138	1,303,138	1,326,869	(23,731)
All Other	252,664	252,664	252,059	605
Education	3,536,768	3,536,768	3,536,768	-
Assessments	3,714,737	3,714,737	3,607,480	107,257
Total Expenditures	15,385,755	15,406,905	14,648,788	758,117
Excess Revenues Over Expenditures	132,960	129,460	935,646	806,186
Other Financing Sources				
Transfers from Other Funds	71,592	75,092	366,709	291,617
Transfer to Other Funds	(504,552)	(504,552)	(504,552)	-
Total Other Financing Sources	(432,960)	(429,460)	(137,843)	291,617
Net Change in Fund Balance	(300,000)	(300,000)	797,803	1,097,803
Beginning Fund Balances - Budgetary Basis			1,681,759	
Ending Fund Balances - Budgetary Basis			2,479,562	
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			784,524	
Ending Fund Balances - GAAP Basis			3,264,086	

TOWN OF MOUNT DESERT
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit K

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<i>State Employees and Teachers Plan For the Fiscal Year Ended June 30, 2016</i>	<i>State Employees and Teachers Plan For the Fiscal Year Ended June 30, 2015</i>
Proportion of net pension liability	0.003850%	0.002799%
Proportionate share of net pension liability	\$51,980	\$30,238
Covered employee payroll	\$1,553,544	\$1,454,758
Proportionate share of the net pension liability as a percentage of its covered employee payroll	3.35%	2.08%
Plan Total Pension Liability	\$12,616,287,054	\$12,320,158,783
Plan Fiduciary Net Position	\$10,242,097,022	\$10,337,615,927
Plan Net Pension Liability	<u>\$2,374,190,032</u>	<u>\$1,982,542,856</u>
Plan Fiduciary Net Position as a % Of the Total Pension Liability	81.182%	83.908%
Plan Covered Employee Payroll	\$1,699,160,889	\$1,676,857,294
Plan Net Pension Liability as a % Of the Covered Employee Payroll	139.727%	118.230%

* Amounts presented for each fiscal year were determined as of June 30 of the prior year. Prior year information is not required. A full year schedule will be displayed as it becomes available.

Schedule 2 - Schedule of School Department Contributions:

	<i>For the Fiscal Year Ended June 30, 2016</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Contractually required contribution	\$56,675	\$44,723
Contribution in relation to the contractually required contribution	<u>(\$56,675)</u>	<u>(\$44,723)</u>
Contribution deficiency	<u>\$0</u>	<u>\$0</u>
Covered employee payroll	\$1,553,544	\$1,454,758
Contributions as a percentage of covered employee payroll	3.65%	3.07%

* Amounts presented for each fiscal year were determined as of June 30 of the prior year. Prior year information is not required. A full year schedule will be displayed as it becomes available.

TOWN OF MOUNT DESERT
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit L

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<i>Participating Local Districts Plan For the Fiscal Year Ended June 30, 2016</i>	<i>Participating Local Districts Plan For the Fiscal Year Ended June 30, 2015</i>
Proportion of net pension liability	0.269090%	0.255876%
Proportionate share of net pension liability	\$858,520	\$393,745
Covered employee payroll	\$1,278,022	\$1,412,324
Proportionate share of the net pension liability as a percentage of its covered employee payroll	67.18%	27.88%
Plan Total Pension Liability	\$2,720,936,009	\$2,609,657,845
Plan Fiduciary Net Position	\$2,401,889,308	\$2,455,776,671
Plan Net Pension Liability	<u>\$319,046,701</u>	<u>\$153,881,174</u>
Plan Fiduciary Net Position as a % Of the Total Pension Liability	88.3%	94.1%
Plan Covered Employee Payroll	\$497,616,846	\$460,029,637
Plan Net Pension Liability as a % Of the Covered Employee Payroll	64.1149%	33.4503%

* Amounts presented for each fiscal year were determined as of June 30 of the prior year. Prior year information is not required. A full year schedule will be displayed as it becomes available.

Schedule 2 - Schedule of School Department Contributions:

	<i>For the Fiscal Year Ended June 30, 2015</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Contractually required contribution	\$113,744	\$109,631
Contribution in relation to the contractually required contribution	<u>(\$113,744)</u>	<u>(\$109,631)</u>
Contribution deficiency	<u>\$0</u>	<u>\$0</u>
Covered employee payroll	\$1,278,022	\$1,412,324
Contributions as a percentage of covered employee payroll	8.90%	7.76%

* Amounts presented for each fiscal year were determined as of June 30 of the prior year. Prior year information is not required. A full year schedule will be displayed as it becomes available.

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-1
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	14,469,851	14,456,151	(13,700)
Motor Vehicle Excise	550,000	627,974	77,974
Boat Excise	29,000	27,669	(1,331)
Interest on Taxes	20,000	18,834	(1,166)
	<u>15,068,851</u>	<u>15,130,628</u>	<u>61,777</u>
Intergovernmental Revenues			
Acadia National Park - PILT	32,000	30,929	(1,071)
ANP Otter Creek Treatment Plant	60,000	48,444	(11,556)
ANP Seal Harbor Sewer	15,000	15,298	298
State Road Assistance	35,000	36,608	1,608
General Assistance	2,500		(2,500)
Homestead Reimbursement	20,474	20,474	-
Snowmobile Reimbursement		530	530
Tree Growth	3,000	3,898	898
Veterans Exemption	700	775	75
BETE Exemption	1,440	966	(474)
Other State Revenues		4,471	4,471
	<u>170,114</u>	<u>162,393</u>	<u>(7,721)</u>
Charges for Services			
Police Department	2,500	2,521	21
Fire Department		1,120	1,120
Sewers		687	687
Recycling	1,500	774	(726)
Paid Parking	50,000	57,165	7,165
Planning and Zoning	44,300	41,766	(2,534)
Licenses and Permits	10,000	9,501	(499)
Town Clerk	4,850	8,192	3,342
	<u>113,150</u>	<u>121,726</u>	<u>8,576</u>

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-1
Page 2 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Other Revenue			
Solid Waste Performance Credit	46,000	33,158	(12,842)
Payments in Lieu of Taxes	4,000	5,992	1,992
Interest on Investments	55,000	70,351	15,351
Insurance Dividends/Refunds		10,682	10,682
Private Contributions	30,600		(30,600)
Ed SRA Contributions	41,300	34,794	(6,506)
Other	7,350	14,710	7,360
	<u>184,250</u>	<u>169,687</u>	<u>(14,563)</u>
Transfers and Other Sources			
NEH Marina	46,592	46,709	117
Reserves	3,500		(3,500)
Capital Projects		295,000	295,000
Municipal Revenue Sharing	25,000	25,000	-
	<u>75,092</u>	<u>366,709</u>	<u>291,617</u>
	<u>15,611,457</u>	<u>15,951,143</u>	<u>339,686</u>
Fund Balance Used to Reduce Tax Rate	<u>300,000</u>		
Total Revenues and Use of Fund Balance	<u>15,911,457</u>		

**TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit A-2
Page 1 of 2

	Encumbered from 2015	Appropriation	Revenues/ Transfers In	Expenditures	Encumbered to 2017	(Over) Under Budget
General Government						
Board of Selectmen		32,900		19,528		13,372
Town Administration	5,493	344,860		389,980	8,068	(47,695)
Town Clerk	2,012	103,760		84,869	5,338	15,565
Registrar		646				646
Elections	1,113	4,499		4,340		1,272
Planning Board	35,677	20,653		17,275	35,677	3,378
Finance	5,500	89,866		60,149	10,000	25,217
Treasurer		104,598		108,338		(3,740)
Tax Collector		7,359		7,078		281
Assessing	10,000	105,672		102,895		12,777
Code Enforcement		135,185		110,839	1,500	22,846
General Government - Unallocated		14,750		9,992		4,758
Human Resources		5,000		11,594		(6,594)
Technology		205,920		205,951		(31)
	59,795	1,175,668		1,132,828	60,583	42,052
General Assistance		5,000				5,000
Rural Wastewater Support		178,120		172,733		5,387
		183,120		172,733		10,387
Public Safety						
Police Department		724,272		614,758	15,371	94,143
Fire Department		407,827		343,774	2,700	61,353
Dispatch		308,328		295,780		12,548
Shellfish		2,500		1,176	1,324	-
Street Lights		42,730		37,994		4,736
Animal Control		1,000			1,000	-
Emergency Management		1,000				1,000
Fire Hydrant Rental		273,500		273,500		-
	-	1,761,157		1,566,982	20,395	173,780
Public Works						
Highways		1,582,695		1,338,388	41,233	203,074
Waste Management		574,374		525,091		49,283
Buildings & Grounds		236,874		202,569		34,305
Parks and Cemeteries		35,375		38,109		(2,734)
	-	2,429,318		2,104,157	41,233	283,928

**TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Encumbered from 2015	Appropriation	Revenues/ Transfers In	Expenditures	Encumbered to 2017	(Over) Under Budget
Sewer						
Sewer Operation		581,677		502,875		78,802
Northeast Harbor Plant		144,000		119,984		24,016
Somesville Plant		56,500		53,642		2,858
Seal Harbor Plant		103,908		78,679		25,229
Otter Creek Plant		28,000		18,782		9,218
	-	914,085		773,962	-	140,123
Sewer Capital						
Pump Station Replacement	120,173				109,080	11,093
	120,173	-		-	109,080	11,093
Community Development	9,595	136,250		114,285	18,937	12,623
Debt Service						
Principal on Bonds/Notes		1,119,948		1,119,946		2
Interest on Bonds/Notes		183,190		206,923		(23,733)
		1,303,138		1,326,869		(23,731)
All Other						
Libraries		32,500		32,500		-
Recreation - Pool Maintenance		7,700		7,112		588
Recreation		89,500		89,500		-
Village Organizations		41,500		41,500		-
Social Service Agencies		81,464		81,447		17
		252,664		252,059		605
Education						
Elementary School	488,852	3,536,768	628,416	4,119,740	534,296	-
Assessments						
MDI High School		2,802,351		2,784,510		17,841
County Tax		819,277		819,277		-
Overlay		93,109		3,693		89,416
		3,714,737		3,607,480		107,257
Operating Transfers Out						
Community Development Movie Program						-
Reserves		504,552		504,552		-
		504,552		504,552		-
Totals	678,415	15,911,457	628,416	15,675,647	784,524	758,117

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-3

Unassigned Fund Balance, July 1	1,681,759	
Unassigned Fund Balance, June 30	<u>2,479,562</u>	
Increase		<u><u>797,803</u></u>

Analysis of Change

Additions		
Budget Summary		
Revenue Surplus - Exhibit A-1	44,686	
Transfer from Capital Projects	295,000	
Unexpended Balance of		
Appropriations - Exhibit A-2	<u>758,117</u>	
Budget Surplus		<u>1,097,803</u>
Deductions		
Beginning Fund Balance Used		
to Reduce Tax Rate		<u>(300,000)</u>
Increase		<u><u>797,803</u></u>

TOWN OF MOUNT DESERT
ALL GENERAL RESERVE FUNDS
BALANCE SHEET
JUNE 30, 2016

Exhibit A-4

<i>Assets</i>	<i>Municipal Revenue Sharing</i>	<i>General Reserve Funds</i>	<i>Planning Grant</i>	<i>Shellfish Fund</i>	<i>Total</i>
Investments		2,377,806			2,377,806
Due from Other Funds	8,092	243,378	22,739	14,859	289,068
Total Assets	8,092	2,621,184	22,739	14,859	2,666,874
<i>Liabilities and Fund Balances</i>					
Liabilities					
Accounts Payable		30			30
Total Liabilities	-	30	-	-	30
Fund Balances					
Restricted	8,092		22,739		30,831
Committed		2,621,154			2,621,154
Assigned				14,859	14,859
Total Fund Balances	8,092	2,621,154	22,739	14,859	2,666,844
Total Liabilities and Fund Balances	8,092	2,621,184	22,739	14,859	2,666,874

**TOWN OF MOUNT DESERT
ALL GENERAL RESERVES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit A-5

	<i>Municipal Revenue Sharing</i>	<i>General Reserve Funds</i>	<i>Planning Grant</i>	<i>Shellfish Fund</i>	<i>Total</i>
Revenues					
Intergovernmental Revenues	33,092				33,092
Local Sources		245,565		1,708	247,273
Fair Value Increase (Decrease)		212,107			212,107
Total Revenues	33,092	457,672	-	1,708	492,472
Expenditures					
General Government		500			500
Public Safety		185,729			185,729
Debt Service		132,992			132,992
Total Expenditures	-	319,221	-	-	319,221
Excess of Revenues Over (Under) Expenditures	33,092	138,451	-	1,708	173,251
Other Financing Sources (Uses)					
Transfers from Other Funds		39,889			39,889
Transfers to Other Funds	(25,000)	-			(25,000)
Total Other Financing Sources (Uses)	(25,000)	39,889	-	-	14,889
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	8,092	178,340	-	1,708	188,140
Fund Balance - July 1		2,442,814	22,739	13,151	2,478,704
Fund Balance - June 30	8,092	2,621,154	22,739	14,859	2,666,844

**TOWN OF MOUNT DESERT
GENERAL RESERVE FUNDS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit A-6

	Balance July 1	Transfers In	Interest	Revenues	Expenditures/ Transfers	Balance June 30
Town Reserve Funds						
Dog Welfare	4,856		117	627	(500)	5,100
Police Reserve	14,901	10,418	679			25,998
Police Training Reserve	53,096		1,423			54,519
Public Works Parks & Cemeteries Reserve		10,000	268			10,268
Revaluation Reserve	85,599	19,471	2,817			107,887
Wastewater Bond Repayment	1,301,176		32,113		(132,992)	1,200,297
Sub-Total	1,459,628	39,889	37,417	627	(133,492)	1,404,069
General (Fair Value Changes)	962,080		212,107			1,174,187
Police Reimbursements						
Hancock County Drug Task Force	-			10,143	(10,143)	-
Hancock County UAD Task Force	-			149	(149)	-
Bar Harbor Police Chief	3,699			85,734	(84,947)	4,486
Bulletproof Vests	-			1,112	(1,112)	-
Police Security Detail	11,688			65,386	(45,980)	31,094
Police Outside Detail	5,719			7,800	(6,364)	7,155
Bar Harbor Mutual Aid	-			35,023	(34,860)	163
MDEA Reimbursement	-			2,174	(2,174)	-
Sub-Total	21,106	-	-	207,521	(185,729)	42,898
Total	2,442,814	39,889	249,524	208,148	(319,221)	2,621,154

TOWN OF MOUNT DESERT
ALL SPECIAL REVENUE FUNDS
BALANCE SHEET
JUNE 30, 2016

Exhibit B-1

<i>Assets</i>	<i>Com. Dev. Movies Program</i>	<i>Totals</i>
Due from Other Funds	965	965
Total Assets	965	965
 <i>Liabilities and Fund Balances</i>		
Liabilities		
Accounts Payable		-
Total Liabilities	-	-
Fund Balances		
Restricted	965	965
Total Fund Balances	965	965
Total Liabilities and Fund Balances	965	965

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-2

	<i>Wayfinding Signs</i>	<i>Com. Dev. Movies Program</i>	<i>Totals</i>
Revenues			
Local Sources			-
Total Revenues	-	-	-
Expenditures			
Public Works Department	1,302		1,302
Community Development			-
Total Expenditures	1,302	-	1,302
Excess of Revenues Over (Under) Expenditures	(1,302)	-	(1,302)
Other Financing Sources (Uses)			
Bond Proceeds			
Transfer from Other Funds	1,180		1,180
Transfer to Other Funds			
	1,180	-	1,180
Excess of Revenues and Other Sources Over (Under) Expenditures	(122)	-	(122)
Fund Balance - July 1	122	965	1,087
Fund Balance - June 30	-	965	965

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
JUNE 30, 2016

Exhibit C-1
Page 1 of 2

<i>Assets</i>	<i>Police Department Renovations</i>	<i>Seal Harbor Comfort Station</i>	<i>Otter Creek Fire Pond Project</i>	<i>Otter Creek Landing Reconstruction</i>	<i>Steamboat Wharf Road</i>
Investments					
Bonds Receivable		25,220	22,692	41,979	22,252
Due from Other Funds	1,952				
Total Assets	1,952	25,220	22,692	41,979	22,252
Liabilities and Fund Balances					
Liabilities					
Retainage Payable	1,000	7,065	2,172	22,000	4,450
Accounts Payable		2,352			
Due to Other Funds					
Total Liabilities	1,000	9,417	2,172	22,000	4,450
Fund Balances					
Committed	952	15,803	20,520	19,979	17,802
Total Fund Balances	952	15,803	20,520	19,979	17,802
Total Liabilities and Fund Balances	1,952	25,220	22,692	41,979	22,252

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
JUNE 30, 2016

Exhibit C-1
Page 2 of 2

<i>Assets</i>	<i>Brookside Road Project</i>	<i>Municipal Garage</i>	<i>WWTP Upgrades</i>	<i>Somesville Sidewalk Project</i>	<i>Capital Improvement Program</i>	<i>Total</i>
Investments						
Bonds Receivable	17,867	3,700	130,583		1,476,246	1,476,246
Due from Other Funds				42,176		242,041
						66,380
Total Assets	17,867	3,700	130,583	42,176	1,476,246	1,784,667
<i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable	4,988					19,675
Accounts Payable	2,001				6,543	30,544
Due to Other Funds			72,677		6,943	81,972
Total Liabilities	6,989	-	72,677	-	13,486	132,191
Fund Balances						
Committed	10,878	3,700	57,906	42,176	1,462,760	1,652,476
Total Fund Balances	10,878	3,700	57,906	42,176	1,462,760	1,652,476
Total Liabilities and Fund Balances	17,867	3,700	130,583	42,176	1,476,246	1,784,667

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C-2
Page 1 of 2

	Police Department Renovations	Seal Harbor Comfort Station	Otter Creek Fire Pond Project	Otter Creek Landing Reconstruction	NEH Paving Project
Revenues					
Local Sources					
Interest Income	-	-	-	-	-
Total Revenues					
Expenditures					
General Government					
Public Safety					
Public Works Department					135,000
Construction		141,295	107,941	22,000	
Engineering		3,902	25,797	1,566	
Miscellaneous				1,455	
Total Expenditures	-	145,197	133,738	25,021	135,000
Excess of Revenues Over (Under) Expenditures	-	(145,197)	(133,738)	(25,021)	(135,000)
Other Financing Sources (Uses)					
Transfer from Other Funds					
Transfer to Other Funds	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	-	(145,197)	(133,738)	(25,021)	(135,000)
Fund Balance - July 1	952	161,000	154,258	45,000	135,000
Fund Balance - June 30	952	15,803	20,520	19,979	-

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Steamboat Wharf Road	Brookside Road Project	Municipal Garage	WWTP Upgrades	Somesville Sidewalk Project	Capital Improvement Program	Total
Revenues							
Local Sources				7,310		-	7,310
Interest Income						40,335	40,335
Total Revenues	-	-	-	7,310	-	40,335	47,645
Expenditures							
General Government						6,544	6,544
Public Safety						18,823	18,823
Public Works Department						132,820	267,820
Construction	222,500	99,777					593,513
Engineering	26,984	11,395					69,644
Miscellaneous							1,455
Total Expenditures	249,484	111,172	-	-	-	158,187	957,799
Excess of Revenues Over (Under) Expenditures	(249,484)	(111,172)	-	7,310	-	(117,852)	(910,154)
Other Financing Sources (Uses)							
Transfer from Other Funds	50,000		(90,000)	(205,000)		464,663	514,663
Transfer to Other Funds	50,000	-	(90,000)	(205,000)	-	(51,180)	(346,180)
Excess of Revenues and Other Sources Over (Under) Expenditures	(199,484)	(111,172)	(90,000)	(197,690)	-	295,631	(741,671)
Fund Balance - July 1	217,286	122,050	93,700	255,596	42,176	1,167,129	2,394,147
Fund Balance - June 30	17,802	10,878	3,700	57,906	42,176	1,462,760	1,652,476

TOWN OF MOUNT DESERT
CAPITAL IMPROVEMENT FUNDS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 1	Transfers In	Interest	Revenues	Expenditures	Transfers Out	Balance June 30
Capital Improvement Funds - General							
Assessment Capital Reserve	1,416	2,500	106				4,022
Bait House	2,741	500	86				3,327
CEO Work Truck	23,061	5,000	752				28,813
Clerk's Capital Improvement	6,368	3,539	265				10,172
Communications Cap. Imp.	88,149	24,519	2,800		(11,633)		103,835
Fire Equipment/Engine	216,059	179,373	10,603				406,035
Fire Pond and Dry Hydrant	6,838	8,000	398				15,236
Fire Station Building	53,031	15,220	1,647		(7,190)		62,708
Land Acquisition	233,685		6,265				239,950
Public Works Buildings & Grounds Reserve		10,000	268				10,268
Public Works Equipment	155,388	89,000	3,732		(132,820)		115,300
Refuse Truck	83,443	30,000	3,042				116,485
Town Office Building	8,682	20,000	769				29,451
Town Manger Telephone	397	3,500	104				4,001
Town Roads	37,158	25,000	1,474			(51,180)	12,452
Treasurer's Capital Improvement	5,523	4,512	269		(6,544)		3,760
Wastewater	219,744	35,000	6,831				261,575
Wastewater Work Truck	25,446	9,000	924				35,370
Sub-Total - General	1,167,129	464,663	40,335	-	(158,187)	(51,180)	1,462,760
Capital Improvement Funds - Marina							
Bartlett Harbor Moorings/Floats	29,660	4,000	903				34,563
Bartlett Narrows Dock	10,302	3,897	346		(3,100)		11,445
Harbor Boat Reserve	18,954	10,013	777				29,744
Marina Equipment Reserve	7,245	1,600	233		(754)		8,324
Northeast Harbor Marina	303,631	12,296	8,293		(9,836)		314,384
Northeast Harbor Marina Work Truck	20,326	2,435	352		(22,750)		363
Northeast Harbor Moorings/Floats	122,377	29,740	4,079				156,196
Seal Harbor Dock	63,641	5,000	1,795		(5,300)		65,136
Seal Harbor Moorings/Floats	32,413	15,751	1,291				49,455
Sub-Total - Marina	608,549	84,732	18,069	-	(41,740)	-	669,610

TOWN OF MOUNT DESERT
BALANCE SHEET
ALL PERMANENT FUNDS
JUNE 30, 2016

Exhibit D-1

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	6,685	5,085	11,770
Total Assets	6,685	5,085	11,770
<i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable		18	18
Due to Other Funds		763	763
Total Liabilities	-	781	781
Fund Balances			
Reserved for Endowments	4,220	4,304	8,524
Assigned	2,465		2,465
Total Fund Balances	6,685	4,304	10,989
Total Liabilities and Fund Balances	6,685	5,085	11,770

TOWN OF MOUNT DESERT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit D-2

	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
Investment Income	192	137	329
Expenditures			
Scholarships	100		100
Cemetery Maintenance		99	99
	100	99	199
Excess of Revenues Over Expenditures	92	38	130
Fund Balance - July 1	6,593	4,266	10,859
Fund Balance - June 30	6,685	4,304	10,989

**TOWN OF MOUNT DESERT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<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	84.358		19,250	-	19,250	(19,250)	-
Passed Through Bar Harbor School Department:							
NCLB Title 1A - Basic Compensatory Education	84.010	013-05A-3057-13	9,438	-	9,438	(9,438)	-
Passed Through State Department of Educational and Cultural Services:							
Title VI, Part B - Local Entitlement	84.027	013-05A-3046-12	43,685	-	43,685	(43,685)	-
Title VI, Part B - Local Entitlement Preschool	84.027	013-05A-3046-12	278	-	278	(278)	-
Total U.S. Department of Education			72,651	-	72,651	(72,651)	-
U.S. Department of Agriculture							
Passed Through State Department of Educational and Cultural Services:							
National School Lunch Program	10.555	-	14,984	-	14,984	(14,984)	-
Federal Performance Based Lunch	10.555	-	1,456	-	1,456	(1,456)	-
School Breakfast Program	10.556	-	4,752	-	4,752	(4,752)	-
Food Distribution	10.550	-	5,340	-	5,340	(5,340)	-
Total U.S. Department of Agriculture			26,532	-	26,532	(26,532)	-
Total			99,183	-	99,183	(99,183)	-