

TOWN OF MOUNT DESERT, MAINE

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

***FOR THE FISCAL YEAR
ENDED JUNE 30, 2018***

**TOWN OF MOUNT DESERT
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2018**

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***TOWN OF MOUNT DESERT
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2018***

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James W. Wadman

CERTIFIED PUBLIC ACCOUNTANT

James W. Wadman, C.P.A.
Ronald C. Bean, C.P.A.
Kellie M. Bowden, C.P.A.
Wanese L. Lynch, C.P.A.
Amy E. Atherton, C.P.A.

INDEPENDENT AUDITOR'S REPORT

March 6, 2019

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, 2018, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Mount Desert, Maine as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension disclosure schedules on pages 3-9, and 50-53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Desert, Maine's financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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 financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the State of Maine Department of Education.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the supplementary information and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

TOWN OF MOUNT DESERT, MAINE
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. 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, 2018 by \$36,805,720 (presented as “net position”). Of this amount, \$13,221,767 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 \$465,617 (a 1.3 % increase) for the year ended June 30, 2018. Net position of governmental activities increased by \$297,183 (a .9% increase), while net position of business-type activities showed an increase of \$168,434 (a 5.6% increase).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the year ended June 30, 2018; the Town's governmental funds reported a combined ending fund balance of \$14,436,705 with \$2,988,753 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 \$3,719,102 for the year ended June 30, 2018. New debt was issued for \$5,108,485 for multi projects, and \$135,000 for street lights. 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 21-49 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). This section also includes a schedule of proportionate share of net pension liability and schedule of employer contributions in relation to GASB Statement #68. This section also includes OPEB schedules related to GASB Statement #75. Required supplementary information can be found on pages 50-53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

61% of the Town's net position reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets); less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

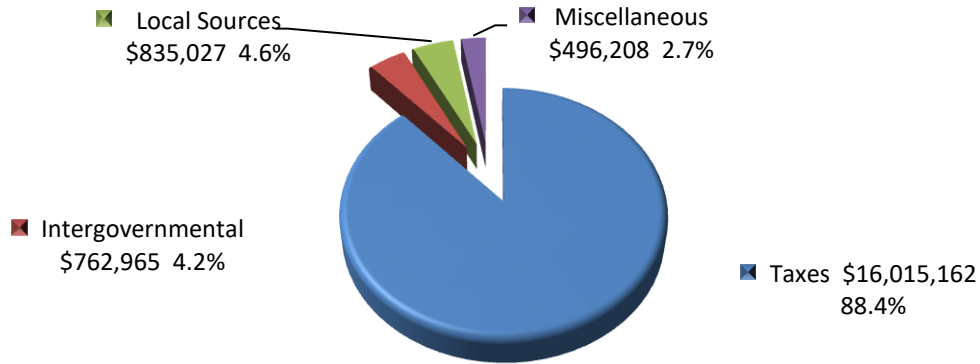
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>June 30, 2018 Total</i>	<i>June 30, 2017 Total</i>
Current Assets	16,695,835	1,291,549	17,987,384	12,500,232
Capital Assets	39,749,543	3,367,010	43,116,553	43,473,996
<i>Total Assets</i>	56,445,378	4,658,559	61,103,937	55,974,228
 <i>Total Deferred Outflows of Resources</i>	 481,926		 481,926	 481,926
 <i>Total Assets and Deferred Outflows of Resources</i>	 56,927,304	 4,658,559	 61,585,863	 56,456,154
Current Liabilities	3,906,817	161,419	4,068,236	3,269,289
Other Liabilities	18,532,900	1,320,000	19,852,900	16,884,764
<i>Total Liabilities</i>	22,439,717	1,481,419	23,921,136	20,154,053
 <i>Total Deferred Inflows of Resources</i>	 859,007		 859,007	 407,183
Net Investment in Capital Assets	20,400,990	1,937,010	22,338,000	26,325,525
Restricted	623,749	622,204	1,245,953	651,364
Unrestricted	12,603,841	617,926	13,221,767	9,363,214
<i>Total Net Position</i>	33,628,580	3,177,140	36,805,720	36,340,103
 <i>Total Liabilities and Net Position</i>	 56,927,304	 4,658,559	 61,585,863	 56,901,339

Changes in Net Position

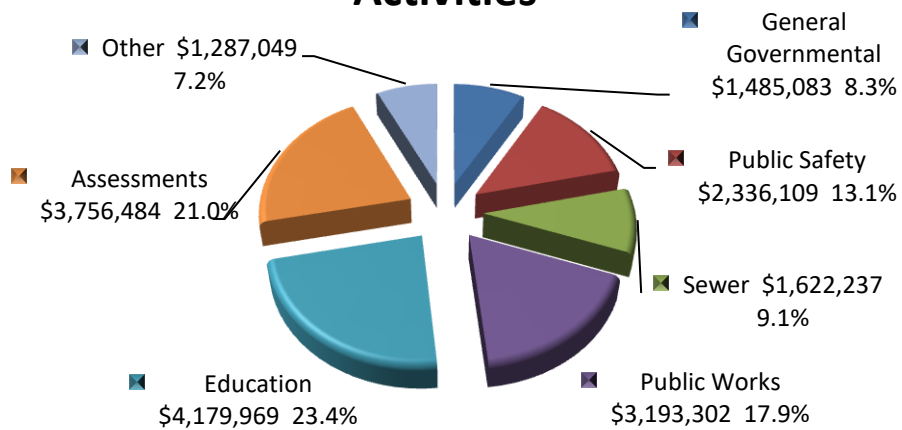
Approximately 88% of the Town's total revenue came from property and excise taxes, approximately 4% came from State subsidies and grants, and approximately 8% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-type activity assets represents \$1,892,108 of the total expenses for the fiscal year.

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>June 30, 2018 Total</i>	<i>June 30, 2017 Total</i>
<i>Revenues:</i>				
Taxes	16,015,162		16,015,162	15,697,877
Intergovernmental Revenues	762,965		762,965	758,125
Local Sources	835,027	899,875	1,734,902	1,167,909
Fair Value Increase (Decrease)	289,192		289,192	532,094
Gain on Sale of Asset	48,500		48,500	35,000
Transfers In / Out	48,054	(48,054)	-	-
Miscellaneous	158,516		158,516	104,461
<i>Total</i>	18,157,416	851,821	19,009,237	18,295,466
<i>Expenses:</i>				
General Government	1,485,083		1,485,083	1,283,978
General Assistance & Rural Wastewater	171,677		171,677	178,648
Public Safety	2,336,109		2,336,109	2,164,317
Public Works	3,193,302		3,193,302	2,828,907
Sewer	1,622,237		1,622,237	1,331,021
Marine Dept.		683,387	683,387	614,984
Community Development	35,196		35,196	53,071
Debt Service	274,937		274,937	182,692
Other	314,439		314,439	299,377
Assessments	3,756,484		3,756,484	3,759,491
Education Programs	4,179,969		4,179,969	3,966,871
Capital Outlay	490,800		490,800	16,298
<i>Total</i>	17,860,233	683,387	18,543,620	16,679,655
<i>Changes in Net Position</i>	297,183	168,434	465,617	1,615,811

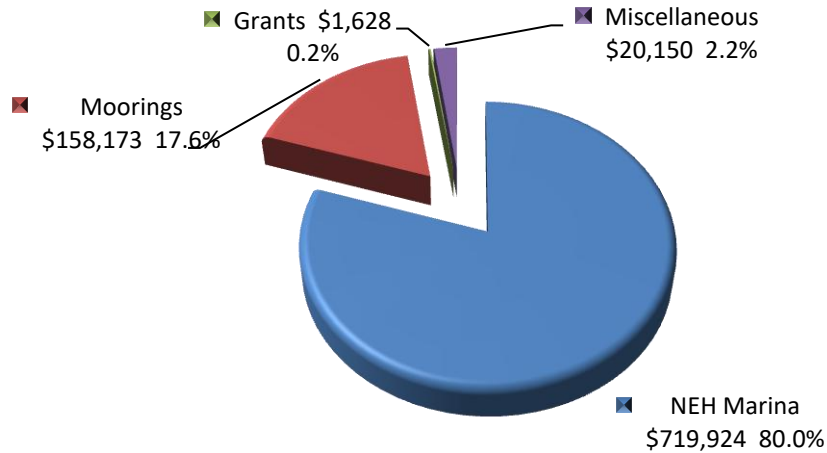
Revenues By Source - Governmental Activities



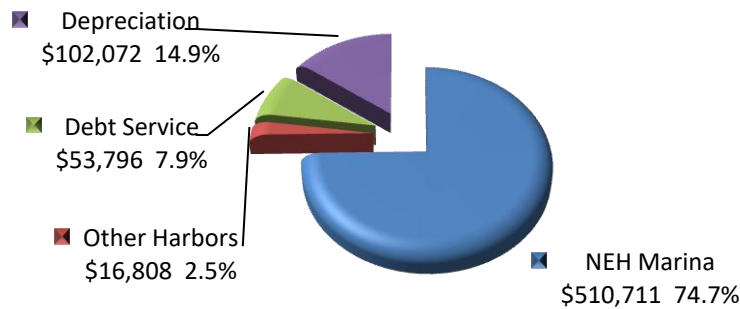
Expenditures By Source - Governmental Activities



Revenues By Source - Business-type Activities



Expenditures By Source - Business-type Activities



FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

Governmental Funds

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

At the end of the year, the Town's governmental funds reported ending fund balances of \$14,436,705, an increase of \$4,432,807 in comparison with the prior year. Approximately 21 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:

- \$42,288 positive variance in motor vehicle excise. We had poor estimate on receipts – prior year receipts were 3,425 vehicles at \$646,288. A recession was assumed and that fewer vehicles would be purchased and value of existing re-registrations would be less because of the annual mil rate drop. The assumption was correct that there would be fewer vehicles (3,279) but the value of the new vehicles far exceeded the drop in mil rate.
- \$26,398 negative variance in planning and zoning revenues. Based on the prior year revenue and with discussion with landowners/developers, it was anticipated that more new construction and rehab would be taking place therefore generating more permits and fee revenue.
- \$49,058 negative variance in general government – unallocated. The variance is due to MPERS Plan 2C liability funded by bonding, which was closed to unassigned fund balance in prior year.
- \$29,194 negative variance in technology. IT tech fees, cable/internet, and software licensing had higher costs than anticipated at time of budget development.
- \$94,198 positive variance in police department. In summary, about \$55,000 of the variance resulted from the police chief sharing agreement, \$13,603 in the vehicle fuel account due to chief's cruiser mileage reimbursement from Bar Harbor, \$12,745 under-expended workers comp funds, \$12,952 due to under expended health insurance fund.
- \$65,052 positive variance in highways. Bid pricing for paving was better than anticipated; we did not make the repairs to sidewalks, catch basins, and manholes we had planned on doing, the price of heating and vehicle fuel remained low, and the health insurance premium increase in costs was not as high as anticipated.
- \$53,874 positive variance in sewer operations. The costs for the vehicle fuel remained low, we did not get the I&I sewer pipe work we had planned, and low flows into the treatment plants result in lower sludge disposal costs.
- \$26,653 positive variance in Seal Harbor plant. The low flow into the plant results in low chemical and electrical costs. Heating fuel remained low.
- \$80,500 positive variance in overlay. The overlay estimate was based on the prior year abatements; therefore, it was determined to go with the larger overlay. However, no large abatements were considered nor approved.
- \$210,001 positive variance in NEH marina revenues. The revenues were over the budgeted amount because of a rate increase and two new slips. The weather was also above average, which led to a longer than normal season.
- \$21,250 negative variance in NEH marina expenses. The operating expenses were over in large part because of higher than expected electrical charges due to the power upgrade. The other major factor is credit card fees due to the rate increase, the two new slips, and above normal summer and higher than expected credit card usage.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-like activities amounts to \$72,040,565, net of accumulated depreciation of \$28,924,012, leaving a net book value of \$43,116,553. Current additions include \$10,015 SH fire house repairs, \$861,961 Bracy Cove pump station, \$10,095 thermal imager, \$21,000 for SCBA bottle fill station, \$28,875 for a police vehicle, \$14,457 police radio equipment, \$159,005 for a plow truck, \$203,791 for packer truck and body, \$35,971 sewer truck, \$28,529 CEO truck, \$395,058 for paving, and \$44,634 for Otter Creek landing. 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, 2018

Exhibit A

	Governmental	Business-Type	
Assets	Activities	Activities	Total
Cash and Equivalents	3,975,719		3,975,719
Investments	6,227,014	632,817	6,859,831
Taxes and Liens Receivables	84,648		84,648
Bonds Receivables	5,775,390		5,775,390
Accounts Receivable	618,194		618,194
Internal Balances		658,732	658,732
Prepaid Expenditures	12,479		12,479
Inventory	2,391		2,391
Capital Assets:			
Land	2,624,097		2,624,097
Construction Work in Progress	444,708		444,708
Other Capital Assets, Net of Depreciation	36,680,738	3,367,010	40,047,748
Total Assets	56,445,378	4,658,559	61,103,937
Deferred Outflows of Resources:			
Related to Pensions and Other Post Employment Benefits	481,926		481,926
Total Deferred Outflow of Resources	481,926		481,926
Total Assets and Deferred Outflows of Resources	56,927,304	4,658,559	61,585,863
Liabilities			
Accounts Payable	585,447	5,679	591,126
Retainage Payable	56,431		56,431
Accrued Interest Payable		39,217	39,217
Accrued Compensated Absences	310,711	6,523	317,234
Accrued Salaries Payable	289,314		289,314
Internal Balances	658,732		658,732
Long-term Liabilities:			
Net Pension Liability	874,312		874,312
Net Other Post Employment Benefits Liability	316,217		316,217
Due Within One Year	2,006,182	110,000	2,116,182
Due in More Than One Year	17,342,371	1,320,000	18,662,371
Total Liabilities	22,439,717	1,481,419	23,921,136
Deferred Inflows of Resources:			
Property Taxes Collected in Advance	619,108		619,108
Related to Pensions and Other Post Employment Benefits	239,899		239,899
Total Deferred Inflows of Resources	859,007	-	859,007
Net Position			
Net Investment in Capital Assets	20,400,990	1,937,010	22,338,000
Restricted	623,749	622,204	1,245,953
Unrestricted	12,603,841	617,926	13,221,767
Total Net Position	33,628,580	3,177,140	36,805,720
Total Liabilities, Deferred Inflows of Resources, and Net Position	56,927,304	4,658,559	61,585,863

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, 2018

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-type Activities</u>	<u>Total</u>
<u>Primary Government</u>						
<u>Governmental Activities</u>						
General Government	1,485,083	97,477		(1,387,606)		(1,387,606)
General Assistance & Rural Wastewater Support	171,677			(171,677)		(171,677)
Public Safety	2,336,109	2,970		(2,333,139)		(2,333,139)
Public Works	3,193,302	1,984		(3,191,318)		(3,191,318)
Sewer	1,622,237	690		(1,621,547)		(1,621,547)
Community Development	35,196			(35,196)		(35,196)
Debt Service	274,937			(274,937)		(274,937)
Other	314,439			(314,439)		(314,439)
Education	4,179,969	65,315	296,497	(3,818,157)		(3,818,157)
Assessments	3,756,484			(3,756,484)		(3,756,484)
Capital Outlay	490,800			(490,800)		(490,800)
<u>Total Governmental Activities</u>	<u>17,860,233</u>	<u>168,436</u>	<u>296,497</u>	<u>(17,395,300)</u>		<u>(17,395,300)</u>
<u>Business-type Activities</u>						
Marina	683,387	886,738	1,628		204,979	204,979
<u>Total Business-type Activities</u>	<u>683,387</u>	<u>886,738</u>	<u>1,628</u>		<u>204,979</u>	<u>204,979</u>
<u>Total Primary Government</u>	<u>18,543,620</u>	<u>1,055,174</u>	<u>298,125</u>	<u>(17,395,300)</u>	<u>204,979</u>	<u>(17,190,321)</u>
<u>General Revenues:</u>						
Taxes						
Property				15,345,071		15,345,071
Auto Excise				642,288		642,288
Boat Excise				27,803		27,803
Intergovernmental Revenues				399,618		399,618
Increase (Decrease) in FMV				289,192		289,192
Other Local Sources				891,957	11,509	903,466
Gain/(Loss) on Sale of Capital Assets				48,500		48,500
Transfers Marina				48,054	(48,054)	-
<u>Total Revenues, Special Items and Transfers</u>				<u>17,692,483</u>	<u>(36,545)</u>	<u>17,655,938</u>
<u>Changes in Net Position</u>				297,183	168,434	465,617
<u>Net Position - Beginning</u>				33,331,397	3,008,706	36,340,103
<u>Net Position - Ending</u>				<u>33,628,580</u>	<u>3,177,140</u>	<u>36,805,720</u>

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

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

Exhibit C
Page 1 of 2

	General Fund	Northeast Village Center	Bracy Cove Pump Station Upgrade	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Equivalents	3,975,719				3,975,719
Investments	4,805,544			1,421,470	6,227,014
Receivables					
Taxes	3,363				3,363
Tax Liens	81,285				81,285
Bonds		3,892,935	405,258	1,477,197	5,775,390
Other	465,687			152,507	618,194
Prepaid Expenditures	12,479				12,479
Inventory	2,391				2,391
Due from Other Funds	5,833	29,000		1,138,193	1,173,026
Total Assets	9,352,301	3,921,935	405,258	4,189,367	17,868,861
Liabilities					
Accounts Payable	213,181	2,458		350,728	566,367
Retainage Payable			13,389	43,042	56,431
Accrued Salaries Payable	289,314				289,314
Due to Other Governments	19,080				19,080
Due to Other Funds	1,381,225		391,869	58,664	1,831,758
Total Liabilities	1,902,800	2,458	405,258	452,434	2,762,950
Deferred Inflows of Resources:					
Property Taxes Collected in Advance	619,108				619,108
Unavailable Property Tax Revenue	50,098				50,098
Total Deferred Inflows of Resources	669,206	-	-	-	669,206
Fund Balances					
Nonspendable	1,886			8,190	10,076
Restricted	612,708			965	613,673
Committed	2,973,485	3,919,477		3,725,238	10,618,200
Assigned	203,463			2,540	206,003
Unassigned	2,988,753				2,988,753
Total Fund Balances	6,780,295	3,919,477	-	3,736,933	14,436,705
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	9,352,301	3,921,935	405,258	4,189,367	17,868,861

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

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

Exhibit C
Page 2 of 2

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

Total Fund Balance	14,436,705
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$28,189,551	39,749,543
Deferred outflows of resources related to pension plans	460,795
Deferred outflows of resources related to other post employment benefits	21,131
Deferred inflows of resources related to pension plans	(223,624)
Deferred inflows of resources related to other post employment benefits	(16,275)
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Net Pension Liability	(874,312)
Net Other Post Employment Benefits Liability	(316,217)
Property Taxes Collected in Advance	50,098
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(19,212,236)
Accrued Compensated Absences	(310,711)
Capital Leases Payable	(136,317)
Net Position of Governmental Activities	<u><u>33,628,580</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, 2018

Exhibit D
Page 1 of 2

	<i>General Fund</i>	<i>Northeast Village Center</i>	<i>Bracy Cove Pump Station Upgrade</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues					
Taxes	16,012,865				16,012,865
Intergovernmental Revenues	840,978			5,176	846,154
Local Sources	301,536			581,991	883,527
Fair Value Increase (Decrease)	289,192				289,192
Miscellaneous	158,516				158,516
Total Revenues	17,603,087			587,167	18,190,254
Expenditures					
Current:					
General Government	1,377,620			33,396	1,411,016
General Assist. & Rural Wastewater Suppo	171,677				171,677
Public Safety	1,987,866			162,432	2,150,298
Public Works	2,426,186			329,974	2,756,160
Sewer	871,085			37,427	908,512
Community Development	35,196				35,196
All Other	314,339			100	314,439
Education Programs	4,448,691				4,448,691
Assessments	3,756,484				3,756,484
Debt Service	1,474,644			42,176	1,516,820
Capital Outlay		318,008	141,945	1,134,740	1,594,693
Total Expenditures	16,863,788	318,008	141,945	1,740,245	19,063,986
Excess of Revenues Over (Under)					
Expenditures	739,299	(318,008)	(141,945)	(1,153,078)	(873,732)
Other Financing Sources (Uses)					
Bond Proceeds		3,963,485		1,295,000	5,258,485
Transfers from Other Funds	127,911			1,404,980	1,532,891
Transfers to Other Funds	(950,424)		(388,039)	(146,374)	(1,484,837)
Total Other Financing Sources (Uses)	(822,513)	3,963,485	(388,039)	2,553,606	5,306,539
Excess of Revenues and Other					
Financing Sources Over					
(Under) Expenditures	(83,214)	3,645,477	(529,984)	1,400,528	4,432,807
Fund Balance - July 1	6,863,509	274,000	529,984	2,336,405	10,003,898
Fund Balance - June 30	6,780,295	3,919,477	-	3,736,933	14,436,705

(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, 2018

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds 4,432,807

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	1,668,381
Capital asset disposals	(43,276)
Depreciation expense	(1,892,108)
	<u>(267,003)</u>

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

Unavailable Property Tax Revenue	<u>2,297</u>
----------------------------------	--------------

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

Capital lease obligation principal payments	62,209
New Capital Lease	(83,189)
New Debt	(5,258,485)
General obligation bond principal payments	1,539,383
	<u>(3,740,082)</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:

Deferred Outflows of Pension and Other Post Employment Benefits	(445,185)
Deferred Inflows of Pension and Other Post Employment Benefits	99,811
Net Pension Liability	565,977
Net Other Post Employment Benefit Liability	(316,217)
Accrued compensated absences	(35,222)
	<u>(130,836)</u>

Change in net position of governmental activities	<u><u>297,183</u></u>
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The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2018

Exhibit E

	Marina Fund
Assets	
Current Assets:	
Investments	632,817
Due from Other Funds	658,732
Total Current Assets	1,291,549
Noncurrent Assets:	
Capital Assets, net	3,367,010
Total Noncurrent Assets	3,367,010
Total Assets	4,658,559
Liabilities and Net Position	
Liabilities	
Current Liabilities:	
Accrued Interest Payable	39,217
Accounts Payable	5,679
Long-term Liabilities:	
Due Within One Year	110,000
Due in More Than One Year	1,320,000
Total Liabilities	1,474,896
Net Position	
Net Investment in Capital Assets	1,937,010
Restricted	622,204
Unassigned	624,449
Total Net Position	3,183,663
Total Liabilities and Net Position	4,658,559
Amounts reported for business activities in the Statement of Net Position are different because:	
Total Net Position	3,183,663
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	(6,523)
	(6,523)
Net Position of Business Activities	3,177,140

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

TOWN OF MOUNT DESERT

Exhibit F

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

<i>Marina Fund</i>			
	<i>Original</i>	<i>Final</i>	<i>Variance</i>
	<i>Budget</i>	<i>Budget</i>	<i>Favorable</i>
			<i>(Unfavorable)</i>
Operating Revenues:			
NEH Marina	509,923	509,923	719,924
Moorings	107,000	107,000	121,272
Launch Services	20,000	20,000	20,670
Agent Fees	17,000	17,000	16,231
Pump Out Grant	2,000	2,000	1,628
Ticket Booth Fees	2,500	2,500	1,701
Marina Concessions	9,500	9,500	6,940
Total Operating Revenues:	667,923	667,923	888,366
Operating Expenditures:			
NEH Marina	474,522	490,417	511,667
Seal Harbor Marina	8,550	13,478	12,720
Bartlett Narrows Harbor	4,600	5,774	3,568
Somesville Harbor	350	350	520
Debt Service	60,225	60,225	53,796
Depreciation			102,072
Total Operating Expenditures	548,247	570,244	684,343
Net Operating Income	119,676	97,679	204,023
Non-operating Revenues (Expenses)			
Interest Revenue			11,509
Total Non-operating Revenues (Expenses)	-	-	11,509
Net Income (Loss) before contributions and transfers	119,676	97,679	215,532
Transfer to Other Funds	(126,567)	(126,567)	(48,054)
Change in Net Position	(6,891)	(28,888)	167,478
Total Net Position - Beginning			3,016,185
Total Net Position - Ending			3,183,663
Net change in fund balances - total business funds			167,478
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			956
			956
Change in net position of business activities			168,434

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, 2018

Exhibit G

	<i>Marina Fund</i>
<i>Cash Flows from Operating Activities</i>	
Received from Customers	776,157
Payments to Suppliers	(287,940)
Payments to Employees	(182,914)
Other Receipts (Payments)	281,794
	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	587,097
	<hr/>
<i>Cash Flows from Capital and Related Financing Activities</i>	
Principal Paid on Capital Debt	(110,000)
Disposals of Capital Assets	17,125
Purchases of Capital Assets	(534,382)
	<hr/>
<i>Net Cash Used in Capital and Related Financing Activities</i>	(627,257)
	<hr/>
<i>Cash Flows from Investing Activities</i>	
Net Purchase/Sales of Investment	22,886
Interest and Dividends	17,274
	<hr/>
<i>Net Cash Provided by (Used in) Investing Activities</i>	40,160
	<hr/>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	-
<i>Balances - beginning of the year</i>	-
	<hr/>
<i>Balances - end of the year</i>	-
	<hr/> <hr/>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>	
Net Operating Income (Loss)	167,478
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	102,072
(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
	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	626,864
	<hr/> <hr/>

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

TOWN OF MOUNT DESERT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

Exhibit H

	<i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i>
<i>Assets</i>	
Investments	13,480
Total Assets	13,480
<i>Liabilities and Net Position</i>	
Liabilities	
Due to Other Funds	
Total Liabilities	-
Net Position	
Restricted	12,704
Unassigned	776
Total Net Position	13,480
Total Liabilities and Net Position	13,480

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, 2018

Exhibit I

	<i>Private Purpose</i> <i>Trust Fund</i> <hr/> <i>Horace Reynolds</i> <i>Scholarship Fund</i> <hr/>
Revenues	
Investment Income	<hr/> 8
	<hr/> 8
Expenditures	
Scholarships	<hr/> 53
Total Expenditures	<hr/> 53
Excess of Revenues Over (Under)	
Expenditures	(45)
Net Position - July 1	<hr/> 13,525
Net Position - June 30	<hr/> 13,480 <hr/>

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

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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, \$50,098 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 May 23, 2018 for the 2018 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, 2018

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, 2018

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, 2018

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, 2018 fund balances on the balance sheet as follows:

		Northeast	Other		
	General	Village	Governmental		
	Fund	Center	Funds	Total	
<u>Nonspendable</u>					
School Inventory	2,391			2,391	
Frank Stanley Principal			4,073	4,073	
Cemetery Principal			4,117	4,117	
<u>Restricted</u>					
School Department	567,829			567,829	
Municipal Revenue Sharing	21,635			21,635	
Planning Grant	22,739			22,739	
Com. Dev. Movies Program			965	965	
<u>Committed</u>					
Town Reserves	2,973,485			2,973,485	
NEH WW Collect System			445,945	445,945	
Street Light Project			182,500	182,500	
Northeast Village Center		3,919,477		3,919,477	
Rte 3 Improvements			100,000	100,000	
Otter Creek Fire Pond			19,150	19,150	
Otter Creek Landing			7,366	7,366	
MD Crosswalks			38,000	38,000	
Rte 198 Project			20,969	20,969	
Broadband Services			244,500	244,500	
NEH Sylvan Neighborhood			637,286	637,286	
Rte 198 DOT Phase 2			500,000	500,000	
MD Crosswalks Phase 1			89,956	89,956	
NEH Food Vender/Farmers Mkt			1,724	1,724	
NEH Summit Road Improvements			40,000	40,000	
NEH Village Green Irrigation			50,000	50,000	
Brookside Road			9,900	9,900	
Municipal Garage			3,700	3,700	
Capital Imp. Program			1,334,242	1,334,242	
<u>Assigned</u>					
Shellfish Fund	17,456			17,456	
Encumbrances	186,007			186,007	
Frank Stanley Income			2,540	2,540	
<u>Unassigned</u>					
General Fund	2,988,753			2,988,753	
<u>Total Fund Balance</u>	<u>6,780,295</u>	<u>3,919,477</u>	<u>3,736,933</u>	<u>14,436,705</u>	

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 2017-2018, \$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 \$186,007 at June 30 and is detailed in Exhibit A-2.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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. All time and savings deposits owned by the Town's official custodian are insured up to \$250,000 by the FDIC. Separately, all demand deposits owned by the Town's official custodian are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the Town and thus no custodial risk exists.

At June 30, the carrying amount of the Town's deposits was \$3,975,719 and the bank balance was \$4,196,125. Of the bank balance, \$2,985,888 was covered by federal depository insurance and \$1,210,237 was collateralized through Bar Harbor Bank & Trust.

B. Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the town's mission, the town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a narrative format for the fair value disclosures.

The Town categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2018:

- U.S. Treasury securities and common stock of \$6,873,311 are valued using quoted market prices (Level 1 inputs)

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	2,064,744,020	
Tax Rate (per \$1,000)	<u>7.42</u>	
Commitment	<u>15,320,401</u>	
Appropriations	16,877,885	
Less:		
State Municipal Revenue Sharing	30,000	
Homestead Reimbursement	41,700	
BETE Reimbursement	914	
Other Revenue	<u>1,484,870</u>	
	<u>1,557,484</u>	
Net Assessment for Commitment	<u>15,320,401</u>	

Uncollected taxes and liens at June 30 for the current year commitment totaled \$75,093. Unpaid liens at June 30 totaled \$81,285.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2018 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	5,833	1,381,225
Special Revenue Funds	1,461	
Capital Project Funds	1,165,732	450,533
Marina Fund	658,732	
Totals	<u><u>1,831,758</u></u>	<u><u>1,831,758</u></u>

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental and Fiduciary Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental and Proprietary Fund financial statements. Of the balances above, the general fund receivable is expected to be repaid over the next year. The general fund payable is expected to be funded through future appropriations with a majority of the balance being paid through the next year's appropriations and funding.

Transfers To/From Other Funds at June 30, 2018, were as follows:

	<u><i>Transfers From</i></u>	<u><i>Transfers To</i></u>
General Fund	127,911	950,424
Capital Projects	1,404,980	534,413
Marina Fund		48,054
Totals	<u><u>1,532,891</u></u>	<u><u>1,532,891</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) transfer funds to general fund to cover expenditures voted on per Selectmen.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	2,624,097			2,624,097
Construction Work in Progress	721,115	586,653	(863,060)	444,708
<i>Capital assets being depreciated</i>				
Buildings	24,598,646	871,976		25,470,622
Equipment	6,004,130	633,122	(493,165)	6,144,087
Infrastructure	32,795,429	439,692		33,235,121
<i>Total capital assets being depreciated</i>	63,398,205	1,944,790	(493,165)	64,849,830
<i>Less accumulated depreciation for</i>				
Buildings	7,993,091	569,830		8,562,921
Equipment	3,265,501	410,232	(449,887)	3,225,846
Infrastructure	15,468,279	912,046		16,380,325
<i>Total accumulated depreciation</i>	26,726,871	1,892,108	(449,887)	28,169,092
<i>Net capital assets being depreciated</i>	36,671,334	52,682	(43,278)	36,680,738
<i>Governmental Activities Capital Assets, net</i>	40,016,546	639,335	(906,338)	39,749,543

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities;</i>				
<i>Capital asset not being depreciated</i>				
Land	103,201			103,201
<i>Capital assets being depreciated</i>				
Marina	3,986,637	433,830	(422,197)	3,998,270
<i>Total capital assets being depreciated</i>	3,986,637	433,830	(422,197)	3,998,270
<i>Less accumulated depreciation for</i>				
Marina	632,388	102,073		734,461
<i>Total accumulated depreciation</i>	632,388	102,073	-	734,461
<i>Net capital assets being depreciated</i>	3,354,249	331,757	(422,197)	3,263,809
<i>Business-type Activities Capital Assets, net</i>	3,457,450	331,757	(422,197)	3,367,010

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

Governmental Activities

General Government	54,721
Public Safety	200,353
Public Works	913,767
Education	162,994
Sewer	560,273
Total Depreciation Expense - Governmental Activities	1,892,108

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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>
2019	65,675
2020	48,208
2021	30,257
Total Minimum Lease Payments	144,140
Less: Amount Representing Interest	(7,823)
Present Value of Future Minimum Lease Payments	<u>136,317</u>

G. Long-Term Debt

1. General Obligation Debt

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

<i><u>Purpose</u></i>	<i><u>Interest Rate</u></i>	<i><u>Amount</u></i>
General Government		
2002 School Construction Bond, maturing 2023	3.05 – 5.25%	1,487,500
2004 Sewer Bond, Maturing 2025	1.03%	1,540,000
2009 Sewer Bond Maturing 2024	1.13%	2,119,997
2012 Somesville Sidewalk Maturing 2022	2.99%	557,824
2013 WWTP Upgrade Maturing 2033	.32%	3,716,963
2013 Municipal Garage Maturing 2028	2.61%	1,568,077
2016 Capital Improvements Maturing 2025	1.99%	572,040
2018 Multi-Projects, Maturing 2028	2.32%	1,213,119
2018 Clean Water State Revolving Loan	1.00%	143,188
2018 Clean Water State Revolving Loan	1.00%	1,050,043
2018 Multi-Projects Bond, Maturing 2038	3.42%	5,108,485
2018 Street Lights, Maturing 2027	2.52%	<u>135,000</u>
		<u>19,212,236</u>

<i><u>Purpose</u></i>	<i><u>Interest Rate</u></i>	<i><u>Amount</u></i>
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TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Marina Fund		
2011 Marina Project Maturing 2031	3.64%	<u>1,430,000</u>

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 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Totals</i>
2019	1,944,964	385,548	2,330,512
2020	1,945,770	342,398	2,288,168
2021	1,946,583	299,151	2,245,734
2022	1,905,225	255,852	2,161,077
2023	1,798,224	212,569	2,010,793
2024-2028	5,284,878	722,435	6,007,313
2029-2033	2,839,185	383,119	3,222,304
2034-2038	1,547,407	136,474	1,683,881
Total	19,212,236	2,737,546	21,949,782

<i>Year Ended June 30,</i>	<i>Marina Debt</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Totals</i>
2019	110,000	52,052	162,052
2020	110,000	48,048	158,048
2021	110,000	44,165	154,165
2022	110,000	40,040	150,040
2023	110,000	36,036	146,036
2024-2028	550,000	120,197	670,197
2029-2033	330,000	24,057	354,057
Total	1,430,000	364,595	1,794,595
Totals	20,642,236	3,102,141	23,744,377

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	15,493,134	1,540,000
Additions	5,258,485	

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Reductions	<u>(1,539,383)</u>	<u>(110,000)</u>
Balance – June 30	<u>19,212,236</u>	<u>1,430,000</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (continued)

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, 2018</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
MDICSD	2,787,946	35.08%	978,011
Hancock County	300,000	16.50%	49,500
Totals	<u>3,087,946</u>		<u>1,027,511</u>

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

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amount, if any to be immaterial.

There are various claims and suits filed against the Town which arise in the normal course of activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

B. Pension Plans

Plan Description

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

The ICMA is a qualified pension plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan is administered by an independent company, and the Town remits all compensation deferred to this administrator for investment as requested by the participant employees. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

NOTE 4 – OTHER INFORMATION (Continued)

B. Pension Plans (continued)

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 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, 2018, the SET Plan member contribution rate was 7.65% and the employer contribution rate was 3.97% of applicable member compensation. The employer (School portion) is also responsible for contributing 11.68% of all federally funded member compensation. The State of Maine, as a non-employer contributing entity, pays 11.08% of the applicable member compensation into the System. For the year ended June 30, 2018, the PLD Plan member contribution rate was 8% for the Regular AC Plan and 8% for the Special

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2C plan. Employer contribution rates were 9.6% for the Regular AC Plan, and 10.1% for the Special 3C Plan of applicable member compensation.

NOTE 4 – OTHER INFORMATION (Continued)

B. Pension Plans (continued)

The required contributions paid into the System for the year ended June 30, 2018 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>
2018	\$ 128,421	\$ 72,225	\$ 180,707	\$ 1,678,709	\$ 47,778
2017	\$ 124,648	\$ 59,274	\$ 158,973	\$ 1,629,386	\$ 42,829
2016	\$ 118,846	\$ 56,675	\$ 151,422	\$ 1,553,544	\$ 42,345

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>
2018	\$ 136,882	\$ 167,014	\$ 1,711,022
2017	\$ 114,412	\$ 135,864	\$ 1,430,147
2016	\$ 95,852	\$ 113,744	\$ 1,278,022

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 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, 2018, the Town of Mount Desert reported a net pension liability of \$52,763 for the SET Plan and \$821,549 for the PLD Plan. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Town of Mount Desert's proportion of the net pension liability was based on a projection of the Town'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 8.3% of the total Town proportion for the PLD Plan. At June 30, 2017, the Town of Mount Desert's proportion of contributions was .300189% for the PLD Plan and .003910% for the SET Plan, which was an increase of

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

.041067% for the PLD Plan and .000316% for the SET Plan from each of its proportions measured at June 30, 2016.

NOTE 4 – OTHER INFORMATION (Continued)

B. Pension Plans (continued)

For the fiscal year ended June 30, 2018, The Town of Mount Desert recognized pension expense of \$72,225 for the SET Plan and \$167,014 for the PLD Plan for a total of \$239,239. At June 30, 2018, 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	4,184	15,884
Changes in Assumption	134,444	
Net Difference between projected and actual earnings on pension plan investments		198,372
Changes in proportion and differences between employer contributions and proportionate share of contributions	82,928	9,368
Employer Contributions made subsequent to measurement date	239,239	
	<u>460,795</u>	<u>223,624</u>

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>
2019	5,735	152,973
2020	2,477	29,697
2021	(4,883)	(134,951)
2022	(1,843)	(51,270)

Actuarial Assumptions

The collective total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	<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 and School Department 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.

NOTE 4 – OTHER INFORMATION (Continued)

B. Pension Plans (continued)

The actuarial assumptions used in the June 30, 2017 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 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, 2017 are summarized in the following table:

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

			<i>Long-Term</i>		
		<i>Target</i>	<i>Expected Real</i>		
<i>Asset Class</i>		<i>Allocation</i>	<i>Rate of Return</i>		
Public Equities		30.0%	6.0%		
US Government		7.5%	2.3%		
Private Equity		15.0%	7.6%		
Real Assets:					
Real Estate		10.0%	5.2%		
Infrastructure		10.0%	5.3%		
Natural Resources		5.0%	5.0%		
Traditional Credit		7.5%	3.0%		
Alternative Credit		5.0%	4.2%		
Diversifiers		10.0%	5.9%		
		<u>100.0%</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.

NOTE 4 – OTHER INFORMATION (Continued)

B. Pension Plans (continued)

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 Town'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:

<i>SET Plan:</i>	<i>1% Decrease</i>	<i>Current Discount</i>	<i>1% Increase</i>
	<i>▼ (5.875%)</i>	<i>Rate (6.875%)</i>	<i>▼ (7.875%)</i>
Proportionate Share of the Net Pension Liability	\$ 97,506	\$ 52,763	\$ 15,499
 <i>PLD Plan:</i>	 <i>1% Decrease</i>	 <i>Current Discount</i>	 <i>1% Increase</i>
	 <i>▼ (5.875%)</i>	 <i>Rate (6.875%)</i>	 <i>▼ (7.875%)</i>
Proportionate Share of the Net Pension Liability	\$ 1,936,283	\$ 821,549	\$ (220,421)

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the System's 2017 Comprehensive Annual Financial Report available online at www.maineopers.org or contacting the System at (207) 512-3100.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance

Plan Description

Qualifying personnel of the School Department participate in the Group Life Insurance Plan for Retired State Employees and Teachers as provided by the Maine Public Employees Retirement System (SET Plan). The Plan is a multiple-employer, cost sharing plan with a special funding situation. As of June 30, 2017 there were 220 employers, including the State of Maine, participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the Plan.

The Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan) employees is a multiple-employer cost sharing plan. As of June 30, 2017, there were 138 employers participating in the plan.

Each Plan is administered by the Maine Public Employees Retirement System (the System).

Benefits

The Group Life Insurance Plans (the Plans) provide basis group life insurance benefits during retirement to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10 year participation requirement does not apply to recipients of disability retirement benefits).

The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at a rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

NOTE 4 - OTHER INFORMATION (Continued)

C. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance (continued)

Funding Policy

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

Special Funding Situation – SET Plan

The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2018, the Town of Mount Desert reported a net liability of \$23,535 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The Town of Mount Desert's proportion of the collective net OPEB liability was based on a

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

projection of the Town of Mount Desert's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating PLDs, actuarially determined. At June 30, 2017, the Town of Mount Desert's proportion was .140747% for the PLD Plan, which was an increase of .002529% from its proportion measured at June 30, 2016.

For the fiscal year ended June 30, 2018, the Town of Mount Desert recognized OPEB expense of \$851 for the PLD Plan. At June 30, 2018, the Town of Mount Desert's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources were:

	<i>PLD Plan:</i>	
	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	-	-
Changes of Assumptions	-	6,558
Difference between projected and actual Investment		
Earnings on OPEB Plan Investments	-	1,127
Changes in proportion and differences between employer premiums and proportionate share of premiums	476	
	<u>476</u>	<u>7,685</u>

Projected amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

NOTE 4 - OTHER INFORMATION (Continued)

C. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance (continued)

<i>Year Ended June 30,</i>	<i>PLD Plan</i>
2018	(1,498)
2019	(1,498)
2020	(1,498)
2021	(1,498)
2022	(1,217)

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plans was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Projections of benefits for financial reporting purposes are based on the provisions of the Plans in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the funding methodologies.

Costs are developed using the individual entry age normal cost method based on a level percentage of payroll.

***TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018***

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

Asset Valuation Method

Investments are reported at fair value.

Amortization

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 20 years remaining in the amortization schedule for the SET Plan and 13 years remaining for the PLD Plan.

The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuation was based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

NOTE 4 - OTHER INFORMATION (Continued)

C. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance (continued)

Actuarial Methods and Assumptions (continued)

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	<i>SET Plan</i>	<i>PLD Plan</i>
Inflation	2.75%	
Annual Salary Increases, including Inflation	2.75% - 14.50%	2.75% - 9.00%
Investment Rate of Return	6.875% per annum, compounded annually	
Participation Rates for Future Retirees	100% of those currently enrolled	
Conversion Charges	Apply to the cost of active group life insurance, not retiree group life insurance	
Form of Benefit Payment	Lump Sum	
Mortality Rates	For active members and non-disabled retirees of the Plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used. These tables are adjusted by percentages ranging from 104% to 120% based on actuarially determined demographic differences.	

Assets of the Plans are pooled for investment purposes and are allocated to each Plan based on each Plan's fiduciary net position. The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

NOTE 4 - OTHER INFORMATION (Continued)

C. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance (continued)

Actuarial Methods and Assumptions (continued)

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	70.0%	6.0%
Real Estate	5.0%	5.2%
Traditional Credit	16.0%	3.0%
US Government	9.0%	2.3%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the collective total OPEB liability was 6.875% for 2017 for the SET Plan. The projection of cash flows used to determine the discount rate assumed that 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 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 SET Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The discount rate used to measure the total OPEB liability for the PLD Plan was 5.41% which is a blend of the assumed long-term expected rate of return of 6.875% and a municipal bond index rate of 3.58%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2017. Projections of the Plan's fiduciary net position indicate that it is not expected to be sufficient to make projected benefit payments for current members beyond 2052. Therefore, the portion of future projected benefit payments after 2052 are discounted at the municipal bond index rate. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

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

The following presents the Town of Mount Desert's proportionate share of the net OPEB liability calculated using the discount rate of 5.410% for the PLD Plan as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.410%) or 1 percentage point higher (6.410%) than the current rate:

PLD Plan:

	<u>1% Decrease █ (4.410%)</u>	<u>Current Discount Rate (5.410%)</u>	<u>1% Increase █ (6.410%)</u>
Proportionate Share of the Net OPEB Liability	\$ 31,586	\$ 23,535	\$ 17,180

On-Behalf Payments

As mentioned above, contributions are made by the System for participating retired teachers. The summary below provides the School Department's allocation of these contributions as well as the proportionate share of

NOTE 4 - OTHER INFORMATION (Continued)

C. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance (continued)

Actuarial Methods and Assumptions (continued)

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

the Net OPEB liability. The Net OPEB Liability is not recorded on the Town financial statements since it is a liability of the State of Maine and not a liability of the School Department.

<i>Allocation of:</i>		
<i>On-Behalf</i>	<i>Benefits</i>	<i>Net OPEB</i>
<i>Payments</i>	<i>Expense</i>	<i>Liability</i>
2017		
\$5,094	\$5,388	\$55,823

D. Other Postemployment Benefits (OPEB) - Maine Municipal Employees Health Trust postretirement benefit plan

Plan description

Qualifying personnel of the Town can participate in the Maine Municipal Employees Health Trust postretirement benefit plan. The plan is a single employer OPEB plan.

Benefits provided

Medical/Prescription Drug: The non-Medicare retirees are offered the same plans that are available to the active employees, as described in the benefits summaries. Medicare retirees are assumed to be enrolled in Medicare Part A and Part B which are primary, and the Retiree Group Companion Plan which includes prescription drug coverage.

Medicare: Medicare benefits will be taken into account for any member or dependent while they are eligible to apply for Medicare. The Fund will determine a family member's benefit allowance, if any, based upon the applicable Medicare statutes and regulations. The Fund does not participate in the Medicare Retiree Drug Subsidy program.

Duration of Coverage: Medical benefits are provided for the life of the retiree and surviving spouses.

Life Insurance: The \$2,000 life insurance benefit is provided automatically to all retirees participating in the retiree medical plan. Spouses are not covered for life insurance, but surviving spouses covered by the retiree medical plan are covered for a \$2,000 life insurance benefit as well.

Dental: Current retirees do not have access to dental benefits. Future new retirees who retire on and after January 1, 2017 will have access to purchase dental coverage at the Plan COBRA rates. Since retirees pay for the coverage and rates are set to mirror plan experience costs, no additional obligation

NOTE 4 - OTHER INFORMATION (Continued)

D. Other Postemployment Benefits (OPEB) Maine Municipal Employees Health Trust postretirement benefit plan

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

is anticipated. Program experience will be monitored with future valuations and updated as with all benefit provisions and assumptions.

Employees covered by benefit terms:

At June 30, 2018, the following employees were covered under the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	41
Average age	44.59
Average service	7.73

Net OPEB Liability

The Town's net OPEB liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.44% per annum.
Salary Increase Rate	2.75% per year
Administration and claims expense	3% per annum.

Healthcare cost trend rates:

Pre-Medicare Medical: Initial trend of 8.20% applied in FYE 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug: Initial trend of 9.60% applied in FYE 2018 grading over 14 years to 4.00% per annum.

Medicare Medical: Initial trend of 4.93% applied in FYE 2018 grading over 14 years to 4.00% per annum.

Medicare Drug: Initial trend of 9.60% applied in FYE 2017 grading over 14 years to 4.00% per annum.

Rates of mortality are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC 2015 model, with an ultimate rate of .85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120, and convergence to the ultimate rate in the year 2020. As

NOTE 4 - OTHER INFORMATION (Continued)

D. Other Postemployment Benefits (OPEB) Maine Municipal Employees Health Trust postretirement benefit plan

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

prescribed by the Trust mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016.

The actuarial assumptions are the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015.

The Entry Age Normal Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for the Plan. An open 30-year amortization period was used. The amortization method is a level dollar amortization method. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records assembled and provided by Maine Municipal through June 30, 2017 were used by the actuary. Medical and prescription experience for Medicare eligible (ME) and non-Medicare eligible (NME) (actives and retired covered persons) were analyzed by the Actuary. The actuary assumed that the current enrollment distribution of Benefit Options will remain constant in the future for retirees. The actuary distributed the cost based on the current covered population and Cheiron's standard age curves which vary by age, gender, and Medicare status. Children costs are converted to a load on the non-Medicare (NME) retirees which implicitly assumes that future retirees will have the same child distributions as current retirees.

This report does not reflect future changes in benefits, subsidies, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

Discount Rate: Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year-tax-exempt general obligation municipal bond index. Using the Bond Buyer 20-Bond GO Index, the discount rate as of December 31, 2017 is based upon an earlier measurement date, as of December 29, 2016 and is 3.78% per annum. The discount rate as of December 31, 2018 is based upon an earlier measurement date, as of December 28, 2017 and is 3.44% per annum. The rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher, for pay as you go plans.

NOTE 4 - OTHER INFORMATION (Continued)

D. Other Postemployment Benefits (OPEB) Maine Municipal Employees Health Trust postretirement benefit plan

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Plan		
	Total OPEB	Fiduciary	Net OPEB
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balances at 1/1/17	284,496	-	284,496
Changes for the year:			-
Service Cost	14,215		14,215
Interest	11,156		11,156
Changes of benefits	-		-
Differences between expected and actual experience	(9,664)		(9,664)
Changes of assumptions	23,237		23,237
Contributions - employer		7,223	(7,223)
Contributions - member			-
Net investment income			-
Benefit payments	(7,223)	(7,223)	-
Administrative expense			-
Net Change	31,721	-	31,721
Balances at 1/1/18	316,217	-	316,217

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current discount rate:

	<i>1% Decrease</i>	<i>Current Discount</i>	<i>1% Increase</i>
	<i>(2.44%)</i>	<i>Rate (3.44%)</i>	<i>(4.44%)</i>
Net OPEB liability (asset)	\$ 366,611	\$ 316,217	\$ 275,541

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.2% decreasing to 3%) or 1 percentage point higher (9.2% decreasing to 5%) than the current healthcare cost trend rates:

	<i>1% Decrease</i>	<i>Current Discount</i>	<i>1% Increase</i>
Net OPEB liability (asset)	\$ 272,511	\$ 316,217	\$ 372,225

NOTE 4 - OTHER INFORMATION (Continued)

D. Other Postemployment Benefits (OPEB) Maine Municipal Employees Health Trust postretirement benefit plan

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The impact of experience gains or losses and assumption changes on the TOL are recognized in the OPEB expense over the average expected remaining services life of all active and inactive members of the Plan. As of the beginning of the measurement period, the average was 7 years. The table below summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next five years, and thereafter.

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience		8,590
Changes in Assumption	20,655	
Net Difference between projected between projected and actual earnings on pension plan investments		
	20,655	8,590
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:		
2019	1508	
2020	1508	
2021	1508	
2022	1508	
2023	1508	
Thereafter	4525	

E. 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.

The Town, as a member of the MMA Property and Casualty Pool, has a general liability limit of \$400,000/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. There is a limit of \$2,000,000/occurrence for causes of action pursuant to federal law or state law for which immunity is not provided by the Maine Tort Claims Act. The same limit applies for law enforcement after a \$2,500 per occurrence deductible is met. For the public officials' liability and employment practices liability, the coverage is \$2,000,000 per occurrence and \$4,000,000 aggregate with a \$5,000 deductible.

Workers compensation provides coverage as required by the State of Maine Workers Compensation Act. The limit of liability for employer's liability coverage is \$2,000,000/each accident and \$2,000,000 aggregate disease.

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, 2018.

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, 2018

Exhibit J

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	15,969,401	15,969,401	16,012,865	43,464
Intergovernmental Revenues	189,814	189,814	179,855	(9,959)
Charges for Services	128,100	128,100	103,121	(24,979)
Miscellaneous	97,350	115,000	158,516	43,516
Total Revenues	16,384,665	16,402,315	16,454,357	52,042
Expenditures (Net of Departmental Revenues)				
General Government	1,340,493	1,339,743	1,368,724	(28,981)
General Assistance & Rural Wastewater Suppo	189,000	189,000	171,677	17,323
Public Safety	1,946,810	1,951,060	1,828,420	122,640
Public Works	2,556,439	2,556,439	2,447,961	108,478
Sewer	927,958	927,958	817,695	110,263
Community Development	36,350	54,000	42,911	11,089
Debt Service	1,334,229	1,334,229	1,332,929	1,300
All Other	316,311	316,311	314,339	1,972
Education	3,790,149	3,790,149	3,790,149	-
Assessments	3,852,770	3,852,770	3,756,484	96,286
Total Expenditures	16,290,509	16,311,659	15,871,289	440,370
Excess Revenues Over Expenditures	94,156	90,656	583,068	492,412
Other Financing Sources				
Transfers In	72,070	75,570	82,054	6,484
Transfer Out	(566,226)	(566,226)	(569,726)	(3,500)
Total Other Financing Sources	(494,156)	(490,656)	(487,672)	2,984
Net Change in Fund Balance	(400,000)	(400,000)	95,396	495,396
Beginning Unassigned Fund Balances			2,893,357	
Ending Unassigned Fund Balances			2,988,753	

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS

FOR THE YEAR ENDED JUNE 30, 2018

<i>Schedule 1 - Proportionate Share of the Net Pension Liability</i>	<i>State Employees and Teachers Plan For the Fiscal Year Ended June 30, 2018</i>	<i>State Employees and Teachers Plan For the Fiscal Year Ended June 30, 2017</i>	<i>State Employees and Teachers Plan For the Fiscal Year Ended June 30, 2016</i>	<i>State Employees and Teachers Plan For the Fiscal Year Ended June 30, 2015</i>
Proportion of net pension liability	0.004650%	0.003594%	0.003850%	0.002799%
Proportionate share of net pension liability	\$67,543	\$63,494	\$51,980	\$30,238
Covered employee payroll	\$1,184,740	\$1,629,386	\$1,553,544	\$1,454,758
Proportionate share of the net pension liability as a percentage of its covered employee payroll	5.7011%	3.90%	3.35%	2.08%
Plan Total Pension Liability	\$13,484,886,512	\$13,069,954,948	\$12,616,287,054	\$12,320,158,783
Plan Fiduciary Net Position	\$10,893,291,864	\$9,960,335,390	\$10,242,097,022	\$10,337,615,927
Plan Net Pension Liability	\$2,591,594,648	\$3,109,619,558	\$2,374,190,032	\$1,982,542,856
Plan Fiduciary Net Position as a % Of the Total Pension Liability	80.781%	76.208%	81.182%	83.908%
Plan Covered Employee Payroll	\$1,860,230,663	\$1,816,435,084	\$1,699,160,889	\$1,676,857,294
Plan Net Pension Liability as a % Of the Covered Employee Payroll	139.316%	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:

	<i>For the Fiscal Year Ended June 30, 2018</i>	<i>For the Fiscal Year Ended June 30, 2017</i>	<i>For the Fiscal Year Ended June 30, 2016</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Contractually required contribution	\$72,225	\$59,274	\$56,675	\$44,723
Contribution in relation to the contractually required contribution	(\$72,225)	(\$59,274)	(\$56,675)	(\$44,723)
Contribution deficiency	\$0	\$0	\$0	\$0
Covered employee payroll	\$1,184,740	\$1,629,386	\$1,553,544	\$1,454,758
Contributions as a percentage of covered employee payroll	6.10%	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.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS

FOR THE YEAR ENDED JUNE 30, 2018

<i>Schedule 1 - Proportionate Share of the Net Pension Liability</i>	<i>Participating Local Districts Plan For the Fiscal Year Ended June 30, 2018</i>	<i>Participating Local Districts Plan For the Fiscal Year Ended June 30, 2017</i>	<i>Participating Local Districts Plan For the Fiscal Year Ended June 30, 2016</i>	<i>Participating Local Districts Plan For the Fiscal Year Ended June 30, 2015</i>
Proportion of net pension liability	0.300189%	0.281265%	0.269090%	0.255876%
Proportionate share of net pension liability	\$821,549	\$1,151,603	\$858,520	\$393,745
Covered employee payroll	\$1,711,022	\$1,430,147	\$1,278,022	\$1,412,324
Proportionate share of the net pension liability as a percentage of its covered employee payroll	48.02%	80.52%	67.18%	27.88%
Plan Total Pension Liability	\$3,016,660,721	\$2,889,740,634	\$2,720,936,009	\$2,609,657,845
Plan Fiduciary Net Position	\$2,607,223,644	\$2,358,409,925	\$2,401,889,308	\$2,455,776,671
Plan Net Pension Liability	\$409,437,077	\$531,330,709	\$319,046,701	\$153,881,174
Plan Fiduciary Net Position as a % Of the Total Pension Liability	86.427%	81.613%	88.3%	94.1%
Plan Covered Employee Payroll	\$542,572,528	\$521,870,235	\$497,616,846	\$460,029,637
Plan Net Pension Liability as a % Of the Covered Employee Payroll	75.462%	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:

	<i>For the Fiscal Year Ended June 30, 2018</i>	<i>For the Fiscal Year Ended June 30, 2017</i>	<i>For the Fiscal Year Ended June 30, 2015</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Contractually required contribution	\$167,014	\$135,864	\$113,744	\$109,631
Contribution in relation to the contractually required contribution	(\$167,014)	(\$135,864)	(\$113,744)	(\$109,631)
Contribution deficiency	\$0	\$0	\$0	\$0
Covered employee payroll	\$1,711,022	\$1,430,147	\$1,278,022	\$1,412,324
Contributions as a percentage of covered employee payroll	9.76%	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

Exhibit M

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST EMPLOYMENT BENEFITS SCHEDULES (OPEB) - LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2018Schedule 1 - Schedule of Changes in Net OPEB Liability and Related RatiosFor the Fiscal
Year Ended
June 30, 2018**Total OPEB Liability**

Service Cost (BOY)	\$14,215
Interest (includes interest on service cost)	\$11,156
Changes of benefit terms	
Differences between expected and actual experience	(\$9,664)
Changes in assumptions	\$23,237
Benefit payments, including refunds of member contributions	(\$7,223)
Net Change in total OPEB liability	\$31,721

Total OPEB liability - beginning**\$284,496****Total OPEB liability - ending****\$316,217****Plan fiduciary net position**

Contributions - employer	\$7,223
Contributions - member	
Net investment income	
Benefit payments, including refunds of member contributions	(\$7,223)
Administrative expense	
Net change in plan fiduciary net position	-

Plan fiduciary net position - beginning**Plan fiduciary net position - ending****-****Net OPEB liability - ending****\$316,217**Plan Fiduciary Net Position as a %
Of the Total OPEB Liability

0.000%

Covered Employee Payroll

\$2,169,791

Net OPEB Liability as a %
Of the Covered Employee Payroll

14.574%

Schedule 2 - Schedule of Contributions:For the Fiscal
Year Ended
June 30, 2018

Contractually required contribution	\$7,223
Contribution in relation to the contractually required contribution	(\$7,223)
Contribution deficiency	\$0

* Amounts presented for each fiscal year were determined as of January 1. 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, 2018

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, 2017, 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, 2017 are as follows:

	<u><i>SET Plan</i></u>	<u><i>PLD Plan</i></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, 2017 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
NOTES TO OTHER POST EMPLOYMENT BENEFIT
LIABILITY AND CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Benefit Changes

Claims costs and retiree contributions were updated to reflect current healthcare costs.

Changes of Assumptions

Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Net OPEB Liability

The Town’s net OPEB liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial cost method	Entry Age
Amortization method	Level dollar
Amortization period	30 years
Discount Rate	3.44% per annum.
Salary Increase Rate	2.75% per year
Administration and claims expense	3% per annum.
Retirement Age	65
Healthcare cost trend rates	

- Pre-Medicare Medical:* Initial trend of 8.20% applied in FYE 2018 grading over 14 years to 4.00% per annum.
- Pre-Medicare Drug:* Initial trend of 9.60% applied in FYE 2018 grading over 14 years to 4.00% per annum.
- Medicare Medical:* Initial trend of 4.93% applied in FYE 2018 grading over 14 years to 4.00% per annum.
- Medicare Drug:* Initial trend of 9.60% applied in FYE 2017 grading over 14 years to 4.00% per annum.

Rates of mortality are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC 2015 model, with an ultimate rate of .85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120, and convergence to the ultimate rate in the year 2020. As prescribed by the Trust mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2017.

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit A-1
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	15,320,401	15,318,104	(2,297)
Motor Vehicle Excise	600,000	642,288	42,288
Boat Excise	29,000	27,803	(1,197)
Interest on Taxes	20,000	24,670	4,670
	<u>15,969,401</u>	<u>16,012,865</u>	<u>43,464</u>
Intergovernmental Revenues			
Acadia National Park - PILT	30,000	28,313	(1,687)
ANP Otter Creek Treatment Plant	60,000	50,023	(9,977)
ANP Seal Harbor Sewer	15,000	15,797	797
State Road Assistance	35,000	37,044	2,044
General Assistance	3,500	485	(3,015)
Homestead Reimbursement	41,700	41,700	-
Tree Growth	3,000	4,330	1,330
Veterans Exemption	700	730	30
BETE Exemption	914	1,381	467
Other State Revenues		52	52
	<u>189,814</u>	<u>179,855</u>	<u>(9,959)</u>
Charges for Services			
Police Department	1,000	1,351	351
Fire Department		1,619	1,619
Sewers	700	690	(10)
Recycling	2,000	1,984	(16)
Paid Parking	55,000	55,818	818
Planning and Zoning	53,500	27,102	(26,398)
Licenses and Permits	10,000	9,286	(714)
Town Clerk	5,900	5,271	(629)
	<u>128,100</u>	<u>103,121</u>	<u>(24,979)</u>

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit A-1
Page 2 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Other Revenue			
Solid Waste Performance Credit	30,000	54,442	24,442
Payments in Lieu of Taxes	4,000	17,976	13,976
Interest on Investments	75,000	72,655	(2,345)
Insurance Dividends/Refunds	5,000	5,663	663
Other	1,000	7,780	6,780
	<u>115,000</u>	<u>158,516</u>	<u>43,516</u>
Transfers and Other Sources			
Dog Welfare	1,500	1,500	-
NEH Marina	41,570	48,054	6,484
Shellfish Conservation	2,500	2,500	-
Municipal Revenue Sharing	30,000	30,000	-
	<u>75,570</u>	<u>82,054</u>	<u>6,484</u>
	16,477,885	<u>16,536,411</u>	<u>58,526</u>
Fund Balance Used to Reduce Tax Rate	<u>400,000</u>		
Total Revenues and Use of Fund Balance	<u>16,877,885</u>		

TOWN OF MOUNT DESERT

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES

FOR THE YEAR ENDED JUNE 30, 2018

Exhibit A-2

Page 1 of 2

	<i>Encumbered from 2017</i>	<i>Appropriation</i>	<i>Revenues/ Transfers In</i>	<i>Expenditures</i>	<i>Encumbered to 2019</i>	<i>(Over) Under Budget</i>
General Government						
Board of Selectmen		34,215		17,476		16,739
Town Administration	9,568	338,750		357,628	1,716	(11,026)
Town Clerk		110,898		105,796	4,080	1,022
Registrar		1,188		1,170		18
Elections		4,441		3,659		782
Planning Board	35,677	47,760		25,406	35,677	22,354
Finance	3,500	91,341		82,254		12,587
Treasurer	2,000	110,731		109,150	5,616	(2,035)
Tax Collector		8,744		14,373		(5,629)
Assessing		114,060		108,896		5,164
Code Enforcement		140,325		126,925		13,400
General Government - Unallocated		117,250		166,308		(49,058)
Human Resources	4,740	25,000		33,845		(4,105)
Technology		195,040		224,234		(29,194)
	55,485	1,339,743		1,377,120	47,089	(28,981)
General Assistance		5,000		693		4,307
Rural Wastewater Support		184,000		170,984		13,016
		189,000		171,677		17,323
Public Safety						
Police Department	5,452	794,085		702,839	2,500	94,198
Fire Department		518,663		500,308		18,355
Dispatch	7,500	317,294		314,315	9,000	1,479
Shellfish	1,110	2,615		199	1,891	1,635
Street Lights		42,350		38,112		4,238
Animal Control	960	1,553		148	460	1,905
Emergency Management		1,000		170		830
Fire Hydrant Rental		273,500		273,500		-
	15,022	1,951,060		1,829,591	13,851	122,640
Public Works						
Highways	5,769	1,688,949		1,599,373	30,293	65,052
Waste Management		588,705		571,633		17,072
Buildings & Grounds		220,779		221,616		(837)
Environmental Sustainability	2,749	17,500		9,490		10,759
Parks and Cemeteries		40,506		24,074		16,432
	8,518	2,556,439		2,426,186	30,293	108,478

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit A-2
Page 2 of 2

	<i>Encumbered from 2017</i>	<i>Appropriation</i>	<i>Revenues/ Transfers In</i>	<i>Expenditures</i>	<i>Encumbered to 2019</i>	<i>(Over) Under Budget</i>
Sewer						
Sewer Operation	15,879	590,050		552,055		53,874
Northeast Harbor Plant		141,250		118,444		22,806
Somesville Plant		58,500		60,028		(1,528)
Seal Harbor Plant		107,458		80,805		26,653
Otter Creek Plant		30,700		22,242		8,458
	15,879	927,958		833,574	-	110,263
Sewer Capital						
Pump Station Replacement	109,080			37,511	71,569	-
	109,080	-		37,511	71,569	-
Community Development	15,490	54,000		35,196	23,205	11,089
Debt Service						
Principal on Bonds/Notes		1,129,499		1,129,499		-
Interest on Bonds/Notes		204,730		203,430		1,300
		1,334,229		1,332,929		1,300
All Other						
Libraries		33,500		33,500		-
Recreation - Pool Maintenance		5,700		3,728		1,972
Recreation		89,750		89,750		-
Village Organizations		49,500		49,500		-
Social Service Agencies		137,861		137,861		-
		316,311		314,339		1,972
Education						
Elementary School	602,802	3,790,149	625,960	4,448,691	570,220	-
Assessments						
MDI High School		2,896,907		2,881,122		15,785
County Tax		865,972		865,971		1
Overlay		89,891		9,391		80,500
		3,852,770		3,756,484		96,286
Operating Transfers Out						
NEH Promenade				3,500		(3,500)
Reserves		566,226		566,226		-
		566,226		569,726		(3,500)
Totals	822,276	16,877,885	625,960	17,133,024	756,227	436,870

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit A-3

Unassigned Fund Balance, July 1	2,893,357	
Unassigned Fund Balance, June 30	<u>2,988,753</u>	
Increase		<u><u>95,396</u></u>

Analysis of Change

Additions		
Budget Summary		
Revenue Surplus - Exhibit A-1	56,026	
Transfer from Capital Projects	2,500	
Unexpended Balance of		
Appropriations - Exhibit A-2	<u>436,870</u>	
Budget Surplus		<u>495,396</u>
Deductions		
Beginning Fund Balance Used		
to Reduce Tax Rate		<u>(400,000)</u>
Increase		<u><u>95,396</u></u>

TOWN OF MOUNT DESERT
ALL GENERAL RESERVE FUNDS
BALANCE SHEET
JUNE 30, 2018

Exhibit A-4

	<i>Municipal Revenue Sharing</i>	<i>General Reserve Funds</i>	<i>Planning Grant</i>	<i>Shellfish Fund</i>	<i>Total</i>
Assets					
Investments		2,969,828			2,969,828
Due from Other Funds	21,635	9,383	22,739	17,456	71,213
Total Assets	21,635	2,979,211	22,739	17,456	3,041,041
Liabilities and Fund Balances					
Liabilities					
Accounts Payable		28			28
Due to Other Funds		5,698			5,698
Total Liabilities	-	5,726	-	-	5,726
Fund Balances					
Restricted	21,635		22,739		44,374
Committed		2,973,485			2,973,485
Assigned				17,456	17,456
Total Fund Balances	21,635	2,973,485	22,739	17,456	3,035,315
Total Liabilities and Fund Balances	21,635	2,979,211	22,739	17,456	3,041,041

TOWN OF MOUNT DESERT
ALL GENERAL RESERVES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit A-5

	<i>Municipal Revenue Sharing</i>	<i>General Reserve Funds</i>	<i>Planning Grant</i>	<i>Shellfish Fund</i>	<i>Total</i>
Revenues					
Intergovernmental Revenues	35,163				35,163
Local Sources		196,215		2,200	198,415
Fair Value Increase (Decrease)		289,192			289,192
Total Revenues	<u>35,163</u>	<u>485,407</u>	<u>-</u>	<u>2,200</u>	<u>522,770</u>
Expenditures					
General Government		500			500
Public Safety		158,275			158,275
Debt Service		141,715			141,715
Total Expenditures	<u>-</u>	<u>300,490</u>	<u>-</u>	<u>-</u>	<u>300,490</u>
Excess of Revenues Over (Under)					
Expenditures	<u>35,163</u>	<u>184,917</u>	<u>-</u>	<u>2,200</u>	<u>222,280</u>
Other Financing Sources (Uses)					
Transfers In		45,857			45,857
Transfers Out	(30,000)	(348,198)		(2,500)	(380,698)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(302,341)</u>	<u>-</u>	<u>(2,500)</u>	<u>(334,841)</u>
Excess of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Uses	5,163	(117,424)	-	(300)	(112,561)
Fund Balance - July 1	<u>16,472</u>	<u>3,090,909</u>	<u>22,739</u>	<u>17,756</u>	<u>3,147,876</u>
Fund Balance - June 30	<u>21,635</u>	<u>2,973,485</u>	<u>22,739</u>	<u>17,456</u>	<u>3,035,315</u>

**TOWN OF MOUNT DESERT
GENERAL RESERVE FUNDS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2018**

Exhibit A-6

	<i>Balance July 1</i>	<i>Transfers In</i>	<i>Interest</i>	<i>Revenues</i>	<i>Expenditures/ Transfers</i>	<i>Balance June 30</i>
Town Reserve Funds						
Dog Welfare	5,404		115	738	(2,000)	4,257
Police Reserve	69,897	18,670	2,532		(3,024)	88,075
Police Training Reserve	55,828		1,674			57,502
Public Works Parks & Cemeteries Reserve	18,028	10,000	670		(28,698)	-
Revaluation Reserve	129,911	18,988	4,466			153,365
Wastewater Bond Repayment	1,089,032		29,245		(141,715)	976,562
Sub-Total	1,368,100	47,658	38,702	738	(175,437)	1,279,761
General (Fair Value Changes)	1,715,716		289,192		(318,000)	1,686,908
Police Reimbursements						
Bar Harbor Police Chief	6,049			89,016	(89,271)	5,794
Police Outside Detail	-			7,425	(7,425)	-
Bar Harbor Mutual Aid	1,044			60,334	(60,356)	1,022
Sub-Total	7,093	-	-	156,775	(157,052)	6,816
Total	3,090,909	47,658	327,894	157,513	(650,489)	2,973,485

TOWN OF MOUNT DESERT
ALL SPECIAL REVENUE FUNDS
BALANCE SHEET
JUNE 30, 2018

Exhibit B-1

<i>Assets</i>	<i>Evidence Based Impaired Driving HVE Project</i>	<i>Distracted Driving Grant</i>	<i>Com. Dev. Movies Program</i>	<i>Totals</i>
Due from Other Funds	349	147	965	1,461
Total Assets	349	147	965	1,461
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Accounts Payable	349	147		496
Total Liabilities	349	147	-	496
Fund Balances				
Restricted			965	965
Total Fund Balances	-	-	965	965
Total Liabilities and Fund Balances	349	147	965	1,461

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B-2

	<i>Fire Assistance Grant</i>	<i>Evidence Based Impaired Driving HVE Project</i>	<i>Distracted Driving Grant</i>	<i>DOJ Bulletproof Vests</i>	<i>Com. Dev. Movies Program</i>	<i>Totals</i>
Revenues						
Intergovernmental Revenues		1,938	1,800	1,438		5,176
Local Sources	2,000	487	222			2,709
Total Revenues	2,000	2,425	2,022	1,438	-	7,885
Expenditures						
Police Department		2,425	2,022	1,438		5,885
Fire Department	2,000					2,000
Total Expenditures	2,000	2,425	2,022	1,438	-	7,885
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, 2018

Exhibit C-1
Page 1 of 4

<i>Assets</i>	<i>NEH WW Collect/Convey System</i>	<i>Street Light Project</i>	<i>Northeast Village Center</i>	<i>Rte 3 Improvements</i>	<i>Otter Creek Fire Pond Project</i>
Investments					
Accounts Receivable					
Bonds Receivable		32,500	3,892,935		
Due from Other Funds	445,945	150,000	29,000	100,000	19,150
Total Assets	445,945	182,500	3,921,935	100,000	19,150
<i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable					
Accounts Payable			2,458		
Due to Other Funds					
Total Liabilities	-	-	2,458	-	-
Fund Balances					
Committed	445,945	182,500	3,919,477	100,000	19,150
Total Fund Balances	445,945	182,500	3,919,477	100,000	19,150
Total Liabilities and Fund Balances	445,945	182,500	3,921,935	100,000	19,150

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
JUNE 30, 2018

Exhibit C-1
Page 2 of 4

<i>Assets</i>	<i>Otter Creek Landing Reconstruction</i>	<i>MD Crosswalks</i>	<i>Rte. 198 Project</i>	<i>Broadband Services</i>	<i>Bracy Cove Pump Station Upgrade</i>	<i>NEH Sylvan Neighborhood</i>
Investments						
Accounts Receivable			152,507			
Bonds Receivable	7,366			239,500	405,258	645,000
Due from Other Funds	751	38,000	166,597	5,000		4,614
Total Assets	8,117	38,000	319,104	244,500	405,258	649,614
 <i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable	751		42,291		13,389	
Accounts Payable			255,844			12,328
Due to Other Funds					391,869	
Total Liabilities	751	-	298,135	-	405,258	12,328
Fund Balances						
Committed	7,366	38,000	20,969	244,500		637,286
Total Fund Balances	7,366	38,000	20,969	244,500	-	637,286
Total Liabilities and Fund Balances	8,117	38,000	319,104	244,500	405,258	649,614

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
JUNE 30, 2018

Exhibit C-1
Page 3 of 4

<i>Assets</i>	<i>RTE 198 DOT Phase 2</i>	<i>MD Crosswalks Phase 1</i>	<i>NEH Food Vendor/Farmers Market</i>	<i>NEH Summit Road Improvement</i>	<i>NEH Village Green Irrigation</i>
Investments					
Accounts Receivable					
Bonds Receivable	500,000				
Due from Other Funds		94,995	8,080	40,000	50,000
Total Assets	500,000	94,995	8,080	40,000	50,000
<i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable					
Accounts Payable		5,039	6,356		
Due to Other Funds					
Total Liabilities	-	5,039	6,356	-	-
Fund Balances					
Committed	500,000	89,956	1,724	40,000	50,000
Total Fund Balances	500,000	89,956	1,724	40,000	50,000
Total Liabilities and Fund Balances	500,000	94,995	8,080	40,000	50,000

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
JUNE 30, 2018

Exhibit C-1
Page 4 of 4

<i>Assets</i>	<i>Brookside Road Project</i>	<i>Municipal Garage</i>	<i>WWTP Upgrades</i>	<i>Capital Improvement Program</i>	<i>Total</i>
Investments				1,410,715	1,410,715
Accounts Receivable					152,507
Bonds Receivable			52,831		5,775,390
Due from Other Funds	9,900	3,700			1,165,732
Total Assets	9,900	3,700	52,831	1,410,715	8,504,344
 <i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable					56,431
Accounts Payable				70,640	352,665
Due to Other Funds			52,831	5,833	450,533
Total Liabilities	-	-	52,831	76,473	859,629
Fund Balances					
Committed	9,900	3,700		1,334,242	7,644,715
Total Fund Balances	9,900	3,700	-	1,334,242	7,644,715
Total Liabilities and Fund Balances	9,900	3,700	52,831	1,410,715	8,504,344

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C-2
Page 1 of 4

	<i>NEH WW Collect/Convey System</i>	<i>Street Light Project</i>	<i>Northeast Village Center</i>	<i>Police Department Renovations</i>	<i>Rte 3 Improvements</i>	<i>Otter Creek Fire Pond Project</i>
Revenues						
Local Sources						
Interest Income						
Total Revenues	-	-	-	-	-	-
Expenditures						
General Government						
Public Safety						
Public Works Department						
Sewer						
Debt Service						
Construction			67,458			
Engineering			245,000			
Miscellaneous			5,550	952		
Total Expenditures	-	-	318,008	952	-	-
Excess of Revenues Over (Under) Expenditures	-	-	(318,008)	(952)	-	-
Other Financing Sources (Uses)						
Bond Proceeds		150,000	3,963,485			
Transfer from Other Funds	445,945				100,000	
Transfer to Other Funds						
	445,945	150,000	3,963,485	-	100,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures	445,945	150,000	3,645,477	(952)	100,000	-
Fund Balance - July 1		32,500	274,000	952		19,150
Fund Balance - June 30	445,945	182,500	3,919,477	-	100,000	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, 2018

Exhibit C-2
Page 2 of 4

	<i>Otter Creek Landing Reconstruction</i>	<i>MD Crosswalks</i>	<i>Rte. 198 Project</i>	<i>Broadband Services</i>	<i>Bracy Cove Pump Station Upgrade</i>	<i>NEH Sylvan Neighborhood</i>
Revenues						
Local Sources			479,031			
Interest Income						
Total Revenues	-	-	479,031	-	-	-
Expenditures						
General Government						
Public Safety						
Public Works Department						
Sewer						
Debt Service						
Construction	37,530		933,038		114,150	
Engineering	3,996		23,926		25,420	56,714
Miscellaneous	3,108			5,500	2,375	
Total Expenditures	44,634	-	956,964	5,500	141,945	56,714
Excess of Revenues Over (Under) Expenditures	(44,634)	-	(477,933)	(5,500)	(141,945)	(56,714)
Other Financing Sources (Uses)						
Bond Proceeds						645,000
Transfer from Other Funds		38,000				49,000
Transfer to Other Funds					(388,039)	
	-	38,000	-	-	(388,039)	694,000
Excess of Revenues and Other Sources Over (Under) Expenditures	(44,634)	38,000	(477,933)	(5,500)	(529,984)	637,286
Fund Balance - July 1	52,000		498,902	250,000	529,984	
Fund Balance - June 30	7,366	38,000	20,969	244,500	-	637,286

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C-2
Page 3 of 4

	NEH Promenade	RTE 198 DOT Phase 2	MD Crosswalks Phase 1	NEH Food Vendor/Farmers Market	NEH Summit Road Improvement	NEH Village Green Irrigation
Revenues						
Local Sources						
Interest Income						
Total Revenues	-	-	-	-	-	-
Expenditures						
General Government						
Public Safety						
Public Works Department						
Sewer						
Debt Service						
Construction				45,486		
Engineering	3,500		8,044	12,956		
Miscellaneous						
Total Expenditures	3,500	-	8,044	58,442	-	-
Excess of Revenues Over (Under) Expenditures	(3,500)	-	(8,044)	(58,442)	-	-
Other Financing Sources (Uses)						
Bond Proceeds		500,000				
Transfer from Other Funds	3,500		98,000	60,166	40,000	50,000
Transfer to Other Funds						
	3,500	500,000	98,000	60,166	40,000	50,000
Excess of Revenues and Other Sources Over (Under) Expenditures	-	500,000	89,956	1,724	40,000	50,000
Fund Balance - July 1						
Fund Balance - June 30	-	500,000	89,956	1,724	40,000	50,000

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C-2
Page 4 of 4

	<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>
Revenues						
Local Sources					52,627	531,658
Interest Income					47,570	47,570
Total Revenues	-	-	-	-	100,197	579,228
Expenditures						
General Government					33,396	33,396
Public Safety					154,547	154,547
Public Works Department					329,877	329,877
Sewer					37,427	37,427
Debt Service				42,176		42,176
Construction	(10)					1,197,652
Engineering						379,556
Miscellaneous						17,485
Total Expenditures	(10)	-	-	42,176	555,247	2,192,116
Excess of Revenues Over (Under) Expenditures	10	-	-	(42,176)	(455,050)	(1,612,888)
Other Financing Sources (Uses)						
Bond Proceeds						5,258,485
Transfer from Other Funds					520,369	1,404,980
Transfer to Other Funds			(57,906)		(88,468)	(534,413)
	-	-	(57,906)	-	431,901	6,129,052
Excess of Revenues and Other Sources Over (Under) Expenditures	10	-	(57,906)	(42,176)	(23,149)	4,516,164
Fund Balance - July 1	9,890	3,700	57,906	42,176	1,357,391	3,128,551
Fund Balance - June 30	9,900	3,700	-	-	1,334,242	7,644,715

TOWN OF MOUNT DESERT
CAPITAL IMPROVEMENT FUNDS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C-3

	<i>Balance July 1</i>	<i>Transfers In</i>	<i>Interest</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Transfers Out</i>	<i>Balance June 30</i>
Capital Improvement Funds - General							
Assessment Capital Reserve	5,398		162				5,560
Assessor Aerial Photo Reserve	3,413	3,334	202				6,949
Bait House	3,919	500	133				4,552
CEO Work Truck	34,625	5,000	837		(28,529)		11,933
Clerk's Capital Improvement	13,956	10,749	678		(4,867)		20,516
Communications Cap. Imp.	121,562	13,732	3,648		(19,202)		119,740
Fire Equipment/Engine	58,796	210,899	8,509	24,127	(125,330)		177,001
Fire Pond and Dry Hydrant	25,842	10,000	1,074				36,916
Fire Station Building	54,500	41,142	2,642		(10,015)		88,269
Land Acquisition	245,710		7,369				253,079
Public Works Buildings & Grounds Reserve	20,755	10,000	713			(31,468)	-
Public Works Equipment	159,014	89,000	4,531	28,500	(173,423)		107,622
Refuse Truck	150,002	30,000	2,493		(156,454)		26,041
Town Office Building	45,033	20,000	1,950				66,983
Town Manger Telephone	7,281	2,799	303				10,383
Town Roads	55,392	25,000	801			(57,000)	24,193
Treasurer's Capital Improvement	3,064	4,214	218				7,496
Wastewater	303,694	35,000	10,158				348,852
Wastewater Work Truck	45,435	9,000	1,149		(37,427)		18,157
Sub-Total - General	1,357,391	520,369	47,570	52,627	(555,247)	(88,468)	1,334,242
Capital Improvement Funds - Marina							
Bartlett Harbor Moorings/Floats	36,856	4,000	749		(1,174)		40,431
Bartlett Narrows Dock	15,711	3,897	359				19,967
Harbor Boat Reserve	40,712	10,013	930				51,655
Marina Equipment Reserve	10,162	1,600	216		(4,302)		7,676
Northeast Harbor Marina	152,113	12,296	2,678		(28,374)		138,713
Northeast Harbor Marina Work Truck	3,136	2,700	107				5,943
Northeast Harbor Moorings/Floats	190,399	29,740	4,039				224,178
Seal Harbor Dock	71,820	5,000	1,342		(4,928)		73,234
Seal Harbor Moorings/Floats	43,567	15,751	1,089				60,407
Sub-Total - Marina	564,476	84,997	11,509	-	(38,778)	-	622,204

TOWN OF MOUNT DESERT
BALANCE SHEET
ALL PERMANENT FUNDS
JUNE 30, 2018

Exhibit D-1

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	6,613	4,142	10,755
Total Assets	6,613	4,142	10,755
<i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable		25	25
Due to Other Funds			-
Total Liabilities	-	25	25
Fund Balances			
Reserved for Endowments	4,073	4,117	8,190
Assigned	2,540		2,540
Total Fund Balances	6,613	4,117	10,730
Total Liabilities and Fund Balances	6,613	4,142	10,755

TOWN OF MOUNT DESERT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit D-2

	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
Investment Income	56	(2)	54
Expenditures			
Scholarships	100		100
Cemetery Maintenance		97	97
	100	97	197
Excess of Revenues Over Expenditures	(44)	(99)	(143)
Fund Balance - July 1	6,657	4,216	10,873
Fund Balance - June 30	6,613	4,117	10,730

TOWN OF MOUNT DESERT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<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 Education:			
Rural School Achievement Program	84.358		23,219
Passed Through Bar Harbor School Department:			
NCLB Title 1A - Basic Compensatory Education	84.010	013-05A-3057-13	7,174
Passed Through State Department of Education and Cultural Services:			
Title VI, Part B - Local Entitlement	84.027	013-05A-3046-12	49,201
Total U.S. Department of Education			79,594
U.S. Environmental Protection Agency			
Passed Through Maine Department of Environmental Protection			
Clean Water Revolving Fund	66.458	C230087-07	141,945
Total Environmental Protection Agency			141,945
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		1,438
Total Department of Justice			1,438
U.S. Department of Transportation			
Passed Through Maine Department of Highway Safety			
Evidence Based Impaired Driving	20.600	ID17-040	1,338
Evidence Based Impaired Driving	20.600	ID18-066	600
Distracted Driving Enforcement	20.616	DD18-044	1,800
Total Environmental Protection Agency			1,338
U.S. Department of Agriculture			
Passed Through State Department of			
Educational and Cultural Services			
National School Lunch Program	10.555	013-05A-3024-05	16,505
National School Breakfast Program	10.553	013-05A-3024-05	5,100
Food Distribution	10.560	013-05A-6134-05	6,782
Total U.S. Department of Agriculture			28,387
Total			252,702