

Town of Southwest Harbor



Annual Report 2012

MEMORIUM



Pamela Barrows Norwood was a lovely young lady of many talents which she most willingly shared with family, her town, friends, and those in need.

She taught in our schools and cared deeply about her students by going the extra mile to prepare them for life. Pam served on the towns planning board as well as board of selectman. She was known for her common sense approach and ability to get things accomplished. As a mother and wife she always made her two girls her top priority.

At age 52 she left us too soon and is deeply missed by her many friends and family.

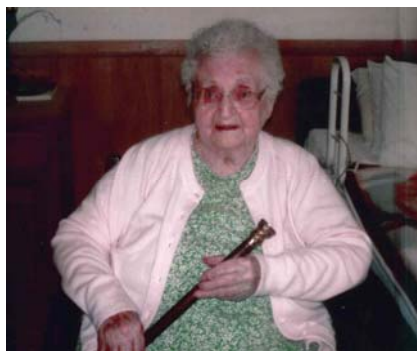


The Town of Southwest Harbor wishes to acknowledge the loss of our 2012 Boston Post Cane recipient, **Mrs. Edna M. Jellison**. Edna died at 100 years of age after living a long and happy



life. A lifelong resident of the Seawall section of Southwest Harbor, Edna maintained a safe haven for the many children in the area who skated on an ice pond beside her home in the winter and played countless games of baseball summers in the large field across from her home during the 1930's, '40's, '50's and beyond. She played nurse to more than one youngster with a bloody nose or bruised leg and supplied refreshments to the many famished local "athletes". Edna maintained a

strong interest in town affairs and faithfully attended town meetings to cast her ballot. This interest was passed on to her grandson, George Jellison, Jr. who has served several terms as town selectman. Always of calm demeanor, Edna was a favorite "go-to" person. She was consulted on more than one local dispute and could always be depended on for a calm and reasonable solution. She will be sorely missed by her many friends and family.





2012

ANNUAL REPORT

TOWN OF

SOUTHWEST HARBOR

Incorporated 1905

For the fiscal year July 1, 2011 - June 30, 2012

Including

The Proposed Warrant

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GENERAL INFORMATION

Cable Company	Time Warner Cable	207-774-0000
Transfer Station & Recycling	EMR, INC.	207-244-4347
Homestead Exemptions*	Contact the Assessors	207-244-7915
Veteran's Exemptions*	Contact the Assessors	207-244-7915
Property Tax Refund Program*	Circuit Breaker Program	ME Revenue Service

*Forms Available at the Town Office

TOWN CLERK INFORMATION

MOTOR VEHICLE REGISTRATION: You must show proof of current insurance. Bring your current insurance card and current mileage along with your registration form. The excise tax payable on vehicles and boats is tax deductible. Save your registration receipts for one year. For **New Vehicle Registrations** you will need the MSRP [Manufacturer's Suggested Retail Price] for your new vehicle which should now appear on your application for Certificate of Title [the blue form]. You will also need proof that Maine State Sales Tax has been paid and a current insurance card on the new vehicle when you come in. If you are going to **transfer your plates** from your old vehicle to your new vehicle, be sure to bring the yellow registration form for the old vehicle, even though you may have sold it, and the old plates. Do not give your yellow registration form for your old vehicle to the new buyer! You are responsible for surrendering that registration.

BOATS: Non-resident boats that will be used in fresh water are required to show a Lake and River Protection Sticker. You may purchase one at the Town Office. Resident boats need a mil-foil sticker that can be purchased at the Town Office at the time you register your boat.

CLAMMING: The Shellfish Ordinance stipulates that individuals must be licensed when clamming for private use. Commercial clamming is prohibited unless a waiver is obtained from the Shellfish Committee. Contact Jim Colquhoun at 244-7885 for information. Licenses may be purchased at the Town Office.

DOG LICENSES: Dogs must be registered by January 31st each year. You need to bring proof of current rabies vaccination and any neutering/spaying information when you initially register your pet. For renewals, only current rabies certificates are required. Registration renewals after January 31st each year will be subject to a \$25.00 late fee per dog by State Law.

HUNTING/FISHING: The State allows a lifetime license for hunting and/or fishing if you are 5 years of age or younger, or 65 years of age or older.

VOTER REGISTRATION: This may be done anytime during the year, including the day of elections. You must provide proof of residency in Southwest Harbor and forgo your voting rights anywhere else in the United States at the time of registration here. Voter registration cards are available at the Town Office.

ABSENTEE BALLOTS: This may be done thirty (30) days prior to elections. Contact the Southwest Harbor Town Clerk at 244-5404 for further information on this process.

MUNICIPAL OFFICERS AND OFFICIALS

Selectmen and Overseers of the Poor

Thomas Benson, Chairman
Ralph Dunbar, Jr., Vice Chairman
George Jellison, Jr.
David Minctons
Dan C. Norwood

Town Manager, Tax Collector, Treasurer, Road Commissioner Code Enforcement Officer, Licensed Plumbing Inspector, Planning Assistant

Donald Lagrange

Town Clerk, Registrar of Voters

Beatrice D. Grinnell

Finance Director, Water-Sewer Clerk, Deputy Tax Collector Deputy Treasurer, Deputy Clerk

Tabbetha M. Newenham

Administrative Assistant, Deputy Clerk, Secretary to the Selectmen

Janet Schofield

Police Chief & Constable

David Chapais

Public Works Director

David Corrigan

Harbormaster

Adam Thurston

Fire Chief, Emergency Management Director

Samuel Chisholm

BOARDS AND COMMITTEES

Board of Appeals

James Geary
Lunn Sawyer, Chairman
Gretchen Strong

Charles Morrill
Theodore Fletcher

Comprehensive Plan Implementation Committee

Carolyn Ball
Gordon Wissinger

Donald Lodge

Conservation Commission

Susan Allen
Jeff Dutra, Tree Warden
Ann Judd
Ingrid Wilbur Kachmar

Jane Ayres Peabody
James Geary, Chairman
Ann Ratcliff, Buffering
Melissa Frost

Harbor Committee

Daniel Bartlett, Chairman
Joel Harper
Nicholas Madeira
John Seavey

Vaughn Clark
Andrew Mays
Corey Pettegrow
Brian Walls

Planning Board

Eric Davis
Michael Magnani
Chris Rawls
Ben C. Worcester, III

Ryan Donahue, Chairman
Michael Mansolilli
Chad Terry

Shellfish Commission

Jim Colquhoun, Chairman
Andy Mays

William Carroll
Clayton Strout

Warrant Committee

Carolyn Ball
Richard Dimond
Donald Lodge, Chairman
Michael Young

Melissa Berry
Lydia Goetze
William Ratcliff

Southwest Harbor Housing Authority

Patricia Benedetti
Terrance Kelley, Executive Director
Lee Worcester, Chairman

Karen Craig
Sandra Murphy, Tenants Rep.
Bruce Bicknell

A.O.S. #91

Superintendent of Schools
Howard Coulter

Pemetic Elementary School Principal
Dianne Helprin

School Board

Susan Allen
Erica Lindquist
Ingrid Wilbur-Kachmar

Eric Henry
Prentice Strong, III

STATE REPRESENTATIVES

State Senator, District 5
Brian Langley
The Maine Senate, District 5
3 State House Station
Augusta, ME 04333
Phone: 207-287-1515

Representative to the Legislature, District 35
Brian L. Hubbell
House of Representatives
2 State House Station
Augusta, ME 04333
Phone: 207-287-1400
<http://www.maine.gov/legis/house>

FEDERAL GOVERNMENT REPRESENTATIVES

U.S. Senate
Susan Collins
413 Dirksen Senate Office Building
Washington, DC 20510
Phone: 202-224-2523
Fax: 202-224-2693

U.S. House of Representatives, District 2
Michael Michaud
1724 Longworth House Office Building
Washington, DC 20515
Phone: 202-225-6306
Fax: 202-225-2943



Annual Report to the Town of Southwest Harbor

A Message from Senator Brian D. Langley

Dear Friends and Neighbors:

It is an honor to represent you in the Maine Senate for a second term, and I am grateful for the trust you have placed in me to work for the betterment of this community and our region.

Looking back at the results of the past two-year session, I am proud of the work accomplished by lawmakers during an extremely difficult fiscal climate. We increased state funding to local schools, brought solvency to the retiree pension system, created more transparency and accountability within state agencies, and paid back our local hospitals millions of dollars. More importantly, we improved Maine's business climate. According to the 2012 CNBC annual ranking of America's top states for business, Maine climbed five spots from the previous year. The improvements made in education funding and test scores, the state's cost of doing business, infrastructure and transportation, and business friendliness all led to this higher ranking. It is imperative that we do not roll back the steps taken during the 125th Legislature that helped set us on the course toward a brighter future.

Lawmakers have a great deal of work on their plates when the session kicks into full swing in January. The most daunting task will be addressing a shortfall of more than \$100 million within the Department of Health and Human Services and its MaineCare program. We must also address a \$35 million revenue shortfall in the budget that ends June 30 and a projected \$880 million gap in the next two-year budget.

Maine continues to be hampered by high energy costs and an aging population. It is a priority of mine to find a way to lower energy costs to help preserve the jobs we have in our state and to encourage new job growth. Maine has the oldest population in the nation. We must work in Augusta to pass legislation that will help grow our economy so that our youth can find opportunities here at home to work and live. Until we address these issues, Maine will continue to lag behind other states.

Again, thank you for entrusting me to represent you in Augusta. Please feel free to contact me if you ever need my assistance in navigating the state bureaucracy. I would be happy to help in any way that I can. I may be reached in Augusta at 287-1505 or by e-mail at langley4legislature@myfairpoint.net.

Sincerely,

Brian D. Langley
State Senator

SUSAN M. COLLINS
MAINE

413 DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1904
(202) 224-2523
(202) 224-2693 (FAX)

United States Senate

WASHINGTON, DC 20510-1904

COMMITTEES:
SPECIAL COMMITTEE
ON AGING,
RANKING MEMBER
APPROPRIATIONS
SELECT COMMITTEE
ON INTELLIGENCE

Town of Southwest Harbor
PO Box 745
Southwest Harbor, ME 04679-0745

Dear Friends,

It is a privilege to represent Maine in the United States Senate, and I am deeply grateful for the trust the people of Maine have placed in me. Public service is a responsibility I take seriously. In 2012, I reached a milestone by casting my 5,000th consecutive roll-call vote. I have never missed a single roll-call vote, a record unique among current Senators.

As we enter 2013, the economy and jobs remain my top priorities. As a senior member of the Defense Appropriations subcommittee, I am committed to keeping our nation secure and our skilled defense workers on the job. I secured funding to increase the shipbuilding programs at Bath Iron Works and advance essential modernization projects at the Portsmouth Naval Shipyard. I was honored to receive the Navy League's Congressional Sea Services Award for 2012 as the leading advocate for our maritime services and US shipbuilding.

Maine's economic future recently received a boost with significant federal funds for deep-water, offshore wind energy research and development at the University of Maine and in private sector firms. Maine has some of the strongest and most consistent winds off our coast, and we have some of the world's leading researchers. These funds will help Maine be a world leader in developing this clean, renewable energy source, ultimately resulting in the creation of thousands of good-paying jobs for our state.

As a leader on the Transportation Appropriations Subcommittee, I am also working to ensure that investments are made in our transportation infrastructure. Early last year, construction began on a modern, safe, and efficient replacement for the Memorial Bridge at Kittery, a project for which I worked to secure funding. Working with the State Department of Transportation, I also secured federal funding to replace the aging Martin Memorial Bridge in Rumford and the decrepit Richmond-Dresden Bridge. In 2013, I will continue to seek funding for improvements in our roads and bridges to make traveling safer and more efficient for our citizens and to facilitate commerce. It is also gratifying to see the heaviest trucks on the Interstates where they belong rather than on our downtown streets and country roads. This is the result of a law I authored in 2011.

Maine's environment is critical to our economy and the health of our residents. I opposed efforts in 2012 that would have weakened the landmark Clean Air Act and would have exposed our state to emissions from coal-fired power plants elsewhere. At the same time, I have continued to work with a bipartisan group of Senators to ensure that federal regulations on industrial boilers

protect our environment without imposing onerous burdens on our forest-products industry and other manufacturers.

Many Mainers contacted me last year to express concern about the Postal Service, which is essential to our economy and our way of life. Last year, the Senate approved legislation I co-authored to help put the Postal Service on a sound financial footing since it has been losing billions of dollars. Although the House failed to act on our bill, the Postal Service has heeded my requests to keep open the vital mail processing center in Hampden. I will continue to work to ensure that all Mainers, regardless of the size of their communities, have access to the postal services upon which they rely.

As the daughter of a World War II veteran wounded in combat, I know how important quality, accessible health care is for our veterans. This past year, I worked to ensure that our rural veterans' health care facilities are fully staffed and to strengthen our Veterans' Homes. Federal health agencies also began an investigation into whether Maine veterans were exposed to toxic defoliant chemicals while training at Gagetown, New Brunswick.

With shortages of medications putting patients at risk, I co-sponsored legislation to encourage manufacturers to report anticipated production problems to help avert shortages. Through this voluntary approach, more than 200 potentially life-threatening shortages were prevented last year.

While Congress averted a huge increase in tax rates for middle-income American families and small businesses, there remains a lot of work to be done to reduce our unsustainable \$16.4 trillion debt. It is essential that we do so in a responsible way, but that Washington stop delaying decisions that will help shape our economy and future prosperity.

I remain committed to doing all that I can to address your community's concerns in 2013. If I may be of assistance to you in any way, I encourage you to contact my state office in your area.

Sincerely,



Susan M. Collins
United States Senator

MICHAEL H. MICHAUD
2ND DISTRICT, MAINE

WASHINGTON OFFICE
1724 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225-6306
FAX: (202) 225-2943
www.house.gov/michaud

Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEES:
VETERANS' AFFAIRS
SUBCOMMITTEE ON HEALTH
CHAIRMAN

TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
SUBCOMMITTEE ON RAILROADS, PIPELINES
AND HAZARDOUS MATERIALS
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS AND
EMERGENCY MANAGEMENT

SMALL BUSINESS
SUBCOMMITTEE ON AGRICULTURE AND TECHNOLOGY
SUBCOMMITTEE ON RURAL AND URBAN
ENTREPRENEURSHIP
SUBCOMMITTEE ON TAX AND FINANCE

Dear Southwest Harbor Residents and Friends:

While it was far from perfect, the recently passed legislation to avert December's fiscal cliff embodied a spirit of bipartisan compromise that I am hopeful will carry over into a broader agreement on our nation's finances. The bill ensures that Mainers will not have to pay an estimated \$1.4 billion in additional taxes in 2013, and extends a number of vital programs relied upon by Americans across the country. I look forward to working with my colleagues on both sides of the aisle to reach a fiscally sound compromise that avoids placing an overwhelming burden on our most vulnerable citizens, seniors and veterans.

The gridlock in Washington has not slowed my efforts to fight for Maine's industries on the national and international arena. I have been proud to lead the fight in Congress to protect American manufacturers like New Balance, which employs approximately 900 Maine workers across three factories, from unfair tariff reductions. After presenting President Obama with his own set of New Balance Sneakers, I brought U.S. Trade Representative Ron Kirk to the Norridgewock facility to learn more about the industry. I have also worked with Ambassador Kirk to oppose Nova Scotia's proposed subsidies for its paper mill in Port Hawkesbury.

I was pleased to embark on my 2nd annual tour of Maine's manufacturers to hear firsthand about their success and challenges. These tours are an important part of my ongoing "Make it in Maine" agenda which consists of initiatives to boost domestic manufacturing. The feedback I received has been invaluable in helping me to identify legislative action needed at the federal level to support job growth in the industry.

It will also be my great honor to continue serving our nation's veterans as the new Ranking Member of the House Veterans Affairs Committee. While I am proud of my accomplishments in helping to improve services for our brave men and women in uniform, I know there is still so much to do. As Ranking Member of the full Committee, I will fight for new advances in areas such as veteran employment, VA claims backlogs, and veterans' health care.

My highest priority has always been ensuring that Mainers receive timely and quality constituent services. Whether you have a specific concern with a federal agency or need help connecting to resources, please don't hesitate to reach out to me at any of my offices. I also encourage you to visit my website (www.house.gov/michaud), where you can email me, sign up for email updates, and connect with me on Facebook and Twitter.

Thank you again for the opportunity to represent you in Congress.

With warmest regards,



Michael H. Michaud
Member of Congress

BANGOR:
23 WATER STREET
BANGOR, ME 04401
PHONE: (207) 942-6935
FAX: (207) 942-5907

LEWISTON:
179 LISBON STREET, GROUND FLOOR
LEWISTON, ME 04240
PHONE: (207) 782-3704
FAX: (207) 782-5330



PRESQUE ISLE:
445 MAIN STREET
PRESQUE ISLE, ME 04769
PHONE: (207) 764-1036
FAX: (207) 764-1060

WATERVILLE:
16 COMMON STREET
WATERVILLE, ME 04901
PHONE: (207) 873-5713
FAX: (207) 873-5717

BOARD OF SELECTMEN

The Board of Selectmen would like to thank all of the Town Employees, Board and Committee Members and Volunteers that work throughout the year to serve the Community. Your time and dedication is much appreciated.

This year has been a busy year in town. There have been a number of infrastructure projects in the works. Wesley and Mansell are now complete. The concrete water tank will have the finishing touches done this spring. About 2100' of Seal Cove Road was rebuilt. This project included the replacement of the culvert crossing at the easterly brook crossing with a concrete box culvert to enhance the brook trout in the area. This year we plan to continue this road westerly and replace the old granite culvert near the Town garage. Both of these projects will include grants from the Maine Department of Inland Fisheries, NOAA and Trout's Unlimited for the brook crossings. Long Pond Road was overlaid and the entrance to Hillcrest Acres had the old pavement removed and replaced. These projects were done with a combination of Town Crew and contractor participation.

The Lower Town Dock parking lot is complete. The stripping for parking will be done in mid-May. The granite bulkhead will be sealed this spring by the Town Crew.

The Town Office has also been remodeled resulting in all the staff being in the north end of the building. The improvements will be more energy efficient and convenient for everyone. All of these projects should serve the community for many years. We are trying to accomplish the best results and address the priorities of the Towns infrastructure. There are many more tasks to address in the years to come.

We have been looking ahead at a reconstruction of Main Street from Seal Cove Road southerly to the Village. Aging water and sewer pipes as well as poor drainage make this a priority. A partnership with the Maine DOT, DEP and Drinking Water Program make this a very desirable project. The end result of this project, if approved by the voters, will be an entrance to the town that we can be proud of.

The water meter program is in the third year. The year round meters with fire-fly readers should be complete by year end.

We have worked as a team this year and expect the tax rate to be lower than last year. The Selectmen would like to thank the Department Heads, Town Manager and Warrant Committee for their efforts. We hope to continue along this path while still improving the infrastructure.

We would like to thank the town for their support and will continue to work with the best interest of the town in mind, we encourage you to contact us if you have ideas or concerns.

Sincerely,

Thomas W. Benson, Chairman

TOWN MANAGER REPORT

According to assessors, it appears property values have leveled off this year as compared to previous tax years, and will not be adjusted to the scope of last year. The municipal budget as reviewed by the Selectmen has been decreased by over \$169,000 for this upcoming fiscal year which also included needy infrastructure projects. The bottom line is a potential decrease in appropriations for this new budget cycle (subject to the State's final budget determination regarding municipal revenue sharing, excise tax regulation and State's school subsidies).

As you may be aware, a major road and infrastructure project is being suggested for the reconstruction of Main Street, from Seal Cove Road to Wesley Ave. As Chairman Benson mentioned in his report, the financing is innovative in such that the replacement of the water lines should be financed (\$1,300,000) through the Maine Drinking Water program with a potential forgiveness of 45%. The storm water, sidewalk and road reconstruction (\$1,100,000) should be assisted with a \$500,000 DOT partnership program and the sewer line replacement (\$450,000) through DEP low interest financing. With the above mentioned loan benefits, what is estimated at over \$2,850,000 total project cost should keep the towns obligations around \$1,760,000.

As most of you already know, we have three key office personnel including Beatty, Tabbetha and Janet who maintain the municipal functions in sync. Our finance director Tabbetha is instrumental to the financial organization for municipal, water and sewer budgets. She has orchestrated money saving programs to further make our budgets more efficient. Janet and Beatty keep the office focus for customer service and are readily available for all your needs. Just two years ago, there was a staff of five full timers in the municipal office, now there are three! So everybody has more to do and they do it more efficiently.

Finally, to the Residents, Board of Selectmen, the School Board, all Boards and Committees, all Volunteers and especially all Staff including Chiefs Chapais and Chisholm, Public Works Director Dave Corrigan, Harbor Master Adam Thurston, the volunteers at the Fire Department, and the team members of each Public Works Department including Randy, Allen, Scott, Dean, Chad and Mike, thanks for your participation and support towards a better community in the present and future.

Respectfully Submitted,

Donald R. Lagrange
Town Manager

FINANCE DIRECTOR

Since taking on the responsibility of Finance Director in April of 2012 there have been many changes and many new things to learn. I was anxious for the challenge and I enjoy it every day. I don't see as many of you now that I'm not out front but feel free to pop in any time for a chat or just to say "Hi". I'm still here and working very hard for all of you. I wanted to take this opportunity to mention some of the changes over the last year that are making a big impact.

Most of you are now aware that the Town Offices have had a face lift. It has made for a much brighter, more inviting, and more efficient work space for us all. Thank you to Eric Davis and his crew for their hard, and quick, work. The four of us are now all on the same side of the building which allows us to interact more easily. Our new space has allowed us the ability to offer the public a computer to search our property cards, transfer of tax forms, and Tax Commitments. More functionality will soon be added to the computer as we are in the process of scanning in all of our plumbing and code files as well. With the remodel came a few procedural changes to make things more secure and satisfy some of our auditors long standing internal control concerns. We now have separate cash drawers at the front counter, individual logins for our cash reporting system, and completely independent work stations.

Also, this year we have used some of the money put aside in our Capital Improvement Plan to have the oldest of our Vital Records permanently preserved. Vital records must be kept forever and without proper preservation the paper degrades and becomes harder and harder to read. We sent the 12 oldest books, that were in really bad shape, off to KOFIL (Formerly known as Browns River) in New Hampshire for restoration. We have received three books back so far, 1905-1939, Births, Deaths, & Marriages. They are beautiful books now and we would encourage all of you to come by and take a look.

We decided this year to produce the Annual Town Report in house. That means instead of gathering all the information and sending it off to be printed we are putting it all together and printing it here. We did purchase a heat binder and even with that purchase we will save approximately \$1,245 this year and \$2,800 next year. I hope all of you are pleased with our efforts to save costs while still providing a quality product to you.

We also had a significant savings on the FY 11/12 audit expense. The FY 11/12 audit cost 8% less than the previous year and I am hopeful, with some other cost saving measures we are looking into, that the FY 12/13 audit expense will be even less!

<u>09/10</u>	<u>10/11</u>	<u>11/12</u>
\$11,656	\$11,983	\$10,995

The Town Manager and I are working very closely to help cut costs and save money where we can and we are both proud to say the Municipal Budget will be down in excess of \$150,000 if the FY 13/14 Municipal Budget is passed as presented at Town Meeting!

Respectfully Submitted,

Tabbatha M. Newenham
Finance Director

SOUTHWEST HARBOR POLICE DEPARTMENT

I would like to begin by thanking the citizens of Southwest Harbor for their continued support of their police department. I would also like to thank the staff of the Southwest Harbor Police Department; dispatchers Ben Harper, Linda Herrick, , Traci Patton, Jason Brown along with officers Lieutenant Mike Miller, Allen Smith, Bryan Dow and Shawn Merchant for their continued dedication and hard work.

Thanks to Reserve Officers, Nick Hardwick, Shawn Murphy, Ryan Haines, Michael Allen, and Nick Hardwick Jr., along with the part time dispatchers, Dave Robertson, Michael Allen and Rod O'Connor for again covering shifts due to vacations, sick days, holidays and training.

Officer Aaron Arsenault and his wife Beth and daughter Autumn Rose have moved to Colorado where Aaron has taken a job with a county sheriff's department. We wish them the best of luck.

Community outreach continues with the D.A.R.E. (Drug Abuse Resistance Education), it continues to be an important part of the curriculum presented at Pemetic Elementary School. It is by-far one of the most rewarding and enjoyable programs that I have the pleasure of participating in each year. Thanks to the teachers and staff for their continued support of this important program.

Community awareness for safety continues with the annual bike rodeo, Halloween safety, 911 training for grade school children, gun safety, and internet safety. Other informative and educational community events are ongoing. Updating and revising school safety plans and physical security will continue to be a priority for this department.

We continue to invest in the education and training of our officers. During the year officers participated in the following training: New Law Update, New Case Law, Search and Seizure, Domestic/Sexual Assaults, Firearms Training, Community Policing, Drug Overdoses and Death Investigation Protocols, Legal Issues-Roadside Stops, Taser, Active Shooter and CPR. In-house training will continue throughout the upcoming year.

Below is a chart showing a break down of various complaints for 2012.

	2010	2011	2012
Total complaints	1791	1956	2077
In Person Visits	4000+	5173	3310
• Fire Permits Issued	841	1036	1750
Arrests	31	32	58
Traffic Summons	58	164	212
Domestic Assaults	5	10	10
Thefts	34	56	106
Noise Complaints	20	53	45
• Fireworks			27
OUI	6	7	7
Assists			
• EMS	78	142	96
• Fire	24	45	10
• Other Law Enforcement	56	155	236
House/Business Alarm Repponses	69	195	210
Drug Complaints/Arrests	1	1	6
• Possession Marijuana			3
• Other Scheduled Drugs			3
Other:			
• Lost and Found	73	164	230
• Vandalism	8	21	16
• E-911 hang-ups	14	78	55
• Scams/Fraud	3	20	15
• Phone Harassment	3	31	59
• Traffic Accidents	43	181	133
• Animal/Dog at Large	66	275	178

We are making every effort to use all the technologies available to us to provide you with the most current and up-to-date information. If you are a user of *facebook.com* you can friend us at Southwest Harbor Police Department; there you'll find many different types of community related topics. Your feedback is greatly appreciated.

As always, please continue to visit our website at *www.swhpolice.com*. There you will find a link to the Southwest Harbor Fire Department's website along with other informational sites. There are many links to interesting and informative topics, such as, domestic violence, operating under the influence and the consequences, a bike registration form, and a link to D.A.R.E. America. I again ask that business owners and residential caretakers please take a moment to logon to our website and complete the 'Property Information' form. This form provides important emergency contact information.

In conclusion, I would like to thank the citizens of Southwest Harbor, the Select Board, Town Manager, Fire Department, SWH/Tremont Ambulance and neighboring agencies for their continued cooperation and assistance. I look forward to working closely with them for the remainder of my time here.

Respectfully submitted,

David Chapais
Chief of Police

PUBLIC WORKS

Another year has gone by! 2012 was a very productive year. We completed several projects this past year, but before we get into that I would like to take a moment to thank the staff. Scott and Mike at the Highway Department, Snap and Chad at the Water Department, and Randy and Dean at the Sewer Department, they make the town run!

Water Department;

- A new 350,000 gallon concrete water tank was constructed on Freeman Ridge thanks to a \$124,390.00 grant from the Maine Drinking Water Program.
- We extended a new 12" water line from Long Pond Road to Freeman Ridge.
- We continued to install the new remote read water meters and should be complete sometime next year with all the year round customers.
- After another year of testing the drinking water and making adjustments to the system we are now in full compliance with the State Drinking Water Program. We will continue testing and making adjustments to improve the town's drinking water quality.

Sewer Department;

- This year we totally rebuilt one of the two sludge pumps at the sewer plant and intend to rebuild the other one this coming year.
- A new grease trap pump was installed and rewired at the sewer plant.
- The sewer plant remains in full compliance with all testing required by the State Department of Environmental Regulation.

Highway Department;

- Seal Cove Road including the intersection with Long Pond and Freeman Ridge was reconstructed and paved from the intersection west approximately 2,200 line feet.
- Long Pond Road was overlaid with new pavement from Seal Cove Road to Salem Town Woods Road.
- The entrance road to Hillcrest Acres was removed and repaved.
- Several new culverts were installed throughout town in conjunction with maintenance ditching.

Respectfully Submitted,

David Corrigan
Director of Public Works

SOUTHWEST HARBOR FIRE DEPARTMENT

The Fire Department responded to 83 emergency calls during the year of 2012. These calls included:

10 Structure Fires	8 Vegetation Fires
4 Emergency Rescues	10 Emergency Medical calls
7 Hazardous Materials incidents	21 Automatic Alarms
8 Assist other Town Agencies	4 Hazardous environment calls
7 Public Service requests	2 Mutual aid to other communities
2 Automobile accidents	

While the mild winter last year cut back on the car accidents and cold related calls, we did note an increase in areas that traditionally we do not get called to as frequently. Of particular note, I see that Emergency Medical calls and hazardous material incidents were on the rise along with a dramatic rise in the responses to automatic fire alarm calls. While the first two increases have no particular causes the alarm frequency was found to be more and more due to the lack of maintenance of the systems. The NFPA recommends that all smoke detection equipment be replaced or serviced no more than every 10 years to prevent either false alarms or failure for an alarm to activate,

Speaking of Emergency Medical services, I am proud to report that at the time of this writing, 5 members of the Fire Department are finishing a 5 month long training program that, when completed, will place them into the EMS community as Basic Level Emergency Medical Technicians. These new member will allow the Fire Department to field a total of 8 Emergency medical technicians to assist our ambulance service when they are needed. Kudos's to all our EMT's for a job well done and reaching out to the community to provide another volunteer service to better protect our community.

The Fire Department has also enrolled 3 more of our members in the Hancock County Fire Fighters Academy. When these members complete this training, Southwest Harbor will be able to respond with 10 people with both State and Nationally certified Fire Fighter Level 1, 2 and Hazardous Material operations level certifications. These Academies bring to our communities the professional skills that large cities enjoy at a premium price. For the Town and our visitors I thank each and every one of you who sweat their way through the academy for your time and commitment to our safety.

The year of 2012 also brought a giant leap in the level of training required for those members that will be driving and operating our fire apparatus. You all may have noticed that the Fire Departments trucks have been spending a great deal of time on the road during the last year, and there was a reason. Keeping with the State of Maine's mandate that each Fire Truck operator be trained to the strict requirements of the NFPA standards for fire apparatus drivers, each of our apparatus drivers participated in 60 Hours of classroom and on the road training to bring them new skills and to hone those that they have acquired over the years. The days of anyone can drive the truck are over. Volunteer Fire Fighters now must meet the same standards as Career Fire fighters in the city do. This is a win/win situation for both our community and the department as we now gain a group of professional emergency service providers who are able to deliver in an emergency efficiently, safely and in timely manner.

Again, on behalf of the Townspeople and visitors to Southwest Harbor, I ask all of our Volunteer Fire Fighters to accept our heartfelt thanks and appreciation for all that you sacrifice and do for us.

Samuel T. Chisholm, Chief
Southwest Harbor Fire Department

HARBORMASTER

2012 gave us another great summer on the water. The oil coats and sou'westers seemed to spend more time collecting dust as the great weather gave us numerous good boating days. Along with the nice weather came an increase in boat traffic, the amount of transient boaters into Southwest Harbor also increased this year. The vessels came from across the globe with homeports ranging from Canada, Sweden and England to Australia, and South Africa. The visitors always tell me that they prefer Southwest Harbor over other surrounding harbors because of its quite side atmosphere. The harbor continues to find a balance between recreational and commercial activity, this stability is crucial to the future of the harbor.

The cameras that are currently located at each of the town docks will be getting a much needed face lift this summer. I have been working with Fire Chief Sam Chisholm to get current live feed online, through the town web site. With a click of a mouse mariners can get up to the minute weather conditions, check on their boats, or simply take in the views of Southwest harbor from their home computer or mobile device. You can log onto the town web site at www.southwestharbor.org.

The Harbor Committee has been working hard to optimize the harbors resources and uses. In 2012 the committee approved four new privet pier constructions and a commercial dredge project. They have recently been going over the harbor ordinance in order to better serve our boating community. Four ordinance changes were approved by the selectmen and are set to go to the voters this spring. The ordinance topics included marinas, anchorage, municipal floats, and mooring regulations. The committee's biggest goal and challenge, is to implement a new mooring plan for Southwest Harbor. The current objective is to figure out how to fit as many moorings as possible into Southwest Harbor and continue to maintain a working waterfront. This is no small task for this committee of eight residents, yet they are making progress at every meeting.

There are currently seats available on the harbor committee. If you are interested, please fill out a registration form available at the town office. The committee meets on the second Monday of every month at 6:30 in the town office. All are welcome. I would like to thank the Harbor Committee for their continued service to our community. Their efforts often fall under the radar and should not be taken lightly. The harbor cannot be run efficiently by just one person. It takes a group of knowledgeable and active citizens to manage this tremendous community asset.

I am looking forward to another great season on the water. Please be safe and appreciate all that Southwest Harbor has to offer.

Respectfully Submitted,

Adam Thurston
Harbormaster

CODE ENFORCEMENT REPORT

Flood Insurance

Repeat from last year! This reminder is for a good cause. Yours! Every year, this annual report provides a path to remind you that flood insurance is not just for those who live near water. The only reason for this annual reminder is the hope that, at the very least, you will call your insurance agent and be well informed. Southwest Harbor is an active participant in the National Flood Insurance Program (NFIP). Flood Zone Maps are available in the Town office, which depict high risk areas.

Just because you may not be in a high risk area, you may be living downhill and not near any water body, and most of the properties in town are downhill. According to FEMA, people outside of the high-risk area file over 20% of the NFIP claims and receive one-third of disaster assistance for flooding. Insurance policies start with rates as low as \$129. It wasn't too long ago the Town saw two (100) year storm events which caused substantial water to flow downhill with resulting property damage.

Ordinance Changes

Changes to Zone B in 2011 were tweaked in 2012 due to resident input at the public hearings. And with much review, these changes made very specific applications, especially as they pertained to lot size based on available utilities.

Other changes in 2012 included specific zone boundaries; definition of 'height'; allowing non-conforming lots in approved subdivisions predating the land use ordinance to remain in separate ownership; and allowing a permit to be valid for three years, replacing a one year requirement.

Permit Activity

- Plumbing Permits

A 45% increase in plumbing permits during the 2012 building season since the previous year, totaling 45 permits. Gross revenue from these permits was \$6,065, nearly \$2,400 over the 2011 season.

- Building Permits

Revenue from building permits increase by almost \$8,000 from the previous year to \$20,256 which represents a 58% increase from a total of 70 permits that were issued. The prior year we had (68) permits totaling \$12,812 in permit fees. Total value of permits was 4,834,500, up by 1.8 million dollars.

A sampling breakdown of the type of permits issued are as follows:

Garages/Barns	5	Misc	13
Cottages	0	Remodeling	2
Additions	14	Signs	7
Sheds	9	Decks/Porches	8
Single Family homes	7	Accessory Dwellings	3
Wind Turbines	0	Piers	3
Commercial	0		

For Planning Board application review and preparation, or other permitting questions, feel free to contact this office at 244-7915. Appointments not necessary, however are available for your convenience. We are here to help you get your project off the ground.

Respectfully Submitted,
Donald R. Lagrange
Code Enforcement Officer

PLANNING BOARD

The current Planning Board is comprised of the following volunteers: Ryan Donahue, Chairman; Chris Rawls, vice Chairman; Mike Magnani, Secretary; Ben C. Worcester, III; Chad Terry; Mike Mansolilli; Eric Davis. The Planning Board would like to thank all those who participated in the public discussions during the past year regarding the proposed Harbor zoning recommendations for Clark Point Road and Shore Road.

Most of our efforts have been involved with workshops regarding these zoning changes which is felt to assist property owners with more flexibility with their land than the restrictions as currently exists in the Land Use Ordinance allow. Most issues have been resolved however the status of allowing new residential uses and provide for transient accommodations remain in discussions. A resolve should be forthcoming during the next few months to send to the Selectmen for a potential ballot vote either in November or at the next town meeting in May, 2014.

The Planning Board has reviewed the following applications during 2012 which were all approved according to the land use requirements and performance standards as presented:

- 1) Heath Higgins, Map 17, Lot 86; Expansion of floats to existing pier
- 2) John Carter, Map 7, Lot 34; Construction of a 40' x 70' single story building for the purposes of a lounge/restaurant/dance club
- 3) Rick Evangelista, Map 13, Lot 25-10; Subdivision review in Zone B
- 4) Phoebe Barns, Map 20, Lot 20; Addition to primary residence and reconstruction of studio building in a Resource Protection Zone.
- 5) Susan Michalski, Map 6, Lot 23; Replacement of non-conforming structure.
- 6) Michael Gilley for Head of the Harbor, Map 3, Lot 58; 13' x 81' rear deck.
- 7) John Carter, Map 7, Lot 34; Amend previous application to change structure to (3) dwelling units.
- 8) Richard Homer, Map 11, Lot 1; Guest Cottages (3)

Voters approved several amendments to the Land Use Ordinance at the May town meeting in 2012 including: Procedure for amending ordinances; Definition of 'height'; Contiguous lots, vacant or partially built; Extending the life of a building permit; Description of the zones and map; Clean up ambiguities in Zone B;

It should be acknowledged that all of Southwest Harbor's volunteer committees and boards give a great deal of personal time to town matters. The Planning Board would like to thank everyone that assists us in the application process, and especially to the town office staff.

Sincerely,

Ryan A. Donahue
Chairman

CONSERVATION COMMISSION

The Southwest Harbor Conservation Commission has had four voting members and three associate members for 2012, including the Chair, Tree Warden, Treasurer, and Secretary. Members gather for meetings at the Town office throughout the year, and the public is invited to attend. For anyone interested in coming to meetings, please call or stop by the Town Office for the schedule.

The Commission arranges a yearly arborist inspection of the Town's public trees, with follow up maintenance under the direction of the Tree Warden. New trees are planted when funds become available; in addition, the Tree warden oversees the planting of memorial street trees gifted to the Town in honor of loved ones.

The Commission is the steward of two Town parks: the Veterans Park in Town center, and the Charlotte Rhoades Park on 191 Main Street. Both parks are heavily visited during the summer months.

Hancock County Master Gardeners and local volunteers maintain the Butterfly Gardens at the Rhoades Park, offer educational classes on organic habitat gardening, sponsor the annual Butterfly Release fundraiser (held July 26th, 2012), and tag Monarch Butterflies in late summer. In September, the Park hosts visits from elementary school children from around the county. Any Southwest Harbor resident who might be interested in any of these activities is welcome to participate and should contact the Town Office for more information.

The 2013 Annual Butterfly Release Benefit will be held on Thursday, July 25th.

Thanks to all who helped make it a great year.

Respectfully submitted,

Ann Judd,
Secretary

SHELLFISH CONSERVATION COMMITTEE

In 2012, the committee met 7 times in regular sessions, scheduled for 5:30 PM on the second Monday of each month at the Town Office. We also conducted a survey in the closed area at the head of the harbor near Manset Corner with the Pemetic 6th and 7th graders as volunteer scientists. Results of this survey showed us that we have a huge resource of small (about 1 ¼ inch by now) clams living in this area which is closed to digging because of the presence of the town sewage treatment plant. With DMR permission we plan to return this spring with many of the same local children to collect as many of these clams as we can on one low tide and transplant them to Lawler Cove on the Fernald Road shore. We are very excited about this opportunity for our children to learn some biology, participate in the management of a public natural resource, and help the town and have fun doing it.

The clam resource of the town is improving, but the habitat for shellfish (soft-shell clam) resource of the town is relatively limited. We estimate that the total usable (open) habitat of the town is about 100 acres, most of which is concentrated in two or three key coves (Fernald, Connor, and Wonderland). The scarcity of habitat directly reduces the total productivity of town clamflats and forces the committee to prioritize the use of this limited resource. The committee has continued to choose to emphasize the use of this publicly managed resource as a food source and for recreational digging by as many local residents as possible. Thus we sell an unlimited number of recreational licenses (for up to one peck per day) to any adult who wants one and allow people under the age of 16 to dig for free. No commercial digging is permitted.

Respectfully submitted for the committee,
Jim Colquhoun, Chair

PEMETIC ELEMENTARY SCHOOL

It is a pleasure to be given the opportunity to inform you about all of the positives going on at Pemetic Elementary this past year. We continue to strive to provide our students with the best possible academic experiences in the most supportive environment, funded within a fiscally responsible budget.

Pemetic was recognized nationally this year as a **Title 1 Distinguished School!** We were given this award at the national conference in Nashville for our outstanding performance academically. Only two schools per state can be selected each year so this was an especially prestigious honor for our school, staff and students.

This year I had the opportunity and honor to serve as the Maine Principal's Association President and travel to Washington, D.C. on several occasions to speak with our national leaders about the issues affecting education and our students. It was exciting to be able to have a voice at the state and national levels and I look forward to continuing to be involved at some capacity in the future.

State Assessment

This is the fourth year for the new state assessment (NECAPS – New England Common Assessment Program). This is the same assessment currently used by Vermont, New Hampshire and Rhode Island. The state will continue to use the MEA for its science assessments for the short term. We continue to be pleased with the growth and strength of our scores but will continue to work hard to do even better.

2012-2013 NECAP Results

Percent of Students Meeting or Exceeding the Standards for Grades 3 – 8

	Pemetic	State
Math	70%	62%
Reading	84%	71%
Writing (Grades 5 and 8)	80%	51%

Budget Proposal:

This year's budget represents a modest 3.48% increase. This increase is almost entirely due to a decrease in state funding and the carryover. We want to continue to offer a high quality education for our students and maintain the award winning arts, sports and music programs while working within a fiscally responsible budget.

We continue to enjoy our beautiful facility that reflects the value that our community places on education. Thank you all for your continued support and help in educating our children!

Respectfully submitted,

Dianne Helprin
Principal, Pemetic Elementary School

MDIRSS AOS #91 ANNUAL REPORT FOR 2012

Vision/Mission/Goals:

In August of this year, the Regional School Board stated its commitment to what is referred to by some as “standards based education”, meaning that we want to focus on what students know and customize their instruction and experiences accordingly. Our ultimate objective is to be certain that each student has mastered or exceeded what we believe is important for their future, no matter where life takes them. In this educational model, we don’t think it is all that relevant to classify students by grade level, but rather by what they know, what they find interesting, and what they consider challenging.

Our teachers and staff, under the leadership of school level administrators and a team of teacher leaders have taken on this significant educational direction with the attitude that if this approach can benefit students, we will make it a priority. We recognize that a shift as large as this will take time, professional development, and increased communication with parents and guardians.

In addition to this educational priority, there are several other areas of focus that have our full attention, including:

Mission Statement

Our current mission statement has served the school district well over the years, but it is time to review and refine our mission to be certain that it reflects current thinking and values about education and skills we hold valuable and essential for this next generation of citizens and community leaders.

Budget Goals

Our commitment is to bring forward budgets that maintain services and programs that are essential for students, but also fiscally responsible. We certainly are sensitive to the fact that the Great Recession is still with us.

Superintendent Search

As you know, Superintendent Rob Liebow stepped down this past June. We all appreciate Rob’s leadership and years of service to our school district, and wish him the very best in his new assignment in Massachusetts. Meanwhile, the school board is actively planning a search for the next permanent superintendent of schools for MDIRSS. A good deal of work is underway to ready the school district for the recruitment of its next leader. There will be several opportunities for interested community members to be involved, including community forums, the search committee, and site-visiting teams.

Dropouts

We are not satisfied that a number of our students are leaving high school without a diploma or alternative certificate. This fact does not bode well for their future. Ideally, our commitment is to eliminate dropouts from Mt. Desert Island High School. To accomplish this objective we need additional help from parents and the larger community. We also have more work to do in our schools to reach students in need of support and guidance, and to keep them engaged and involved.

Communication

It is hard to imagine that communication is ever as good as we would like. We want to take advantage of technology to improve communication, but we also know that face-to-face meetings are just as important. This year we want to find ways to increase the quality and frequency of communication with parents and the broader community. We welcome any and all suggestions!

Technology

This is a growing part of our instruction, reporting, data analysis, record keeping, student portfolios, etc. for all schools. Our technology plan is under review now with an eye toward better planning and coordination of systems, services, and budgeting, going forward.

Staff Changes

A number of personnel changes have taken place this year, in addition to Rob Liebow's departure. They include:

- Ian Braun, (high school teacher and district-level assessment coordinator) is serving as assistant principal at MDIHS.
- Pam Bush (high school assistant principal) is serving as principal at Tremont Consolidated School.
- Maria Donahue, (district-level health coordinator) accepted a new post with Healthy Acadia.

Coordinated School Health

The Administrative Team met in late August to consider the priorities of our school health programs in light of the funding cut and loss of our current coordinator. For the past several years, the School Health Leadership Team and our School Health Coordinator have been the primary guiding force behind establishing health goals for our district, sharing resources among schools, discussing new program or policy options and many other initiatives. Several priorities were supported by the Administrative Team as vital to our success in the coming school year. A sub group reviewed and discussed the priorities and possibilities for successfully maintaining the progress made and support ongoing work within our schools. These recommendations have been shared with the Superintendent and Administrative Team.

Social Worker

There have been noticeable benefits to employing an LCSW for those schools in our district that have taken advantage of these services. Our social worker, originally hired in September 2010, works closely with Guidance Counselors while providing on-going professional support and resources for some of the more complex student and family needs. She currently carries a caseload of students for therapy, provides case management to students and families in order to connect them with resources in the community and attends meetings for students at community agencies to provide continuity in services.

Response to Intervention

Significant strides have been made this school year to provide a more systematic screening and intervention to students not meeting grade level expectations. Our efforts K-12 will increase academic success, allow for creative solutions and minimize the number of students feeling disconnected to school or overwhelmed by the academic rigor.

Curriculum, Instruction, & Assessment

In May 2012 our school system joined the Maine Cohort for Customized Learning (MCCL) and this fall our Kindergarten through 8th grade teachers have begun using the cohort's standards- based curriculum. The format of the curriculum reflects a clear scope and sequence for all the concepts that reflect our MDIRSS essential standards. In this curriculum we believe we have finally found a structure that will move us closer to our vision of effectively engaging/challenging each of our students by personalizing their learning experiences.

This change in curriculum format represents a significant shift in the way we have approached schooling in the past. In the past our curriculum has been based on sets of grade level expectations by subject area. Shifting to a scope and sequence format requires teachers to identify each student's exact level of understanding with a concept or skill and then design instruction that moves students to the next level.

The focus has moved from mastering a finite set of grade level requirements to one of continuous growth and progress. This work is very complex--it requires teachers to be nimble in their instructional design efforts, it requires teachers to keep more detailed records of student growth and achievement, and it requires teachers to separate student's behavior and effort work from their academic progress when communicating their progress to parents.

Despite the considerable learning curve required of all in this undertaking, our K-8 teaching community strongly believes in this model--after all, we have known for years that students come to us with wide variances in their knowledge and skills as they travel along through the grades with their same-age peers. This new curriculum format allows us to accept this reality and take students where they are upon arrival and move them forward at their exact readiness level. We believe this commitment and approach to continuous learning will help all of our students feel intellectually challenged, personally empowered, and largely successful at school, year after year--but we know it will take time to make the full transition to standards-based teaching and learning.

At the high school level, our teachers and leaders are in the throes of diligent work preparing for our New England Association of Schools & Colleges (NEASC) reaccreditation site visit next fall (2013), which is a very reflective and useful, albeit time-consuming venture. Movement toward standards-based instruction continues with our administrators leading a study of motivational theory using Mindset: The New Psychology of Success: How We Can Learn to Fulfill Our Potential and a campaign to help all our constituents understand the philosophical and technical shift needed for standards-based learning. Our faculty has worked together to revise and recommit to the MDIHS Mission and Guiding Principles and has begun to share this document with students, parents and our communities. In addition the faculty has finalized our MDIHS Essential Standards and has begun the work of incorporating them into course plans and descriptions. On the horizon for this year is the development of an improved format for our portfolio tasks, common assessments, & school-wide rubrics. And finally, MDIHS teachers are working to become familiar with the district curriculum learning progressions that are beginning to be used at our K-8 schools.

We have learned that the process of changing our schools to serve all students well using standards based learning requires a design thinking process. It requires empathy--a deep understanding of those we are designing for--our young people. It requires a spirit of invention because we are creating something that does not yet exist. And finally, it requires iteration because the route to a design solution is messy, circuitous, and can only be achieved through experimentation and learning.

In sum, our entire school community is working very hard to improve student outcomes. In August you adopted the MDIRSS Core Beliefs for our school system – a document that articulates the high aspirations we hope to see realized in the very near future. We know it will take the collective efforts of students, parents, teachers, administrators and our school committees to do so; and we are pleased and proud to be leading this important work.

Howard P. Colter,
Superintendent

Joanne Harriman,
Assistant Superintendent

Kelley Rush Sanborn,
Director of Special Services

SOUTHWEST HARBOR PUBLIC LIBRARY

This was a great year for the Library. Many things happened beyond circulating books. Pemetic Elementary School and the Library continued to work together. Various community groups met regularly at the Library. Our digital circulation increased dramatically. We updated our online look. And we received state and national recognition.

The Library is quite pleased with its association with Pemetic. We continue to provide library services to its students, which has fostered a wonderful relationship with the students and teachers. We have also developed a connection with the high school. A group of students come here for tutoring and special help. It is working out well; we love having the kids here and they often volunteer their services. The Clark Room, our meeting space, is the perfect place for this activity.

The Clark Room is actually used a lot. The Eastern Area Agency on Aging and the Mount Height Cemetery Associations meet once a month. Acadia Senior College considers the Library one of its campuses. The island's home-school groups meet regularly. Graduate students find the space helpful when they need a place to study. AARP uses the space to conduct free tax preparation for our patrons. And we have used the space for computer classes. The Clark Room offers a private, quiet space for a variety of uses. We lend the Clark Room in much the same way we lend books.

Speaking of books, our circulation of traditional library material has remained steady in the last year but our circulation of digital material has more than doubled. Downloadable audio and E-books are extremely popular through the Maine InfoNet Download Library. And new this year, we began offering free music through Freegal. Patrons can download and keep three songs a week. The catalogue is quite extensive and it's easy! All you need for any of the digital borrowing is an active library account.

In an effort to keep current in this digital world, we redesigned our website. We hope this will make searching for material, programs and services easier. It is very book and program orientated. We also have a new Face Book page; please "like" us!

As for recognition beyond our community, Mike Hays, a Library Trustee, has been selected to become a member of the Maine Library Commission. This is a 17-member board appointed by the Governor. The Commission establishes the policies and operations of the State Library, gives advice and makes recommendations on the expenditure of state and federal funds, and establishes guidelines and policies for statewide library programs. And at the national level, the Library has once again be awarded a five star rating, the highest distinction, from *Library Journal*, one of the most respected academic journals in the library industry. The rating is based on number of visits, circulation, Internet use, and program attendance. This past year we offered 64 adult programs that drew 1,484 people. We held 219 children's and young adult programs, these drew 3,285 people. Some of our programs brought in 100 or more people. According to the Maine State Library Annual Report, we are one of the top ten busiest libraries, per capita, in the state. Our patrons, volunteers, trustees and staff have all made 2012 an exciting year. Thank you.

Respectfully submitted,
Candy Emlen
Director Southwest Harbor Public Library

Bar Harbor



Food Pantry

November 30, 2012

To the town of Southwest Harbor:

Last year, the town of SWH graciously awarded the Bar Harbor Food Pantry \$2,500 to help us continue our mission to help feed families in Hancock County who find themselves in need. The funds received helped with our annual food budget, covering the cost of a 1 month delivery from the Good Shepherd Food Bank.

The Bar Harbor Food Pantry continues to serve individuals and families island-wide, who find themselves in need of financial assistance by offering a 1 week supply of groceries at no cost to help with monthly expenses. We are open year round and serve many Southwest Harbor residents, especially in the summer months when the Westside Food Pantry is closed.

The work we do is essential to the livelihood of our neighbors and we appreciate Southwest Harbor's ongoing support as we look to improve upon our services each year. We are currently serving over 130 families each month, with as many as 30 of those being SWH households. As we all know, the cost of food and living is difficult for many families and we are proud to be able to offer this service to our neighbors.

We thank you for your ongoing support.

A handwritten signature in cursive script, appearing to read 'Kate Sebelin', written over a horizontal line.

Kate Sebelin

Executive Director



December 4, 2012

Don LaGrange
Town Manager
26 Village Green Way
Southwest Harbor ME 04679

Dear Mr LaGrange:

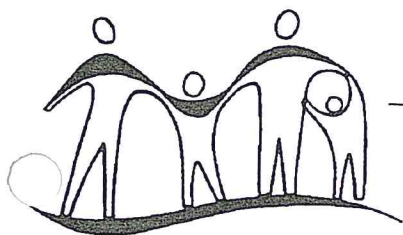
Enclosed please find Island Explorer's funding request for the 2013 operating season from the town of Southwest Harbor in the amount of \$10,000.00. As you know Island Explorer provides fare free public transportation to all of Southwest Harbor's residents from June 23 through Columbus Day each year. This service enables workers and recreators to commute across Mount Desert Island and throughout Acadia National Park.

We appreciate Southwest Harbor's longstanding support and hope you will choose to continue the partnership.

Best regards,

Paul Murphy
General Manager

A handwritten signature in black ink, appearing to read "Paul Murphy", with a long, sweeping horizontal line extending to the right.



Downeast Health Services, Inc.

Providing for the health, safety and well being of
children and their families in Downeast Maine

November 5, 2012

WIC Report

Women, Infants and Children (WIC) is a federal nutrition program. Downeast Health Services holds the contract for Hancock and Washington Counties.

We provide health screenings, referrals, nutrition education, and checks for healthy foods, for income eligible pregnant and nursing women, infants and children up to their 5th birthday.

The checks are for healthy foods such as: milk, cheese, juice, cereal, eggs, fruits and vegetables, whole grains, peanut butter, beans, infant cereal, infant foods and formula.

The value of the checks we provided for 50 clients in 2012 from Southwest Harbor was \$31,800. There is no cost to the clients.

We provide outreach services in Southwest Harbor at the St. John's Episcopal Church. We receive matching funds up to \$2,000.

Thank you for your past support of our program.

Trudy Lunt LPN

Local WIC Director
Downeast Health Services
52 Christian Ridge Road
Ellsworth, Me 04605
Phone 667-5304
Email tlunt@downeasthealth.org



People Helping People

ANNUAL REPORT TO TOWN OF SOUTHWEST HARBOR

Downeast Horizons (DEH), founded in 1974, is an organization that assists adults and children with disabilities to find support for their individual needs and to exercise choices whenever possible that result in growth toward increasing and maintaining independence. All individuals supported by DEH have developmental disabilities including cognitive disabilities; Autism and Asperger Syndrome; Down Syndrome; and some have multiple disabilities including physical handicaps. We currently provide services to 5 individuals from the town of Southwest Harbor.

PROGRAMS AND SERVICES

Downeast Horizons (DEHI) is proud to be serving individuals with developmental disabilities in the community for 38 years! Although DEHI faced challenging state budget cuts at the beginning of the year, DEHI was able to overcome those challenges and take initial steps toward a more secure financial future. Like the determined group of parents who took matters into their own hands and changed the lives of so many individuals 38 years ago, DEHI continues to meet these challenges head-on and take control of the future of the organization.

DEHI has been working to expand our Shared Living program to individuals in the Ellsworth and Bangor area. Our Shared Living program meets the needs of adults who require periodic or regular assistance with activities of daily living, but do not require a supported living residential home. DEHI currently oversees Shared Living homes in Ellsworth and Eddington.

The Children's Program currently assists 56 participants with developmental disabilities. Over the past two years, the Children's Program has been working on positive changes in our Social Skills Groups. Both the Bangor and Ellsworth Programs have divided the groups to allow for more age-appropriate lessons and to provide more individualized attention to each participant.

Over the next two years, DEHI will focus on putting a solid foundation in place that can be built upon for years to come.

FACILITIES

Downeast Horizons' two community support facilities in Bar Harbor and Ellsworth, as well as the nine assisted living homes throughout Hancock County, have been undergoing extensive renovations and maintenance over the past two years. Renovations have been made to the MDI and Ellsworth facilities by replacing the VCT tiles with porcelain tiles. The porcelain tiles are very low-maintenance and slip-resistant, all made possible by the generous support of our donors. Significant repairs to the homes and facilities have included insulation, siding replacement, re-shingling roofs, as well as new windows and updated heating systems.

Over the next two years, the administration and staff will continue to focus on long term energy efficiency and property maintenance as well as property safety for program participants.

STAFF TRAINING

Downeast Horizons currently employs 148 individuals. Our staff has done a great job helping set the tone for the organization within the community and ensure that DEHI is seen in a positive light. In the past year we have implemented more extensive staff training and increase focus on professionalism in an effort to make sure our staff are the best service providers they can be in the field of developmental care. Currently, staff are being trained on a new automated payroll system. This system furthers Downeast Horizons transition into the digital age and will be a valuable management tool for our management team.

Over the next two years, DEHI will focus on finding ways to conduct staff trainings in a more time-effective manner and will explore how Internet-based resources can be used.

The \$1,800.00 generously given by the citizens of Southwest Harbor in 2012 assisted in paying for safety/health building maintenance and repairs; staff training; and client motivation activities. In 2013, DEH will continue to target funds from the towns and individuals for these items.

DEHI is grateful to the town of Southwest Harbor for its long-time support and respectfully requests a continuation of that support in FY2013.



Serving - Eastern Maine
Since 1973

Eastern Area Agency on Aging serves seniors in Southwest Harbor 2012 Annual Report

Eastern Area Agency on Aging (EAAA) has been working diligently to serve seniors in Southwest Harbor. Most of the services the agency provides are free of charge which is why outside funding is so vital. The generosity of the town of Southwest Harbor, which allocated \$1,500 in funding to EAAA, proves how much the community cares about its elderly residents.

In 2012, Eastern Area Agency on Aging provided services valued at \$11,751.90 to 73 people in Southwest Harbor. These services helped elderly citizens remain independent, feel financially secure, be well nourished, ensure their access to health care and make informed decisions on benefits, including Medicare part D, the prescription drug program. The services also helped caregivers care for their loved ones, which can be a stressful but rewarding job.

"These are difficult times, no doubt about it, and we are so grateful to Southwest Harbor for their support," said Noelle Merrill, executive director at EAAA. "We depend on municipalities to help us with our costs of serving the residents and Southwest Harbor has shown tremendous support for our work. This financial provision is critical for us to be able to maintain the level of services that we provide. We are truly grateful."

EAAA was incorporated in 1973 and has been the best source of information, options and services for seniors and their families ever since. Covering 13,000 square miles, EAAA helps seniors living in Hancock, Washington, Penobscot and Piscataquis counties. The agency is committed to continuing quality services and programs to all who need them. This goal cannot be met without adequate funding which makes the allocation from Southwest Harbor even more important.

Meals on Wheels, part of the nutrition program of EAAA, provides delicious, nutritiously balanced, ready-to-heat meals to homebound residents of Southwest Harbor who otherwise might not have had a nutritious meal. Cookies or tea and toast would be the lunch for most of these frail elders were it not for Meals on Wheels. The Senior Food Bank has provided low-income seniors with a monthly supply of staple items to up their nutrition intake.

EAAA's Community Services department works with Southwest Harbor seniors, providing them with information and help in matters such as: MaineCare, Medicare and other insurances, Social Security, food stamps, low cost drug cards, tax and rent refund applications, housing, assisted living and home based care. The savings that the seniors experienced were the direct result of our staff's assistance.

As people age, they often require family to help care for them. EAAA's Family Caregiver Services program provides the caregivers support, respite, education and referrals to appropriate community resources. Caregiving can be a difficult job and EAAA works to support the caregivers while they care for their loved ones.

The \$1,500 allocation from the town of Southwest Harbor will make a difference and as an agency, we are incredibly grateful, said Merrill



*SERVICES PROVIDED
TO THE OLDER AND DISABLED CITIZENS Of
Southwest Harbor
BY EASTERN AREA AGENCY ON AGING*

Service	Client	Unit	Value
COMMUNITY SERVICES			
Information and Assistance - office appointments, home visits and telephone calls linking individuals with available services.	22	28	\$1,776.83
State Health Insurance Assistance Program (SHIP) - helps people understand Medicare & other health insurances.	5	5	\$360.35
Transportation - limited transportation for medical appointments and personal errands for those who qualify (where available)			
NUTRITION SERVICES			
Community Cafes - delicious meals and socialization for seniors.			
Meals on Wheels - home delivered meals	4	728	\$5,882.24
Pantry Partners - linking seniors with farmers who grow produce for them			
Senior Food Bank - supplemental food program for eligible seniors.	4	46	\$920
Furry Friends Food Bank - provides low-income seniors and disabled with supplemental pet food to help feed their pets.			
EZ FIX - is a minor home repair program for seniors			
FAMILY CAREGIVER SERVICES - provides support education- to individuals caring for loved ones- specializing in Alzheimer's/dementia	50	92	\$2,866.48
LEGAL SERVICES for the ELDERLY - free legal assistance to seniors.			

Total UNDUPLICATED number of Citizens served by EAAA: 85

Total VALUE of services provided: \$11,751.90

Total AMOUNT of funding request: \$1,500

EMHC Office Locations

**Bangor Area Visiting Nurses
Hospice of Eastern Maine
885 Union Street,
Suite 220
Bangor, Maine 04401
207.973.6550
Fax 207.973.6555**

**Hancock County HomeCare &
Hospice
P.O. Box 655
441 Main Street Suite 2
Ellsworth, Maine 04605
207.664.5170
Fax 207.664.5176**

**Visiting Nurses of Aroostook
Hospice of Aroostook
VNA Caribou
EMHC Corporate
14 Access Highway
Caribou, Maine 04736
207.498.2578
Fax 207.493.3111**

**VNA Houlton
2 Water Street, Suite 1
Houlton, Maine 04730
207.532.9261
Fax 207.532.1341**

November 28, 2012

Town of Southwest Harbor
PO Box 745
Southwest Harbor, ME 04679-0745

Dear Selectmen and Residents of Southwest Harbor:

Our patients, families and staff appreciate your annual steadfast support of Hancock County HomeCare & Hospice. We are grateful to live in an area where the community places value on caring for neighbors. We could not provide this service without the help of towns like yours. Thank you so much.

Hancock County HomeCare & Hospice – formerly Bar Harbor Public Health - made 16,648 patient visits last fiscal year. Of those, 272 of them were in Southwest Harbor. Your friends and neighbors needed wound care, rehabilitation services, hospice care, pain management, intravenous therapy, and nutritional assessments. These services were provided by skilled nurses, certified home health aides, physical, occupational, and speech therapists, and medical social workers.

We are extremely grateful for your 2011/12 donation of \$1,870 and are requesting the same amount for 2012/13. Thanks again for helping us care for your community.

Sincerely,



Morag Robertson, Clinical Manager
Hancock County HomeCare & Hospice



Commitment to our Communities. These words define Harbor House's approach to the way we do things.

We achieve this by being the only licensed childcare center on this side of the island that has programming for children as young as 18 months, is open for the longest hours of operation and offers a safe and educationally appropriate environment for children of working parents. It's achieved through our youth center where children from grades 3 through 8 can come to participate in an array of programming. It can also be seen in our commitment to offer fitness classes and a fitness center that support people in their pursuit of healthy lifestyle goals and through our sports programs that teach skills and instill the fundamentals of teamwork and sportsmanship. Our commitment to our communities is deeply underscored when we create programs in response to the needs of our residents. This is clearly exemplified by the creation of our after school program which filled a need not being met by other community programs.

Harbor House respectfully requests the support of our town's taxpayers to help us continue our long tradition of providing quality recreational youth sports programs and youth center activities for the children of our community.

Serving our community's children and youth has been a fundamental value of Harbor House since its inception. We believe in offering our young sports enthusiasts the opportunity to learn sports, practice and hone their skills in a safe, fun and affordable place close to home. Over the past year we provided instruction and game play in soccer, basketball, tee-ball and tennis to 92 children. These 92 children filled 124 playing slots as many children played multiple sports

There are other great events and programs run by the Youth Sports Department at Harbor House which the appropriation does not support, but which contributes to the lives of our youngsters and in some instances raise funds to help support the Youth Sports Department. In 2012 we offered 4 weeks of Sports camps and 6 weeks of Island Adventure camp 5 of which included overnight camping trips. We partnered with the UMaine baseball program for our baseball camp and had 50+ children benefit from the instruction and interaction with college level coaches and players. We have talked with Justin Norwood, the head coach for the high school about partnering with him for our basketball camp. These types of partnerships enhance the children's sports experience plus provide an all day camp option for those who need a full day option for their campers.

The 20th Annual 2012 Great Harbor Shoot Out was once again very successful. 73 teams from all over the state participated in this 3 day junior high and high school tournament. What began in 1992 with seven boys teams, has now grown to become Maine's largest post-season basketball tournament for boys and girls. Somewhere between 4,000- 5,000 people attended this tournament bringing business to our local communities during the slowest time of the year.

Town appropriations are vital to the integrity and consistency of the Youth Sports Program and cover approximately 80% of the total annual expense for this program while fundraising and funds from general operations cover the rest. We are grateful for Town taxpayer support because, most importantly, it helps us keep the direct cost of sports registration fees to between \$30.00- \$40.00 depending on the sport.

The Harbor House "Underground," as our free after school hang-out is popularly called, is a special place for young people in grades 3 through 8 to play, chill out and connect with peers under reliable and responsible supervision. The Underground is open after school, school closure days and school vacations.

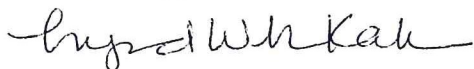
The number of children that frequent the youth center continues to rise under the guidance of our youth center director Mark Woida. The 2011-2012 school year saw a total of 4117 visits over 184 days which roughly equals 23 children per day. These visits were made by 106 children- 66 from Southwest Harbor out of a possible 100 and 40 from Tremont out of a possible 84. Attendance for September 2012 averaged 25 children per day and October averaged 27 per day totaling 1107 visits for the two months. If this trend holds we will increase visits for this school year over last by approximately 34%. On any given day you can see lots of children participating in programming downstairs in the building or running around the playground.

Programming at the Underground includes activities such as OAK (Outdoor Adventure Kids), yoga, chess and rock wall climbing, along with art classes operated by the Acadia Family Center which uses art as a tool to teach children about resiliency and art projects offered by renowned island artist Mike Duffy. We are constantly adding activities to the program roster and we will continue to improve this invaluable community service by continuing to promote healthy social interaction, leadership skills and provide greater creative, educational and athletic outlets for our community's youth.

Town Appropriations from Southwest Harbor and Tremont cover 72% of the cost of the Youth Center. In 2013 the Youth Center Underground is projected to operate at an \$8,500 + deficit, the cost of which is covered by Harbor House's fundraising and general operations.

In closing, we would like to thank the taxpayers of Southwest Harbor for your ongoing support of these importance programs and the contributions they make to the lives of our children.

Sincerely,



Ingrid Wilbur Kachmar
Executive Director



14 McKenzie Avenue Ellsworth, Maine 04605
207-667-2531 Fax 207-667-9406
e-mail: info@hospiceofhancock.org
www.hospiceofhancock.org

~ Volunteer Service Since 1980 ~

October 26, 2012

Donald Lagrange, Manager and Board of Selectmen
Town of Southwest Harbor
P.O. Box 745, 26 Village Green Way
Southwest Harbor, ME 04679

Dear Mr. Lagrange and Board of Selectmen,

Greetings to you and the residents of Southwest Harbor.

Hospice Volunteers of Hancock County has recently been recognized with the WLBZ Channel 2 *Agency of Distinction* award. We are very proud of this honor and remain committed to serving the residents of Hancock County for many years to come.

We strongly value our partnerships with colleagues in the communities we serve. We work closely with medical professionals, churches, schools and businesses to provide comprehensive service to those in need of our care.

Because Hospice Volunteers of Hancock County provides free end-of-life care and bereavement support and does not receive any state or federal funding, we must raise over 75% of our operating budget annually, and the financial support we receive from the towns throughout Hancock County is an essential component of that support.

Here is a summary of Hospice Volunteers of Hancock County's services provided to area residents over the past year.

- Free Patient Care Support for those living at the end of life and their loved ones; with service to 171 patients, including 6 in Southwest Harbor, during the 2011-2012 fiscal year;
- Free Bereavement Support to those who are grieving the loss of a loved one; with over 1200 gestures of support provided during the same time period, including 8 residents of Southwest Harbor.
- Our Evensong hospice singers provided the gift of comfort to 69 individuals living at the end of life and their families through bedside music.
- A new program inaugurated this past year is our *Veterans and Caregivers Outreach Program*, which has helped us tailor our services to the specific needs of veterans and their families.
- Our new *Bereavement Training Program for Professionals* has run twice with great success for members of the community who are serving others (such as nurses, clergy members, therapists) and who want to be better equipped to support those who are grieving.
- Our equipment-sharing program and our lending library continue to serve community members without charge.

We appreciate the support we have received from the Town of Southwest Harbor in the past and hope that you will continue your support for these important services with a contribution of \$1000 during the coming year.

Our partnerships with the towns in which we serve means a great deal to us and we invite you to let us know if there are needs among your residents with which you think our volunteers may be of service.

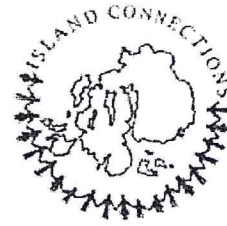
Sincerely,

Jody Wolford-Tucker
Jody Wolford-Tucker
Executive Director



ISLAND CONNECTIONS

Island Connections Neighbors Helping Neighbors



Our Mission

Island Connections seeks to provide free transportation and other services to the elderly and people with disabilities on Mount Desert Island and the surrounding islands that will enable them to live independently and with a strong quality of life.

Island Connections provides free transportation and other services to elderly and disabled residents of Mount Desert Island and the surrounding islands, to help them live independently, with a strong quality of life.

Services include:

Transportation to medical, dental, and other appointments; rides to and deliveries from drug stores, grocery stores, food pantries, delivery of meals to homes three days a week; rides to the Straus Center – Adult Day Program, and community centers (Neighborhood House, YMCA, and libraries).

We have the ability to transport wheelchair bound residents with our wheelchair accessible minivan.

During the past 12 months, Island Connections provided 3048 appointment trips, 470 Meals on Wheels runs and (over 9000 meals delivered).

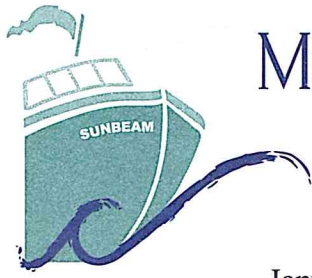
Island Connections is getting more requests than ever. Often it's just a short drive to a health care appointment or grocery store and back. Island Connections matches Neighbors' requests with drivers' availability and geographic preferences. In addition to your financial support, offering your time as a volunteer driver is equally valued.

When working families and friends are unable to provide transportation to the doctor, grocery store or pharmacy, Island Connections will.

We thank the people of the Town of Southwest Harbor for your support.

Carrie Limeburner

Executive Director, Island Connections



Maine Sea Coast Mission

January 11, 2013

Board of Directors

Gavin H. Watson, Jr.,
President

Joseph M. Murphy,
Vice President

Jim Geary,
Treasurer

Chadbourne H. Smith,
Secretary / Clerk

Edward L. Allen

Roger S. Clapp

Lester L. Coleman

Ruth M. Colket

Dennis S. Damon

William E. Eason, Jr.

Reginald B. Elwell, Jr.

Patsy E. Fogarty

Jill M. Goldthwait

J. Clark Grew, II

Monika A. Heimbold

Nancy K. Ho

H. Lee Judd

Tony C. McKim

Timothy P. Schieffelin

C. Stacey Smith

Linda B. Thompson

John M. Williams

Honorary Directors

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Alan L. Baker

Curtis L. Blake

Cornelia Greaves Bates

Christopher Hutchins

Philip B. Lape

Justine M. Morris

Chester E. Norris, Jr.

John E. Parker, Jr.

Henry L.P. Schmelzer

Patricia G. Scull

Ansley C. Throckmorton

Lynda Z. Tyson

Douglas Williams

Rev. C. Scott Planting
Executive Director

Mr. Donald Lagrange
Town Manager
Town of Southwest Harbor
P.O. Box 745
Southwest Harbor, ME 04679

Dear Donald,

We appreciate the Town of Southwest Harbor's recent contribution to the Maine Sea Coast Mission for heating assistance for residents of Mount Desert Island.

As the cold of winter brings its inevitable need for warmth, in partnership with the Mount Desert Island Community Campfire Coalition, we will use your contribution to assist those neighbors most in need of this assistance. We are pleased to be working with our fellow members of the Campfire Coalition, The Neighborhood House and Harbor House, to provide this service.

This program is particularly noteworthy in that it is based upon neighbors helping neighbors through the collaborative efforts of many non-profits and civic organizations on Mount Desert Island. You can be sure that 100% of your donation will be used exclusively for heating assistance for residents of Mount Desert Island.

Sincerely,

Scott Planting

Scott Planting
Executive Director

*Thank you for your very generous
support of the Campfire Coalition*

P.S. No goods or services were received in return for your donation of \$2,500.00, received 1/11/2013, which will be used for heating assistance to residents of Mount Desert Island.

Please remember the Maine Sea Coast Mission in your will

Mount Desert Island and Ellsworth Housing Authorities

80 Mount Desert Street
P.O. Box 28, Bar Harbor, Maine 04609
Tel. & FAX 207-288-4770

Terrance J. Kelley
Executive Director
e-mail address:
terry.kelley@emdiha.org

Annual Report

Town of Southwest Harbor Housing Authority

The Town of Southwest Harbor Housing Authority provided housing for fifty (50) elderly and disabled families during 2012. All units are occupied and there is a waiting list of individuals who wish to become tenants.

Regionally, the MDI & Ellsworth Housing Authorities assisted nearly four hundred families with rent and utilities in an amount of \$1,925,781.00 for fiscal year end 9/30/12.

Payment in lieu of taxes for 2012 \$9278.37

The Southwest Harbor Housing Authority is very appreciative of the support received from the Police Department, Fire Department, and the Public Works Department in helping us care for the senior members of our community.

The Board of Commissioners meets the third Wednesday of the month on a regular basis. The meetings are handicap accessible and the public is welcome to attend. Please call the office at 288-4770, ext. 127 to confirm the place and time as they are subject to change. Our office is located at 80 Mount Desert Street in Bar Harbor, Maine. The office is open from 8am to 4pm. We can be reached at 207-288-4770 or via e-mail terry.kelley@emdiha.org.

Respectfully submitted,

Ben C. Worcester, III, Chairman
Town of Southwest Harbor Housing Authority

Mount Height Cemetery Association

PO Box 861

Southwest Harbor, ME 04679

December 27, 2012

To Whom It May Concern,

The Mount Height Cemetery Association respectfully requests a funding contribution for the 2013 fiscal year to help cover a budgetary shortfall in 2012.

It is among the commitments of community to provide a final resting place for those members who pass from us and the Mount Height Cemetery Association owns and cares for the Mount Height Cemetery on Long Hill for that purpose. Plots are available for sale to town residents and the property is maintained to a high standard in order to maintain the welcoming character and quality of the Cemetery for all townspeople.

It is the habit of the Association to request additional funds only in those years in which funding is needed rather than building our annual budget to include regular town support. It is the Association's hope our funding shortfall will be met with the support of the town and its residents.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amy D. Young', with a stylized, cursive script.

Amy D. Young

Treasurer, Mount Height Cemetery Association



Southwest Harbor / Tremont Ambulance Service

P.O. Box 437 • Southwest Harbor • Maine 04679
swht-ambulance.org • Phone (207) 244-3521

To Our Friends and Neighbors in Southwest Harbor

November, 2012

The crew and Board of the Southwest Harbor / Tremont Ambulance Service welcome the opportunity to serve you. We are a private, non-profit charity started more than 50 years ago by community members who believed our towns needed an ambulance service.

We know that you and the Town receive countless letters from organizations asking for donations. However, we hope you understand that we need your financial support in order to continue serving you. Sometimes there is confusion about how our ambulance service works. Please note the following:

- We are not a department of the towns of Southwest Harbor and Tremont.
- We are a non-profit charity providing critical emergency service to our community.
- We have an Emergency Medical Technician on duty in Southwest Harbor 24/7 to serve everyone who lives in or passes through our community.
- We respond to an average of 365 calls a year. This is a small number when you think in terms of the cost of sustaining a full time ambulance service.
- If we were not here to respond to your 911 call, you would have to wait for an ambulance to come from Ellsworth - 20 miles away.
- We replace our primary ambulance every six or seven years at a cost of at least \$150,000.
- We replace our heart monitor/defibrillator units every six or seven years at a cost of at least \$50,000.
- Medicare and MaineCare reimbursements are at all-time lows.
- Many of our patients cannot afford health insurance. Many are also unable to pay ambulance fees.
- We are an excellent service. Ask anyone who has made a 911 call to us.

Your support is critical. Please help us continue to be your 911 responder.

Many thanks,

Sonia Field
Board President and ambulance driver Southwest
Harbor / Tremont Ambulance Service

Southwest Harbor-Tremont Ambulance Service is a 501(c)(3) non-profit organization.



WASHINGTON HANCOCK COMMUNITY AGENCY

P.O. Box 280 2 Maple Street, Milbridge, Maine 04658-0280
TEL: 207-545-7544 TDD: 207-546-7507 FAX: 207-546-3216 Website: www.whcacap.org

November 26, 2012

Town of Southwest Harbor
P.O. Box 745
Southwest Harbor, ME 04679

RE: **Annual Request for Local Match Funds**

Dear Board of Selectmen:

The Washington Hancock Community Agency is requesting your support to enable us to apply for and leverage funding that allows us to provide and expand the services provided to your community

The services WHCA provides have a direct impact on your general assistance by reducing reliance on your general assistance program. The amount of municipal funding we request represents 3.5% of the total funds expended in your community the previous fiscal year. During the last fiscal year WHCA provided **\$62,948.90** in services to your community. We are requesting **\$2203** which represents 3.5% of the funds expended for services to help low income people in your community. The residents of Southwest Harbor requested and received the following services:

<u>Services Provided</u>	<u>No. Households</u>	<u>Amount Expended</u>
The Heating and Warmth Fund (THAW)	5	\$1,822.04
LI HEAP (fuel assistance)	44	\$21,460
Energy Crisis Intervention Program	3	\$1,189.86
1,781 rides were provided by our transportation division		\$38,477

Total Households served 52

Total Amount expended \$62,948.90

not including the 1,781 rides provided by transportation -

WHCA also provides additional services not represented as dollar value above such as the Christmas is for Kids Program, Back Pack Program, and Child Safety Seat Program. Additionally, our Downeast Business Alliance division provides services to small business owners through loans, the Incubator Without Walls and free Tax Prep service.

Thank you for your consideration. I will be happy to meet with you or your budget committee to answer any questions or address any concerns. I can be reached at 207-610-5941.

Sincerely,

Carrie Limebumer
Hancock County, SEED Coordinator

===== *people helping people* =====

TOWN CLERKS REPORT OF VITAL RECORDS 2012

Marriages: 11

Births: 19

The Town of Southwest Harbor lost 18 residents during 2012:

Ben Worcester	February 21
Rachel Lee Wentworth-Wark	March 9
Christine Boutilier	March 22
Edna Baranello	April 10
Edna Francis Savage	April 18
Pamela Norwood	May 6
James Mitchell	May 29
Prudence Beal	June 20
Victoria Jean Tracy	July 11
Marion Colson	July 21
Sandra Dolliver	August 6
Douglas Freeman	October 1
Olive Bond	October 18
Beverly Lewis	November 9
Geraldine Stanley	November 10
Hilda Newman	November 28
Maureen Burrill	December 12
Edna May Jellison	December 25

Town of Southwest Harbor
Water/Sewer (90 Day) Past Due Balances
As of December 31, 2012

<u>NAME</u>	<u>Water Due</u>	<u>Sewer Due</u>
Bracy, Barbara	\$2.34	\$7,474.08
Cardillo, Ashley		\$205.71
Crafts, Jeffrey	\$254.99	\$707.03
Damon, Ronda L.		\$2,205.71
Fletcher, Theodore	\$238.55	\$285.20
Frothingham, Cameron	\$68.90	\$454.03
Fulves, Ben		\$13.27
Gilley, Debra	\$202.31	
Gilley, Sharon		\$901.35
Great Harbor Estates		\$12,502.16
Griffin, Richard		\$454.05
Hart, Jaqueline	\$108.32	\$127.89
Kelley, Nahum & Melissa		\$4,462.92
Kenny, Jane	\$325.59	
Lewis, Edna	\$68.90	
Lewis, Stacy	\$28.22	\$203.80
Lyman, Steven	\$157.88	\$312.32
Madeira, Nicholas E.		\$222.07
Murrell, David		\$120.46
O'Donnell, Debra	\$94.00	
Rabineau, Louis	\$68.90	
Sawyer, Nancy	\$69.00	
Thomas, Timothy		\$5.42
Verizon/Fairpoint	\$51.45	\$107.52
Village Wash Tub		\$5,324.59
Total Due Over 27 Accounts:	\$1,739.35	\$36,089.58
Grand Total:	\$37,828.93	

**Town of Southwest Harbor
Real Estate Taxes Due for FY 2011-2012**

Total Outstanding as of July 1st, 2012 is \$137,590.80 over 109 accounts

Current Outstanding as of March 25th, 2013 are as follows:


<u>Name</u>	<u>Amount Due</u>
Alley, Mary	\$33.95
Bracy, Barbara	\$2,823.18
Clements, Shawn P. & Beth Gronos	\$1,670.57
Fletcher, Theodore & Ann Kidder	\$3,108.62
Gilley, Debra J.	\$2,837.79
Gilley, Jack H. JR.	\$1,433.29
Herrick, Bruce D.	\$1,176.15
Johnson, Daniel & Laura	\$122.36
Lewis, Edna	\$350.23
Lewis, Edna	\$132.44
Lyle, Dorrie A. & Danny S. Jacobs	\$2,214.83
Mattingly, Carolyn J.	\$1,079.38
McLaughlin, Robert III & Brandon Bunker	\$2,211.04
Middleton, Shawna T.	\$2,968.84
Moos, Dana M. & Gregory L.	\$8,736.30
Not Mine, LLC	\$33.95
Reed, Ronda L.	\$1,665.49
Sawyer, Nancy	\$798.31
Sawyer, Ronald & Carole Pinkham	\$1,233.92
Sawyer, Ronald & Carole Pinkham	\$83.10
SW Harbor, LLC (Multiple Accounts)	\$6,726.19
Thomas, Jeffrey S. & Doris L.	\$782.06
Tracey, Christopher P.	\$492.38
Twigg, Eric W.	\$1,602.14
Twigg, Eric W. & Darryl & Sean Twigg	<u>\$1,843.12</u>
Total for 31 Accounts:	\$46,125.68

**Town of Southwest Harbor
Personal Property Taxes Due for FY 2011-2012**

Total Outstanding as of July 1st, 2012 is \$492.63 over 13 accounts

Current Outstanding as of March 25th, 2013 are as follows:

<u>Name</u>	
MDI Concrete	\$324.68
Coastline Construction	<u>\$10.95</u>
Total for 2 Accounts:	\$335.63

	<p style="text-align: center;">The Warrant Annual Town Meeting May 6 & 7, 2013 Town of Southwest Harbor</p>	<p style="text-align: center;">County of Hancock, ss.</p>
		<p style="text-align: center;">State of Maine</p>

Introduction

In an effort to make the Warrant more understandable and easier to follow, the Board of Selectmen has placed the related articles in sequence. Each article is underlined. Each article can be discussed and amended by motion as voters see fit.

This year the Town Meeting will be held on Monday, May 6, 2013 beginning at 7:00 p.m. at the Pemetic Elementary School; voting by secret ballot will be held on Tuesday May 7, 2013 at the Southwest Harbor Fire Station. There will be an informal discussion of the ballot items to be voted on beginning at 6:00 p.m. at the Pemetic Elementary School on Monday, May 6th, 2013.

To: Chief David Chapais, a Constable of the Town of Southwest Harbor

Greetings:

In the name of the State of Maine you are hereby required to notify and warn the voters of the Town of Southwest Harbor, Hancock County, qualified by law to vote in Town affairs to meet in the Pemetic Elementary School, First Floor Auditorium, in said Town, **Monday, the 6th day of May, 2013 A.D. at seven o'clock in the evening**, then and there to act on Articles numbered one [1] through fifty-six [56].

And to notify and warn said voters to meet in the Southwest Harbor Fire Station Meeting Room on **Tuesday, the 7th day of May, 2013 A.D. at ten o'clock in the forenoon**, then and there to act on Article numbers fifty-seven [57] through sixty-three [63] by secret ballot, voting to begin at ten o'clock in the forenoon and to continue until eight o'clock in the evening when the polls will close.

Article 1: Election of Moderator – To choose a Moderator to preside at the meeting.

Article 2: To fix compensation for the Board of Selectmen, Members of the Superintending School Committee and Members of the Board of Trustees of the Mount Desert Island Regional School District.

Article 3: To authorize the Selectmen to choose and appoint all other non-elected municipal positions.

SOUTHWEST HARBOR SCHOOL DEPARTMENT

Note: Articles 4 through 14 authorize expenditures in cost center categories.

Article 4: To see what sum the School Committee is authorized to expend for **Regular Instruction** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 1,100,724
Board of Selectmen recommends	\$ 1,100,724
Warrant Committee recommends	\$ 1,100,724

Article 5: To see what sum the School Committee is authorized to expend for **Special Education** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 509,535
Board of Selectmen recommends	\$ 509,535
Warrant Committee recommends	\$ 509,535

Article 6: To see what sum the School Committee is authorized to expend for **Career and Technical Education** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$0
Board of Selectmen recommends	\$0
Warrant Committee recommends	\$0

Article 7: To see what sum the School Committee is authorized to expend for **Other Instruction** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 61,542
Board of Selectmen recommends	\$ 61,542
Warrant Committee recommends	\$ 61,542

Article 8: To see what sum the School Committee is authorized to expend for **Student & Staff Support** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 293,533
Board of Selectmen recommends	\$ 293,533
Warrant Committee recommends	\$ 293,533

Article 9: To see what sum the School Committee is authorized to expend for **System Administration** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 55,143
Board of Selectmen recommends	\$ 55,143
Warrant Committee recommends	\$ 55,143

Article 10: To see what sum the School Committee is authorized to expend for **School Administration** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 198,458
Board of Selectmen recommends	\$ 198,458
Warrant Committee recommends	\$ 198,458

Article 11: To see what sum the School Committee is authorized to expend for **Transportation & Buses** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 136,678
Board of Selectmen recommends	\$ 136,678
Warrant Committee recommends	\$ 136,678

Article 12: To see what sum the School Committee is authorized to expend for **Facilities Maintenance** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 384,438
Board of Selectmen recommends	\$ 384,438
Warrant Committee recommends	\$ 384,438

Article 13: To see what sum the School Committee is authorized to expend for **Debt Service and Other Commitments** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 373,883
Board of Selectmen recommends	\$ 373,883
Warrant Committee recommends	\$ 373,883

Article 14: To see what sum the School Committee is authorized to expend for **All Other Expenditures** for the fiscal year beginning July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 53,000
Board of Selectmen recommends	\$ 53,000
Warrant Committee recommends	\$ 53,000

Note: Articles 4 – 14 authorize a total budget of \$ 3,166,934

Note: Articles 15 - 17 raise funds for the Proposed School Budget.

Article 15: To see what sum the voters of the Town of Southwest Harbor will appropriate for the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act (Recommend \$1,459,030) and to see what sum the voters of the Town of Southwest Harbor will raise as the Town's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act in accordance with the Maine Revised Statutes, Title 20-A, section 15688 for the period July 1, 2013 to June 30, 2014.

School Committee recommends	\$ 1,367,995
Board of Selectmen recommends	\$ 1,367,995
Warrant Committee recommends	\$ 1,367,995

Explanation: The Town of Southwest Harbor's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act is the amount of money determined by state law to be the minimum amount that a municipality must raise in order to receive the full amount of state dollars.

Article 16: To see what sum the voters of the Town of Southwest Harbor will raise and appropriate for the annual payments on debt service previously approved by the legislative body for non-state-funded school construction projects, non-state-funded portions of school construction projects and minor capital projects in addition to the funds appropriated as the local share of the Town of Southwest Harbor's contribution to the total cost of funding public education from kindergarten to grade 12 for the period July 1, 2013 to June 30, 2014.

School Board recommends:	\$ 373,883
Board of Selectmen recommends:	\$ 373,883
Warrant Committee recommends:	\$ 373,883

Explanation: Non-state-funded debt service is the amount of money needed for the annual payments on the Town of Southwest Harbor's long-term debt for major capital school construction projects and minor capital renovation projects that are not approved for state subsidy. The bonding of this long-term debt was approved by the voters on November 2, 1999.

Written Ballot Vote Required

Article 17: To see what sum the voters of the Town of Southwest Harbor will raise and appropriate in additional local funds for school purposes (**Recommend: \$ 1,234,842**) for the period July 1, 2013 to June 30, 2014, which exceeds the State's Essential Programs and Services allocation model by (**Recommend: \$ 1,205,524**) as required to fund the budget recommended by the School Committee.

The School Committee recommends **\$ 1,234,842** for additional local funds and gives the following reasons for exceeding the State's Essential Programs and Services funding model by **\$ 1,205,524**; the State funding model underestimates the actual costs to fully fund the 2013-2014 budget.

Explanation: The additional local funds are those locally raised funds over and above the Town of Southwest Harbor's local contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and local amounts raised for the annual payment on non-state funded debt service that will help achieve the Town of Southwest Harbor's budget for educational programs.

Note: Articles 15, 16 & 17 raise a total town appropriation of \$ 2,976,720

Note: Article 18 summarizes the proposed school budget and does not authorize any additional expenditures.

Article 18: To see what sum the voters of the Town of Southwest Harbor will authorize the School Committee to expend for the fiscal year beginning July 1, 2013 and ending June 30, 2014 from the Town's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act, non-state-funded school construction projects, additional local funds for school purposes under the Maine Revised Statutes, Title 20-A, section 15690, unexpended balances, tuition receipts, state subsidy and other receipts for the support of schools.

School Committee recommends:	\$ 3,166,934
Board of Selectmen recommends:	\$ 3,166,934
Warrant Committee recommends:	\$ 3,166,934

Article 19: In addition to the amount in Articles 4-18, shall the School Committee be authorized to expend such other sums as may be received from federal or state grants or programs or other sources during the fiscal year 2013-2014 for school purposes provided that such grants, programs or other sources do not require the expenditure of other funds not previously appropriated?

Current Year Totals: \$117,725

School Committee recommends passage.

Selectmen Recommend Passage

Warrant Committee recommends passage

GENERAL GOVERNMENT

Article 20: To see if the Town will vote to raise and appropriate \$270,115 for Administration for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 270,115
Source: Payment In Lieu of Taxes	\$ 41,000
Fees & Licenses	\$ 23,800
State & Federal Assistance	\$ 71,000
Fines & Penalties	\$ 24,000
Service Revenue	\$ 0
Miscellaneous Income	\$ 29,000
Taxation	\$ 81,315
Total:	\$ 270,115
Board of Selectmen recommends	\$ 270,115
Warrant Committee recommends	\$ 270,115

Article 21: Shall the Town appropriate a sufficient sum in the approximate amount of \$357,602.53 from undesignated surplus to pay off the principle balance and accrued interest to June 30, 2013 for the police station renovation loan?

Board of Selectmen recommends passage

Note: Article 24 requested amount to be increased by \$22,375 if article 21 is not approved

Article 22: Shall the Town appropriate a sufficient sum in the approximate amount of \$50,000.00 from undesignated surplus to pay off the principle balance and accrued interest to June 30, 2013 for the lower town dock construction loan?

Board of Selectmen recommends passage

Note: Article 24 requested amount to be increased by \$26,650 if article 22 is not approved

Article 23: To see if the Town will vote to raise and appropriate \$5,000 for the Tax Abatement Reserve for the period July 1, 2013 to June 30, 2014 with the Select Board being authorized to draw funds from the reserve account to be used in accordance with the purpose of the account.

Requested:	\$ 5,000
Source: Taxation	\$ 5,000
Board of Selectmen recommends	\$ 5,000
Warrant Committee recommends	\$ 5,000

Note: Article 24 requested amount to be increased by \$20,000 if article 23 is not approved.

Article 24: To see what sum the Town will vote to raise and appropriate for **Debt Service** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 403,324
Source: Taxation	\$ 403,324
Board of Selectmen recommends	\$ 403,324
Warrant Committee recommends	\$ 403,324

Summary of Debt Service:

Fire Station	\$ 77,975
Water Tank	\$ 18,570
Tax Abatements	\$ 0
Police Station	\$ 0
Lower Town Dock	\$ 0
Main Street	\$ 104,736
Wesley-Mansell	\$ 106,253
Ferrero Fire Truck	\$ 95,790
TOTAL:	\$ 403,324

Article 25: To see if the Town will vote to raise and appropriate \$30,364 for the **Municipal Offices** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 30,364
Source: Miscellaneous Income	\$ 500
Taxation	\$ 29,864
Total:	\$ 30,364
Board of Selectmen recommends	\$ 30,364
Warrant Committee recommends	\$ 30,364

Article 26: To see if the Town will vote to raise and appropriate \$5,000 for **General Assistance** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 5,000
Source: Taxation	\$ 5,000
Board of Selectmen recommends	\$ 5,000
Warrant Committee recommends	\$ 5,000

Article 27: To see if the Town will vote to raise and appropriate \$37,527 for **Insurance Purposes** for various Town properties and activities for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 37,527
Source: Taxation	\$ 37,527
Board of Selectmen recommends	\$ 37,527
Warrant Committee recommends	\$ 37,527

Article 28: To see if the Town will vote to raise and appropriate \$6,225 for Southwest Harbor Boards and Committees for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 6,225
Source: Fees & Licenses	\$ 1,500
Taxation	<u>\$ 4,725</u>
Total:	\$ 6,225
Board of Selectmen recommends	\$ 6,225
Warrant Committee recommends	\$ 6,225

Article 29: To see if the Town will vote to raise and appropriate \$605,825 for Contracted Services for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 605,825
Source: Miscellaneous Income	\$ 55,000
Taxation	<u>\$ 550,825</u>
Total:	\$ 605,825
Board of Selectmen recommends	\$ 605,825
Warrant Committee recommends	\$ 605,825

ASSESSING, PLANNING, AND CODE ENFORCEMENT

Article 30: To see if the Town will vote to raise and appropriate \$76,399 for the Assessing, Planning, and Code Enforcement Department for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 76,399
Source: Fees & Licenses	\$ 18,000
Taxation	<u>\$ 58,399</u>
Total:	\$ 76,399
Board of Selectmen recommends	\$ 76,399
Warrant Committee recommends	\$ 76,399

PUBLIC SAFETY

Article 31: To see if the Town will vote to raise and appropriate \$452,618 for the Southwest Harbor Police Department for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 452,618
Source: Fees & Licenses	\$ 2,400
Fines & Penalties	\$ 4,000
Taxation:	<u>\$ 446,218</u>
Total:	\$ 452,618
Board of Selectmen recommends	\$ 452,618
Warrant Committee recommends	\$ 452,618

Article 32: To see if the Town will vote to raise and appropriate \$261,331 for the **Southwest Harbor Dispatch Department** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 261,331
Source: Service Revenue	\$ 40,000
Taxation	<u>\$ 221,331</u>
Total:	\$ 261,331
Board of Selectmen recommends	\$ 261,331
Warrant Committee recommends	\$ 261,331

Article 33: To see if the Town will vote to raise and appropriate \$80,120 for the **Southwest Harbor Fire Department** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 80,120
Source: Taxation	\$ 80,120
Board of Selectmen recommends	\$ 80,120
Warrant Committee recommends	\$ 80,120

PUBLIC WORKS

Article 34: To see if the Town will vote to raise and appropriate \$306,946 for the **Southwest Harbor Highway Department** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 306,946
Source: Excise Tax	\$ 289,446
State & Federal Assistance	<u>\$ 17,500</u>
Total:	\$ 306,946
Board of Selectmen recommends	\$ 306,946
Warrant Committee recommends	\$ 306,946

Article 35: To see if the Town will vote to raise and appropriate \$105,422 for the **Harbor Department of Southwest Harbor** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 105,422
Source: Fees & Licenses	\$ 88,600
Taxation	<u>\$ 16,822</u>
Total:	\$ 105,422
Board of Selectmen recommends	\$ 105,422
Warrant Committee recommends	\$ 105,422

Article 36: Shall the Town appropriate the sum of \$724.40 from undesignated surplus to be moved to the Shellfish Reserve Account with the Select Board being authorized to draw funds from the reserve account to be used in accordance with the purpose of the account?

Board of Selectmen recommends passage

CAPITAL IMPROVEMENTS

Article 37: To see if the Town will vote to raise and appropriate \$335,365 for the Capital Improvement Plan Reserve for the period July 1, 2013 to June 30, 2014 with the Select Board being authorized to draw funds from the reserve account to be used in accordance with the purpose of the account.

Requested: \$ 335,365

Source: Excise Tax \$ 30,554

Taxation \$ 304,811

Total: \$ 335,365

Board of Selectmen recommends \$ 335,365

Warrant Committee recommends \$ 360,365

Capital Improvement Plan Summary:	Selectmen	Warrant Committee
Administration	\$ 5,359	\$ 5,359
Municipal Building	\$ 1,000	\$ 1,000
Police	\$ 16,991	\$ 16,991
Dispatch	\$ 1,333	\$ 1,333
Fire	\$ 15,510	\$ 15,510
Harbor	\$ 45,070	\$ 45,070
Highway	\$ 175,102	\$ 175,102
Water/Sewer Infrastructure	\$ 75,000	\$ 100,000
Total:	\$ 335,365	\$ 360,365

Article 38: To see if the Town will vote to raise and appropriate \$10,000 for the Wage and Benefit Reserve for the period July 1, 2013 to June 30, 2014 with the Select Board being authorized to draw funds from the reserve account to be used in accordance with the purpose of the account.

Requested: \$ 10,000

Source: Taxation \$ 10,000

Board of Selectmen recommends \$ 10,000

Warrant Committee recommends \$ 10,000

Article 39: To see if the Town will vote to raise and appropriate \$7,500 for the Unemployment Reserve for the period July 1, 2013 to June 30, 2014 with the Select Board being authorized to draw funds from the reserve account to be used in accordance with the purpose of the account.

Requested: \$ 7,500

Source: Taxation \$ 7,500

Board of Selectmen recommends \$ 7,500

Warrant Committee recommends \$ 7,500

Article 40: To see if the Town will vote to raise and appropriate \$5,000 for the **Legal & Accounting Reserve** for the period July 1, 2013 to June 30, 2014 with the Select Board being authorized to draw funds from the reserve account to be used in accordance with the purpose of the account.

Requested:	\$ 5,000
Source: Taxation	\$ 5,000
Board of Selectmen recommends	\$ 5,000
Warrant Committee recommends	\$ 5,000

Article 41: To see if the Town will vote to raise and appropriate \$12,000 for **Professional Development Reserve** for the period July 1, 2013 to June 30, 2014 with the Select Board being authorized to draw funds from the reserve account to be used in accordance with the purpose of the account.

Requested:	\$ 12,000
Source: Taxation	\$ 12,000
Board of Selectmen recommends	\$ 12,000
Warrant Committee recommends	\$ 12,000

Article 42: To see if the Town will vote to raise and appropriate \$593.00 for **Comprehensive Plan Reserve** for the period July 1, 2013 to June 30, 2014 with the Select Board being authorized to draw funds from the reserve account to be used in accordance with the purpose of the account.

Requested	\$ 593
Source: Taxation	\$ 593
Board of Selectmen recommends	\$ 593
Warrant Committee recommends	\$ 593

NON-GOVERNMENTAL EXPENDITURE REQUESTS

Article 43: To see if the Town will vote to raise and appropriate \$22,123 for the **Community Service Organizations** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 22,123
Source: Taxation	\$ 22,123
Board of Selectmen recommends:	\$ 22,123
Warrant Committee recommends:	\$ 22,123

Summary of Community Service Organizations:

Bar Harbor Food Pantry	\$ 2,500
Downeast Health Services	\$ 1,750
Downeast Horizons	\$ 1,800
Eastern Area on Aging	\$ 1,500
Hancock Home Care	\$ 1,870
Hospice of Hancock County	\$ 1,000
Island Connections	\$ 2,000
MDI Campfire Coalition	\$ 2,500
Washington/Hancock Community Agency	\$ 2,203
Mt Height Cemetery	\$ 5,000
Total:	\$ 22,123

Article 44: To see if the Town will vote to raise and appropriate \$55,000 for the **Southwest Harbor Public Library** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 55,000
Source: Taxation	\$ 55,000
Board of Selectmen recommends:	\$ 55,000
Warrant Committee recommends:	\$ 55,000

Article 45: To see if the Town will vote to raise and appropriate \$10,000 for the **MDI Explorer Bus System** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 10,000
Source: Taxation	\$ 10,000
Board of Selectmen recommends:	\$ 10,000
Warrant Committee recommends:	\$ 10,000

Article 46: To see if the Town will vote to raise and appropriate \$56,340 for a **Harbor House Youth Center and Recreation Programs** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 56,340
Source: Taxation	\$ 56,340
Board of Selectmen recommends:	\$ 56,340
Warrant Committee recommends:	\$ 56,340

Article 47: To see if the Town will vote to raise and appropriate \$58,997 for the **Southwest Harbor / Tremont Nursing Service** for the period July 1, 2013 to June 30, 2014.

Requested:	\$ 58,997
Source: Taxation	\$ 58,997
Board of Selectmen recommends:	\$ 58,997
Warrant Committee recommends:	\$ 58,997

Article 48: To see if the Town will vote to increase the property tax levy limit of \$3,405,445 established for Southwest Harbor by State Law in the event that the municipal budget approved under the preceding articles will result in a tax commitment that is greater than that property tax levy limit.

Board of Selectmen recommends passage.

Article 49: To see if the Town will vote to allow the first half of taxes shall be due and payable on or before September 3, 2013 and that the second half of taxes shall be due and payable on or before February 3, 2014 and that interest shall be charged at the annual rate of 7% on any unpaid taxes due on September 3, 2013 beginning September 4, 2013 and on any unpaid taxes due February 3, 2014 beginning February 4, 2014. That also a rate of 3% interest per annum is paid for refund of property tax collected in accordance to state statute.

Board of Selectmen recommends passage.

Article 50: To see if the Town will vote to reduce the amount to be raised by taxation by using estimated revenues and fund balances for the Municipal Budget for the fiscal year of July 1, 2013 to June 30, 2014.

Note: In addition to property taxes, the Town receives other revenues from fees, licenses, excise taxes, et cetera. The Town sometimes uses monies left over from prior years (fund balance). The funds shown in this article reduce the amount of property taxes that have to be raised.

Sources of Revenues	Estimated 2013-2014
Payment In Lieu of Taxes	\$ 41,000
Fees & Licenses	\$ 467,300
State & Federal Assistance	\$ 88,500
Fines & Penalties	\$ 28,000
Service Revenue	\$ 40,000
Miscellaneous	\$ 71,500
Estimated Revenue Total	\$ 736,300

NON-EXPENDITURE ARTICLES

Article 51: To see if the Town will vote to authorize the Selectmen to apply for and receive money, without further action by Town Meeting, from the **State of Maine**, which may become available during the ensuing year, including but not limited to the following sources:

Municipal Revenue Sharing	\$ 65,000	Est.
Local Road Assistance	\$ 17,500	Est.
State Aid to Education	\$ 110,000	Est.
Public Library State Aid per Capita	\$ 100	Est.
Civil Emergency Funds	\$ 100	Est.
Snowmobile Registration Monies	\$ 300	Est.
Tree Growth Reimbursements	\$ 100	Est.
General Assistance Reimbursements	\$ 2,500	Est.
State Grants and Other Funds	Unknown	

Together with any other State and/or Federal Grants which may be available at any time during the coming year.

Board of Selectmen recommends passage.

Article 52: To see if the Town will vote to accept all **Trust Funds** as received by the Town of Southwest Harbor Trust Officer during 2013-2014.

Board of Selectmen recommends passage.

Article 53: To see if the Town will vote to have unexpended balances in the Town's accounts at the end of the fiscal year, except those which remain by law or are deemed necessary by the Board of Selectmen, transferred to the Surplus Account or to any specified reserve fund, as deemed advisable by the Board of Selectmen, and to fund overdrafts in the Town's accounts from such unexpended balances, as deemed advisable by the Board of Selectmen.

Board of Selectmen recommends passage.

Article 54: To see if the town will vote to authorize the Selectmen to sell and/or dispose of any property acquired by tax liens after first offering the property to the previous owners for payment of all back taxes, fees and interest, and if they decline, advertising for sealed bids on same, and stating the lowest bid acceptable, and to allow the Selectmen to authorize the Treasurer to waive automatic lien foreclosures when it is in the best interest of the town.

Board of Selectmen recommends passage.

Article 55: To see if the Town will vote to authorize the municipal officers to dispose of town-owned personal property with a value of \$10,000 or less under such terms and conditions as they deem advisable.

Board of Selectmen recommends passage.

Article 56: To see if the Town will vote to authorize the Tax Collector or Treasurer to accept prepayment of taxes not yet committed pursuant to 36 M.R.S.A. §506.

Board of Selectmen recommends passage.

**The following articles will be voted on by secret ballot on
Tuesday, May 7, 2013.**

ORDINANCE AMENDMENTS

Note: Additions to the existing ordinances are underscored and deletions are ~~struck out~~.

Article 57: Shall an ordinance entitled “Southwest Harbor, Harbor Ordinance” be amended as follows?

SECTION I: GENERAL REGULATIONS

C. Fairways and Anchorage

~~There are one major and two minor fairways within the Harbor (see Harbor Mooring Plan). The anchorage is within the areas formed by these fairways.~~

Anchorage in the inner Harbor will be limited to the open area South East of Clark Point, and North of the designated major fairway. The anchorage will be considered first come first serve and will be limited to one overnight stay per visit to Southwest Harbor. Recommended Anchorage will begin North of the Clark Point spindle to the Southwest Harbor Town Line at the entrance to Somes Sound.

Article 58: Shall an ordinance entitled “Southwest Harbor, Harbor Ordinance” be amended as follows?

SECTION III. REGULATIONS CONCERNING MOORINGS, DOCKS, & MARINAS

A. Mooring Registration Procedure

1. Each owner of a mooring within the Boundaries of Southwest Harbor must annually pay a fee set forth by the Selectmen; said fee must be paid

to the Town Office on or before the 15th of May of each year. Failure to comply may result in removal of mooring and lost of berth.

Any mooring(s), which have not been occupied with a watercraft for two consecutive boating seasons, will lose its registration. The mooring registrant must request and be granted a variance from the Harbor Master if no use is evident. The Harbor Master may request proof of mooring use from the registrant if the mooring is in question.

2. All new applicants must fill out and return an application to the Harbormaster. The Mooring Registration Application form may be obtained from the Town Office or the Harbormaster. The Applicant shall pay an annual fee set by the Selectmen to remain on a waiting list until approved or denied by the Harbor Master.
3. The Harbormaster shall use the Mooring Plan and shall grant, deny, or defer each application. The Harbor Master may deny an application because of insufficient information on the Mooring Registration Application or because of other reasons as specified by the Harbor Master. The Harbor Master may defer an application because of insufficient space for the desired mooring location or because of other reasons as specified by the Harbor Master. The Harbor Master may grant an application with priority to be given applicants who owned moorings in place (prior to date of Ordinance), and with priority to be given applicants who are riparian owners in the Town of Southwest Harbor.
4. Each applicant shall be notified by the Harbormaster of the action decided upon. The Harbormaster shall keep a written record of each decision made on all applications. The Harbor Master shall issue a Mooring Permit, which shall include location instructions and the Permit Number to each applicant of a granted application. Each mooring permit shall be valid for a period not to exceed one year.
5. All moorings shall have attached a ball or similar device of at least 18 inches in diameter, and be at least 2/3 above water at all times. This device will be marked with owner's initials and permit number in a manageable and legible manner.
6. Each owner of a Mooring Permit shall be responsible for procurement, installation, and maintenance of their mooring.
7. All moorings shall be inspected at least every three (3) years by a qualified person. All defects found will be corrected within a reasonable time to be determined by the Harbormaster. A record of all inspections will be maintained by the Harbormaster. The Harbormaster will supply a list of qualified inspectors. No watercraft will be allowed to remain on an unsafe mooring until the mooring is certified corrected.
8. Defective/unregistered/abandoned moorings shall be removed from the Harbor within a reasonable time frame after written notification to owners if possible. Such removal will be at the expense of the owner with the mooring becoming the property of the Town. Reasonable time (10 - 30 days) is to be determined by the Harbormaster. All moorings will be set and moved only by direction of the Harbormaster.

9. Mooring permits will only be issued to bona fide boat owners who intend to use such mooring for the boat so documented to that owner. Multiple mooring requests will not be considered unless significant and anticipated long term mooring space is available. Lease/rental moorings will fall within this same category for approval plus a Federal mooring permit certificate must be made available at time of application request. The Harbor Master will determine this status.
10. Existing year-round mooring users have preference on a first come basis to vacated moorings, unless otherwise determined by the Army Corps of Engineers or the State of Maine.
11. All boat excise taxes must be paid to the Town of Southwest Harbor each year to obtain mooring owner status.

Article 59: Shall an ordinance entitled “Southwest Harbor, Harbor Ordinance” be amended as follows?

SECTION III. REGULATIONS CONCERNING MOORINGS, DOCKS, & MARINAS

C. Use of Docks and Floats

1. In order to more efficiently regulate the use of the Docks and Floats, each user is required to comply with all Rules and Regulations of the Harbor Ordinance. Violations may lead to loss or suspension of all Harbor privileges.

- a. If a user has acquired 3 or more tickets during the calendar year, for any violations of the Harbor Ordinance, the users harbor privileges will be suspended for a time period of no less than 90 days from the time of the last violation.
- b. Any ticket that is unpaid after 14 days will result in suspension of harbor privileges until all fines are paid.

The Lower Town dock, the Upper Town dock, and the Manset Town dock shall give priority of use in the order as follows:

- a. Commercial full-time resident fishermen
- b. Commercial part-time resident fishermen
- c. Other marine related resident businesses
- d. Non-resident full-time fishermen
- e. Non-resident part-time fishermen
- f. Other marine related businesses uses

2. Leased Floats

- a. Lessee will paint the name-holder on the float.
- b. Leased floats may be used 24 hours a day if a qualified operator is on board the craft during the hours of darkness.
- c. If the leased float is not being used by the lessee, the float may be used for loading and unloading by the public as long as the craft is attended by a qualified operator.
- d. Established leases will be given priority to those with prior year lease, unless notice is given to lessee or leaser stating the reason for termination of this arrangement.
- e. Dockage fees: leased dock fees at Town docks for the months of May through September are due May first (1). Public dock user fees will be determined by the Board of Selectmen after referral from the Harbor Committee.

Article 60: Shall an ordinance entitled "Southwest Harbor, Harbor Ordinance" be amended as follows?

SECTION III. REGULATIONS CONCERNING MOORINGS, DOCKS, & MARINAS

D. Marinas

1. No marina may extend beyond the six foot mean low-water line as defined by the 12/14/88 Harbor Mooring Plan unless the criteria in B.7 has been met.
2. A detailed feasible and effective evacuation plan of all watercraft located at any commercial marina within the Harbor must be submitted to and approved by the Harbor Committee prior to Harbor Committee project approval. All water craft must have either an assigned and secure mooring within the Harbor or it must be able to leave the harbor prior to extreme weather conditions. All details of this plan will be in written form, reviewed and updated as need be on an annual basis, and submitted to the Harbor Master for review and/or ongoing approval. The authority to initiate this plan may be by Marina owners, appropriate government or state agency or the Harbor Master based on his discretion.
3. Any marina with the Harbor shall have an adequate and approved breakwater or attenuator on the seaward side (East to Southwest) to prevent potential storm and sea surge loss and/or damage to the Marina and to all other interests within the Harbor which may be affected by such loss or damage to the Marina. The Harbor Committee reserves the right to review and approve any breakwater plan or scheme prior to marina approval. The breakwater must be constructed prior to any marina operation. This may be waived by the Selectmen, with advice of the Harbor Committee, based on expert testimony that a breakwater or attenuator is not required.

Article 61: To see if the Town will vote to remove sodium fluoride granular, currently used as an additive, from the Town's public water supply?

Article 62: Shall the Town (1) approve a capital project consisting of water line and sewer line replacement and road reconstruction, including engineering and design costs, transaction costs and other expenses reasonably related thereto; (2) appropriate the sum of \$2,850,000 to fund the project; (3) authorize the Town Treasurer and the Chair of the Select Board to accept such grants as may become available through the Maine Department of Transportation or other sources, and issue general obligation securities of the Town (including temporary notes in anticipation of the sale thereof) in an aggregate principal amount not to exceed \$2,000,000 to fund the appropriation; and (4) delegate to the Treasurer and the Chair the authority and discretion to fix the dates, maturities, interest rates, denominations, calls for redemption (with or without premium), form, and other details of said securities, including authority to execute and deliver the securities on behalf of the Town?

Explanatory note: The project will involve multiple funding sources. The Town anticipates receiving \$1,310,000 from the State's Revolving Fund program for drinking water projects and \$440,000 from the SRF program for sewer/force main projects. A substantial portion of the SRF funding will be foregiven based on program guidelines. The forgiveness is currently estimated to be approximately \$589,500.00. The balance of the SRF funding will carry a below-market interest rate of close to 1%. It is also anticipated that the Town will receive a contribution of \$500,000 through its MDOT partnership for maintenance of roads and sidewalks. The balance of the project costs, estimated to be \$600,000, will be borrowed through the Maine Municipal Bond Bank's fall or spring issue, or from a commercial lending source at a tax-exempt rate.

FINANCIAL STATEMENT

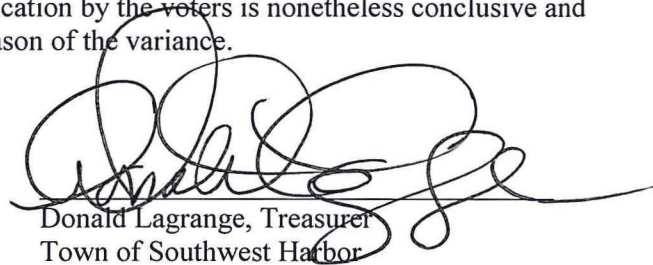
Total Town Indebtedness:

A.	Outstanding balance of the Sewer Department bonds:	\$1,181,210.00
B.	Outstanding balance of the Water Department bonds:	\$2,167,363.07
C.	Outstanding balance of School bonds:	\$2,088,400.00
D.	Outstanding balance of other general obligation bonds:	\$3,326,846.85
E.	Bonds authorized and unissued:	\$ -0-
F.	Anticipated amount of bonds to be issued:	<u>\$1,760,500.00</u>
	Total:	\$10,524,319.92

Costs: At an estimated net interest rate of 1.5% for a twenty (20) year maturity, the estimated cost of this bond issue will be:

Total Principal	\$1,760,500.00
Interest:	<u>\$ 265,000.00</u>
Total Debt Service:	\$2,025,500.00

Validity: The validity of the bonds and the voter's ratification of the bonds may not be affected by any errors in the above estimates, the ratification by the voters is nonetheless conclusive and the validity of the bonds is not affected by reason of the variance.



Donald Lagrange, Treasurer
Town of Southwest Harbor

Article 63: Election of Officers – To elect all necessary Town Officers as are required to be elected by secret ballot:

Two [2] members of the Board of Selectmen for a three [3] year term.

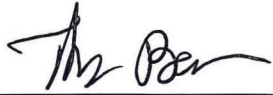
One [1] member of the Superintending School Committee for a term of three [3] years.

One [1] member of the Board of Trustees of the Mount Desert Island Regional School District for a three [3] year term.

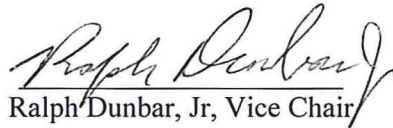
The polls will be open from 10:00 a.m. until 8:00 p.m. on Tuesday, May 7, 2012 for the election of Town Officers and referendum balloting.

The Board of Selectmen hereby gives notice that the Registrar of Voters will be in the Southwest Harbor Town Office in said Town of Southwest Harbor on Friday, May 3, 2013 from 8:30 a.m. until 5:00 p.m. for the purpose of correcting the list of voters.

Given under our hands this 19th day of March, 2013.




Thomas Benson., Chair



Ralph Dunbar, Jr, Vice Chair



George Jellison, Jr.



Dan Norwood



David Minctons

MUNICIPAL BUDGET SUMMARY

	<u>FY 10-11</u>	<u>FY 11-12</u>	<u>FY 12-13</u>	<u>FY 13-14</u>	<u>\$ Difference</u>	<u>% Difference</u>	<u>Board of Selectmen</u>	<u>Warrant Committee</u>
<u>Income:</u>	699,240	708,000	709,800	719,300	9500	1%	736,300	736,300
<u>Expense:</u>								
Administration	362,040	378,665	313,630	272,865	-40765	-13%	270,115	270,115
Assessor/Planning/CEO	148,895	151,295	83,306	77,899	-5407	-6%	76,399	76,399
Police	428,660	445,565	449,501	452,618	3117	1%	452,618	452,618
Dispatch	246,955	256,360	260,866	261,331	465	0%	261,331	261,331
Highway	309,160	322,175	334,016	302,946	-31070	-9%	306,946	306,946
Fire	72,340	76,975	83,832	80,120	-3712	-4%	80,120	80,120
Harbor	94,680	108,200	107,500	105,422	-2078	-2%	105,422	105,422
Municipal Office	28,075	26,515	31,407	30,364	-1043	-3%	30,364	30,364
General Assistance	5,000	5,000	5,000	5,000	0	0%	5,000	5,000
Boards & Committees	12,075	10,075	8,575	6,225	-2350	-27%	6,225	6,225
Contracted Services	686,710	680,570	617,920	606,825	-11095	-2%	605,825	605,825
Insurance	32,935	36,850	36,972	36,972	0	0%	37,527	37,527
Debt Service	212,150	320,320	418,302	472,349	54047	13%	403,324	403,324
Community Services	173,267	189,211	192,585	197,560	4975	3%	202,460	202,460
Total:	2,812,942	3,007,776	2,943,412	2,908,496	-34916	-1%	2,843,676	2,843,676
Capital Improvement Plan	428,800	395,630	400,965	334,388	-66577	-17%	335,365	360,365
Wage & Benefit Reserve	0	0	10,000	10,000	0	0%	10,000	10,000
Shellfish Reserve	0	0	54	0	-54	-100%	0	0
Unemployment Reserve	0	10,000	10,000	7,500	-2500	-25%	7,500	7,500
Legal & Accounting Reserve	0	0	9,000	7,500	-1500	-17%	5,000	5,000
Professional Development	0	0	11,450	12,000	550	5%	12,000	12,000
Mapping Update	0	0	1,500	1,500	0	0%	0	0
Tax Abatement	0	0	0	5,000	5000	100%	5,000	5,000
Comprehensive Plan	0	0	595	593	-2	0%	593	593
Total Reserves	0	10,000	42,599	44,093	1494	4%	40,093	40,093
Total Municipal Budget	3,241,742	3,413,406	3,386,976	3,286,977	-99999	-3%	3,219,134	3,244,134

SOUTHWEST HARBOR SCHOOL DEPARTMENT REVENUE

	10-11 Actual Receipts	11-12 Current Budget	11-12 Anticipated Receipts	12-13 Proposed Budget	\$ Difference	% Difference	Explanation
Fund Balance							
Carryover	115,181	95,833	178,249	121,813	25,980	27.11%	
Revenues							
Miscellaneous	310	-	-	-	-		
P.L. 874	10,215	5,000	5,000	5,000	-	0.00%	Estimate
Tuition	4,000	4,000	4,000	4,000	-	0.00%	8 Students
Transfers from Reserves	-	-	-	-	-	#DIV/0!	
State Subsidy w SFSF	134,969	149,974	164,739	160,000	10,026	6.69%	
Property Taxes							
Town Appropriation	2,531,437	2,475,485	2,475,485	2,484,626	9,141	0.37%	Appropri. Incr. w/o Debt Svc.
Articles 15 & 17	EPS & Additional Local Funds Articles			\$ 2,484,626			
Debt Service Appropri.	422,690	407,443	407,443	392,034	(15,409)	-3.78%	
Article 16	Debt Service Appropriation			\$ 392,034			
Total Revenues	3,218,802	3,137,735	3,234,916	3,167,473	29,738	0.95%	
Total Town Appropriation w Debt Service =					(6,268)	-0.22%	<i>Difference per \$100,000 valuation</i> -\$0.95

SOUTHWEST HARBOR SCHOOL DEPARTMENT EXPENSES

	10-11 Actual Expend.	11-12 Current Budget	11-12 Anticipated Expend.	12-13 Proposed Budget	\$ Difference	% Difference	Explanation
Regular Instruction							
Regular Instruction							
Teacher's Salaries: 3-8	597,487	577,804	588,063	592,372	14,568	2.52%	11.9 tchrs w/ contract increase
Ed. Tech. Salaries	54,644	59,183	64,197	65,850	6,667	11.27%	3 Reg. Ed ed techs & personnel ch
Substitutes	24,338	21,000	23,000	21,000	-	0.00%	\$75/day
Medicare - Tchrs. 3-8	7,198	6,938	6,900	7,200	262	3.78%	
Medicare - Ed. Techs.	769	858	931	955	97	11.31%	
Medicare - Subs	1,325	1,000	1,400	1,400	400	40.00%	Most subs now under soc sec
BC/BS: Tchrs. 3-8	112,563	138,875	127,335	131,734	(7,141)	-5.14%	4% increase & changes in plans
BC/BS: Ed. Techs.	11,549	12,094	21,916	22,793	10,699	88.47%	4% increase & changes in plans
Tuition Reimb - Taxable	20,819	-	-	-	-	#DIV/0!	
Tuition Reimb - Non-Taxable	-	15,000	15,000	15,000	-	0.00%	closer to actual
Unemployment	5,109	1,500	1,500	1,500	-	0.00%	
Worker's Comp. Insurance	16,168	18,000	17,500	18,500	500	2.78%	
Other Prof. Svcs: 504 Stude	1,521	-	1,500	1,500	1,500	#DIV/0!	
Prof. Svcs.: Counsel/ESL/504	812	3,000	1,500	1,500	(1,500)	-50.00%	Divide between 504 & Reg Ed lines
Special Academic Programs	4,638	7,000	7,000	7,000	-	0.00%	JMG, Challenger Center, Health Spkrs
Repair & Maint. - Equipment	397	-	-	-	-	#DIV/0!	
Staff Travel	1,126	1,500	1,500	1,500	-	0.00%	includes mileage, lodging & food
Teaching Supplies 3-8	16,366	14,500	14,500	14,500	-	0.00%	\$600/teacher & Lam & Copy Paper
Textbooks/Workbooks 3-8	8,158	5,000	5,000	6,080	1,080	21.60%	Special Requests
Periodicals	585	750	750	750	-	0.00%	Specific Requests
Replace/Purch of Equip.	4,127	7,000	7,000	5,000	(2,000)	-28.57%	Specific Requests

SOUTHWEST HARBOR SCHOOL DEPARTMENT EXPENSES

	10-11 Actual Expend.	11-12 Current Budget	11-12 Anticipated Expend.	12-13 Proposed Budget	\$ Difference	% Difference	Explanation
Regular Instruction							
Regular Instruction							
Dues, Fees, Conf. 3-8	810	3,000	3,000	2,500	(500)	-16.67%	\$200/conference (AOS formula)
Safety Factor Contingency	-	20,000	20,000	20,000	-	0.00%	
Teacher's Salaries: K-2	145,765	159,881	159,881	162,640	2,759	1.73%	3 teachers: contract increase
Medicare - Tchrs. K-2	2,079	2,318	2,318	2,400	82	3.54%	
BC/BS: Tchrs. K-2	20,578	22,636	19,051	19,813	(2,823)	-12.47%	4% rate increase
Teaching Supplies K-2	3,540	1,800	1,800	1,800	-	0.00%	\$600/teacher
Textbooks/Workbooks K-2	2,781	2,400	2,400	2,400	-	0.00%	Specific Requests
Replace/Purch of Equip.	869	50	50	900	850	1700.00%	Specific Requests
Dues, Fees, Conf. K-2	-	600	600	600	-	0.00%	\$200/conference (AOS formula)
Total Regular Instruction	1,066,121	1,103,687	1,115,592	1,129,187	25,500	2.31%	
Article 4	Regular Instruction			\$ 1,129,187			
Special Education							
Res. Rm. - Tchr. Salaries	84,129	86,564	86,564	88,638	2,074	2.40%	
Res. Rm. - Ed. Tech. Sal.	92,762	96,818	94,380	113,753	16,935	17.49%	Additional 1:1 Ed. Tech needed
Benefits - Teachers - Res Rm	565	1,255	1,255	1,286	31	2.47%	
Benefits - Ed. Tech.	1,980	1,624	1,668	1,650	26	1.60%	
BC/BS: Tchr. - Res. Rm.	22,561	27,291	26,423	27,480	189	0.69%	4% incr., changes in staff/plans
BC/BS: Ed. Techs.	50,737	55,941	48,495	59,471	3,530	6.31%	4% incr., changes in staff/plans
Repair & Maint. - Equipment	-	750	-	-	(750)	-100.00%	
Tuition: Spec. Ed.	-	-	-	-	-	#DIV/0!	
Staff Travel	487	400	400	400	-	0.00%	includes mileage, lodging & food
Res. Rm. - Teach. Supplies	1,396	1,200	1,200	1,200	-	0.00%	specific requests
Testing Supplies	-	600	600	600	-	0.00%	specific requests
Textbooks	1,517	600	600	600	-	0.00%	
Software	-	-	-	100	100	#DIV/0!	
Replace/Purchase of Equip.	2,379	1,000	1,000	500	(500)	-50.00%	specific requests based on needs
Dues, Fees, Conference	598	500	500	500	-	0.00%	
Dues & Fees - Medicaid Bill	1,279	1,200	1,200	1,200	-	0.00%	
Spec Svcs Assessment	45,113	48,079	48,079	48,295	216	0.45%	Moved from Supt's Office
Prof.Svcs:Therap/Coun	6,047	6,000	6,000	6,000	-	0.00%	
Teacher Salary: Speech	35,999	36,555	36,555	37,072	517	1.41%	.6 Teacher with contract increase
Medicare - Speech	1	1	1	1	-	0.00%	Grandfathered - No Medicare
BC/BS: Speech	9,965	8,177	9,637	10,022	1,845	22.56%	4% Increase
Other Prof Svcs.:Speech	3,978	8,000	5,000	5,000	(3,000)	-37.50%	Outside speech services
Speech - Supplies	1,978	600	600	600	-	0.00%	
Speech - Testing Supplies	212	500	500	700	200	40.00%	
Speech - Equipment	1,063	2,500	2,500	400	(2,100)	-84.00%	Laptop & communication system
Speech - Dues/Fees/Conf.	75	100	100	100	-	0.00%	
Other Prof Svcs.: OT	14,956	20,000	15,000	15,000	(5,000)	-25.00%	
Other Prof. Svcs.: PT	19,270	18,700	19,000	19,000	300	1.60%	
Summer Schl: Tchr.	4,506	4,800	4,800	5,000	200	4.17%	
Summer Schl: Benefits	61	-	70	-	-	#DIV/0!	
Teacher Salary: G & T	11,390	11,679	11,680	11,988	309	2.65%	20% Teacher plus 10 days

SOUTHWEST HARBOR SCHOOL DEPARTMENT

	10-11 Actual Expend.	11-12 Current Budget	11-12 Anticipated Expend.	12-13 Proposed Budget	\$ Difference	% Difference	Explanation
Special Education							
Medicare - G & T	155	170	170	174	4	2.35%	
BC/BS: G & T	-	-	4,819	5,011	5,011	#DIV/0!	Change in Plan
Teaching Supplies - G & T	279	300	300	300	-	0.00%	
Books&Periodicals- G&T	-	300	300	400	100	33.33%	
G & T: Dues/Fees/Conf.	-	200	200	320	120	60.00%	
Total Special Education	415,437	442,404	429,596	462,761	20,357	4.60%	
Article 5	Special Education			\$ 462,761			

Article 6	Career & Technical Education			\$ -			
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Other Instruction

Co-Curricular							
Co-Curric.: Stipends	35,868	25,000	19,806	19,775	(5,225)	-20.90%	3 fewer class advisors
Co-Curric.: Benefits	860	1,700	1,000	1,100	(600)	-35.29%	
Co-Curric.: Fine Arts Perform	592	4,200	4,200	3,500	(700)	-16.67%	
Co-Curric.: Gen. Supplies	1,985	300	500	300	-	0.00%	
Co-Curric.: Books	33	1,000	1,000	1,500	500	50.00%	
Co-Curric.: Equipment	3,659	1,900	1,900	1,800	(100)	-5.26%	music equipment
Co-Curric.:Dues and Fees	275	-	-	425	425	#DIV/0!	
Co-Curric.: Transportation	-	-	-	-	-	#DIV/0!	
Athletic: Stipends	16,303	23,000	22,674	22,618	(382)	-1.66%	
Athletic: Stipends - Officials	2,632	3,500	3,500	3,500	-	0.00%	
Athletic: Benefits - Stipends	201	350	1,000	1,100	750	214.29%	
Athletic: Benefits - Officials	119		140	140	140		
Athletic: Other Prof Svcs	150		-	-	-	#DIV/0!	
Athletic: Supplies	451	-	400	-	-	#DIV/0!	
Athletic: Books	-	-	-	-	-	#DIV/0!	
Athletic: Equipment	1,211	1,500	1,500	1,500	-	0.00%	uniforms
Athletic: Dues/Fees/Conf.	618	200	200	200	-	0.00%	sports conference
Athletic: Transportation	-	-	-	-	-	#DIV/0!	
Total Co-Curricular	64,957	62,650	57,820	57,458	(5,192)	-8.29%	
Summer School							
Summer Schl./Learning Labs	6,376	10,000	7,500	7,500	(2,500)	-25.00%	Before/After school homework help
Benefits - Summ Schl/LL	122	155	109	109	(46)	-29.68%	
Total Summer School	6,497	10,155	7,609	7,609	(2,546)	-25.07%	
Article 7	Other Instruction			\$ 65,067			

Student & Staff Support

Guidance							
Salaries: Guidance Counsel.	51,968	52,987	52,987	54,042	1,055	1.99%	Contract Increase
Medicare	715	768	768	784	16	2.08%	
Blue Cross/Blue Shield	15,081	16,589	16,061	16,703	114	0.69%	4% Increase in insurance
Prof. Svcs.	-	-	-	-	-	#DIV/0!	
Staff Travel	263	125	125	125	-	0.00%	
Supplies	734	600	600	600	-	0.00%	includes Civil Rights materials

SOUTHWEST HARBOR SCHOOL DEPARTMENT

	10-11 Actual Expend.	11-12 Current Budget	11-12 Anticipated Expend.	12-13 Proposed Budget	\$ Difference	% Difference	Explanation
Student & Staff Support Guidance							
Books	151	200	200	200	-	0.00%	
Periodicals	39	200	200	-	(200)	-100.00%	
Dues / Fees / Conferences	390	200	200	200	-	0.00%	
Total Guidance	69,340	71,669	71,141	72,654	985	1.37%	
Health Services							
Physician & Physicals	48,372	48,372	50,790	54,345	5,973	12.35%	contractual agreement w/hospital
Contr. Svcs.:Equip. Repair	-	-	-	-	-	#DIV/0!	
Supplies	1,493	1,500	1,500	1,500	-	0.00%	
Books	-	-	-	-	-	#DIV/0!	Medical References
Periodicals	112	100	100	100	-	0.00%	
Replace/Purch. Equipment	110	200	200	200	-	0.00%	
Dues / Fees / Conferences	325	325	325	325	-	0.00%	includes travel
Total Health Services	50,412	50,497	52,915	56,470	5,973	11.83%	
Student & Staff Support Improvement of Instruction							
Assess.: Curric. & Techn.	29,312	29,431	29,431	31,182	1,751	5.95%	Moved fr Supt's. Office
Instructional Grants	3,910	5,250	5,250	5,000	(250)	-4.76%	\$333/teacher for summer work
Stipends - Cert Com/Mentors	3,334	2,500	3,000	3,000	500	20.00%	
Benefits: Stipends	1	36	-	-	(36)	-100.00%	
Benefits: Teachers	22	76	-	-	(76)	-100.00%	
U98 Workshops/Speakers	90	500	500	500	-	0.00%	
Local W.S./Speakers	168	500	500	500	-	0.00%	Used for books and after schl work
Reading Recovery Cont. Hrs.	2,000	2,000	2,000	2,000	-	0.00%	AOS Requested Amount
Supplies/Books/Period	614	-	-	-	-	#DIV/0!	
Curriculum Work	552	600	600	600	-	0.00%	AOS Request
NWEA	1,993	1,800	2,036	2,036	236	13.11%	Formula/ Student K-8 now
Health Coord.	860	1,050	1,050	1,050	-	0.00%	Shared with AOS
Total Improve. Of Instruction	42,856	43,743	44,367	45,868	2,125	4.86%	
Library & Audio Visual							
Salaries: Librarian	43,913	26,795	7,786	7,992	(18,803)	-70.17%	20% Librarian
Medicare	563	389	113	116	(273)	-70.18%	
Blue Cross / Blue Shield	12,390	9,954	3,212	3,341	(6,613)	-66.44%	4% Insurance Rate Incr / 20% Ben
Other Prof Svcs-Library Svcs	-	-	11,000	12,000	12,000	#DIV/0!	Contract with Town
Supplies	650	650	650	650	-	0.00%	
Computer Supplies	-	-	-	-	-	#DIV/0!	
Books	4,591	2,000	2,000	2,000	-	0.00%	
Periodicals	-	750	750	750	-	0.00%	
AV Material/Software	-	950	950	950	-	0.00%	
Replace/Purchase Equipment	162	750	750	750	-	0.00%	
Dues / Fees / Conferences	-	325	325	-	(325)	-100.00%	
Total Library & AV	62,269	42,563	27,536	28,549	(14,014)	-32.93%	

SOUTHWEST HARBOR SCHOOL DEPARTMENT

	10-11 Actual Expend.	11-12 Current Budget	11-12 Anticipated Expend.	12-13 Proposed Budget	\$ Difference	% Difference	Explanation
Student & Staff Support							
Technology							
Technology Integrator	19,859	20,341	20,341	20,855	514	2.53%	
Technology Coordinator	23,076	24,599	24,265	24,613	14	0.06%	
Benefits: Tech. Integrator	289	295	295	303	8	2.71%	
Benefits: Tech. Coord.	1,765	1,882	1,857	1,883	1	0.05%	
BC/BS: Tech. Integrator	5,835	4,147	4,015	4,176	29	0.70%	4% Rate Incr. & personnel ch.
BC/BS: Tech. Coord.	5,027	5,530	5,354	5,568	38	0.69%	4% Rate Increase
Repair & Maint.	726	500	500	3,000	2,500	500.00%	To Self-Insure Laptops
Staff Travel	-	200	200	250	50	25.00%	
Supplies	242	3,000	2,800	1,500	(1,500)	-50.00%	cartridges/bulbs etc.
Software	6,231	6,000	6,200	6,000	-	0.00%	AOS Software Sharing
Equipment	26,873	25,500	25,500	25,000	(500)	-1.96%	
Dues, Fees, Conf., Travel	40	325	325	450	125	38.46%	
Total Technology	89,965	92,319	91,652	93,598	1,279	1.39%	
Article 8	Student & Staff Support		\$		297,139		
System Administration							
Office of Superintendent							
Assessment: Administration	46,199	45,016	45,016	47,281	2,265	5.03%	AOS Formula
Total Office of Supt.	46,199	45,016	45,016	47,281	2,265	5.03%	
School Committee							
Salaries: School Committee	2,500	2,500	2,500	2,500	-	0.00%	
Soc. Sec. / Medicare	115	192	192	192	-	0.00%	
Prof. Svcs.: Legal & Audit	3,637	7,500	7,000	7,500	-	0.00%	
Dues / Fees / Conferences	711	750	750	750	-	0.00%	
Total School Committee	6,962	10,942	10,442	10,942	-	0.00%	
Article 9	System Administration		\$		58,223		
School Administration							
Office of Principal							
Salaries: Principal	80,119	82,034	82,034	84,068	2,034	2.48%	
Salaries: Secretaries	67,510	69,051	66,500	60,000	(9,051)	-13.11%	ML 41 weeks/ dm 42.5
Benefits: Principal	1,141	1,190	1,190	1,219	29	2.44%	
Benefits: Secretaries	1,806	2,366	2,165	2,196	(170)	-7.19%	
BC/BS: Principal	5,497	6,047	5,855	6,089	42	0.69%	4% rate increase
BC/BS: Secretaries	20,578	22,636	21,916	22,793	157	0.69%	4% rate increase
Svc. Agreem./Equip. Repair	698	1,300	1,000	1,000	(300)	-23.08%	
Copier Lease/Purchase	4,695	4,695	5,708	5,708	1,013	21.58%	
Advertising	716	500	750	500	-	0.00%	Sharing advertising within AOS
Staff Travel	152	700	200	200	(500)	-71.43%	
Office Supplies / Postage	3,877	5,000	5,000	5,000	-	0.00%	
Books & Periodicals	99	100	100	100	-	0.00%	
Software	-	-	-	-	-	#DIV/0!	
Replace/Purchase Equipment	-	-	-	-	-	#DIV/0!	
Dues / Fees / Conferences	1,340	1,000	1,000	1,000	-	0.00%	Includes Prof. Fees
Miscellaneous/Celebrations	1,970	2,000	2,000	2,000	-	0.00%	Graduation, Volunteer Apprec.
Total Office of Principal	190,198	198,619	195,418	191,873	(6,746)	-3.40%	
Article 10	School Administration		\$		191,873		

SOUTHWEST HARBOR SCHOOL DEPARTMENT

	10-11 Actual Expend.	11-12 Current Budget	11-12 Anticipated Expend.	12-13 Proposed Budget	\$ Difference	% Difference	Explanation
Transportation and Buses							
Student Transportation							
Salaries: Bus Drivers	49,537	58,613	58,692	59,982	1,369	2.34%	1.5 Drivers & Co-Curric&personnel ch
Soc.Sec./Medicare/Retire.	3,610	4,484	4,490	4,589	105	2.34%	
BC/BS: Bus Drivers	10,325	13,629	13,196	13,723	94	0.69%	Change in Plans with personnel
Physicals & Drug Testing	537	1,000	750	1,000	-	0.00%	Incl. Extra Drivers
Contr. Svcs.: Bus Repairs	17,524	12,000	15,000	15,000	3,000	25.00%	Buses older with longer replac cycle
Transp. Purchased fr Private	400	-	-	-	-	#DIV/0!	
Insurance: Bus	1,923	2,200	2,100	2,200	-	0.00%	On 3 buses & increase cost
Supplies	557	500	500	500	-	0.00%	
Fuel	14,427	18,000	18,000	18,000	-	0.00%	5300 gallons approx.
Replace/Purch. Of Equipment	-	-	-	-	-	#DIV/0!	
Purch of SchlBus/ Reserve	18,000	18,000	18,000	20,000	2,000	11.11%	Increase cost of buses \$80K
Dues/ Fees/ Conference	-	-	-	-	-	#DIV/0!	
Total Transportation	116,840	128,426	130,728	134,994	6,568	5.11%	
Article 11	Transportation & Buses		\$ 134,994				
Facilities Maintenance							
Operation & Maint. Of Plant							
Salaries: Custodians	137,258	136,578	136,630	139,650	3,072	2.25%	
Soc. Sec./ Medicare / Retire.	10,478	10,448	10,452	10,683	235	2.25%	
Blue Cross / Blue Shield	17,888	19,676	19,051	19,812	136	0.69%	4% rate increase
Utility Svcs.: Sewer / Water	5,421	7,000	7,000	7,000	-	0.00%	
Insurance: Build/Equip/Comp	8,244	8,800	7,000	8,000	(800)	-9.09%	Building/Liability
Laptop Insurance	-	-	-	-	-		Self Insuring
Telephone	5,877	6,000	6,000	6,000	-	0.00%	
Supplies	9,734	10,000	10,000	10,000	-	0.00%	Cleaning & Paper Supplies
Electricity	51,011	40,000	50,000	50,000	10,000	25.00%	Bangor Hydro
L.P. Gas - Cafeteria	2,771	2,500	2,800	3,000	500	20.00%	Hot Water bill
Heating Oil	29,838	59,500	48,000	60,000	500	0.84%	Approx. 16K Gal. @ \$3.75/gal.
Replace/Purchase Equipment	736	8,000	8,000	10,300	2,300	28.75%	Cooler/Furniture/Rug/Soccer Goals
Dues / Fees / Conferences	198	200	200	200	-	0.00%	
Rubbish Removal	2,891	3,500	3,500	3,500	-	0.00%	Gotts - 114/mo. & Richards Truck
Contr. Svcs. : Building	20,990	22,050	22,050	22,050	-	0.00%	Fire System, Elevator, Etc.
Contr. Svcs. : Grounds	7,504	3,600	4,200	4,250	650	18.06%	Hodgdon Lawn
Contr. Svcs.: Equip. Repair	4,688	1,500	2,500	5,000	3,500	233.33%	Electric,Plumb., Elevator,WtrFilter
Total Oper. & Maint.	315,527	339,352	337,383	359,445	20,093	5.92%	
Capital Outlay							
Land & Improvements	943	1,000	1,000	1,000	-	0.00%	Playground Maint.
Buildings	23,590	35,500	35,695	24,000	(11,500)	-32.39%	Tractor Shed/Stage/Gym Lights& Shade
Transfer to Maint. Reserve	3,750	3,750	3,750	3,750	-	0.00%	Transfer to Reserve - Now @ 36K
Equipment	-	-	-	-	-		
Total Capital Outlay	28,283	40,250	40,445	28,750	(11,500)	-28.57%	
Article 12	Facilities Maintenance		\$ 388,195				

SOUTHWEST HARBOR SCHOOL DEPARTMENT

	10-11 Actual Expend.	11-12 Current Budget	11-12 Anticipated Expend.	12-13 Proposed Budget	\$ Difference	% Difference	Explanation
Debt Service							
Debt Service							
Debt Service: Interest	161,640	146,393	146,393	130,984	(15,409)	-10.53%	Payment #13 of 20
Debt Service: Principal	261,050	261,050	261,050	261,050	-	0.00%	
<i>Total Debt Service</i>	422,690	407,443	407,443	392,034	(15,409)	-3.78%	
Article 13	Debt Service & Other Commitments			\$ 392,034			
All Other Expenditures							
Food Services							
Food Services Transfer	46,000	48,000	48,000	48,000	-	0.00%	
<i>Total Food Services</i>	46,000	48,000	48,000	48,000	-	0.00%	
Article 14	All Other Expenditures			\$ 48,000			
Grand Totals:	3,040,553	3,137,735	3,113,103	3,167,473	29,738	0.95%	
	Total Budget Increase w/o Debt Service =				45,147	1.65%	
Article 18	Total Expenditures (Summary Article)			\$ 3,167,473			

TOWN OF SOUTHWEST HARBOR, MAINE

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

***FOR THE FISCAL YEAR
ENDED JUNE 30, 2012***

TOWN OF SOUTHWEST HARBOR, MAINE
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

December 11, 2012

Members of the Board of Selectmen
Town of Southwest Harbor
Southwest Harbor, ME 04679

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Southwest Harbor, Maine as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Southwest Harbor Water Department, which represents 63% and 56% respectively, of the assets and revenues of the proprietary fund types. Those statements were audited by other auditors whose report has been furnished to us. Our opinion, in so far as it relates to the amounts included for the Water Department, is based solely on the report of the other auditors. The financial statements of the Town of Southwest Harbor Water Department are presented as of December 31, 2011 and for the year then ended.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Southwest Harbor, Maine as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, on our consideration of the Town of Southwest Harbor, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 7 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for

placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Southwest Harbor, Maine's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and other supplementary information 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 other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

TOWN OF SOUTHWEST HARBOR, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The management of the Town of Southwest Harbor, Maine (the Town) offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net Assets – The assets of the Town exceeded its liabilities at the fiscal year ending June 30, 2012 by \$16,212,023 (presented as "net assets"). Of this amount, \$3,194,073 was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets – The Town's total net assets increased by \$816,339 (a 5.3% increase) for the fiscal year ended June 30, 2012. Net assets of governmental activities increased by \$837,450 (a 6.5% increase), while net assets of the business-type activities showed a decrease of \$21,112 (a 0.8% decrease).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2012, the Town's governmental funds reported a combined ending fund balance of \$4,648,662, a decrease of \$446,795 in comparison with the prior year. Of this total fund balance, \$1,776,939 represents general unassigned fund balance. This unassigned fund balance represents approximately 23% of the total general fund expenditures for the year.

Long-term Debt:

The Town's total long-term debt obligations had a net increase of \$294,153 (3.4%) during the current fiscal year. There were new debt obligations of \$750,000 for purchase of a new fire truck, \$26,559 for a copier lease for the school department and \$135,000 for the sewer department clarifier project. Existing debt obligations were retired according to schedule.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 and are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. They distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of net assets includes all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt), with the difference between the two reported as net assets. The statement of activities shows how the Town's net assets changed during the year, regardless of the timing of related cash flows. The government-wide financial statements can be found on pages 8 - 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements include statements for three categories of activity – governmental funds, proprietary funds and fiduciary funds.

The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Both

the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to explain the differences between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 10 – 11 of this report.

The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting, which provides the same type of information as the government-wide financial statements, only in more detail. The proprietary funds account for the Town's Water and Sewer Departments. The basic proprietary fund financial statements can be found on pages 12 – 14 of this report.

The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements. The fiduciary fund financial statements can be found on pages 15 – 16 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 17 - 28 of this report.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary). Required supplementary information can be found on page 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The largest portion of the Town's net assets (72.5%) 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 capital 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.

	Governmental Activities	Business-like Activities	Total 2012	Total 2011
Current Assets	\$ 5,224,199	\$ 559,548	\$ 5,783,747	\$ 6,196,268
Capital Assets	\$14,964,842	\$ 6,076,279	\$21,041,120	\$19,412,574
<i>Total Assets</i>	\$20,189,041	\$ 6,635,827	\$26,824,867	\$25,608,842
Current Liabilities	\$ 956,022	\$ 258,298	\$ 1,214,320	\$ 1,058,905
Other Liabilities	\$ 5,564,959	\$ 3,833,565	\$ 9,398,524	\$ 8,766,339
Net Assets;				
Invested in Capital Assets	\$ 8,941,219	\$ 2,818,266	\$11,759,485	\$10,799,120
Restricted	\$ 1,258,466	\$ 0	\$ 1,258,466	\$ 2,371,694
Unrestricted	\$ 3,468,375	\$ (274,302)	\$ 3,194,073	\$ 2,612,783
<i>Total Liabilities and Net Assets</i>	\$20,189,041	\$ 6,635,827	\$26,824,867	\$25,608,842

An additional portion of the Town's net assets (7.8%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets (19.7%) may be used to meet the government's ongoing obligations to citizens and creditors.

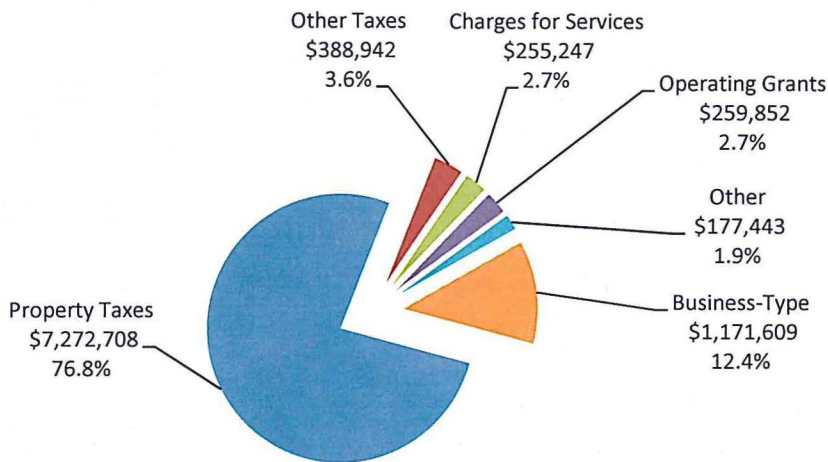
Changes in Net Assets

Governmental activities increased the Town's net assets by \$837,450, or 102.6% of the total increase in the net assets of the Town. This increase was primarily due to conservative budgeting of revenues and the controlling of expenditures.

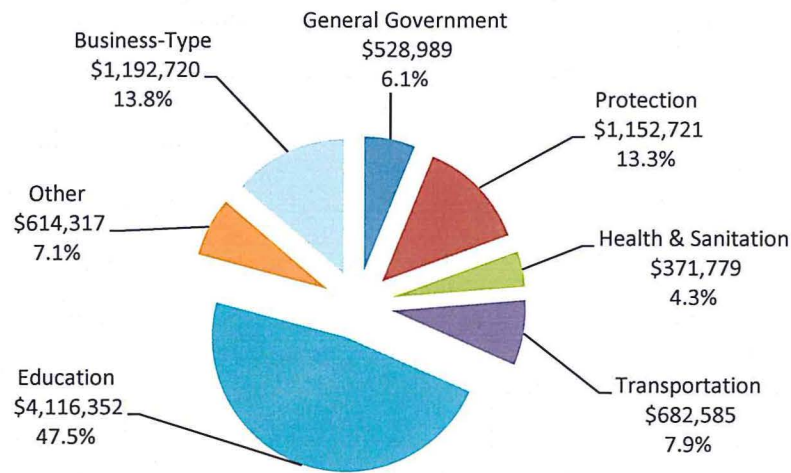
Business-type activities decreased the Town's net assets by \$21,112, or -2.6% of the total increase in the net assets of the Town. This decrease is primarily due to the rate increases done a couple of years ago doing a better job of funding the department's expenses, but not enough to fully fund them, particularly in the sewer department

	Governmental Activities	Business-like Activities	Total 2012	Total 2011
<i>Revenues;</i>				
Tax Revenues	\$ 7,611,650	\$ 0	\$ 7,611,650	\$ 7,485,669
Program Revenues	\$ 515,099	\$ 1,140,962	\$ 1,656,061	\$ 1,601,678
Investments	\$ 26,814	\$ 225	\$ 27,039	\$ 30,066
Revenue Sharing	\$ 78,169	\$ 0	\$ 78,169	\$ 73,946
Other	\$ 72,460	\$ 30,422	\$ 102,882	\$ 119,776
<i>Total Revenues</i>	\$ 8,304,193	\$ 1,171,608	\$ 9,475,801	\$ 9,311,134
<i>Expenses;</i>				
General Government	\$ 528,989	\$ 0	\$ 528,989	\$ 512,828
Protection	\$ 1,152,721	\$ 0	\$ 1,152,721	\$ 1,116,507
Health/Sanitation	\$ 371,779	\$ 0	\$ 371,779	\$ 365,959
Transportation	\$ 682,585	\$ 0	\$ 682,585	\$ 716,690
Education	\$ 4,116,352	\$ 0	\$ 4,116,352	\$ 4,080,140
Unclassified	\$ 234,283	\$ 0	\$ 234,283	\$ 246,170
Assessments and Debt Service	\$ 380,034	\$ 0	\$ 380,034	\$ 348,457
Water System	\$ 0	\$ 580,243	\$ 580,243	\$ 479,285
Sewer System	\$ 0	\$ 612,477	\$ 612,477	\$ 618,672
<i>Total Expenses</i>	\$ 7,466,742	\$ 1,192,720	\$ 8,659,463	\$ 8,484,708
Changes in Net Assets	\$ 837,450	\$ (21,112)	\$ 816,339	\$ 826,427

Revenues by Source - Governmental and Business-Type



Expenditures by Source - Governmental and Business-Type



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 spendable 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 fiscal year, the Town's governmental funds reported ending fund balances of \$4,648,662, a decrease of \$446,795 in comparison with the prior year. Approximately 38 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for new spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- \$60,096 positive variance in real estate and personal property tax. Actual collections were 98.2% of the levy as compared to 98.0% in the prior year. There was a decrease in the deferred tax revenue due to this.
- \$43,880 positive variance in all other revenues. This is primarily due to conservative budgeting.
- \$70,193 positive variance in general government expenditures. This is primarily due to conservative budgeting and controlled expenditures.
- \$58,850 positive variance in protection expenditures. This is primarily due to conservative budgeting and controlled expenditures.
- \$58,371 positive variance in health and sanitation expenditures. This is primarily due to conservative budgeting and controlled expenditures.
- \$141,443 positive variance in assessment and debt service expenditures. This is primarily due overlay and conservative budgeting of debt expenditures.
- \$22,548 positive variance in all other expenditures. This is due to conservative budgeting and costs being controlled and maintained within budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities amounts to \$34,313,272, net of accumulated depreciation of \$13,272,152, leaving a net book value of \$21,041,120. Current year additions include \$116,538 for school department capital additions, \$12,000 for a street sweeper, \$32,589 for a new police vehicle, \$745,317 for the purchase of a new fire truck, \$9,345 for fire truck repairs, \$84,216 for town road and dock repair and paving, \$15,084 for the new water tank project, \$153,217 for sewer department capital additions, \$371,345 for water department capital additions, and \$1,238,363 for the Wesley Ave/Mansell Lane project. There was a current year retirement of a police vehicle and a fire truck with a net book value of \$0. There were no current year impairments. Additional information on the Town's capital assets can be found in Note 4 of the notes to the financial statements on pages 24 - 25 of this report.

Debt

The Town has total bonded debt outstanding of \$8,869,263 and \$21,071 of capital leases that are backed by the full faith and credit of the Town. The outstanding debt had a net increase of \$294,153 during the current fiscal year. The Town issued \$750,000 for the fire truck purchase, \$26,559 for a copier lease that is accounted for as a capital lease and \$135,000 for the sewer department clarifier project. Additional information on the Town's long-term debt can be found in Note 6 of the notes to the financial statements on pages 25 - 26 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 Southwest Harbor, P.O. Box 745, Southwest Harbor, ME 04679.

TOWN OF SOUTHWEST HARBOR, MAINE

(Exhibit I)

STATEMENT OF NET ASSETS**JUNE 30, 2012**

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<u>Assets</u>			
Cash and Cash Equivalents	\$1,054,875	\$167,488	\$1,222,363
Investments at Fair Market Value	\$3,139,609	\$0	\$3,139,609
Accounts Receivable - Net of Bad Debt Provision	\$189,722	\$348,554	\$538,276
Inventory of Materials and Supplies	\$11,295	\$1,063	\$12,358
Deferred Charges	\$3,074	\$32,516	\$35,590
Due from Other Funds	\$600,988	\$9,928	\$610,916
Property Taxes Receivable	\$2,543	\$0	\$2,543
Tax Liens and Tax Acquired Property	\$222,092	\$0	\$222,092
<u>Capital Assets</u>			
Land	\$461,164	\$52,805	\$513,969
Other Capital Assets, net of Accumulated Depreciation	\$14,503,678	\$6,023,474	\$20,527,152
Total Capital Assets	\$14,964,842	\$6,076,279	\$21,041,120
<u>Total Assets</u>	<u>\$20,189,041</u>	<u>\$6,635,827</u>	<u>\$26,824,867</u>
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
Obligation Under Contracted Salaries	\$161,970	\$0	\$161,970
Prepaid Property Taxes	\$40,651	\$0	\$40,651
Accounts Payable	\$241,636	\$38,083	\$279,719
Accrued Interest	\$0	\$4,644	\$4,644
Due to Other Funds	\$494	\$770,384	\$770,878
Compensated Absences	\$52,607	\$20,739	\$73,346
<u>Capital Leases Payable</u>			
Due within one year	\$5,015	\$0	\$5,015
Due in more than one year	\$16,056	\$0	\$16,056
<u>Bonds and Notes Payable</u>			
Due within one year	\$506,256	\$215,571	\$721,827
Due in more than one year	\$5,496,296	\$3,042,442	\$8,538,738
<u>Total Liabilities</u>	<u>\$6,520,981</u>	<u>\$4,091,863</u>	<u>\$10,612,844</u>
<u>Net Assets</u>			
Investment in Capital Assets, net of Related Debt	\$8,941,219	\$2,818,266	\$11,759,485
Restricted	\$1,258,466	\$0	\$1,258,466
Unrestricted	\$3,468,375	(\$274,302)	\$3,194,073
<u>Total Net Assets</u>	<u>\$13,668,060</u>	<u>\$2,543,964</u>	<u>\$16,212,023</u>
<u>Total Liabilities and Net Assets</u>	<u>\$20,189,041</u>	<u>\$6,635,827</u>	<u>\$26,824,867</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SOUTHWEST HARBOR, MAINE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Exhibit II)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>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	\$533,705	\$38,925		(\$494,781)		(\$494,781)
Protection	\$1,152,721	\$47,325	\$1,990	(\$1,103,406)		(\$1,103,406)
Health & Sanitation	\$371,779	\$55,075		(\$316,704)		(\$316,704)
Transportation	\$682,585	\$72,135	\$84,484	(\$525,966)		(\$525,966)
Education	\$4,116,352	\$40,671	\$154,046	(\$3,921,634)		(\$3,921,634)
Unclassified	\$234,283	\$1,117	\$19,331	(\$213,835)		(\$213,835)
Assessments and Debt Service	\$380,034			(\$380,034)		(\$380,034)
<u>Total Governmental Activities</u>	<u>\$7,471,458</u>	<u>\$255,247</u>	<u>\$259,852</u>	<u>(\$6,956,360)</u>	<u>\$0</u>	<u>(\$6,956,360)</u>
<u>Business Type Activities</u>						
Sewer Department	\$612,477	\$504,121			(\$108,356)	(\$108,356)
Water Department	\$580,243	\$636,841			\$56,598	\$56,598
<u>Total Business-Type Activities</u>	<u>\$1,192,720</u>	<u>\$1,140,962</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$51,758)</u>	<u>(\$51,758)</u>
<u>Total Primary Government</u>	<u>\$8,664,179</u>	<u>\$1,396,209</u>	<u>\$259,852</u>	<u>(\$6,956,360)</u>	<u>(\$51,758)</u>	<u>(\$7,008,118)</u>
<u>General Revenues</u>						
Tax Revenues				\$7,246,421		\$7,246,421
Excise Taxes				\$338,942		\$338,942
State Revenue Sharing				\$78,169		\$78,169
Investment Earnings				\$26,814	\$225	\$27,039
Interest on Delinquent Taxes				\$30,892		\$30,892
Water and Sewer Management Fees				\$20,000		\$20,000
Permits, Fees and Other Revenues				\$71,392	\$11,600	\$82,992
Transfers				(\$18,822)	\$18,822	\$0
<u>Total Revenues and Transfers</u>				<u>\$7,793,810</u>	<u>\$30,646</u>	<u>\$7,824,456</u>
<u>Changes in Net Assets</u>				<u>\$837,450</u>	<u>(\$21,112)</u>	<u>\$816,339</u>
<u>Net Assets - Beginning</u>				<u>\$12,830,609</u>	<u>\$2,565,075</u>	<u>\$15,395,685</u>
<u>Net Assets - Ending</u>				<u>\$13,668,060</u>	<u>\$2,543,964</u>	<u>\$16,212,023</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SOUTHWEST HARBOR, MAINE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

(Exhibit III)

	<i>General Fund</i>	<i>Special Revenue Funds</i>	<i>Capital Projects Fund</i>	<i>Permanent Fund - Cemetery Trust</i>	<i>Total Governmental Funds</i>
<i>Assets</i>					
Cash and Cash Equivalents	\$281,304	\$313,027	\$460,545		\$1,054,875
Investments at Fair Market Value	\$2,961,724	\$69,814		\$108,072	\$3,139,609
Accounts Receivable - Net of Bad Debt Provision	\$189,722				\$189,722
Inventory of Materials and Supplies, at Cost	\$11,295				\$11,295
Deferred Charges	\$3,074				\$3,074
Due From Other Funds	\$602,000	\$1,270,730	\$811		\$1,873,541
Property Taxes Receivable	\$2,543				\$2,543
Tax Liens and Tax Acquired Property	\$222,092				\$222,092
<u>Total Assets</u>	<u>\$4,273,754</u>	<u>\$1,653,570</u>	<u>\$461,356</u>	<u>\$108,072</u>	<u>\$6,496,752</u>
<i>Liabilities & Fund Balances</i>					
<i>Liabilities:</i>					
Obligation Under Contracted Salaries	\$161,970				\$161,970
Prepaid Property Taxes	\$40,651				\$40,651
Accounts Payable	\$241,636				\$241,636
Due to Other Funds	\$1,272,035	\$148	\$864		\$1,273,047
Deferred Revenues	\$130,785				\$130,785
<u>Total Liabilities</u>	<u>\$1,847,077</u>	<u>\$148</u>	<u>\$864</u>	<u>\$0</u>	<u>\$1,848,089</u>
<i>Fund Balance:</i>					
Nonspendable	\$11,295				\$11,295
Restricted	\$638,443	\$148,236	\$460,492		\$1,247,171
Committed		\$1,497,635			\$1,497,635
Assigned		\$7,551		\$108,072	\$115,623
Unassigned	\$1,776,939				\$1,776,939
<u>Total Fund Balances</u>	<u>\$2,426,677</u>	<u>\$1,653,422</u>	<u>\$460,492</u>	<u>\$108,072</u>	<u>\$4,648,662</u>
<u>Total Liabilities & Fund Balances</u>	<u>\$4,273,754</u>	<u>\$1,653,570</u>	<u>\$461,356</u>	<u>\$108,072</u>	<u>\$6,496,752</u>
<u>Total Fund Balance - Governmental Funds</u>					<u>\$4,648,662</u>
<i>Net assets reported for governmental activities in the statement of nets assets are different because:</i>					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds					\$14,964,842
Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are reported as deferred revenue (a liability) in governmental funds					\$130,785
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds, including:					
Bonds Payable					(\$6,002,551)
Capital Leases Payable					(\$21,071)
Compensated Absences					(\$52,607)
<u>Net Assets of Governmental Activities</u>					<u>\$13,668,060</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SOUTHWEST HARBOR, MAINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Exhibit IV)

	<i>General Fund</i>	<i>Special Revenue Funds</i>	<i>Capital Projects Fund</i>	<i>Permanent Fund - Cemetery Trust</i>	<i>Total Governmental Funds</i>
<u>Revenues:</u>					
Tax Revenues	\$7,298,552				\$7,298,552
Local Road Assistance		\$19,040			\$19,040
Excise Taxes	\$338,942				\$338,942
State Revenue Sharing		\$78,169			\$78,169
Investment Earnings	\$15,131	\$10,016	\$8	\$1,658	\$26,814
Interest on Delinquent Taxes	\$30,892				\$30,892
Docks & Floats	\$72,135				\$72,135
Water & Sewer Management Fees	\$20,000				\$20,000
Solid Waste Revenue	\$55,075				\$55,075
Permits, Fees & Other Revenues	\$121,377	\$57,903	\$66,244		\$245,524
<u>Total Revenues</u>	<u>\$7,952,105</u>	<u>\$165,128</u>	<u>\$66,253</u>	<u>\$1,658</u>	<u>\$8,185,144</u>
<u>Expenditures (Net of Governmental Revenues):</u>					
General Government	\$490,573	\$39,576			\$530,149
Protection	\$1,007,082	\$26,249	\$775		\$1,034,105
Health & Sanitation	\$371,779				\$371,779
Transportation	\$371,634	\$22,338			\$393,972
Education	\$4,029,042	\$606			\$4,029,648
Unclassified	\$197,594	\$19,380		\$3,833	\$220,807
Assessments and Debt Service	\$549,665				\$549,665
Capital Outlay, net of Retirements	\$874,594	\$146,595	\$1,238,363		\$2,259,552
<u>Total Expenditures</u>	<u>\$7,891,963</u>	<u>\$254,743</u>	<u>\$1,239,138</u>	<u>\$3,833</u>	<u>\$9,389,677</u>
<u>Excess Revenues Over Expenditures</u>	<u>\$60,143</u>	<u>(\$89,615)</u>	<u>(\$1,172,885)</u>	<u>(\$2,175)</u>	<u>(\$1,204,532)</u>
<u>Other Financing Sources (Uses):</u>					
Bond Proceeds	\$750,000				\$750,000
Capital Lease Proceeds	\$26,559				\$26,559
Operating Transfers In	\$77,300	\$451,779			\$529,079
Operating Transfers Out	(\$470,601)	(\$77,300)			(\$547,901)
<u>Total Other Financing Sources (Uses)</u>	<u>\$383,259</u>	<u>\$374,479</u>	<u>\$0</u>	<u>\$0</u>	<u>\$757,738</u>
<u>Excess Revenues and Other Sources Over Expenditures and Other Uses</u>	<u>\$443,401</u>	<u>\$284,864</u>	<u>(\$1,172,885)</u>	<u>(\$2,175)</u>	<u>(\$446,795)</u>
<u>Beginning Fund Balances</u>	<u>\$1,983,275</u>	<u>\$1,368,558</u>	<u>\$1,633,377</u>	<u>\$110,247</u>	<u>\$5,095,457</u>
<u>Ending Fund Balances</u>	<u>\$2,426,677</u>	<u>\$1,653,422</u>	<u>\$460,492</u>	<u>\$108,072</u>	<u>\$4,648,662</u>
<u>Reconciliation to Statement of Activities, change in Net Assets</u>					
Net Change in Fund Balances - Above					(\$446,795)
Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are recorded as deferred revenue (a liability) in governmental funds					(\$52,131)
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 - Compensated Absences					(\$6,315)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets					
This amount represents long-term debt proceeds					(\$776,559)
This amount represents long-term debt payments					\$436,169
Governmental funds report capital outlays as expenditures, while in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense					\$2,259,552
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds					(\$576,470)
<u>Changes in Net Assets of Governmental Activities</u>					<u>\$837,450</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SOUTHWEST HARBOR, MAINE
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012

(Exhibit V)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$150,824	\$16,664	\$167,488
Accounts Receivable - Net of Bad Debt Provision	\$190,140	\$158,414	\$348,554
Inventory of Materials and Supplies	\$1,063	\$0	\$1,063
Deferred Charges and Prepaid Expenses	\$32,516	\$0	\$32,516
Due from General Fund	\$0	\$9,928	\$9,928
<u>Total Current Assets</u>	<u>\$374,543</u>	<u>\$185,005</u>	<u>\$559,548</u>
<u>Non-Current Assets</u>			
Utility Plant, net of Accumulated Depreciation	\$3,816,072	\$2,260,207	\$6,076,279
<u>Total Non-Current Assets</u>	<u>\$3,816,072</u>	<u>\$2,260,207</u>	<u>\$6,076,279</u>
<u>Total Assets</u>	<u>\$4,190,615</u>	<u>\$2,445,212</u>	<u>\$6,635,827</u>
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$27,820	\$10,263	\$38,083
Accrued Interest	\$4,644	\$0	\$4,644
Current Portion of Long-Term Debt	\$134,766	\$80,805	\$215,571
Due to General Fund	\$237,676	\$532,708	\$770,384
<u>Total Current Liabilities</u>	<u>\$404,906</u>	<u>\$623,776</u>	<u>\$1,028,682</u>
<u>Non-Current Liabilities</u>			
Bonds and Notes Payable, net of Current Portion	\$1,844,048	\$1,198,394	\$3,042,442
<u>Total Non-Current Liabilities</u>	<u>\$1,844,048</u>	<u>\$1,198,394</u>	<u>\$3,042,442</u>
<u>Total Liabilities</u>	<u>\$2,248,954</u>	<u>\$1,822,170</u>	<u>\$4,071,124</u>
<u>Net Assets</u>			
Investment in Capital Assets, net of related debt	\$1,837,258	\$981,008	\$2,818,266
Unrestricted (Deficit)	\$104,403	(\$357,966)	(\$253,563)
<u>Total Net Assets</u>	<u>\$1,941,661</u>	<u>\$623,042</u>	<u>\$2,564,703</u>
<u>Total Liabilities and Net Assets</u>	<u>\$4,190,615</u>	<u>\$2,445,212</u>	<u>\$6,635,827</u>
<u>Total Fund Balance - Governmental Funds</u>			<u>\$2,564,703</u>
Net assets reported for governmental activities in the statement of net assets are different because:			
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds, including compensated absences			
			<u>(\$20,739)</u>
<u>Net Assets of Governmental Activities</u>			<u>\$2,543,964</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SOUTHWEST HARBOR, MAINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Exhibit VI)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<u>Operating Revenues</u>			
Charges for Services	\$636,841	\$504,121	\$1,140,962
Other Revenues	\$3,911	\$7,689	\$11,600
<u>Total Operating Revenues</u>	<u>\$640,752</u>	<u>\$511,810</u>	<u>\$1,152,562</u>
<u>Operating Expenses</u>			
Consulting	\$43,704	\$0	\$43,704
Salaries & Benefits	\$187,701	\$221,560	\$409,261
Utilities	\$72,460	\$43,453	\$115,913
Purification and Sludge Disposal	\$0	\$99,123	\$99,123
Repairs & Maintenance	\$69,102	\$29,002	\$98,104
Depreciation and Amortization	\$121,533	\$142,347	\$263,880
Office Supplies	\$0	\$2,390	\$2,390
Transportation	\$7,024	\$124	\$7,148
Insurance	\$10,253	\$4,020	\$14,273
Professional Services	\$4,998	\$4,682	\$9,680
Miscellaneous	\$18,145	\$7,566	\$25,711
Administrative Fees	\$10,000	\$10,000	\$20,000
<u>Total Operating Expenses</u>	<u>\$544,920</u>	<u>\$564,266</u>	<u>\$1,109,186</u>
<u>Operating Profit</u>	<u>\$95,832</u>	<u>(\$52,456)</u>	<u>\$43,376</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Earned	\$187	\$38	\$225
Interest Expense	(\$34,151)	(\$46,592)	(\$80,743)
Transfer from General Fund	\$0	\$18,822	\$18,822
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(\$33,964)</u>	<u>(\$27,733)</u>	<u>(\$61,697)</u>
<u>Change in Net Assets</u>	<u>\$61,868</u>	<u>(\$80,189)</u>	<u>(\$18,321)</u>
<u>Net Assets - Beginning</u>	<u>\$1,879,793</u>	<u>\$703,231</u>	<u>\$2,583,024</u>
<u>Net Assets - Ending</u>	<u>\$1,941,661</u>	<u>\$623,042</u>	<u>\$2,564,703</u>
<u>Reconciliation to Statement of Activities, change in Net Assets</u>			<u>(\$18,321)</u>
Net Change in Fund Balances - Above			
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 - Compensated Absences			(\$2,791)
<u>Changes in Net Assets of Governmental Activities</u>			<u>(\$21,112)</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SOUTHWEST HARBOR, MAINE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Exhibit VII)

	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Total Proprietary Funds</i>
<u><i>Cash Flows from Operating Activities</i></u>			
Received from Customers	\$663,435	\$540,383	\$1,203,818
Payments to Suppliers for Goods and Services	(\$168,515)	(\$212,214)	(\$380,729)
Payments to Employees for Services	(\$187,701)	(\$206,490)	(\$394,191)
<u><i>Cash Flows from Operations</i></u>	<u>\$307,219</u>	<u>\$121,680</u>	<u>\$428,899</u>
<u><i>Cash Flows from Investing Activities</i></u>			
Interest Earned	\$187	\$38	\$225
<u><i>Cash Flows from Investing Activities</i></u>	<u>\$187</u>	<u>\$38</u>	<u>\$225</u>
<u><i>Cash Flows from Financing Activities</i></u>			
Acquisition and Construction of Fixed Assets	(\$444,041)	(\$153,217)	(\$597,258)
Proceeds from Long-Term Borrowings	\$382,544	\$135,000	\$517,544
Debt Retired	(\$115,207)	(\$63,621)	(\$178,828)
Interest Paid	(\$34,296)	(\$37,586)	(\$71,882)
<u><i>Cash Flows from Financing Activities</i></u>	<u>(\$211,000)</u>	<u>(\$119,424)</u>	<u>(\$330,424)</u>
<u><i>Net Cash Flow</i></u>	<u>\$96,406</u>	<u>\$2,294</u>	<u>\$98,700</u>
<u><i>Beginning Cash Balance</i></u>	<u>\$54,418</u>	<u>\$14,370</u>	<u>\$68,788</u>
<u><i>Ending Cash Balance</i></u>	<u><u>\$150,824</u></u>	<u><u>\$16,664</u></u>	<u><u>\$167,488</u></u>
<u><i>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</i></u>			
Operating Income (Loss)	\$95,832	(\$52,456)	\$43,376
<u><i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i></u>			
Depreciation	\$121,533	\$142,347	\$263,880
Bad Debt Allowance	\$0	(\$1,088)	(\$1,088)
<u><i>Changes in Assets and Liabilities</i></u>			
Receivables, net	\$10,155	\$29,661	\$39,816
Inventory	\$1,062	\$0	\$1,062
Accrued Revenue	\$12,528	\$0	\$12,528
Deferred Charges	\$5,430	\$0	\$5,430
Accounts Payable	\$60,679	\$3,216	\$63,895
<u><i>Cash Flows from Operations</i></u>	<u><u>\$307,219</u></u>	<u><u>\$121,680</u></u>	<u><u>\$428,899</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SOUTHWEST HARBOR, MAINE
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2012

(Exhibit VIII)

	<u>Dickey Fund</u>	<u>Johnson Fund</u>	<u>Student Activities</u>	<u>PTO</u>	<u>Agency Fund General Trust</u>	<u>Total Fiduciary Funds</u>
<u>Assets</u>						
Cash and Cash Equivalents		\$79,669	\$7,270	\$7,875		\$94,814
Investments at Fair Market Value	\$34,641				\$41,830	\$76,471
<u>Total Assets</u>	<u>\$34,641</u>	<u>\$79,669</u>	<u>\$7,270</u>	<u>\$7,875</u>	<u>\$41,830</u>	<u>\$171,285</u>
<u>Net Assets</u>						
Reserve for Endowments		\$79,669				\$79,669
Unrestricted	\$34,641		\$7,270	\$7,875	\$41,830	\$91,616
<u>Total Net Assets</u>	<u>\$34,641</u>	<u>\$79,669</u>	<u>\$7,270</u>	<u>\$7,875</u>	<u>\$41,830</u>	<u>\$171,285</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SOUTHWEST HARBOR, MAINE

(Exhibit IX)

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Dickey Fund</u>	<u>Johnson Fund</u>	<u>Student Activities</u>	<u>PTO</u>	<u>Sports Boosters</u>	<u>Agency Fund General Trust</u>	<u>Total Fiduciary Funds</u>
<u>Additions</u>							
Trust Fund Income		\$20,429					\$20,429
Student Activities			\$24,944	\$7,512			\$32,456
Investment Earnings	\$1,461					\$1,806	\$3,267
Unrealized Gain (Loss)	<u>(\$1,997)</u>	<u>\$122</u>				<u>(\$2,486)</u>	<u>(\$4,362)</u>
<u>Total Additions</u>	<u>(\$536)</u>	<u>\$20,551</u>	<u>\$24,944</u>	<u>\$7,512</u>	<u>\$0</u>	<u>(\$680)</u>	<u>\$51,791</u>
<u>Reductions</u>							
Miscellaneous	\$269					\$405	\$674
School Activities		<u>\$32,064</u>	<u>\$28,953</u>	<u>\$5,111</u>	<u>\$30</u>		<u>\$66,158</u>
<u>Total Reductions</u>	<u>\$269</u>	<u>\$32,064</u>	<u>\$28,953</u>	<u>\$5,111</u>	<u>\$30</u>	<u>\$405</u>	<u>\$66,831</u>
<u>Additions Over Reductions</u>	<u>(\$805)</u>	<u>(\$11,513)</u>	<u>(\$4,009)</u>	<u>\$2,401</u>	<u>(\$30)</u>	<u>(\$1,085)</u>	<u>(\$15,041)</u>
Transfers			<u>\$484</u>		<u>(\$484)</u>		<u>\$0</u>
<u>Change in Net Assets</u>	<u>(\$805)</u>	<u>(\$11,513)</u>	<u>(\$3,525)</u>	<u>\$2,401</u>	<u>(\$514)</u>	<u>(\$1,085)</u>	<u>(\$15,041)</u>
<u>Beginning Net Assets</u>	<u>\$35,446</u>	<u>\$91,182</u>	<u>\$10,795</u>	<u>\$5,474</u>	<u>\$514</u>	<u>\$42,915</u>	<u>\$186,326</u>
<u>Ending Net Assets</u>	<u>\$34,641</u>	<u>\$79,669</u>	<u>\$7,270</u>	<u>\$7,875</u>	<u>\$0</u>	<u>\$41,830</u>	<u>\$171,285</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SOUTHWEST HARBOR, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Southwest Harbor, Maine (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the governmental accounting and financial reporting principles. The more significant of the Town's accounting principles are described below.

A. Financial Reporting Entity

The accompanying financial statements present the government of the Town of Southwest Harbor, Maine, which is identified based upon the criteria identified in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The Town is governed under a Town Manager/Selectmen form of government. The Town engages in a comprehensive range of municipal services, including administrative services, police and fire protection, health and sanitation, highways and bridges and education. In addition, the Town exercises sufficient control over other governmental units that are included as part of the Town's reporting entity. The Town of Southwest Harbor Sewer and Water Department's are separate departments of the Town of Southwest Harbor, Maine. These departments are included in the basic financial statements in the proprietary fund. The Town's basic financial statements include all Town operations. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and the appointment of the respective governing board.

Fiscal Year End

All funds of the Town, with the exception of the Town of Southwest Harbor Water Department, are reported as of and for the fiscal year ended June 30, 2012. December 31st is the year-end of the Water Department and the last separate financial statements were as of and for the year ended December 31, 2011. The amounts included in the Town's 2012 financial statements for the Water Department are amounts as of and for the year ended December 31, 2011.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 segment 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 fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions 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 (i.e. intended to finance). Grants are recognized as revenue as

soon as all eligibility requirements have been met.

The 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 on long-term debt, are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports deferred revenue on its governmental fund financial statements. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The capital projects fund is used to account for financial resources to be used for the acquisition of construction of major capital assets or facilities. A capital projects fund is usually established when the acquisition or construction of the capital project extends beyond a single fiscal year and the capital asset is financed by specifically designated resources, such as general obligation bonds and grants.

Permanent funds are used to account for assets held in perpetuity and therefore cannot be used to support the Town's own programs, but the investment earnings may be used for designated purposes.

The Town reports the following major proprietary funds:

The sewer fund accounts for the activities of the sewerage operations. The Town operates the sewer collection system and related administrative costs.

The water fund accounts for the activities of the water department operations. The Town operates the water department facility and related administrative costs.

Additionally, the Town reports the following fund types:

Private purpose 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.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict pronouncements of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The Town of Southwest Harbor's Sewer and Water Departments have elected to follow subsequent private-sector guidance.

Amounts reported as program revenues 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 for 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 are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Fund Equity

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 one year or less from the date of acquisition. These investments are not specifically identified with any one fund.

The Town may invest in certificates of deposit, in time deposits, and in any securities in which State of Maine Statutes authorize them to invest in.

Investments are carried at fair market value. Income from investments held by the individual funds are recorded in the respective funds as it is earned.

Accounts Receivable and Payable

All material receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are accounted for using the consumption method. Under this method, inventories are recorded as expenditures when used rather than when purchased. Inventory in the School Lunch Program consists of food, supplies and U.S.D.A. Donated Commodities. Inventories in the General Fund consist of gas and diesel for town vehicles and equipment.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The prepayments are charged to expenditures on the governmental fund financial statements over the period of their economic benefit. Amounts of governmental fund inventories are offset by a fund balance reserve account to indicate that they do not represent "available spending resources".

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Infrastructure	30-50
Sewer Lines	40
Equipment	4-20

Depreciation of exhaustible fixed assets used by the enterprise funds is charged as an expense against operations and accumulated depreciation is reported on the enterprise fund balance sheet. Depreciation on assets acquired with contributions in aid to construction is charged to the contributions in aid to construction account. An offsetting credit is made to the depreciation expense account which is charged as an expense against operations.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds effected in the period in which transactions are executed.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on length of service. Vacation pay is cumulative to 25 days and sick leave is cumulative to 60 days. Unused vacation days are payable to employees upon termination of employment. The value of the unpaid vacation pay and sick pay has been recorded on the government-wide financial statements as compensated absences. School Department employees are granted compensated leave as per their negotiated contracts.

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 financial statements. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

Governmental Fund Balances

The Town has applied GASB Statement No 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of its resources reported in governmental funds. As such, the Town has identified June 30, 2012 fund balances on the balance sheet as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total
<u>Nonspendable</u>					
Gas/Oil Inventory	\$8,561				\$8,561
School Lunch Inventory	\$2,733				\$2,733
<u>Restricted</u>					
School Department	\$170,026				\$170,026
Restriction Due to Non-Current Assets	\$468,417				\$468,417
Conservation Commission		\$103,686			\$103,686
Police Reserves		\$1,752			\$1,752
Pemetic Playground		\$1,847			\$1,847
State Revenue Sharing		\$17,115			\$17,115
Local Road Assistance		\$9,418			\$9,418
Safe Routes to School Grant		\$9,886			\$9,886
Trail Grant		\$4,276			\$4,276
Septic Tank Grant		\$131			\$131
Wellness Grant		\$125			\$125
CIP - Police Station Construction			\$811		\$811
Wesley Ave/Mansell Lane Project			\$459,681		\$459,681

Committed

School Maintenance Reserve	\$36,353				\$36,353
School Bus Purchase Reserve	\$68,053				\$68,053
School Special Education Reserve	\$193,514				\$193,514
Docks & Floats Reserve	\$17				\$17
Legal & Accounting Reserve	\$22,845				\$22,845
Highway Garage Reserve	\$37,684				\$37,684
Parking Lot Maintenance Reserve	\$2				\$2
Public Safety Site Reserve	\$1				\$1
Comprehensive Plan Committee Reserve	\$1,557				\$1,557
Unemployment Reserve	(\$81)				(\$81)
Loader & Snow Equipment Reserve	\$3				\$3
Revaluation Reserve	\$15,285				\$15,285
Shellfish Reserve	\$3,763				\$3,763
Storm Drains Reserve	\$4,076				\$4,076
Sidewalk Reserve	\$6				\$6
Municipal Building Reserve	\$15,567				\$15,567
Police Cruiser Reserve	\$4				\$4
Police Equipment Reserve	\$199				\$199
Public Safety Land Reserve	\$0				\$0
Harbor Master Office Reserve	\$19,394				\$19,394
Floats/Finger Floats Reserve	\$8				\$8
Harbor Master Boat Reserve	\$810				\$810
Public Works Bathroom Reserve	\$14,068				\$14,068
Dispatch Equipment Reserve	\$1				\$1
Lower Town Dock Reserve	\$6				\$6
Radio Communication Reserve	\$12,003				\$12,003
Antenna Relocation Reserve	\$15,112				\$15,112
Emergency Vehicle Reserve	\$16				\$16
Fire Truck Reserve	\$41,145				\$41,145
CIP Funds (see Exhibit A-2)	\$996,226				\$996,226

Assigned

Professional Development	\$4,716				\$4,716
Dare Program	\$119				\$119
Junior Fire Department	\$127				\$127
Police Drug Enforcement	\$0				\$0
Swap Shop	\$2,588				\$2,588
Cemetery Trust				\$108,072	\$108,072

<u>Unassigned</u>	\$1,776,939				\$1,776,939
<u>Total Fund Balances</u>	<u>\$2,426,677</u>	<u>\$1,653,422</u>	<u>\$460,492</u>	<u>\$108,072</u>	<u>\$4,648,662</u>

The Town considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

The Board of Selectmen are authorized to make assignments pursuant to their appointment. Committed fund balances are determined based on the need of town meeting votes.

Net Assets

Net assets are required to be classified into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets 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.

Restricted - This component of net assets consists of restrictions placed on net assets 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. The government-wide statement of net assets reports \$1,258,466 of restricted net assets, of which enabling legislation restricts \$0.

Unrestricted - This component consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

E. Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised at the town manager and selectmen level, with support from individual department heads. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

F. Endowments

In the fiduciary funds, there are established endowment funds of \$79,669 for the Catherine Johnson Trust Fund. The investment earnings of this fund is used for the specific purposes that the funds were established for and shall be paid out by order of those persons responsible for administering the funds. State law directs that, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

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 authorized by Maine State Statutes. The Town requires that, at the time funds are deposited, there is collateral in place to cover the deposits in excess of the FDIC insurance limits.

State Statutes require banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the Town in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

The financial institution holding the Town's cash accounts is participating in the FDIC Transaction Account Guarantee Program. Under the program, through December 31, 2012, all noninterest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. For interest bearing cash accounts, the Town's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits, including certificates of deposit, in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account and thus no custodial risk exists.

At year end, the carrying value of the Town's deposits was \$1,317,177 and the bank balance was \$1,238,997. The Town has \$150,990 of uninsured and uncollateralized deposits as of June 30, 2012. Since year-end, these deposits are now fully insured.

Investments

At June 30, 2012, the Town's Governmental Fund investments balances were as follows:

	Fair Market	Maturities (yrs)		
	Value	Less than 1 yr	1-5 yrs	Long-term
Equities	\$41,324	\$41,324		
Fixed Funds	\$132,220	\$31,157	\$101,064	
Certificates of Deposit	\$1,984,749	\$1,984,749		
U.S. Treasury Securities - Agencies	\$976,974	\$976,974		
Money Markets	\$4,341	\$4,341		
	<u>\$3,139,609</u>	<u>\$3,038,546</u>	<u>\$101,064</u>	<u>\$0</u>

At June 30, 2012, the Town's Fiduciary Fund investments balances were as follows:

	Fair Market	Maturities (yrs)		
	Value	Less than 1 yr	1-5 yrs	Long-term
Fixed Funds	\$28,667	\$28,667		
Equity Funds	\$45,301	\$45,301		
Money Markets	\$2,503	\$2,503		
	<u>\$76,471</u>	<u>\$76,471</u>	<u>\$0</u>	<u>\$0</u>

Generally, the Town's investing activities are managed under the custody of the Town Treasurer. Investing is performed in accordance with State Statutes. The Town may legally invest in U.S. Government securities and agencies, U.S. Government sponsored agencies and in bank repurchase agreements.

Custodial credit risk - for an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment securities that are in the possession of an outside party. As a means of limiting its exposure to custodial credit risk, the Town requires that, at the time funds are invested, collateral for repurchase agreements be held in the Town's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town invests in short-term repurchase obligations and short-term investments held by a local banking institution. Money market and mutual funds are presented as investments with a maturity of less than one year because they are redeemable in full immediately.

Credit risk - credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town limits its investments to those authorized by Maine State Statutes, which authorize the Town to make deposits/investments in insured commercial banks, insured credit union and direct debt securities of the United States Government unless such an investment unless such an investment is expressly prohibited by law.

Note 3 - Property Taxes

Property taxes were assessed on April 1, 2011 and committed on July 11, 2011. Interest of 7.0% per annum is charged on delinquent taxes. Tax liens are recorded on property taxes remaining unpaid twelve months after the commitment date. Tax liens unpaid for a period of eighteen months expire and the property becomes tax acquired by the Town. For governmental funds, only property taxes which are intended to finance the current fiscal year and collected within 60 days subsequent to year-end are recorded as revenue. Accordingly, \$130,785 of the property taxes receivable have been classified as deferred tax revenue on the general fund balance sheet.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated</u>				
Land	\$461,164			\$461,164
<u>Capital assets being depreciated</u>				
Land Improvements	\$236,091	\$16,740		\$252,831
Buildings	\$7,722,677	\$81,091		\$7,803,768
Equipment	\$2,264,635	\$817,957	\$57,807	\$3,024,786
Infrastructure	\$10,886,141	\$1,343,763		\$12,229,904
Total capital assets being depreciated	\$21,109,544	\$2,259,552	\$57,807	\$23,311,289
<u>Less accumulated depreciation for</u>				
Land Improvements	\$83,915	\$15,966		\$99,881
Buildings	\$1,727,102	\$155,436		\$1,882,538
Equipment	\$1,118,739	\$173,868	\$57,807	\$1,234,800
Infrastructure	\$5,359,193	\$231,200		\$5,590,393
Total accumulated depreciation	\$8,288,948	\$576,470	\$57,807	\$8,807,611
Net capital assets being depreciated	\$12,820,596	\$1,683,082	\$0	\$14,503,678
<u>Governmental Activities, Capital Assets, net</u>	<u>\$13,281,760</u>	<u>\$1,683,082</u>	<u>\$0</u>	<u>\$14,964,842</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type Activities:</u>				
<u>Capital assets not being depreciated</u>				
Land	\$52,805			\$52,805
<u>Capital assets being depreciated</u>				
Water System	\$5,226,652	\$371,345		\$5,597,997
Sewer System	\$4,736,801	\$153,217		\$4,890,017
Total capital assets being depreciated	\$9,963,453	\$524,562	\$0	\$10,488,014
<u>Less accumulated depreciation for</u>				
Water System	\$1,377,189	\$436,750		\$1,813,939
Sewer System	\$2,508,255	\$142,347		\$2,650,602
Total accumulated depreciation	\$3,885,444	\$579,097	\$0	\$4,464,541
Net capital assets being depreciated	\$6,078,009	(\$54,535)	\$0	\$6,023,474
<u>Business-type Activities, Capital Assets, net</u>	<u>\$6,130,814</u>	<u>(\$54,535)</u>	<u>\$0</u>	<u>\$6,076,279</u>

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

<u>Governmental Activities</u>	
General Government	\$7,749
Protection	\$116,305
Education	\$150,317
Transportation, including depreciation of general infrastructure assets	\$288,622
Unclassified	\$13,476
Total Depreciation Expense - Governmental Activities	\$576,470

Business-Type Activities

Water Department	\$436,750
Sewer Department	\$142,347
	<u>\$579,097</u>

Note 5 - Interfund Balances and Activity

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. They are classified as Due from Other Funds, with an offsetting payable classified as Due to Other Funds. At June 30, 2012, the due to/from balances consisted of the following:

Due to	Due from				
	General Fund	Special Revenue	Capital Projects	Water Department	Sewer Department
General Fund	\$0	\$1,012	\$0	\$68,279	\$532,708
Special Revenue	\$1,270,730	\$0	\$0	\$0	\$0
Capital Projects	\$811	\$0	\$0	\$0	\$0
Water Department	\$0	\$0	\$0	\$0	\$1
Sewer Department	\$494	\$0	\$0	\$0	\$0
	<u>\$1,272,035</u>	<u>\$1,012</u>	<u>\$0</u>	<u>\$68,279</u>	<u>\$532,709</u>

On the proprietary fund statement of net assets, the Water Department due from the general fund balance is \$0 and the due to the general fund balance is \$237,676. The amounts reported on the proprietary fund statement of net assets for the Water Department are as of its year-ended December 31, 2011. The amounts listed above are as of June 30, 2012 and correspond to the amounts reported on the governmental fund statement of net assets.

The general fund balance due to special revenue funds represents special revenue fund reserves for which the cash balance for those reserves is accounted for on the general fund. These amounts will be repaid as needed for those reserve projects. The general fund balance due to capital project fund will be repaid within the next year. The general fund balance due to water and sewer represents cash collections of user fees that are deposited into the general fund checking account and will be repaid within the next year. The general fund due from water and sewer represents cash paid on behalf of those departments by the general fund for payroll and other expenses. These amounts are not expected to be fully repaid within the next year, so a portion of these receivables have been reserved and recorded as Restriction Due to Noncurrent Assets, which is accounted for in the restricted net assets on the general fund balance sheet.

Operating transfers in and out represent the transfer of funds for reserve appropriations and school department transfers to the school department reserves.

Note 6 - Long-Term Debt

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the Town of Southwest Harbor, Maine. The following is a summary of the Town's long-term debt transactions for the year ended June 30, 2012:

<u>Current Year Debt Activity:</u>	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
<u>Debt Outstanding at July 1, 2011</u>	\$5,683,232	\$2,912,949	\$8,596,181
<u>New Debt Issued</u>	\$776,559	\$135,000	\$911,559
<u>Retirements and repayments</u>	<u>(\$436,169)</u>	<u>(\$181,237)</u>	<u>(\$617,406)</u>
<u>Debt Outstanding at June 30, 2012</u>	<u>\$6,023,623</u>	<u>\$2,866,712</u>	<u>\$8,890,334</u>

<u>Purpose</u>	<u>Dated</u>	<u>Payments</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>General Long-Term Debt</u>				
<u>School Construction:</u>	5/1/2000	Principal Payment	5.028%-5.903%	\$2,349,450
Maine Municipal Bond Bank		\$261,050		
<u>Legette Property Purchase:</u>	12/6/2002	Principal Payment	4.35%	\$20,907
First National Bank		\$21,025		
<u>New Fire Station</u>	5/26/2005	Principal Payment	4.75%	\$836,000
Maine Municipal Bond Bank		\$44,000		
<u>Police Station Renovation</u>	3/24/2010	Fixed Payment	4.00%	\$365,363
U.S.D.A. Rural Development		\$22,375		
<u>Lower Town Dock</u>	11/15/2010	Principal Payment	3.23%	\$75,000
Bar Harbor Bank & Trust		\$25,000		
<u>Wesley Ave/Mansell Lane Project</u>	10/28/2010	Varies	0.831%-5.094%	\$1,605,831
Maine Municipal Bond Bank				
<u>Fire Truck</u>	9/20/2011	Principal Payment	3.08%	\$750,000
Androscoggin Bank		\$75,000		
<u>School Department Copier Lease (Capital Lease)</u>	5/1/2011	Varies	3.29%	\$21,071
Gorham Leasing				
<u>Enterprise Funds</u>				
<u>Sewer Department:</u>	10/28/2010	Principal Payment	2.000%-5.500%	\$1,154,015
Maine Municipal Bond Bank		\$53,805		
<u>Sewer Department Clarifiers</u>	3/4/2011	Principal Payment	2.89%-3.89%	\$125,184
Bar Harbor Bank & Trust		\$27,000		
<u>Water Department:</u>	10/28/2010	Varies	2.000%-5.500%	\$985,384
Maine Municipal Bond Bank				
<u>Drinking Water</u>	7/21/2009	Principal Payment	0.00%	\$217,070
Maine Municipal Bond Bank		\$12,404		
<u>Drinking Water</u>	7/21/2009	Principal Payment	0.00%	\$385,059
Maine Municipal Bond Bank		\$22,141		
				<u>\$8,890,334</u>

Presented below is a summary of debt service requirements along with estimated interest:

Governmental Activities			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$511,271	\$266,637	\$777,907
2014	\$491,329	\$244,315	\$735,644
2015	\$492,466	\$222,498	\$714,964
2016	\$468,745	\$199,460	\$668,205
2017	\$464,486	\$178,140	\$642,626
2018-2022	\$2,087,624	\$585,709	\$2,673,333
2023-2027	\$724,212	\$294,307	\$1,018,518
2028-2032	\$649,221	\$107,051	\$756,272
2033-2037	\$92,100	\$19,775	\$111,875
2038-2039	\$42,171	\$2,546	\$44,717
<u>Totals</u>	<u>\$6,023,623</u>	<u>\$2,120,438</u>	<u>\$8,144,060</u>

Business-Type Activities			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$196,012	\$63,890	\$259,902
2014	\$196,012	\$55,744	\$251,756
2015	\$196,012	\$49,794	\$245,806
2016	\$196,012	\$46,198	\$242,210
2017	\$186,196	\$42,870	\$229,066
2018-2022	\$798,524	\$167,199	\$965,723
2023-2027	\$649,346	\$105,694	\$755,040
2028-2032	\$370,687	\$48,169	\$418,856
2033-2034	\$77,911	\$2,437	\$80,348
<u>Totals</u>	<u>\$2,866,712</u>	<u>\$581,997</u>	<u>\$3,448,708</u>

Note 7 - Obligation Under Contracted Salaries

The Southwest Harbor School Department's teaching staff operate under contracts which are on a different fiscal year than the Town. The teacher contracts are on a September through August fiscal year as compared to a July through June fiscal year for the Town. At June 30, 2012, the Town is obligated for July and August 2012 contracted salaries and related benefits for these contracted employees. This obligation has been recorded on the general fund financial statement.

Note 8 - Pension Plans

Most employees of the School District participate in the Maine Public Employees Retirement System. The Maine Public Employees Retirement System is a multiple-employer, cost-sharing pension plan. Benefits provided by the Maine Public Employees Retirement System arise from employee and employer contributions determined on a statutory actuarial reserve basis.

School District employees are eligible for normal retirement at age 60, provided that they have 25 years of service credited under the System. School District employees over age 60 who become permanently disabled receive normal retirement benefits. School District employees under the age of 60 who become permanently disabled receive 2/3 of their average final compensation, reduced by other forms of disability benefits received.

School Department employees contribute 7.65% of their salaries to the Retirement System while the School Department's share is the responsibility of the State of Maine. The School Department is responsible for the employer contributions for employees paid with Federal funds. The cost of these benefits is charged to the applicable Federally funded program. Employer contributions made to the pool are made by the State, at a rate of 14.32%. A financial report for the Maine Public Employees Retirement System can be obtained at Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046.

Full time municipal employees, not covered under the Maine Public Employees Retirement System can elect to participate in Intern Revenue Code Section 401 and 457 pension plans. The plans are covered by ICMA Retirement Corporation. Employees who elect coverage under the 401 plan contribute 6% of their salary to the plan. The Town contributes 6% to the plan. Employees who elect coverage under the Section 457 plan can contribute up to \$16,500 in 2011 and \$17,000 in 2012. The Town's cost totaled \$12,967 for the fiscal year ended June 30, 2012.

Note 9 - Restricted Net Assets

The Town reports restricted net assets totaling \$1,258,466 on its statements of net assets. These restricted net assets represent the nonspendable and restricted fund balances detailed in the Governmental Fund Balances note above.

Note 10 - Deficit Net Assets

The Sewer Department enterprise fund had a net asset deficit as of June 30, 2012 of \$(357,966). This deficit is expected to be reduced through future fee collections. The Town significantly increased the sewer rates in 2010-2011 to start funding the deficit.

Note 11 - Commitment and Contingencies

The School Department participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time, however, the School Department does not believe such amounts would be significant.

Note 12 - Participation in Public Entity Risk Pool

The Town participates in Public Entity Risk Pools for the purposes of Workers Compensation Insurance. The Public Entity Risk Pool is administered by the Maine Municipal Association. The Public Entity Risk Pools were established for the purposes of lowering costs for member are for developing specific programs to control losses. Member pay annual premiums to the Maine Municipal Association for the participation in the respective program.

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters for which the Town carries municipal and commercial insurance. Based on the coverage provided by this insurance, the Town is not aware of any material actual and potential claim liabilities which should be recorded at June 30, 2012.

Note 13 - Pending Litigation

According to legal counsel, there are no matters that would result in adverse losses, claims, or assessments against the Town of Southwest Harbor, Maine through the date of the audit report.

TOWN OF SOUTHWEST HARBOR, MAINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Exhibit X)

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>				
Tax Revenues, Including Homestead Exemption	\$7,233,851	\$7,233,851	\$7,298,552	\$64,701
Excise Taxes	\$335,000	\$335,000	\$338,942	\$3,942
Interest Earned	\$25,000	\$25,000	\$15,131	(\$9,869)
Interest on Delinquent Taxes	\$20,000	\$20,000	\$30,892	\$10,892
Docks & Floats Rentals	\$66,700	\$66,700	\$72,135	\$5,435
Water & Sewer Department Management Fees	\$20,000	\$20,000	\$20,000	\$0
Solid Waste Revenue	\$50,000	\$50,000	\$55,075	\$5,075
Permits, Fees & Other Revenues	\$92,862	\$92,862	\$121,377	\$28,515
<u>Total Revenues</u>	<u>\$7,843,414</u>	<u>\$7,843,414</u>	<u>\$7,952,105</u>	<u>\$108,692</u>
<u>Expenditures:</u>				
General Government	\$556,050	\$556,050	\$490,573	\$65,477
Protection	\$1,811,987	\$1,811,987	\$1,753,137	\$58,850
Health & Sanitation	\$430,150	\$430,150	\$371,779	\$58,371
Highways & Bridges	\$431,375	\$431,375	\$383,634	\$47,741
Education	\$4,113,770	\$4,113,770	\$4,145,580	(\$31,810)
Unclassified	\$204,211	\$204,211	\$197,594	\$6,617
Assessments	\$691,108	\$691,108	\$549,665	\$141,443
<u>Total Expenditures</u>	<u>\$8,238,651</u>	<u>\$8,238,651</u>	<u>\$7,891,963</u>	<u>\$346,688</u>
<u>Excess Revenues Over Expenditures</u>	<u>(\$395,237)</u>	<u>(\$395,237)</u>	<u>\$60,143</u>	<u>\$455,380</u>
<u>Other Financing Sources (Uses):</u>				
Bond Proceeds	\$750,000	\$750,000	\$750,000	\$0
Capital Lease Proceeds	\$0	\$0	\$26,559	\$26,559
Operating Transfers In	\$77,300	\$77,300	\$77,300	\$0
Operating Transfers Out	(\$447,063)	(\$447,063)	(\$470,601)	(\$23,538)
<u>Total Other Financing Sources (Uses)</u>	<u>\$380,237</u>	<u>\$380,237</u>	<u>\$383,259</u>	<u>\$3,022</u>
<u>Excess Revenues and Other Sources Over Expenditures and Other Uses</u>	<u>(\$15,000)</u>	<u>(\$15,000)</u>	<u>\$443,401</u>	<u>\$458,401</u>
<u>Beginning Fund Balances</u>	<u>\$1,983,275</u>	<u>\$1,983,275</u>	<u>\$1,983,275</u>	<u>\$0</u>
<u>Ending Fund Balances</u>	<u>\$1,968,275</u>	<u>\$1,968,275</u>	<u>\$2,426,677</u>	<u>\$458,401</u>

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF SOUTHWEST HARBOR, MAINE
SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Exhibit A-1, Page 1 of 3)

<u>Department</u>	<u>Beginning Balance</u>	<u>Budget</u>	<u>Operating Transfers In</u>	<u>Total Available</u>	<u>General Fund Expenditures</u>	<u>Operating Transfers Out</u>	<u>Lapsed Unexpended (Overdraft)</u>	<u>Ending Balance</u>
<u>General Government:</u>								
Administration	\$0	\$378,665	\$0	\$378,665	\$331,383	\$0	\$47,282	\$0
Assessing & Planning	\$0	\$151,295	\$0	\$151,295	\$129,501	\$0	\$21,794	\$0
Copier Reserve	\$0	\$2,700	\$0	\$2,700	\$0	\$2,700	\$0	\$0
Revaluation Reserve	\$0	\$7,500	\$0	\$7,500	\$0	\$7,500	\$0	\$0
Cable Access Reserve	\$0	\$2,000	\$0	\$2,000	\$0	\$2,000	\$0	\$0
Computer Reserve	\$0	\$8,650	\$0	\$8,650	\$0	\$8,650	\$0	\$0
Record Preservation Reserve	\$0	\$5,000	\$0	\$5,000	\$0	\$5,000	\$0	\$0
Municipal Offices	\$0	\$25,015	\$0	\$25,015	\$28,425	\$0	(\$3,410)	\$0
Building Renovation Reserve	\$0	\$25,000	\$0	\$25,000	\$0	\$25,000	\$0	\$0
Unemployment Reserve	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$0
Conservation Commission	\$0	\$1,075	\$0	\$1,075	\$1,264	\$0	(\$189)	\$0
	<u>\$0</u>	<u>\$616,900</u>	<u>\$0</u>	<u>\$616,900</u>	<u>\$490,573</u>	<u>\$60,850</u>	<u>\$65,477</u>	<u>\$0</u>
<u>Protection:</u>								
Fire Department	\$0	\$76,975	\$0	\$76,975	\$75,831	\$0	\$1,144	\$0
Fire Truck	\$0	\$750,000	\$0	\$750,000	\$745,317	\$4,683	\$0	\$0
Jaws of Life Reserve	\$0	\$1,200	\$0	\$1,200	\$0	\$1,200	\$0	\$0
SCBA Reserve	\$0	\$3,425	\$0	\$3,425	\$0	\$3,425	\$0	\$0
Ford Pick Up Reserve	\$0	\$7,335	\$0	\$7,335	\$0	\$7,335	\$0	\$0
Ford Rescue/Mini Pumper	\$0	\$20,000	\$0	\$20,000	\$0	\$20,000	\$0	\$0
Dispatch Service	\$0	\$256,360	\$0	\$256,360	\$237,963	\$0	\$18,397	\$0
Dispatch Console Reserve	\$0	\$1,000	\$0	\$1,000	\$0	\$1,000	\$0	\$0
Dispatch Security Cameras Reserve	\$0	\$500	\$0	\$500	\$0	\$500	\$0	\$0
Dispatch Communication Reserve	\$0	\$1,500	\$0	\$1,500	\$0	\$1,500	\$0	\$0
Hydrant Rental	\$0	\$221,025	\$0	\$221,025	\$201,025	\$0	\$20,000	\$0
Police Protection	\$0	\$445,565	\$0	\$445,565	\$439,806	\$0	\$5,759	\$0
Police Cruiser Reserve	\$0	\$2,760	\$0	\$2,760	\$0	\$2,760	\$0	\$0
Police 07 Ford Expedition Reserve	\$0	\$12,970	\$0	\$12,970	\$0	\$12,970	\$0	\$0
Police Speed Trailer Reserve	\$0	\$2,500	\$0	\$2,500	\$0	\$2,500	\$0	\$0
Street Lights	\$0	\$29,895	\$0	\$29,895	\$22,864	\$0	\$7,031	\$0
Insurance	\$0	\$36,850	\$0	\$36,850	\$30,331	\$0	\$6,519	\$0
	<u>\$0</u>	<u>\$1,869,860</u>	<u>\$0</u>	<u>\$1,869,860</u>	<u>\$1,753,137</u>	<u>\$57,873</u>	<u>\$58,850</u>	<u>\$0</u>
<u>Health & Sanitation:</u>								
Solid Waste / Recycling	\$0	\$419,000	\$0	\$419,000	\$361,357	\$0	\$57,643	\$0
Waste Prevention Committee	\$0	\$500	\$0	\$500	\$0	\$0	\$500	\$0
Acadia Disposal District	\$0	\$10,650	\$0	\$10,650	\$10,422	\$0	\$228	\$0
	<u>\$0</u>	<u>\$430,150</u>	<u>\$0</u>	<u>\$430,150</u>	<u>\$371,779</u>	<u>\$0</u>	<u>\$58,371</u>	<u>\$0</u>

TOWN OF SOUTHWEST HARBOR, MAINE

(Exhibit A-1, Page 2 of 3)

SCHEDULE OF DEPARTMENTAL OPERATIONS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Department</u>	<u>Beginning Balance</u>	<u>Budget</u>	<u>Operating Transfers In</u>	<u>Total Available</u>	<u>General Fund Expenditures</u>	<u>Operating Transfers Out</u>	<u>Lapsed Unexpended (Overdraft)</u>	<u>Ending Balance</u>
<u>Highways & Bridges:</u>								
Highway Department	\$0	\$322,175	\$0	\$322,175	\$280,625	\$0	\$41,550	\$0
Parking Lot Maintenance	\$0	\$1,000	\$0	\$1,000	\$0	\$0	\$1,000	\$0
Highway 1 Ton Pickup Reserve	\$0	\$25,380	\$0	\$25,380	\$0	\$25,380	\$0	\$0
Highway #2 Plow Truck Reserve	\$0	\$11,820	\$0	\$11,820	\$0	\$11,820	\$0	\$0
Highway Garage Reserve	\$0	\$20,000	\$0	\$20,000	\$0	\$20,000	\$0	\$0
Road Projects Reserve	\$0	\$100,000	\$0	\$100,000	\$0	\$100,000	\$0	\$0
Sidewalks Projects Reserve	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$0
John Deere Tractor Reserve	\$0	\$20,000	\$0	\$20,000	\$0	\$20,000	\$0	\$0
Parking Lot Reserve	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$0
Sidewalk Plow/Blower Reserve	\$0	\$6,000	\$0	\$6,000	\$0	\$6,000	\$0	\$0
John Deere Lawn Mower Reserve	\$0	\$3,200	\$0	\$3,200	\$0	\$3,200	\$0	\$0
Water Tank Replacement	\$0	\$15,000	\$0	\$15,000	\$0	\$15,000	\$0	\$0
Street Sweeper Reserve	\$0	\$20,000	\$0	\$20,000	\$0	\$20,000	\$0	\$0
Pressurized Line Striper Reserve	\$0	\$1,100	\$0	\$1,100	\$0	\$1,100	\$0	\$0
Docks & Floats	\$0	\$108,200	\$0	\$108,200	\$103,009	\$0	\$5,191	\$0
Boat Motor Reserve	\$0	\$1,660	\$0	\$1,660	\$0	\$1,660	\$0	\$0
4 x 16 Spruce Manset Reserve	\$0	\$7,405	\$0	\$7,405	\$0	\$7,405	\$0	\$0
Hoist Upgrade Reserve	\$0	\$4,000	\$0	\$4,000	\$0	\$4,000	\$0	\$0
Harbor Master Office Reserve	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$0
Cross Bracing Replacement	\$0	\$500	\$0	\$500	\$0	\$500	\$0	\$0
Lower Town Dock Parking Lot	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$0
Mooring Plan Update Reserve	\$0	\$5,280	\$0	\$5,280	\$0	\$5,280	\$0	\$0
Deck Planking Reserve	\$0	\$10,000	\$0	\$10,000	\$0	\$10,000	\$0	\$0
Ramp Resurfacing Reserve	\$0	\$7,145	\$0	\$7,145	\$0	\$7,145	\$0	\$0
Catwalk/Step Replacement	\$0	\$8,100	\$0	\$8,100	\$0	\$8,100	\$0	\$0
	<u>\$0</u>	<u>\$737,965</u>	<u>\$0</u>	<u>\$737,965</u>	<u>\$383,634</u>	<u>\$306,590</u>	<u>\$47,741</u>	<u>\$0</u>
<u>Assessments and Debt Service:</u>								
New Fire Station Debt	\$0	\$82,570	\$0	\$82,570	\$82,569	\$0	\$1	\$0
Legette Property Bond	\$0	\$22,830	\$0	\$22,830	\$22,813	\$0	\$17	\$0
Lower Town Dock Bond	\$0	\$30,000	\$0	\$30,000	\$27,968	\$0	\$2,032	\$0
Police Station Renovation Bond	\$0	\$22,375	\$0	\$22,375	\$22,375	\$0	\$0	\$0
Sewer Clarifiers Bond	\$0	\$31,500	\$0	\$31,500	\$18,822	\$0	\$12,678	\$0
Wesley-Mansell Project Bond	\$0	\$110,045	\$0	\$110,045	\$108,368	\$0	\$1,677	\$0
Overlay	\$0	\$106,392	\$0	\$106,392	\$176	\$0	\$106,216	\$0
Hancock County Taxes	\$0	\$285,395	\$0	\$285,395	\$285,395	\$0	\$0	\$0
	<u>\$0</u>	<u>\$691,108</u>	<u>\$0</u>	<u>\$691,108</u>	<u>\$568,486</u>	<u>\$0</u>	<u>\$122,621</u>	<u>\$0</u>

TOWN OF SOUTHWEST HARBOR, MAINE

(Exhibit A-1, Page 3 of 3)

SCHEDULE OF DEPARTMENTAL OPERATIONS - CONTINUEDFOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Department</u>	<u>Beginning Balance</u>	<u>Budget</u>	<u>Operating Transfers In</u>	<u>Total Available</u>	<u>General Fund Expenditures</u>	<u>Operating Transfers Out</u>	<u>Lapsed Unexpended (Overdraft)</u>	<u>Ending Balance</u>
<u>Education:</u>								
Elementary School	\$178,010	\$2,882,928	\$0	\$3,060,938	\$2,866,429	\$21,750	\$0	\$172,759
School Union #98	\$0	\$1,252,592	\$0	\$1,252,592	\$1,252,592	\$0	\$0	\$0
	<u>\$178,010</u>	<u>\$4,135,520</u>	<u>\$0</u>	<u>\$4,313,530</u>	<u>\$4,119,021</u>	<u>\$21,750</u>	<u>\$0</u>	<u>\$172,759</u>
<u>Unclassified:</u>								
Board of Appeals	\$0	\$1,000	\$0	\$1,000	\$567	\$0	\$433	\$0
Comprehensive Plan Committee	\$0	\$500	\$0	\$500	\$0	\$0	\$500	\$0
Harbor Committee	\$0	\$1,500	\$0	\$1,500	\$76	\$0	\$1,424	\$0
Planning Board	\$0	\$3,000	\$0	\$3,000	\$1,638	\$0	\$1,362	\$0
Shellfish Committee	\$0	\$0	\$0	\$0	\$96	\$0	(\$96)	\$0
Tree Fund	\$0	\$2,000	\$0	\$2,000	\$2,000	\$0	\$0	\$0
Warrant Committee	\$0	\$500	\$0	\$500	\$0	\$0	\$500	\$0
Generator	\$0	\$1,500	\$0	\$1,500	\$187	\$0	\$1,313	\$0
General Assistance	\$0	\$5,000	\$0	\$5,000	\$3,030	\$0	\$1,970	\$0
Bar Harbor Food Pantry	\$0	\$2,500	\$0	\$2,500	\$2,500	\$0	\$0	\$0
Downeast Health Service	\$0	\$900	\$0	\$900	\$900	\$0	\$0	\$0
Eastern Area on Aging	\$0	\$1,500	\$0	\$1,500	\$1,500	\$0	\$0	\$0
Hancock County Homecare	\$0	\$1,870	\$0	\$1,870	\$1,870	\$0	\$0	\$0
Harbor House	\$0	\$56,340	\$0	\$56,340	\$56,340	\$0	\$0	\$0
Hospice of Hancock County	\$0	\$600	\$0	\$600	\$600	\$0	\$0	\$0
Island Connections	\$0	\$2,000	\$0	\$2,000	\$2,000	\$0	\$0	\$0
Island Explorer	\$0	\$10,000	\$0	\$10,000	\$10,000	\$0	\$0	\$0
Library	\$0	\$55,000	\$0	\$55,000	\$55,000	\$0	\$0	\$0
Nursing Service	\$0	\$55,366	\$0	\$55,366	\$55,366	\$0	\$0	\$0
WHCA	\$0	\$635	\$0	\$635	\$635	\$0	\$0	\$0
MDI Comm. Campfire Coalition	\$0	\$2,500	\$0	\$2,500	\$2,500	\$0	\$0	\$0
	<u>\$0</u>	<u>\$204,211</u>	<u>\$0</u>	<u>\$204,211</u>	<u>\$196,804</u>	<u>\$0</u>	<u>\$7,407</u>	<u>\$0</u>
<u>TOTALS</u>	<u>\$178,010</u>	<u>\$8,685,714</u>	<u>\$0</u>	<u>\$8,863,723</u>	<u>\$7,883,435</u>	<u>\$447,063</u>	<u>\$360,466</u>	<u>\$172,759</u>

TOWN OF SOUTHWEST HARBOR, MAINE
SCHEDULE OF RESERVE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Exhibit A-2, Page 1 of 2)

<i>Town Funds</i>	<i>Beginning Balance</i>	<i>Revenues</i>	<i>Transfers from Funds</i>	<i>Interest Earned</i>	<i>Expenditures</i>	<i>Transfers to Funds</i>	<i>Ending Balance</i>
State Revenue Sharing	\$2,946	\$78,169	\$0	\$0	\$0	\$64,000	\$17,115
Docks & Floats	\$17	\$0	\$0	\$0	\$0	\$0	\$17
Legal and Accounting	\$23,098	\$0	\$0	\$131	\$385	\$0	\$22,845
Professional Development	\$0	\$0	\$4,716	\$0	\$0	\$0	\$4,716
Highway Garage	\$37,469	\$0	\$0	\$214	\$0	\$0	\$37,684
Parking Lot Maintenance	\$2	\$0	\$0	\$0	\$0	\$0	\$2
D.A.R.E. Program	\$104	\$14	\$0	\$1	\$0	\$0	\$119
Public Safety Site	\$1	\$0	\$0	\$0	\$0	\$0	\$1
Comprehensive Planning	\$1,548	\$0	\$0	\$9	\$0	\$0	\$1,557
Unemployment	\$748	\$0	\$10,000	\$4	\$10,832	\$0	(\$81)
Loader & Snow Equipment	\$3	\$0	\$0	\$0	\$0	\$0	\$3
Revaluation	\$15,198	\$0	\$0	\$87	\$0	\$0	\$15,285
Shellfish	\$2,439	\$1,610	\$0	\$14	\$0	\$300	\$3,763
State Highway Aid	\$3,378	\$19,040	\$0	\$0	\$0	\$13,000	\$9,418
Storm Drains	\$4,053	\$0	\$0	\$23	\$0	\$0	\$4,076
Junior Fire Department	\$126	\$0	\$0	\$1	\$0	\$0	\$127
Sidewalk Fund	\$6	\$0	\$0	\$0	\$0	\$0	\$6
Municipal Building Improvements	\$15,478	\$0	\$0	\$89	\$0	\$0	\$15,567
Police Drug Enforcement	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Police Cruiser	\$4	\$0	\$0	\$0	\$0	\$0	\$4
Police Equipment	\$4,568	\$0	\$0	\$21	\$4,390	\$0	\$199
Public Safety Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Harbor Master Office	\$19,283	\$0	\$0	\$110	\$0	\$0	\$19,394
Floats, Finger Float	\$8	\$0	\$0	\$0	\$0	\$0	\$8
Harbor Master Boat	\$806	\$0	\$0	\$5	\$0	\$0	\$810
Public Works Bathroom	\$13,988	\$0	\$0	\$80	\$0	\$0	\$14,068
Dispatch Equipment	\$1	\$0	\$0	\$0	\$0	\$0	\$1
Swap Shop	\$1,508	\$1,117	\$0	\$12	\$48	\$0	\$2,588
Lower Town Dock	\$85	\$0	\$0	\$9	\$88	\$0	\$6
Radio Communication	\$2,587	\$0	\$12,000	\$8	\$2,593	\$0	\$12,003
Antenna Relocation, etc.	\$2,688	\$0	\$15,000	\$9	\$2,585	\$0	\$15,112
Emergency Maintenance	\$8,588	\$0	\$0	\$34	\$8,606	\$0	\$16
Fire Truck	\$43,083	\$0	\$4,683	\$226	\$6,846	\$0	\$41,145
Safe Routes to School Grant	\$9,886	\$0	\$0	\$0	\$0	\$0	\$9,886
MMA Safety Enhancement Grant	\$0	\$1,990	\$0	\$0	\$1,990	\$0	\$0
Trail Grant	\$4,276	\$0	\$0	\$0	\$0	\$0	\$4,276
Septic Tank Grant	\$131	\$0	\$0	\$0	\$0	\$0	\$131
Wellness Grant	\$125	\$0	\$0	\$0	\$0	\$0	\$125
Harbor House CDBG Grant	\$0	\$19,331	\$0	\$0	\$19,331	\$0	(\$0)
Conservation Commission	\$94,253	\$28,056	\$0	\$3,063	\$21,686	\$0	\$103,686
Police	\$1,750	\$0	\$0	\$2	\$0	\$0	\$1,752
School Playground	\$1,668	\$786	\$0	\$0	\$606	\$0	\$1,847
<u>Total Town Funds</u>	<u>\$315,900</u>	<u>\$150,112</u>	<u>\$46,399</u>	<u>\$4,153</u>	<u>\$79,987</u>	<u>\$77,300</u>	<u>\$359,276</u>

<u>CIP Funds</u>							
Municipal Software	\$26,521	\$0	\$0	\$152	\$0	\$0	\$26,673
Computer	\$21,043	\$0	\$8,650	\$121	\$3,650	\$0	\$26,163
Record Preservation	\$14,175	\$0	\$5,000	\$84	\$0	\$0	\$19,259
Municipal Building Engineering	\$68,932	\$0	\$0	\$394	\$0	\$47,880	\$21,446
Building Renovations	\$63,455	\$0	\$25,000	\$467	\$0	\$0	\$88,922
Police Cruiser	\$22,801	\$0	\$2,760	\$132	\$0	\$0	\$25,693
Police Station Engineering	\$1,648	\$0	\$0	\$9	\$825	\$0	\$833
Dispatch Console	\$1,655	\$0	\$1,000	\$10	\$0	\$0	\$2,665
Dispatch Security Cameras	\$1,009	\$0	\$8,000	\$6	\$0	\$0	\$9,015
Thermal Imaging Camera	\$19	\$0	\$0	\$0	\$0	\$0	\$19
Harbor Master Boat Motor	\$7,054	\$0	\$1,660	\$41	\$0	\$0	\$8,756
4 x 16 Spruce - Manset	\$0	\$0	\$7,405	\$5	\$0	\$0	\$7,410
Lower Town Dock Pier	\$4,482	\$0	\$0	\$46	\$0	\$0	\$4,528

TOWN OF SOUTHWEST HARBOR, MAINE
SCHEDULE OF RESERVE FUNDS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Exhibit A-2, Page 2 of 2)

	<i>Beginning Balance</i>	<i>Revenues</i>	<i>Transfers from Funds</i>	<i>Interest Earned</i>	<i>Expenditures</i>	<i>Transfers to Funds</i>	<i>Ending Balance</i>
<i>CIP Funds (cont'd)</i>							
Highway 1 Ton Pickup	\$31,760	\$0	\$25,380	\$198	\$0	\$0	\$57,338
Highway #1 Plow Truck	\$7,862	\$0	\$0	\$45	\$0	\$0	\$7,907
Highway #2 Plow Truck	\$31,541	\$0	\$11,820	\$188	\$0	\$0	\$43,549
Highway Loader	\$8,987	\$0	\$0	\$51	\$0	\$0	\$9,039
Highway Garage	\$45,290	\$0	\$20,000	\$272	\$0	\$0	\$65,562
Road Projects	\$148,460	\$0	\$100,000	\$1,083	\$77,962	\$0	\$171,581
Sidewalks Projects	\$9,935	\$0	\$10,000	\$63	\$0	\$0	\$19,999
Harbor Hoists Upgrade	\$2,922	\$0	\$4,000	\$13	\$1,760	\$0	\$5,175
Pilings/Wall Replacement	\$17,851	\$0	\$0	\$99	\$1,499	\$0	\$16,451
Manset Dock Float Bridge	\$2,519	\$0	\$0	\$14	\$0	\$0	\$2,534
Cross Bracing Replacement	\$1,858	\$0	\$500	\$11	\$0	\$0	\$2,369
Lower Town Dock Parking Lot	\$9,554	\$0	\$10,000	\$58	\$17,159	\$0	\$2,454
Ladder Replacement	\$5,251	\$0	\$0	\$30	\$0	\$0	\$5,281
Town Office Copier	\$1,463	\$0	\$2,700	\$10	\$0	\$0	\$4,173
Vote Counter	\$7,054	\$0	\$0	\$34	\$1,682	\$0	\$5,406
Revaluation	\$20,111	\$0	\$7,500	\$120	\$0	\$0	\$27,731
Cable Access Equipment	\$4,022	\$0	\$6,725	\$31	\$1,341	\$0	\$9,438
Police 2007 Ford Expedition	\$22,123	\$0	\$12,970	\$22	\$32,589	\$0	\$2,527
Police In-Car Camera	\$4,792	\$0	\$0	\$27	\$0	\$0	\$4,819
Town Wide Communication	\$3,017	\$0	\$10,155	\$18	\$7,020	\$0	\$6,170
Explosive & Hazard Gas Monitor	\$1,523	\$0	\$0	\$9	\$0	\$0	\$1,532
Jaws of Life	\$12,066	\$0	\$1,200	\$70	\$0	\$0	\$13,336
SCBA	\$6,888	\$0	\$3,425	\$42	\$0	\$0	\$10,355
Quint Pumper	\$80,443	\$0	\$0	\$460	\$0	\$0	\$80,903
Manset Harbormaster Office	\$19,918	\$0	\$10,000	\$120	\$0	\$0	\$30,039
John Deere 4x4 Tractor	\$13,733	\$0	\$20,000	\$91	\$0	\$0	\$33,824
Parking Lot Improvement	\$4,003	\$0	\$10,000	\$29	\$0	\$0	\$14,033
Storm Water Management	\$12,509	\$0	\$0	\$72	\$0	\$0	\$12,581
Boat Trailer	\$211	\$0	\$0	\$1	\$0	\$0	\$212
Electrical Conduit - Manset Dock	\$410	\$0	\$0	\$2	\$0	\$0	\$412
Light Post - Upper Town Dock	\$704	\$0	\$0	\$4	\$0	\$0	\$708
Mooring Plan Update	\$5,311	\$0	\$5,280	\$52	\$0	\$0	\$10,643
Sidewalk Plow/Blower	\$575	\$0	\$6,000	\$14	\$6,397	\$0	\$192
Infrastructure Feasibility	\$3	\$4,995	\$0	\$0	\$4,999	\$0	(\$1)
John Deere Lawn Mower	\$0	\$0	\$3,200	\$2	\$2,790	\$0	\$412
Street Sweeper	\$0	\$0	\$20,000	\$13	\$0	\$0	\$20,013
Water Tank Replacement	\$0	\$0	\$15,000	\$18	\$15,085	\$0	(\$66)
Ford Pick Up - Chief's Truck	\$0	\$0	\$7,335	\$5	\$0	\$0	\$7,340
Deck Planking	\$0	\$0	\$10,000	\$6	\$0	\$0	\$10,006
Ramp Resurfacing	\$0	\$0	\$7,145	\$5	\$0	\$0	\$7,150
Catwalk/Step Replacement	\$0	\$0	\$8,100	\$5	\$0	\$0	\$8,105
Pressurized Line Striper	\$0	\$0	\$1,100	\$1	\$0	\$0	\$1,101
Ford Rescue/Mini Pumper	\$0	\$0	\$20,000	\$13	\$0	\$0	\$20,013
Speed Trailer	\$0	\$0	\$2,500	\$2	\$0	\$0	\$2,502
<i>Total CIP Funds</i>	<i>\$777,463</i>	<i>\$4,995</i>	<i>\$431,510</i>	<i>\$4,894</i>	<i>\$174,756</i>	<i>\$47,880</i>	<i>\$996,226</i>
<i>School Funds</i>							
Bus Purchase	\$49,866	\$0	\$18,000	\$186	\$0	\$0	\$68,053
Emergency	\$192,851	\$0	\$0	\$663	\$0	\$0	\$193,514
Maintenance	\$32,478	\$0	\$3,750	\$125	\$0	\$0	\$36,353
<i>Total School Funds</i>	<i>\$275,195</i>	<i>\$0</i>	<i>\$21,750</i>	<i>\$974</i>	<i>\$0</i>	<i>\$0</i>	<i>\$297,920</i>
<i>Total Special Revenue Funds</i>	<i>\$1,368,558</i>	<i>\$155,107</i>	<i>\$499,659</i>	<i>\$10,021</i>	<i>\$254,743</i>	<i>\$125,180</i>	<i>\$1,653,422</i>

TOWN OF SOUTHWEST HARBOR, MAINE

(Exhibit A-3)

SCHEDULE OF CHANGES IN GENERAL UNASSIGNED FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Unassigned Fund Balance July 1, 2011

\$1,363,371

Increases:

Lapsed Balances - Exhibit A-1	\$360,466
Decrease in Deferred Tax Revenue	\$52,131
Abatements (Net of Appropriation)	\$2,303
Licenses, Fees, Registrations & Miscellaneous (Net of Appropriation)	\$6,550
Docks & Floats Revenues (Net of Appropriation)	\$5,435
In Lieu of Tax Revenues (Net of Appropriation)	\$10,265
Interest on Taxes & Liens (Net of Appropriation)	\$10,892
Solid Waste Revenues (Net of Appropriation)	\$5,075
Cable Franchise Fee (Net of Appropriation)	\$19,283
Police Department/Dispatch Revenues (Net of Appropriation)	\$925
Excise Taxes (Net of Appropriation)	\$3,942

Total Increases

\$477,268

Decreases:

Appropriation from Fund Balance	\$15,000
Increase in Restriction due to Non-current Assets	\$34,116
Transfer to Professional Development Reserve	\$4,716
Interest Earned (Net of Appropriation)	\$9,869

Total Decreases

\$63,700

Unassigned Fund Balance June 30, 2012

\$1,776,939

**Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

*To the Board of Selectmen
Town of Southwest Harbor
Southwest Harbor, Maine 04679*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Southwest Harbor, Maine, as of and for the year ended June 30, 2012, which collectively comprise the Town of Southwest Harbor's basic financial statements and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Southwest Harbor, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the Town of Southwest Harbor, Maine is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Southwest Harbor, Maine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (2012-1).

We noted certain matters that we reported to management of the Town of Southwest Harbor in a separate letter dated December 11, 2012.

The Town of Southwest Harbor's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Southwest Harbor's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.
December 11, 2012

TOWN OF SOUTHWEST HARBOR, MAINE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2012-1 Financial Statement Preparation

Based on auditing standards, inadequate design of internal control over the preparation of the audited financial statements is deemed to be a material weakness in the internal control structure. The material weakness in the internal control is due to the inability to effectively prepare and evaluate the audited financial statements and detect material misstatements in those financial statements.

Town of Southwest Harbor's response

Management consents and agrees to continue working with the auditor and to do more formal training in order to try to gain more understanding of the financial statement preparation and how to evaluate them in order to identify any potential material misstatements done during the financial statement preparation.

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.

Communications with Those Charged with Governance

December 11, 2012

Members of the Board of Selectmen
Town of Southwest Harbor
Southwest Harbor, Maine 04679

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Southwest Harbor, Maine (the Town) for the fiscal year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 15, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Southwest Harbor are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the capital asset depreciation is based on estimated useful lives of the assets at the date of construction or acquisition. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. The material adjustments noted represented adjustments for recording current year and reversing prior year accounts receivable and accounts payable, close out of revenues and expenditures to reserves and reserve reclassification entries and recording the deferred tax revenue adjustment.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Matters or Recommendations

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the

supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

As part of the past few audits, we have noted the reliance that the Water and Sewer Departments have on the general fund for cash flow. As part of that, we recommended that the Board needed to consider significantly increasing the rate structure in order for the Departments to be able to fund the operating costs, debt service and depreciation and start to become less financially dependent on the Town.

During the current year audit, it was noted that the interfund liability to the general fund for expenses paid on the Department's behalf decreased \$61,769 (47%) to \$68,279 for the water department and increased \$15,070 (3%) to \$532,708 for the sewer department.

The rate increase for the water department has helped them be able to not only fund their current operations, but also pay down a significant portion of their interfund liability to the general fund.

For the sewer department, the rate increase has appeared to help the department better fund its own operations, but it is still not enough to fully fund their current operations, much less than pay back the Town for their interfund liability. It is also noted that not only is the interfund liability balance increasing, but the deficit unrestricted fund balance is increasing as well. The deficit increased \$19,680 or 6% to \$357,966.

Because of the large balances still outstanding, we are required to restrict a portion of the general fund unassigned fund balance that is not readily available for expenditure due to the department's inability to repay these interfund balances. The restriction for the current year increased \$34,116 and the cumulative restriction now totals \$468,417. All of this restriction balance represents the portion of the sewer department interfund balance that is not readily available for expenditure. The Water Department has done a good job of paying their interfund balance down and that has resulted in none of their interfund balance restricting the unassigned fund balance of the Town.

Based on this information, we recommend that the Selectmen and Town management need to look at having another sewer rate increase in the near future in order to better fund the Sewer Department and set it up in a financial position to reverse the negative trends. The sewer rate increase two years ago was a very significant increase. The current rate increase that is needed does not necessarily have to be as significant, but at some point in the near future, a rate increase needs to be considered in order to make the Sewer Department more financially sound. Also, the Selectmen and Town management need to keep an eye on the Water Department's financial activity to ensure that the current trend of good cash flow continues and does not revert the other way. Once it is identified that the trend may be going the other way, a rate increase should be considered immediately to ensure that the Water Department stays financially sound and that the rate increase won't have to be as significant as the last one in order to accomplish that.

This communication is intended solely for the use of management and the Members of the Board of Selectmen, and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.

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.

December 11, 2012

Members of the Board of Selectmen
Town of Southwest Harbor
Southwest Harbor, Maine 04679

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Southwest Harbor, Maine (the Town) as of and for the fiscal year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Southwest Harbor's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Town's internal control to be material weaknesses:

2012-1 Financial Statement Preparation

Criteria: Based on auditing standards, inadequate design of internal control over the preparation of the financial statements being audited is deemed to be a material weakness in the internal control structure.

Condition: Due to financial and time constraints to effectively prepare and evaluate the audited financial statements and detect material misstatements in those financial statements, the board and management approved the auditors to prepare the financial statements.

Effect: The auditor prepared financial statements are deemed to be a material weakness.

Recommendation: The board and management understand and take responsibility for the financial statements.

Management's Response: Management concurs with the finding.

This communication is intended solely for the information and use of management, the Board of Selectmen and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, CPA

[illegible]

[illegible]



IMPORTANT CONTACTS

Emergency(Police/Fire/Ambulance).....	911
Dispatch(Police/Fire/Ambulance).....	244-7911
Public Works Director.....	244-7742
Water Department.....	244-3948
Sewer Department.....	244-7919
Harbormaster.....	244-7913
Code Enforcement.....	244-7915
Municipal Office.....	244-7900
Municipal Office Fax: 244-7914 E-Mail: jschofield@southwestharbor.org	
Transfer Station (EMR, Inc.).....	244-4347
Public Library.....	244-7065
Pemetic Elementary School.....	244-5502
Chamber of Commerce.....	244-9264
US Post Office.....	244-3456