

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

***FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT***

***FOR THE FISCAL YEAR  
ENDED JUNE 30, 2017***

**TOWN OF MOUNT DESERT  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2017**

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**TOWN OF MOUNT DESERT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

February 7, 2018  
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, each major fund, and the aggregate remaining fund information of the Town of Mount Desert, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 the 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 Town'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 our 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, each major fund, and the aggregate remaining fund information of the Town of Mount Desert, Maine as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *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 3-8, 36, and 37 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other 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 basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2018, on our consideration of the Town of Mount Desert, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Mount Desert, Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Mount Desert, Maine's internal control over financial reporting and compliance.

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, 2017**

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, 2017. 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, 2017 by \$36,340,103 (presented as “net position”). Of this amount, \$9,363,214 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 \$1,615,811 (a 4.7 % increase) for the year ended June 30, 2017. Net position of governmental activities increased by \$1,474,541 (a 4.6% increase), while net position of business-type activities showed an increase of \$141,270 (a 4.9% increase).

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the year ended June 30, 2017; the Town's governmental funds reported a combined ending fund balance of \$10,003,898 with \$2,893,357 being general unassigned fund balance. This unassigned fund balance represents approximately 18% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations increased by \$726,615 for the year ended June 30, 2017. New debt was issued for \$1,213,119 for multi projects, \$1,100,000 for clean water loan, and \$150,000 for clean water bond. 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**

72% of the Town's net position reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets); less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b><i>Governmental Activities</i></b>	<b><i>Business-like Activities</i></b>	<b><i>June 30, 2017 Total</i></b>	<b><i>June 30, 2016 Total</i></b>
Current Assets	11,286,319	1,213,913	12,500,232	10,688,014
Capital Assets	40,016,546	3,457,450	43,473,996	43,059,150
<b>Total Assets</b>	<b>51,302,865</b>	<b>4,671,363</b>	<b>55,974,228</b>	<b>53,747,164</b>
<b>Total Deferred Outflows of Resources</b>	<b>927,111</b>		<b>927,111</b>	<b>635,427</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>52,229,976</b>	<b>4,671,363</b>	<b>56,901,339</b>	<b>54,382,591</b>
Current Liabilities	3,036,632	232,657	3,269,289	4,375,647
Other Liabilities	15,454,764	1,430,000	16,884,764	14,725,678
<b>Total Liabilities</b>	<b>18,491,396</b>	<b>1,662,657</b>	<b>20,154,053</b>	<b>19,101,325</b>
<b>Deferred Inflows of Resources</b>	<b>407,183</b>		<b>407,183</b>	<b>556,974</b>
Net Investment in Capital Assets	24,408,075	1,917,450	26,325,525	26,527,355
Restricted	651,364		651,364	574,616
Unrestricted	8,271,958	1,091,256	9,363,214	7,622,321
<b>Total Net Position</b>	<b>33,331,397</b>	<b>3,008,706</b>	<b>36,340,103</b>	<b>34,724,292</b>
<b>Total Liabilities and Net Position</b>	<b>52,229,976</b>	<b>4,671,363</b>	<b>56,901,339</b>	<b>54,382,591</b>

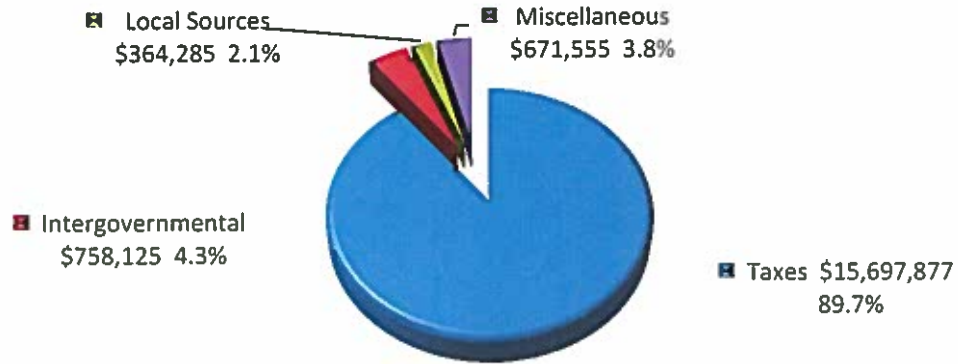
**Changes in Net Position**

Approximately 90% of the Town's total revenue came from property and excise taxes, approximately 4% came from State subsidies and grants, and approximately 6% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,931,324 of the total expenses for the fiscal year.

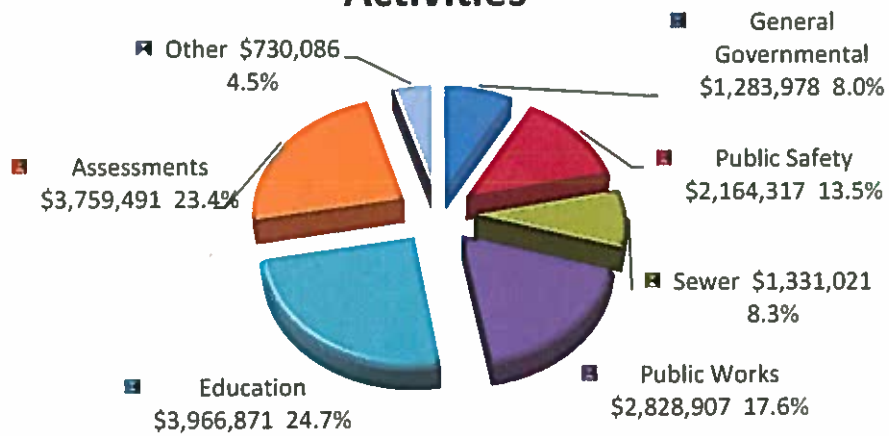
	<i>Governmental Activities</i>	<i>Business-like Activities</i>	<i>June 30, 2017 Total</i>	<i>June 30, 2016 Total</i>
<b><i>Revenues:</i></b>				
Taxes	15,697,877		15,697,877	15,146,028
Intergovernmental Revenues	758,125		758,125	823,901
Charges for Services	364,285	803,624	1,167,909	1,256,247
Fair Value Increase (Decrease)	532,094		532,094	212,107
Gain on Sale of Asset	35,000		35,000	-
Transfers In / Out	47,370	(47,370)	-	-
Miscellaneous	104,461		104,461	169,687
<b><i>Total</i></b>	<b>17,539,212</b>	<b>756,254</b>	<b>18,295,466</b>	<b>17,607,970</b>
<b><i>Expenses:</i></b>				
General Government	1,283,978		1,283,978	1,210,412
General Assistance & Rural Wastewater	178,648		178,648	172,733
Public Safety	2,164,317		2,164,317	1,963,917
Public Works	2,828,907		2,828,907	2,538,277
Sewer	1,331,021		1,331,021	1,275,220
Marine Dept.		614,984	614,984	591,621
Community Development	53,071		53,071	114,285
Debt Service	182,692		182,692	206,923
Other	299,377		299,377	252,258
Assessments	3,759,491		3,759,491	3,607,480
Education Programs	3,966,871		3,966,871	3,841,439
Capital Outlay	16,298		16,298	-
<b><i>Total</i></b>	<b>16,064,671</b>	<b>614,984</b>	<b>16,679,655</b>	<b>15,774,565</b>
<b><i>Changes in Net Position</i></b>	<b>1,474,541</b>	<b>141,270</b>	<b>1,615,811</b>	<b>1,833,405</b>



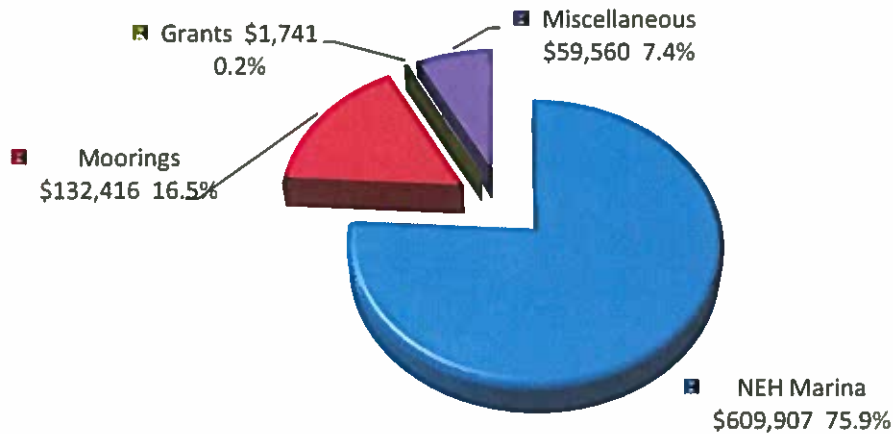
## Revenues By Source - Governmental Activities



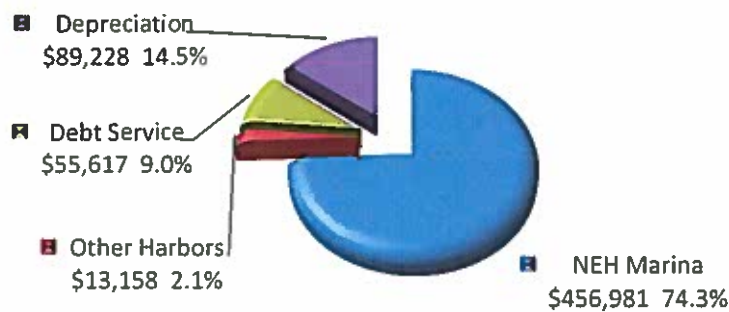
## Expenditures By Source - Governmental Activities



## Revenues By Source - Business-type Activities



## Expenditures By Source - Business-type Activities



### FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

#### Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the year, the Town's governmental funds reported ending fund balances of \$10,003,898, an increase of \$2,408,538 in comparison with the prior year. Approximately 29 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

### Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$66,996 positive variance in motor general government - unallocated. The HRA medical deduction was budgeted as though it would be expended close to its maximum. We actually used 43.5% which is about the national average for usage of these plans, but you need to budget well above this usage to be safe.
- \$83,632 positive variance in police department. The variance is due to police chief sharing agreement with Bar Harbor which reduces the police chief's salary costs to Mount Desert police department. Mount Desert budgets for the full cost of police chief in several wage and benefit lines in the police budget. Through the police chief sharing agreement, Mount Desert pays 40% of those lines and Bar Harbor pays 60%. The agreement also includes reimbursement of the chief's cruiser mileage expense. Bar Harbor pays 60% of the costs of the chief's cruiser as outlined in the agreement. As in years past, we budgeted to send an officer to the 18 week police academy but we did not have to send anyone due to staff retention. We did not have to use what was budgeted for cruiser maintenance as the fleet remained in good condition for the year. In summary, about \$60,000 of the variance resulted from the police chief agreement, another \$10,000 resulted from not using training funds due to staff retention.
- \$41,187 positive variance in fire department. The variance is due to on-call firefighter pay is estimated on the number of prior year calls, training, work shifts, etc. which vary from year to year. It is also based on a majority of our on-call staff responding to most of our calls, but that rarely happens. The other variable is that this was a new pay program started a couple of years ago so we are still fine tuning it, although I will probably always have an overage to make sure we have funds to pay our on-call firefighters (their hours are never set). I also budgeted as though the two additional firefighters added would be enrolling in family plans but they elected single plans.
- \$114,407 positive variance in highways. The variance is primarily due to the relatively easy winter we had in FY 17'. The lack of snow and milder temperatures resulted in less of an impact on the budget lines for electricity, building heat, vehicle fuel, salt/sand and snow overtime. The heating and vehicle fuels were purchased at per gallon costs remaining lower than they have been in years past. In addition, health insurance costs were approximately 19% less than anticipated.
- \$41,167 positive variance in Northeast Harbor wastewater plant. The variance is due to low electricity, vehicle fuel and heating fuel costs due to the relatively easy winter season we had resulted in costs savings. In addition, we only used approximately half of the pH control and disinfection chemicals that we budgeted for. The amounts of chemicals used are dependent on the volume of incoming flow (influent). With the dry, drought-like conditions we had most of last summer into early fall, the amount of extraneous water – inflow and infiltration (I&I) – getting into our collection system was very low.
- \$35,965 positive variance in MDI high school assessment. The district assessment estimate was \$2,920,173 when the town meeting budget was printed than what was finally assessed at \$2,884,208 as a result of excess subsidy received from the State of Maine. Where it is not an action article at town meeting, the budget was left as originally estimated.

### CAPITAL ASSET ADMINISTRATION

#### Capital Assets

The Town's investment in capital assets for its governmental and business-like activities amounts to \$70,833,255, net of accumulated depreciation of \$27,359,259, leaving a net book value of \$43,473,996. Current additions include \$151,564 SH comfort station, \$14,846 fire department lighting retrofit, \$572,428 for a fire truck pumper, \$27,592 for a police vehicle, \$29,724 for a police vehicle, \$7,950 for a Pisa snow plow, \$6,201 for sewer control panel, \$7,284 for a sewer pump, \$18,790 for road projects, \$410,567 for paving, \$8,179 for Otter Creek landing, \$138,834 for marina electrical upgrade, \$16,253 for Northeast marina power upgrade, \$28,593 for Seal harbor floats, and

\$9,400 Main pier resurfacing. 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, 2017**

**Exhibit A**

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>Assets</b>			
Cash and Equivalents	2,858,651		2,858,651
Investments	6,251,776	620,898	6,872,674
Taxes and Liens Receivables	58,671		58,671
Bonds Receivables	1,938,189		1,938,189
Accounts Receivable	171,633		171,633
Internal Balances		593,015	593,015
Prepaid Expenditures	5,513		5,513
Inventory	1,886		1,886
Capital Assets:			
Land	2,624,097		2,624,097
Construction Work in Progress	721,114		721,114
Other Capital Assets, Net of Depreciation	36,671,335	3,457,450	40,128,785
<b>Total Assets</b>	<b>51,302,865</b>	<b>4,671,363</b>	<b>55,974,228</b>
<b>Deferred Outflows of Resources:</b>			
Related to Pensions	927,111		927,111
<b>Total Deferred Outflow of Resources</b>	<b>927,111</b>		<b>927,111</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>52,229,976</b>	<b>4,671,363</b>	<b>56,901,339</b>
<b>Liabilities</b>			
Accounts Payable	244,339	68,563	312,902
Retainage Payable	19,095	5,149	24,244
Accrued Interest Payable		41,466	41,466
Accrued Compensated Absences	275,489	7,479	282,968
Accrued Salaries Payable	310,698		310,698
Internal Balances	593,015		593,015
Long-term Liabilities:			
Net Pension Liability	1,440,289		1,440,289
Due Within One Year	1,593,996	110,000	1,703,996
Due in More Than One Year	14,014,475	1,430,000	15,444,475
<b>Total Liabilities</b>	<b>18,491,396</b>	<b>1,662,657</b>	<b>20,154,053</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes Collected in Advance	67,473		67,473
Related to Pensions	339,710		339,710
<b>Total Deferred Inflows of Resources</b>	<b>407,183</b>	<b>-</b>	<b>407,183</b>
<b>Net Position</b>			
Net Investment in Capital Assets	24,408,075	1,917,450	26,325,525
Restricted	651,364		651,364
Unrestricted	8,271,958	1,091,256	9,363,214
<b>Total Net Position</b>	<b>33,331,397</b>	<b>3,008,706</b>	<b>36,340,103</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>52,229,976</b>	<b>4,671,363</b>	<b>56,901,339</b>

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

**TOWN OF MOUNT DESERT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

**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>Business-like Activities</u>	<u>Total</u>
<u>Primary Government</u>						
<u>Governmental Activities</u>						
General Government	1,283,978	135,068		(1,148,910)		(1,148,910)
General Assistance & Rural Wastewater Support	178,648			(178,648)		(178,648)
Public Safety	2,164,317	2,026		(2,162,291)		(2,162,291)
Public Works	2,828,907	1,134		(2,827,773)		(2,827,773)
Sewer	1,331,021	719		(1,330,302)		(1,330,302)
Community Development	53,071			(53,071)		(53,071)
Debt Service	182,692			(182,692)		(182,692)
Other	299,377			(299,377)		(299,377)
Education	3,966,871	66,086	283,029	(3,617,756)		(3,617,756)
Assessments	3,759,491			(3,759,491)		(3,759,491)
Capital Outlay	16,298			(16,298)		(16,298)
<u>Total Governmental Activities</u>	<u>16,064,671</u>	<u>205,033</u>	<u>283,029</u>	<u>(15,576,609)</u>		<u>(15,576,609)</u>
<u>Business-type Activities</u>						
Marina	614,984	756,328	21,570		162,914	162,914
<u>Total Business-type Activities</u>	<u>614,984</u>	<u>756,328</u>	<u>21,570</u>		<u>162,914</u>	<u>162,914</u>
<u>Total Primary Government</u>	<u>16,679,655</u>	<u>961,361</u>	<u>304,599</u>	<u>(15,576,609)</u>	<u>162,914</u>	<u>(15,413,695)</u>
<u>General Revenues:</u>						
Taxes						
Property				15,018,546		15,018,546
Auto Excise				646,299		646,299
Boat Excise				33,032		33,032
Intergovernmental Revenues				409,010		409,010
Increase (Decrease) in FMV				532,094		532,094
Other Local Sources				329,799	37,274	367,073
Gain/(Loss) on Sale of Capital Assets				35,000	(11,548)	23,452
Transfers Marina				47,370	(47,370)	-
<u>Total Revenues, Special Items and Transfers</u>				<u>17,051,150</u>	<u>(21,644)</u>	<u>17,029,506</u>
<u>Changes in Net Position</u>						
				1,474,541	141,270	1,615,811
<u>Net Position - Beginning</u>				31,856,856	2,867,436	34,724,292
<u>Net Position - Ending</u>				33,331,397	3,008,706	36,340,103

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

**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>
<b>Assets</b>				
Cash and Equivalents	2,858,116			2,858,116
Investments	4,876,370	1,364,512	10,894	6,251,776
Receivables				
Taxes	4,762			4,762
Tax Liens	53,909			53,909
Bonds	123,119		1,815,070	1,938,189
Other	172,168			172,168
Prepaid Expenditures	5,513			5,513
Inventory	1,886			1,886
Due from Other Funds	39,933		50,926	90,859
<b>Total Assets</b>	<b>8,135,776</b>	<b>1,364,512</b>	<b>1,876,890</b>	<b>11,377,178</b>
<b>Liabilities</b>				
Accounts Payable	215,769		4,302	220,071
Retainage Payable			19,095	19,095
Accrued Salaries Payable	310,698			310,698
Due to Other Governments	24,268			24,268
Due to Other Funds	606,258	7,121	70,495	683,874
<b>Total Liabilities</b>	<b>1,156,993</b>	<b>7,121</b>	<b>93,892</b>	<b>1,258,006</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes Collected in Advance	67,473			67,473
Unavailable Property Tax Revenue	47,801			47,801
<b>Total Deferred Inflows of Resources</b>	<b>115,274</b>	<b>-</b>	<b>-</b>	<b>115,274</b>
<b>Fund Balances</b>				
Nonspendable	1,886		8,386	10,272
Restricted	640,127		965	641,092
Committed	3,090,909	1,357,391	1,771,160	6,219,460
Assigned	237,230		2,487	239,717
Unassigned	2,893,357			2,893,357
<b>Total Fund Balances</b>	<b>6,863,509</b>	<b>1,357,391</b>	<b>1,782,998</b>	<b>10,003,898</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>8,135,776</b>	<b>1,364,512</b>	<b>1,876,890</b>	<b>11,377,178</b>

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

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

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

Total Fund Balance	10,003,898
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$26,747,329	40,016,546
Deferred outflows of resources related to pension plans	927,111
Deferred inflows of resources related to pension plans	(339,710)
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Net Pension Liability	(1,440,289)
Property Taxes Collected in Advance	47,801
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(15,493,134)
Accrued Compensated Absences	(275,489)
Capital Leases Payable	(115,337)
Net Position of Governmental Activities	<u><u>33,331,397</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, 2017**

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

	<b>General Fund</b>	<b>Capital Improvement Program</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	15,694,238			15,694,238
Intergovernmental Revenues	754,338		3,787	758,125
Local Sources	312,668	76,136	10,481	399,285
Fair Value Increase (Decrease)	532,094			532,094
Miscellaneous	104,461			104,461
<b>Total Revenues</b>	<b>17,397,799</b>	<b>76,136</b>	<b>14,268</b>	<b>17,488,203</b>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	1,155,051	8,244		1,163,295
General Assistance & Rural Wastewater Support	178,648			178,648
Public Safety	1,911,407	598,191	5,183	2,514,781
Public Works	2,386,799	49,375	101	2,436,275
Sewer	777,662			777,662
Community Development	53,071			53,071
All Other	299,277		100	299,377
Education Programs	4,152,077			4,152,077
Assessments	3,759,491			3,759,491
Debt Service	1,511,696			1,511,696
Capital Outlay			743,781	743,781
<b>Total Expenditures</b>	<b>16,185,179</b>	<b>655,810</b>	<b>749,165</b>	<b>17,590,154</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,212,620</b>	<b>(579,674)</b>	<b>(734,897)</b>	<b>(101,951)</b>
<b>Other Financing Sources (Uses)</b>				
Bond Proceeds	123,119		2,340,000	2,463,119
Transfers from Other Funds	171,357	474,305	2,700	648,362
Transfers to Other Funds	(574,517)	-	(26,475)	(600,992)
<b>Total Other Financing Sources (Uses)</b>	<b>(280,041)</b>	<b>474,305</b>	<b>2,316,225</b>	<b>2,510,489</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>932,579</b>	<b>(105,369)</b>	<b>1,581,328</b>	<b>2,408,538</b>
<b>Fund Balance - July 1</b>	<b>5,930,930</b>	<b>1,462,760</b>	<b>201,670</b>	<b>7,595,360</b>
<b>Fund Balance - June 30</b>	<b>6,863,509</b>	<b>1,357,391</b>	<b>1,782,998</b>	<b>10,003,898</b>

(Continued)

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

**TOWN OF MOUNT DESERT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit D  
Page 2 of 2**

Net change in fund balances - total governmental funds	2,408,538
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	1,831,044
Capital asset disposals	(2,132)
Depreciation expense	(1,842,096)
	<u>(13,184)</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>3,639</u>
Bond proceeds provided 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	124,484
New Capital Lease	(14,545)
New Debt	(2,463,119)
General obligation bond principal payments	1,626,504
	<u>(726,676)</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	291,684
Deferred Inflows of Pension Expense	119,973
Net Pension Liability	(529,789)
Accrued compensated absences	(79,644)
	<u>(197,776)</u>
Change in net position of governmental activities	<u>1,474,541</u>

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

**TOWN OF MOUNT DESERT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2017**

**Exhibit E**

	<b>Proprietary Fund Types Marina Fund</b>
<b>Assets</b>	
<b>Current Assets:</b>	
Investments	620,898
Due from Other Funds	593,015
<b>Total Current Assets</b>	<b>1,213,913</b>
<b>Noncurrent Assets:</b>	
Capital Assets, net	3,457,450
<b>Total Noncurrent Assets</b>	<b>3,457,450</b>
<b>Total Assets</b>	<b>4,671,363</b>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accrued Interest Payable	41,466
Retainage Payable	5,149
Accounts Payable	68,563
<b>Long-term Liabilities:</b>	
Due Within One Year	110,000
Due in More Than One Year	1,430,000
<b>Total Liabilities</b>	<b>1,655,178</b>
<b>Net Position</b>	
Net Investment in Capital Assets	1,917,450
Unassigned	1,098,735
<b>Total Net Position</b>	<b>3,016,185</b>
<b>Total Liabilities and Net Position</b>	<b>4,671,363</b>
Amounts reported for business activities in the Statement of Net Position are different because:	
Total Net Position	3,016,185
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	(7,479)
Transfers to Fiduciary and Proprietary Funds	
	<b>(7,479)</b>
Net Position of Business Activities	<b>3,008,706</b>

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

**TOWN OF MOUNT DESERT  
PROPRIETARY FUND**

**Exhibit F**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Marina Fund</i>			<i>Variance</i>
	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Operating Revenues:				
NEH Marina	598,183	598,183	609,907	11,724
Moorings	125,967	125,967	132,416	6,449
Launch Services	20,000	20,000	21,570	1,570
Pump Out Grant			1,741	1,741
Ticket Booth Fees	2,500	2,500	1,700	(800)
Marina Concessions	9,000	9,000	10,564	1,564
Total Operating Revenues:	755,650	755,650	777,898	22,248
Operating Expenditures:				
NEH Marina	442,026	442,026	457,696	(15,670)
Seal Harbor Marina	8,450	8,450	6,668	1,782
Bartlett Narrows Harbor	4,550	4,550	4,749	(199)
Somesville Harbor	350	350		350
Moorings and Floats			1,741	(1,741)
Debt Service	170,225	170,225	55,617	114,608
Depreciation			89,228	(89,228)
Total Operating Expenditures	625,601	625,601	615,699	9,902
Net Operating Income	130,049	130,049	162,199	32,150
Non-operating Revenues (Expenses)				
Donations			20,000	20,000
Loss on Disposal of Assets			(11,548)	(11,548)
Interest Revenue	2,000	2,000	17,274	15,274
Total Non-operating Revenues (Expenses)	2,000	2,000	25,726	23,726
<i>Net Income (Loss) before contributions and transfers</i>	132,049	132,049	187,925	55,876
Transfer to Other Funds	(132,049)	(132,049)	(47,370)	84,679
<i>Change in Net Position</i>	-	-	140,555	140,555
<i>Total Net Position - Beginning</i>			2,875,630	
<i>Total Net Position - Ending</i>			3,016,185	
Net change in fund balances - total business funds			140,555	
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:				
Accrued compensated absences			715	
			715	
Change in net position of business activities			141,270	

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, 2017**

**Exhibit G**

	<b><i>Proprietary Fund Types Marina Fund</i></b>
<b><i>Cash Flows from Operating Activities</i></b>	
Received from Customers	776,157
Payments to Suppliers	(287,940)
Payments to Employees	(182,914)
Other Receipts (Payments)	281,794
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>587,097</b>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>	
Principal Paid on Capital Debt	(110,000)
Disposals of Capital Assets	17,125
Purchases of Capital Assets	(534,382)
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b>(627,257)</b>
<b><i>Cash Flows from Investing Activities</i></b>	
Net Purchase/Sales of Investment	22,886
Interest and Dividends	17,274
<b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	<b>40,160</b>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>-</b>
<b><i>Balances - beginning of the year</i></b>	<b>-</b>
<b><i>Balances - end of the year</i></b>	<b>-</b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>	
Net Operating Income (Loss)	140,555
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	89,228
(Increase) Decrease in Due from Other Funds	352,028
Increase (Decrease) in Accrued Interest Payable	(4,607)
Increase (Decrease) in Retainage Payable	3,346
Increase (Decrease) in Accounts Payable	6,547
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>587,097</b>

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, 2017**

**Exhibit H**

	<b><i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i></b>
<b><i>Assets</i></b>	
Investments	13,525
<b>Total Assets</b>	<b>13,525</b>
<b><i>Liabilities and Net Position</i></b>	
Liabilities	
Due to Other Funds	
<b>Total Liabilities</b>	<b>-</b>
Net Position	
Restricted	13,008
Unassigned	517
<b>Total Net Position</b>	<b>13,525</b>
<b>Total Liabilities and Net Position</b>	<b>13,525</b>

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, 2017**

**Exhibit I**

	<b><i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i></b>
Revenues	
Investment Income	<u>51</u>
	<u>51</u>
Expenditures	
Scholarships	<u>153</u>
Total Expenditures	<u>153</u>
Excess of Revenues Over (Under) Expenditures	(102)
Net Position - July 1	<u>13,627</u>
Net Position - June 30	<u><u>13,525</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, 2017**

**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, 2017**

**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, 2017**

**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 property tax revenue. At June 30, \$47,801 had been so classified and reported on the general fund balance sheet. Property taxes were levied on July 5 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 June 1, 2017 for the 2017 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, 2017**

**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, 2017**

**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, 2017**

**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, 2017 fund balances on the balance sheet as follows:

	<b>General</b>	<b>Capital</b>	<b>Other</b>	
	<b>Fund</b>	<b>Improvement</b>	<b>Governmental</b>	
		<b>Program</b>	<b>Funds</b>	<b>Total</b>
<u><b>Nonspendable</b></u>				
School Inventory	1,886			1,886
Frank Stanley Principal			4,170	4,170
Cemetery Principal			4,216	4,216
<u><b>Restricted</b></u>				
School Department	600,916			600,916
Municipal Revenue Sharing	16,472			16,472
Planning Grant	22,739			22,739
Com. Dev. Movies Program			965	965
<u><b>Committed</b></u>				
Town Reserves	3,090,909			3,090,909
Street Light Project			32,500	32,500
Northeast Village Center			274,000	274,000
Police Dept. Renovations			952	952
Otter Creek Fire Pond			19,150	19,150
Otter Creek Landing			52,000	52,000
Rte 198 Project			498,902	498,902
Broadband Services			250,000	250,000
Bracy Cove Pump Station			529,984	529,984
Brookside Road			9,890	9,890
Capital Imp. Program		1,357,391		1,357,391
Sidewalk Project			42,176	42,176
Municipal Garage			3,700	3,700
WWTP Upgrades			57,906	57,906
<u><b>Assigned</b></u>				
Shellfish Fund	17,756			17,756
Encumbrances	219,474			219,474
Frank Stanley Income			2,487	2,487
<u><b>Unassigned</b></u>				
General Fund	2,893,357			2,893,357
<u><b>Total Fund Balance</b></u>	<u>6,863,509</u>	<u>1,357,391</u>	<u>1,782,998</u>	<u>10,003,898</u>

**TOWN OF MOUNT DESERT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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 are 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 2016-2017, \$400,000 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 \$219,474 at June 30 and is detailed in Exhibit A-2.

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 \$2,858,116 and the bank balance was \$3,072,655. Of the bank balance, \$952,904 was covered by federal depository insurance and \$2,119,752 was collateralized through Bar Harbor Bank & Trust.

**B. Investments**

At June 30, 2017, the Town had the following investments, maturities, and credit ratings:

		Maturities in Years				Credit Rating
Type	Fair Value	<1	1-5	6-10	>10	S&P
Reserves and CIP						
Common Stock	450,181		450,181			A+
Common Stock	501,554	200,185	204,406	96,963		A
Common Stock	2,958		2,958			AA+
Common Stock	1,214,448	1,063,042	151,406			NR
Corporate Bonds	553,943	200,071	251,916	101,956		A-
Corporate Bonds	301,803	149,925	151,878			AA-
Equities	3,836,894	3,836,894				NR
	6,861,781	5,450,117	1,212,745	198,919	-	
Trust Funds						
Mutual Funds	24,418	24,418				NR
	24,418	24,418	-	-	-	

**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.

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**C. Property Taxes**

Property taxes were levied for the fiscal year as follows:

Assessed Value	2,061,640,935	
Tax Rate (per \$1,000)	<u>7.27</u>	
Commitment	<u>14,988,130</u>	
Appropriations	16,528,447	
Less:		
State Municipal Revenue Sharing	25,000	
Homestead Reimbursement	31,222	
BETE Reimbursement	933	
Other Revenue	<u>1,483,162</u>	
	<u>1,540,317</u>	
Net Assessment for Commitment	<u>14,988,130</u>	

Uncollected taxes and liens at June 30 for the current year commitment totaled \$40,505. Unpaid liens at June 30 totaled \$13,404.



**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**D. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at June 30, 2017 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	39,933	606,258
Special Revenue Funds	1,223	
Capital Project Funds	49,703	77,616
Marina Fund	593,015	
Totals	<u>683,874</u>	<u>683,874</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, 2017, were as follows:

	<u><i>Transfers From</i></u>	<u><i>Transfers To</i></u>
General Fund	171,357	574,517
Wayfinding Signs		
Capital Projects	477,005	26,475
Marina Fund		47,370
Totals	<u>648,362</u>	<u>648,362</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, 2017**

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

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<i><b>Beginning Balance</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Ending Balance</b></i>
<b><i>Governmental Activities;</i></b>				
<b><i>Capital assets not being depreciated</i></b>				
Land	2,624,097			2,624,097
Construction Work in Progress	145,197	727,482	(151,564)	721,115
<b><i>Capital assets being depreciated</i></b>				
Buildings	24,432,236	166,410		24,598,646
Equipment	5,393,477	719,309	(108,656)	6,004,130
Infrastructure	32,357,893	437,536		32,795,429
<b><i>Total capital assets being depreciated</i></b>	<b>62,183,606</b>	<b>1,323,255</b>	<b>(108,656)</b>	<b>63,398,205</b>
<b><i>Less accumulated depreciation for</i></b>				
Buildings	7,433,053	560,038		7,993,091
Equipment	2,914,143	389,753	(38,395)	3,265,501
Infrastructure	14,575,974	892,305		15,468,279
<b><i>Total accumulated depreciation</i></b>	<b>24,923,170</b>	<b>1,842,096</b>	<b>(38,395)</b>	<b>26,726,871</b>
<b><i>Net capital assets being depreciated</i></b>	<b>37,260,436</b>	<b>(518,841)</b>	<b>(70,261)</b>	<b>36,671,334</b>
<b><i>Governmental Activities Capital Assets, net</i></b>	<b>40,029,730</b>	<b>208,641</b>	<b>(221,825)</b>	<b>40,016,546</b>

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**E. Capital Assets**

	<i><b>Beginning Balance</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Ending Balance</b></i>
<i><b>Business-type Activities;</b></i>				
<i>Capital asset not being depreciated</i>				
Land	103,201			103,201
<i>Capital assets being depreciated</i>				
Marina	3,478,629	534,382	(26,374)	3,986,637
<i>Total capital assets being depreciated</i>	3,478,629	534,382	(26,374)	3,986,637
<i>Less accumulated depreciation for</i>				
Marina	552,410	89,228	(9,250)	632,388
<i>Total accumulated depreciation</i>	552,410	89,228	(9,250)	632,388
<i>Net capital assets being depreciated</i>	2,926,219	445,154	(17,124)	3,354,249
<i><b>Business-type Activities Capital Assets, net</b></i>	<b>3,029,420</b>	<b>445,154</b>	<b>(17,124)</b>	<b>3,457,450</b>

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

**Governmental Activities**

General Government	52,218
Public Safety	198,178
Public Works	894,355
Education	157,378
Sewer	539,967
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>1,842,096</u>

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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>
2018	43,724
2019	43,724
2020	26,258
2021	8,306
Total Minimum Lease Payments	122,012
Less: Amount Representing Interest	(6,675)
Present Value of Future Minimum Lease Payments	<u>115,337</u>

**G. Long-Term Debt**

**1. General Obligation Debt**

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. Bonds and notes currently outstanding are as follows:

<i>Purpose</i>	<i>Interest Rate</i>	<i>Amount</i>
General Government		
2002 School Construction Bond, maturing 2023	3.05 – 5.25%	1,785,000
2004 Sewer Bond, Maturing 2025	1.03%	1,760,000
2009 Sewer Bond Maturing 2024	1.13%	2,473,331
2012 Somesville Sidewalk Maturing 2022	2.99%	750,000
2013 WWTP Upgrade Maturing 2033	.32%	3,964,760
2013 Municipal Garage Maturing 2028	2.61%	1,724,884
2016 Capital Improvements Maturing 2025	1.99%	572,040
2017 Multi-Projects, Maturing 2028	2.32%	1,213,119
2017 Clean Water State Revolving Loan	1.00%	150,000
2017 Clean Water State Revolving Loan	1.00%	<u>1,100,000</u>
		<u>15,493,134</u>
 <i>Purpose</i>	 <i>Interest Rate</i>	 <i>Amount</i>
Marina Fund		
2011 Marina Project Maturing 2031	3.64%	<u>1,540,000</u>

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 \$1,062,835, and the Marina fund interest of \$420,651 is as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Marina Fund</i>	<i>Totals</i>
2018	1,790,027	166,056	1,956,083
2019	1,874,532	162,052	2,036,584
2020	1,841,701	158,048	1,999,749
2021	1,808,784	154,165	1,962,949
2022	1,775,817	150,040	1,925,857
2023-2027	4,996,976	690,217	5,687,193
2028-2032	1,875,270	480,073	2,355,343
2033-2037	592,863		592,863
Total	16,555,970	1,960,651	18,516,621

**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	14,656,519	1,650,000
Additions	2,463,119	
Reductions	(1,626,504)	(110,000)
Balance – June 30	<u>15,493,134</u>	<u>1,540,000</u>

**3. Overlapping Debt**

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

<i>Units</i>	<i>Net debt outstanding June 30, 2017</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
MDICSD	2,257,646	35.96%	811,850
Hancock County	600,000	15.68%	94,080
Totals	<u>2,857,646</u>		<u>905,930</u>

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

**TOWN OF MOUNT DESERT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017**

**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 8% and the employer contribution rate was 9.5% of applicable member compensation.

The required contributions paid into the System for the year ended June 30, 2017 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>				
2017	\$ 124,648	\$ 59,274	\$ 158,973	\$ 1,629,386	\$ 42,829
2016	\$ 118,846	\$ 56,675	\$ 151,422	\$ 1,553,544	\$ 42,345
2015	\$ 111,289	\$ 44,723	\$ 183,598	\$ 1,454,758	\$ 45,717

**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>			
2017	\$ 114,412	\$ 135,864	\$ 1,430,147
2016	\$ 95,852	\$ 113,744	\$ 1,278,022
2015	\$ 93,193	\$ 103,843	\$ 1,331,326

**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, 2017**

**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 \$63,494 for the SET Plan and \$1,376,795 for the PLD Plan. The net pension liability was measured as of June 30, 2016, 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 6.37% of the total Town proportion for the PLD Plan. At June 30, 2016, the Town of Mount Desert's proportion of contributions was .259122% for the PLD Plan and .003594% for the SET Plan, which was a decrease of .000256% and .009968% for the SET Plan from each of its proportions measured at June 30, 2015.

For the fiscal year ended June 30, 2017, Mount Desert School Department recognized pension expense of \$69,274 for the SET Plan and \$135,864 for the PLD Plan for a total of \$154,578. At June 30, 2017, the Town'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	17,918	88,673
Changes in Assumption	147,596	1,631
Net Difference between projected and actual earnings on pension plan investments	529,045	220,051
Changes in proportion and differences between employer contributions and proportionate share of contributions	37,414	29,355
Employer Contributions made subsequent to measurement date	195,138	
	<u>927,111</u>	<u>339,710</u>



**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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	5,142	83,394
2018	175	54,140
2019	5,710	161,207
2020	3,144	79,351

**Actuarial Assumptions**

The collective total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<i>SET Plan</i>	<i>PLD Plan</i>
Investment Rate of Return:	6.875% per annum, compounded annually	6.875% per annum, compounded annually
Inflation Rate	2.75%	2.75%
Rates of Salary Increase	2.75 - 14.50%	2.75% to 9.0%
Cost of Living Benefit:	2.20%	2.20%

For Town employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Table for males and females for both the SET Plan and PLD Plan.

The actuarial assumptions used in the June 30, 2016 valuation were based on the Entry Age Normal actuarial funding method. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of their expected future salary. The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e. decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**B. Pension Plans (continued)**

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	5.7%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	5.2%
Infrastructure	10%	5.3%
Hard Assets	5%	5.0%
Fixed Income	25%	2.9%
	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 6.875% for the SET Plan and 6.875% 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 6.875% for the SET Plan and 6.875% 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:

<b>SET Plan:</b>	<u>1% Decrease (5.875%)</u>	<u>Current Discount Rate (6.875%)</u>	<u>1% Increase (7.875%)</u>
Proportionate Share of the Net Pension Liability	\$ 101,670	\$ 63,494	\$ 31,674
<b>PLD Plan:</b>	<u>1% Decrease (5.875%)</u>	<u>Current Discount Rate (6.875%)</u>	<u>1% Increase (7.875%)</u>
Proportionate Share of the Net Pension Liability	\$ 145,457	\$ 87,634	\$ 33,196

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**C. Pension Plans (continued)**

***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](http://www.mainebers.org) or contacting the System at (207) 512-3100.

**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 coverage is provided after a \$2,500 per occurrence deductible is met. Under the general liability portion of the policy, the limit is \$400,000 per occurrence for causes of action pursuant to the Maine Tort Claims Act. Coverage is limited to those areas for which governmental immunity has been expressly waived. \$1,000,000 per occurrence for causes of action pursuant to federal or state law for which immunity is not proved by the Maine Tort Claims Act. The same limit applies for Law Enforcement after a \$1,000 per occurrence deductible is met. For the public official liability and employment practices liability, the coverage is \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$5,000 deductible.

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, 2017.

**TOWN OF MOUNT DESERT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - UNASSIGNED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit J**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	15,642,130	15,642,130	15,694,238	52,108
Intergovernmental Revenues	178,416	178,416	168,908	(9,508)
Charges for Services	127,850	127,850	138,947	11,097
Miscellaneous	90,350	108,000	104,461	(3,539)
<b>Total Revenues</b>	<b>16,038,746</b>	<b>16,056,396</b>	<b>16,106,554</b>	<b>50,158</b>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	1,289,889	1,289,139	1,149,453	139,686
General Assistance & Rural Wastewater Support	184,517	184,517	178,648	5,869
Public Safety	1,902,406	1,906,656	1,766,277	140,379
Public Works	2,510,195	2,510,195	2,354,084	156,111
Sewer	898,741	898,741	793,541	105,200
Community Development	34,350	52,000	49,624	2,376
Debt Service	1,389,601	1,389,601	1,374,263	15,338
All Other	300,965	300,965	299,277	1,688
Education	3,668,533	3,668,533	3,668,533	-
Assessments	3,821,950	3,821,950	3,759,491	62,459
<b>Total Expenditures</b>	<b>16,001,147</b>	<b>16,022,297</b>	<b>15,393,191</b>	<b>629,106</b>
<b>Excess Revenues Over Expenditures</b>	<b>37,599</b>	<b>34,099</b>	<b>713,363</b>	<b>679,264</b>
<b>Other Financing Sources</b>				
Transfers from Other Funds	68,552	72,052	206,583	134,531
Transfer to Other Funds	(506,151)	(506,151)	(506,151)	-
<b>Total Other Financing Sources</b>	<b>(437,599)</b>	<b>(434,099)</b>	<b>(299,568)</b>	<b>134,531</b>
<b>Net Change in Fund Balance</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>413,795</b>	<b>813,795</b>
<b>Beginning Unassigned Fund Balances</b>			<b>2,479,562</b>	
<b>Ending Unassigned Fund Balances</b>			<b>2,893,357</b>	

**TOWN OF MOUNT DESERT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit K**

<b><u>Schedule 1 - Proportionate Share of the Net Pension Liability:</u></b>	<b><i>State Employees and Teachers Plan For the Fiscal Year Ended June 30, 2017</i></b>	<b><i>State Employees and Teachers Plan For the Fiscal Year Ended June 30, 2016</i></b>	<b><i>State Employees and Teachers Plan For the Fiscal Year Ended June 30, 2015</i></b>
Proportion of net pension liability	0.003594%	0.003850%	0.002799%
Proportionate share of net pension liability	\$63,494	\$51,980	\$30,238
Covered employee payroll	\$1,629,386	\$1,553,544	\$1,454,758
Proportionate share of the net pension liability as a percentage of its covered employee payroll	3.90%	3.35%	2.08%
Plan Total Pension Liability	\$13,069,954,948	\$12,616,287,054	\$12,320,158,783
Plan Fiduciary Net Position	\$9,960,335,390	\$10,242,097,022	\$10,337,615,927
Plan Net Pension Liability	\$3,109,619,558	\$2,374,190,032	\$1,982,542,856
Plan Fiduciary Net Position as a % Of the Total Pension Liability	76.208%	81.182%	83.908%
Plan Covered Employee Payroll	\$1,816,435,084	\$1,699,160,889	\$1,676,857,294
Plan Net Pension Liability as a % Of the Covered Employee Payroll	171.194%	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:**

	<b><i>For the Fiscal Year Ended June 30, 2017</i></b>	<b><i>For the Fiscal Year Ended June 30, 2016</i></b>	<b><i>For the Fiscal Year Ended June 30, 2015</i></b>
Contractually required contribution	\$59,274	\$56,675	\$44,723
Contribution in relation to the contractually required contrib	(\$59,274)	(\$56,675)	(\$44,723)
Contribution deficiency	\$0	\$0	\$0
Covered employee payroll	\$1,629,386	\$1,553,544	\$1,454,758
Contributions as a percentage of covered employee payroll	3.64%	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, 2017**

**Exhibit L**

<u>Schedule 1 - Proportionate Share of the Net Pension Liability:</u>	<u>Participating Local Districts Plan For the Fiscal Year Ended June 30, 2017</u>	<u>Participating Local Districts Plan For the Fiscal Year Ended June 30, 2016</u>	<u>Participating Local Districts Plan For the Fiscal Year Ended June 30, 2015</u>
Proportion of net pension liability	0.281265%	0.269090%	0.255876%
Proportionate share of net pension liability	\$1,151,603	\$858,520	\$393,745
Covered employee payroll	\$1,430,147	\$1,278,022	\$1,412,324
Proportionate share of the net pension liability as a percentage of its covered employee payroll	80.52%	67.18%	27.88%
Plan Total Pension Liability	\$2,889,740,634	\$2,720,936,009	\$2,609,657,845
Plan Fiduciary Net Position	\$2,358,409,925	\$2,401,889,308	\$2,455,776,671
Plan Net Pension Liability	\$531,330,709	\$319,046,701	\$153,881,174
Plan Fiduciary Net Position as a % Of the Total Pension Liability	81.613%	88.3%	94.1%
Plan Covered Employee Payroll	\$521,870,235	\$497,616,846	\$460,029,637
Plan Net Pension Liability as a % Of the Covered Employee Payroll	101.813%	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:**

	<u>For the Fiscal Year Ended June 30, 2017</u>	<u>For the Fiscal Year Ended June 30, 2015</u>	<u>For the Fiscal Year Ended June 30, 2015</u>
Contractually required contribution	\$135,864	\$113,744	\$109,631
Contribution in relation to the contractually required contrib	(\$135,864)	(\$113,744)	(\$109,631)
Contribution deficiency	\$0	\$0	\$0
Covered employee payroll	\$1,430,147	\$1,278,022	\$1,412,324
Contributions as a percentage of covered employee payroll	9.50%	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  
NOTES TO HISTORICAL PENSION INFORMATION  
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - Actuarial Methods and Assumptions**

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date June 30, 2016, is as follows:

**A. Actuarial Cost Method**

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of their expected future salary. The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

**B. Asset Valuation Method**

The actuarial value of assets is used for determining employer contributions. The use of an actuarial value of assets for this purpose helps mitigate volatility in contribution rates that might otherwise occur due to fluctuations in market conditions. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actual assumption for investment return.

**C. Amortization**

The net pension liability is amortized on a level percentage of payrolls over the amortization period then in effect in statutory and constitutional requirements. The statutory and constitutional requirements include an amendment to the Maine Constitution approved in November 1995 that requires the State of Maine to fund the unfunded actuarial liability existing on June 30, 1996, over a period not to exceed 31 years beginning on July 1, 1997, and not later than June 30, 2028. The amendment prohibits the creation of new unfunded liabilities in the Plan except those arising from experience losses, which must be funded over a period of not more than ten years. In addition, the amendment requires the use of actuarially sound current cost accounting, reinforcing existing statutory requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 are as follows:

	<u>SET Plan</u>	<u>PLD Plan</u>
Investment Rate of Return:	6.875% per annum, compounded annually	6.875% per annum, compounded annually
Inflation Rate	2.75%	2.75%
Rates of Salary Increase	2.75 - 14.50%	2.75% to 9.0%
Cost of Living Benefit:	2.20%	2.20%

For Town employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Table for males and females for both the SET Plan and PLD Plan. The actuarial assumptions used in the June 30, 2016 valuation were based on the Entry Age Normal actuarial funding method. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
<b>Taxes</b>			
Property	14,988,130	14,991,561	3,431
Motor Vehicle Excise	600,000	646,299	46,299
Boat Excise	29,000	33,032	4,032
Interest on Taxes	25,000	23,346	(1,654)
	<u>15,642,130</u>	<u>15,694,238</u>	<u>52,108</u>
<b>Intergovernmental Revenues</b>			
Acadia National Park - PILT	30,000	31,675	1,675
ANP Otter Creek Treatment Plant	60,000	47,977	(12,023)
ANP Seal Harbor Sewer	15,000	15,151	151
State Road Assistance	35,000	36,460	1,460
General Assistance	2,500	63	(2,437)
Homestead Reimbursement	31,223	31,222	(1)
Snowmobile Reimbursement		457	457
Tree Growth	3,000	4,095	1,095
Veterans Exemption	760	801	41
BETE Exemption	933	955	22
Other State Revenues		52	52
	<u>178,416</u>	<u>168,908</u>	<u>(9,508)</u>
<b>Charges for Services</b>			
Police Department	1,500	1,484	(16)
Fire Department		542	542
Sewers	700	719	19
Recycling	2,000	1,134	(866)
Paid Parking	60,000	57,635	(2,365)
Planning and Zoning	47,750	60,163	12,413
Licenses and Permits	10,000	9,381	(619)
Town Clerk	5,900	7,889	1,989
	<u>127,850</u>	<u>138,947</u>	<u>11,097</u>



**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Other Revenue			
Solid Waste Performance Credit	40,000	25,716	(14,284)
Payments in Lieu of Taxes	4,000	10,352	6,352
Interest on Investments	58,000	68,751	10,751
Insurance Dividends/Refunds	5,000		(5,000)
Other	1,000	(358)	(1,358)
	<u>108,000</u>	<u>104,461</u>	<u>(3,539)</u>
Transfers and Other Sources			
General Obligation Bond		123,119	123,119
NEH Marina	47,052	47,370	318
Special Revenues		11,094	11,094
Municipal Revenue Sharing	25,000	25,000	-
	<u>72,052</u>	<u>206,583</u>	<u>134,531</u>
	16,128,448	<u><u>16,313,137</u></u>	<u><u>184,689</u></u>
Fund Balance Used to Reduce Tax Rate	<u>400,000</u>		
<b>Total Revenues and Use of     Fund Balance</b>	<u><u>16,528,448</u></u>		

**TOWN OF MOUNT DESERT  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

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

	Encumbered from 2016	Appropriation	Revenues/ Transfers In	Expenditures	Encumbered to 2018	(Over) Under Budget
General Government						
Board of Selectmen		30,970		19,959		11,011
Town Administration	8,068	331,954		312,237	9,568	18,217
Town Clerk	5,338	85,378		96,327		(5,611)
Elections		5,847		6,246		(399)
Planning Board	35,677	48,760		32,734	35,677	16,026
Finance	10,000	85,725		85,076	3,500	7,149
Treasurer		108,458		104,985	2,000	1,473
Tax Collector		8,955		7,463		1,492
Assessing		108,295		103,378		4,917
Code Enforcement	1,500	135,942		113,968		23,474
General Government - Unallocated		136,750		66,754		69,996
Human Resources		5,000		260	4,740	-
Technology		197,105		205,164		(8,059)
	60,583	1,289,139		1,154,551	55,485	139,686
General Assistance		5,000		95		4,905
Rural Wastewater Support		179,517		178,553		964
		184,517		178,648		5,869
Public Safety						
Police Department	15,371	760,272		686,559	5,452	83,632
Fire Department	2,700	511,062		472,575		41,187
Dispatch		313,472		294,946	7,500	11,026
Shellfish	1,324			133	1,110	81
Street Lights		42,350		38,883		3,467
Animal Control	1,000			40	960	-
Emergency Management		6,000		5,014		986
Fire Hydrant Rental		273,500		273,500		-
	20,395	1,906,656		1,771,650	15,022	140,379
Public Works						
Highways	41,233	1,676,804		1,597,861	5,769	114,407
Waste Management		573,908		550,817		23,091
Buildings & Grounds		217,571		203,459		14,112
Environmental Sustainability		3,200		451	2,749	-
Parks and Cemeteries		38,712		34,211		4,501
	41,233	2,510,195		2,386,799	8,518	156,111

## TOWN OF MOUNT DESERT

## GENERAL FUND

## STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES

FOR THE YEAR ENDED JUNE 30, 2017

Exhibit A-2  
Page 2 of 2

	Encumbered from 2016	Appropriation	Revenues/ Transfers In	Expenditures	Encumbered to 2018	(Over) Under Budget
Sewer						
Sewer Operation		557,933		523,606	15,879	18,448
Northeast Harbor Plant		146,750		105,583		41,167
Somesville Plant		57,000		45,526		11,474
Seal Harbor Plant		105,858		80,815		25,043
Otter Creek Plant		31,200		22,132		9,068
	-	898,741		777,662	15,879	105,200
Sewer Capital						
Pump Station Replacement	109,080				109,080	-
	109,080	-		-	109,080	-
Community Development	18,937	52,000		53,071	15,490	2,376
Debt Service						
Principal on Bonds/Notes		1,187,012		1,187,010		2
Interest on Bonds/Notes		202,589		187,253		15,336
		1,389,601		1,374,263		15,338
All Other						
Libraries		33,500		33,500		-
Recreation - Pool Maintenance		5,700		4,012		1,688
Recreation		89,500		89,500		-
Village Organizations		48,740		48,740		-
Social Service Agencies		123,525		123,525		-
		300,965		299,277		1,688
Education						
Elementary School	534,296	3,668,533	552,050	4,152,077	602,802	-
Assessments						
MDI High School		2,920,173		2,884,208		35,965
County Tax		805,933		805,933		-
Overlay		95,844		69,350		26,494
		3,821,950		3,759,491		62,459
Operating Transfers Out						
Community Development Movie Program						-
Reserves		506,151		506,151		-
		506,151		506,151		-
Totals	784,524	16,528,448	552,050	16,413,640	822,276	629,106

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit A-3**

Unassigned Fund Balance, July 1	2,479,562	
Unassigned Fund Balance, June 30	<u>2,893,357</u>	
<b>Increase</b>		<u><u>413,795</u></u>

***Analysis of Change***

**Additions**

**Budget Summary**

Revenue Surplus - Exhibit A-1	173,595	
Transfer from Capital Projects	11,094	
Unexpended Balance of		
Appropriations - Exhibit A-2	<u>629,106</u>	

Budget Surplus		<u>813,795</u>
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**Deductions**

Beginning Fund Balance Used  
to Reduce Tax Rate

(400,000)

<b>Increase</b>		<u><u>413,795</u></u>
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**TOWN OF MOUNT DESERT  
ALL GENERAL RESERVE FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

**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		3,071,770			3,071,770
Due from Other Funds	16,472	19,139	22,739	17,756	76,106
<b>Total Assets</b>	<b>16,472</b>	<b>3,090,909</b>	<b>22,739</b>	<b>17,756</b>	<b>3,147,876</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Accounts Payable					-
Total Liabilities	-	-	-	-	-
Fund Balances					
Restricted	16,472		22,739		39,211
Committed		3,090,909		17,756	3,090,909
Assigned					17,756
Total Fund Balances	16,472	3,090,909	22,739	17,756	3,147,876
<b>Total Liabilities and Fund Balances</b>	<b>16,472</b>	<b>3,090,909</b>	<b>22,739</b>	<b>17,756</b>	<b>3,147,876</b>

**TOWN OF MOUNT DESERT  
ALL GENERAL RESERVES  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit A-5**

	<b>Municipal Revenue Sharing</b>	<b>General Reserve Funds</b>	<b>Planning Grant</b>	<b>Shellfish Fund</b>	<b>Total</b>
<b>Revenues</b>					
Intergovernmental Revenues	33,380				33,380
Local Sources		170,824		2,897	173,721
Fair Value Increase (Decrease)		532,094			532,094
Total Revenues	33,380	702,918	-	2,897	739,195
<b>Expenditures</b>					
General Government		500			500
Public Safety		139,757			139,757
Debt Service		137,433			137,433
Total Expenditures	-	277,690	-	-	277,690
Excess of Revenues Over (Under) Expenditures	33,380	425,228	-	2,897	461,505
<b>Other Financing Sources (Uses)</b>					
Transfers from Other Funds		87,893			87,893
Transfers to Other Funds	(25,000)	(43,366)			(68,366)
Total Other Financing Sources (Uses)	(25,000)	44,527	-	-	19,527
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	8,380	469,755	-	2,897	481,032
<b>Fund Balance - July 1</b>	8,092	2,621,154	22,739	14,859	2,666,844
<b>Fund Balance - June 30</b>	16,472	3,090,909	22,739	17,756	3,147,876

**TOWN OF MOUNT DESERT  
GENERAL RESERVE FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit A-6**

	<b>Balance July 1</b>	<b>Transfers In</b>	<b>Interest</b>	<b>Revenues</b>	<b>Expenditures/ Transfers</b>	<b>Balance June 30</b>
Town Reserve Funds						
Dog Welfare	5,100		110	694	(500)	5,404
Police Reserve	25,998	49,480	1,243		(6,824)	69,897
Police Training Reserve	54,519		1,309			55,828
Public Works Parks & Cemeteries Reserve	10,268	10,000	460		(2,700)	18,028
Revaluation Reserve	107,887	18,978	3,046			129,911
Wastewater Bond Repayment	1,200,297		26,168		(137,433)	1,089,032
Sub-Total	1,404,069	78,458	32,336	694	(147,457)	1,368,100
General (Fair Value Changes)	1,174,187	9,435	532,094			1,715,716
Police Reimbursements						
Hancock County Drug Task Force	-					-
Hancock County UAD Task Force	-					-
Bar Harbor Police Chief	4,486			87,270	(85,707)	6,049
Bulletproof Vests	-			774	(774)	-
Police Security Detail	31,094				(31,094)	-
Police Outside Detail	7,155			12,900	(20,055)	-
Bar Harbor Mutual Aid	163			36,850	(35,969)	1,044
MDEA Reimbursement	-					-
Sub-Total	42,898	-	-	137,794	(173,599)	7,093
Total	2,621,154	87,893	564,430	138,488	(321,056)	3,090,909

**TOWN OF MOUNT DESERT**  
**ALL SPECIAL REVENUE FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017**

**Exhibit B-1**

<i>Assets</i>	<i>Evidence Based Impaired Driving HVE Project</i>	<i>Com. Dev. Movies Program</i>	<i>Totals</i>
Due from Other Funds	258	965	1,223
<b>Total Assets</b>	<b>258</b>	<b>965</b>	<b>1,223</b>
 <i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable	258		258
Total Liabilities	258	-	258
Fund Balances			
Restricted		965	965
Total Fund Balances	-	965	965
<b>Total Liabilities and Fund Balances</b>	<b>258</b>	<b>965</b>	<b>1,223</b>



**TOWN OF MOUNT DESERT**  
**ALL CAPITAL PROJECT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit B-2**

	<i>Fire Assistance Grant</i>	<i>Evidence Based Impaired Driving HVE Project</i>	<i>Com. Dev. Movies Program</i>	<i>Totals</i>
Revenues				
Intergovernmental Revenues	890	2,897		3,787
Local Sources	944	452		1,396
Total Revenues	1,834	3,349	-	5,183
Expenditures				
Police Department		3,349		3,349
Fire Department	1,834			1,834
Total Expenditures	1,834	3,349	-	5,183
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfer from Other Funds				
Transfer to Other Funds	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	-	-
Fund Balance - July 1			965	965
Fund Balance - June 30	-	-	965	965

**TOWN OF MOUNT DESERT  
ALL CAPITAL PROJECT FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

**Exhibit C-1  
Page 1 of 3**

<i>Assets</i>	<i>Street Light Project</i>	<i>Northeast Village Center</i>	<i>Police Department Renovations</i>	<i>Seal Harbor Comfort Station</i>	<i>Otter Creek Fire Pond Project</i>
Investments					
Bonds Receivable	32,500	274,000	952	25,220	22,692
Due from Other Funds					
<b>Total Assets</b>	<b>32,500</b>	<b>274,000</b>	<b>952</b>	<b>25,220</b>	<b>22,692</b>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Retainage Payable					1,500
Accounts Payable					650
Due to Other Funds				25,220	1,392
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,220</b>	<b>3,542</b>
Fund Balances					
Committed	32,500	274,000	952		19,150
<b>Total Fund Balances</b>	<b>32,500</b>	<b>274,000</b>	<b>952</b>	<b>-</b>	<b>19,150</b>
<b>Total Liabilities and Fund Balances</b>	<b>32,500</b>	<b>274,000</b>	<b>952</b>	<b>25,220</b>	<b>22,692</b>

**TOWN OF MOUNT DESERT  
ALL CAPITAL PROJECT FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

**Exhibit C-1  
Page 2 of 3**

<i>Assets</i>	<i>Otter Creek Landing Reconstruction</i>	<i>Rte. 198 Project</i>	<i>Broadband Services</i>	<i>Bracy Cove Pump Station Upgrade</i>	<i>Steamboat Wharf Road</i>
Investments					
Bonds Receivable	75,479	500,000	250,000	560,781	1,500
Due from Other Funds					
<b>Total Assets</b>	<b>75,479</b>	<b>500,000</b>	<b>250,000</b>	<b>560,781</b>	<b>1,500</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable				11,107	1,500
Accounts Payable		1,098		2,275	
Due to Other Funds	23,479			17,415	
<b>Total Liabilities</b>	<b>23,479</b>	<b>1,098</b>	<b>-</b>	<b>30,797</b>	<b>1,500</b>
Fund Balances					
Committed	52,000	498,902	250,000	529,984	
<b>Total Fund Balances</b>	<b>52,000</b>	<b>498,902</b>	<b>250,000</b>	<b>529,984</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>75,479</b>	<b>500,000</b>	<b>250,000</b>	<b>560,781</b>	<b>1,500</b>

**TOWN OF MOUNT DESERT**  
**ALL CAPITAL PROJECT FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017**

**Exhibit C-1**  
**Page 3 of 3**

<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	52,831		1,364,512	1,364,512
Due from Other Funds			5,075	42,176		1,815,070
						49,703
<b>Total Assets</b>	<b>17,867</b>	<b>3,700</b>	<b>57,906</b>	<b>42,176</b>	<b>1,364,512</b>	<b>3,229,285</b>
<i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable	4,988					19,095
Accounts Payable					7,121	4,023
Due to Other Funds	2,989					77,616
<b>Total Liabilities</b>	<b>7,977</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,121</b>	<b>100,734</b>
Fund Balances						
Committed	9,890	3,700	57,906	42,176	1,357,391	3,128,551
<b>Total Fund Balances</b>	<b>9,890</b>	<b>3,700</b>	<b>57,906</b>	<b>42,176</b>	<b>1,357,391</b>	<b>3,128,551</b>
<b>Total Liabilities and Fund Balances</b>	<b>17,867</b>	<b>3,700</b>	<b>57,906</b>	<b>42,176</b>	<b>1,364,512</b>	<b>3,229,285</b>

**TOWN OF MOUNT DESERT  
ALL CAPITAL PROJECT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit C-2  
Page 1 of 3**

	Street Light Project	Northeast Village Center	Police Department Renovations	Seal Harbor Comfort Station	Otter Creek Fire Pond Project
Revenues					
Local Sources					
Interest Income	-	-	-	-	-
Total Revenues					
Expenditures					
General Government					
Public Safety					
Public Works Department					
Construction				6,368	
Engineering					1,370
Miscellaneous					1,370
Total Expenditures					
Excess of Revenues Over (Under) Expenditures	-	-	-	(6,368)	(1,370)
Other Financing Sources (Uses)					
Bond Proceeds	32,500	274,000			
Transfer from Other Funds				(9,435)	
Transfer to Other Funds	32,500	274,000	-	(9,435)	-
Excess of Revenues and Other Sources Over (Under) Expenditures	32,500	274,000	-	(15,803)	(1,370)
Fund Balance - July 1			952	15,803	20,520
Fund Balance - June 30	32,500	274,000	952	-	19,150

**TOWN OF MOUNT DESERT  
ALL CAPITAL PROJECT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit C-2  
Page 2 of 3**

	<b>Otter Creek Landing Reconstruction</b>	<b>Rte. 198 Project</b>	<b>Broadband Services</b>	<b>Bracy Cove Pump Station Upgrade</b>	<b>Steamboat Wharf Road</b>
<b>Revenues</b>					
Local Sources	4,000		5,000		
Interest Income		-			
Total Revenues	<u>4,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
General Government					
Public Safety					
Public Works Department					
Construction		1,098		659,152	
Engineering	8,179			3,230	762
Miscellaneous			5,000	57,634	
Total Expenditures	<u>8,179</u>	<u>1,098</u>	<u>5,000</u>	<u>720,016</u>	<u>762</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(4,179)</u>	<u>(1,098)</u>	<u>-</u>	<u>(720,016)</u>	<u>(762)</u>
<b>Other Financing Sources (Uses)</b>					
Bond Proceeds	33,500	500,000	250,000	1,250,000	
Transfer from Other Funds	2,700				
Transfer to Other Funds	<u>36,200</u>	<u>500,000</u>	<u>250,000</u>	<u>1,250,000</u>	<u>(17,040)</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<u>32,021</u>	<u>498,902</u>	<u>250,000</u>	<u>529,984</u>	<u>(17,802)</u>
<b>Fund Balance - July 1</b>	<u>19,979</u>				<u>17,802</u>
<b>Fund Balance - June 30</b>	<u><u>52,000</u></u>	<u><u>498,902</u></u>	<u><u>250,000</u></u>	<u><u>529,984</u></u>	<u><u>-</u></u>

**TOWN OF MOUNT DESERT  
ALL CAPITAL PROJECT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit C-2  
Page 3 of 3**

	<b>Brookside Road Project</b>	<b>Municipal Garage</b>	<b>WWTP Upgrades</b>	<b>Somesville Sidewalk Project</b>	<b>Capital Improvement Program</b>	<b>Total</b>
<b>Revenues</b>						
Local Sources					35,000	44,000
Interest Income					41,136	41,136
Total Revenues	-	-	-	-	76,136	85,136
<b>Expenditures</b>						
General Government					8,244	8,244
Public Safety					598,191	598,191
Public Works Department					49,375	49,375
Construction						666,618
Engineering	988					13,159
Miscellaneous						64,004
Total Expenditures	988	-	-	-	655,810	1,399,591
<b>Excess of Revenues Over (Under) Expenditures</b>	(988)	-	-	-	(579,674)	(1,314,455)
<b>Other Financing Sources (Uses)</b>						
Bond Proceeds						2,340,000
Transfer from Other Funds					474,305	477,005
Transfer to Other Funds					-	(26,475)
		-	-	-	474,305	2,790,530
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	(988)	-	-	-	(105,369)	1,476,075
<b>Fund Balance - July 1</b>	10,878	3,700	57,906	42,176	1,462,760	1,652,476
<b>Fund Balance - June 30</b>	9,890	3,700	57,906	42,176	1,357,391	3,128,551

**TOWN OF MOUNT DESERT  
CAPITAL IMPROVEMENT FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit C-3**

	<b>Balance July 1</b>	<b>Transfers In</b>	<b>Interest</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Transfers Out</b>	<b>Balance June 30</b>
<b>Capital Improvement Funds - General</b>							
Assessment Capital Reserve	4,022	1,250	126				5,398
Assessor Aerial Photo Reserve		3,333	80				3,413
Bait House	3,327	500	92				3,919
CEO Work Truck	28,813	5,000	812				34,625
Clerk's Capital Improvement	10,172	3,457	327				13,956
Communications Cap. Imp.	103,835	14,878	2,849				121,562
Fire Equipment/Engine	406,035	179,667	10,522	35,000	(572,428)		58,796
Fire Pond and Dry Hydrant	15,236	10,000	606				25,842
Fire Station Building	62,708	16,141	1,414		(25,763)		54,500
Land Acquisition	239,950		5,760				245,710
Public Works Buildings & Grounds Reserve	10,268	10,000	487				20,755
Public Works Equipment	115,300	89,000	4,089		(49,375)		159,014
Refuse Truck	116,485	30,000	3,517				150,002
Town Office Building	29,451	20,000	1,082		(5,500)		45,033
Town Manger Telephone	4,001	3,110	170				7,281
Town Roads	12,452	42,040	900				55,392
Treasurer's Capital Improvement	3,760	1,929	119		(2,744)		3,064
Wastewater	261,575	35,000	7,119				303,694
Wastewater Work Truck	35,370	9,000	1,065				45,435
<b>Sub-Total - General</b>	<b>1,462,760</b>	<b>474,305</b>	<b>41,136</b>	<b>35,000</b>	<b>(655,810)</b>	<b>-</b>	<b>1,357,391</b>
<b>Capital Improvement Funds - Marina</b>							
Bartlett Harbor Moorings/Floats	34,563	4,000	876		(2,583)		36,856
Bartlett Narrows Dock	11,445	3,897	369				15,711
Harbor Boat Reserve	29,744	10,013	955				40,712
Marina Equipment Reserve	8,324	1,600	238				10,162
Northeast Harbor Marina	314,384	12,296	7,238		(181,805)		152,113
Northeast Harbor Marina Work Truck	363	2,700	73				3,136
Northeast Harbor Moorings/Floats	156,196	29,740	4,463				190,399
Seal Harbor Dock	65,136	5,000	1,684				71,820
Seal Harbor Moorings/Floats	49,455	15,751	1,377	5,577	(28,593)		43,567
<b>Sub-Total - Marina</b>	<b>669,610</b>	<b>84,997</b>	<b>17,273</b>	<b>5,577</b>	<b>(212,981)</b>	<b>-</b>	<b>564,476</b>



**TOWN OF MOUNT DESERT  
BALANCE SHEET  
ALL PERMANENT FUNDS  
JUNE 30, 2017**

**Exhibit D-1**

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	6,657	4,237	10,894
<b>Total Assets</b>	<b>6,657</b>	<b>4,237</b>	<b>10,894</b>
<i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable		21	21
Due to Other Funds			-
<b>Total Liabilities</b>	<b>-</b>	<b>21</b>	<b>21</b>
Fund Balances			
Reserved for Endowments	4,170	4,216	8,386
Assigned	2,487		2,487
<b>Total Fund Balances</b>	<b>6,657</b>	<b>4,216</b>	<b>10,873</b>
<b>Total Liabilities and Fund Balances</b>	<b>6,657</b>	<b>4,237</b>	<b>10,894</b>

**TOWN OF MOUNT DESERT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit D-2**

	<b><i>Frank Stanley Trust</i></b>	<b><i>Cemetery Trusts</i></b>	<b><i>Total</i></b>
Revenues			
Investment Income	72	13	85
Expenditures			
Scholarships	100		100
Cemetery Maintenance		101	101
	100	101	201
Excess of Revenues Over Expenditures	(28)	(88)	(116)
Fund Balance - July 1	6,685	4,304	10,989
Fund Balance - June 30	6,657	4,216	10,873

***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

February 7, 2018

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Mount Desert, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Mount Desert, Maine's basic financial statements and have issued our report thereon dated February 7, 2018.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Mount Desert, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Mount Desert, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Mount Desert, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Mount Desert, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

February 7, 2018

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

***Report on Compliance for Each Major Federal Program***

We have audited Town of Mount Desert, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Mount Desert, Maine's major federal programs for the year ended June 30, 2017. The Town of Mount Desert, Maine's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Town of Mount Desert, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audits Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the Town of Mount Desert, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Mount Desert, Maine's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Town of Mount Desert, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### ***Report on Internal Control over Compliance***

Management of the Town of Mount Desert, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Mount Desert, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Mount Desert, Maine's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

***SCHEDULE I  
TOWN OF MOUNT DESERT  
Summary Schedule of Prior Audit Findings  
For the Year Ended June30, 2017***

***No Prior Audit Findings***



**SCHEDULE II**  
**TOWN OF MOUNT DESERT**  
***Schedule of Findings and Questioned Costs***  
***For the Year Ended June 30, 2017***

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Mount Desert, Maine.
2. No reportable conditions relating to the audit of the financial statements are reported in the *Report on Compliance and on Internal Control over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town of Mount Desert, Maine were disclosed during the audit.
4. No conditions relating to the audit of the major federal award programs are reported in the *Report on Compliance for Each Major Program and Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award program for the Town of Mount Desert, Maine expresses an unmodified opinion.
6. Audit findings relative to the major federal award program for the Town of Mount Desert, Maine are reported in Part C of this schedule.
7. The programs tested as a major programs are :  
  
EPA – Clean Water Revolving Fund CFDA #66.458
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Town of Mount Desert, Maine was determined not to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE

**TOWN OF MOUNT DESERT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
U.S. Department of Education:			
Rural School Achievement Program	84.358		25,958
Passed Through Bar Harbor School Department:			
NCLB Title IA - Basic Compensatory Education	84.010	013-05A-3057-13	8,022
Passed Through State Department of Education and Cultural Services:			
Title VI, Part B - Local Entitlement	84.027	013-05A-3046-12	48,767
Title VI, Part B - Local Entitlement Preschool	84.173	013-05A-3009-10	313
Total U.S. Department of Education			83,060
U.S. Environmental Protection Agency			
Passed Through Maine Department of Environmental Protection			
Clean Water Revolving Fund	*66.458	C230087-07	636,983
Total Environmental Protection Agency			636,983
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		774
Total Department of Justice			774
U.S. Department of Interior			
Passed Through Maine Department of Environmental Protection			
State and Community Highway Safety Grant	15.606	06A 20150813*633	1,741
Total Environmental Protection Agency			1,741
U.S. Department of Transportation			
Passed Through Maine Department of Highway Safety			
Evidence Based Impaired Driving	20.600	ID17-040	2,897
Total Environmental Protection Agency			2,897

**TOWN OF MOUNT DESERT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>
U.S. Department of Agriculture			
Passed Through State Department of Educational and Cultural Services:			
Child Nutrition Cluster			
National School Lunch Program	10.555	013-05A-71128-05	14,749
Federal Performance Based Lunch	10.555	013-05A-71142-05	1,309
School Breakfast Program	10.556	013-05A-71127-05	4,804
Total Child Nutrition Cluster			20,862
Food Distribution	10.565	-	4,975
Passed Through State of Maine Department of Agriculture, Conservation, and Forestry			
Cooperative Forestry Assistance	10.664		890
Total U.S. Department of Agriculture			26,727
<b>Total</b>			<b>752,182</b>

**TOWN OF MOUNT DESERT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Town of Mount Desert under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Town of Mount Desert, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Town of Mount Desert.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Town did not elect to use the 10% de minimis indirect cost rate.

**NOTE 3 – PASS-THROUGH AWARDS**

The Town of Mount Desert, Maine receives certain federal awards in the form of pass-through awards from the State of Maine. Such amounts received as pass-through awards are specifically identified on the Schedule.

**NOTE 4 – MAJOR PROGRAMS**

In accordance with the Uniform Guidance, major programs are determined using a risk-based approach. Programs in the accompanying Schedule denoted with an asterisk (\*) are determined by the independent auditor to be major programs.

**NOTE 5 – FEDERAL LOAN PROGRAMS**

The federal loan programs listed subsequently are administered by the Town of Mount Desert and balances and transactions relating to the program are included in the Town of Mount Desert's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loans outstanding as of June 30, 2017 consist of:

CFDA Number: 66.458  
Program Name: Clean Water Revolving Fund  
Outstanding Balance at 6/30/17: \$689,219