



**MOORS & CABOT**  
INVESTMENTS

*Banking & Advisory Group*

NEW ISSUE

Moody's: Aa2

S&P: AA

In the opinion of Bond Counsel, under existing statutes and court decisions, and assuming compliance with certain covenants, interest on the Bonds will be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations. Such interest is not includable in the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. Bond Counsel is also of the opinion that the interest paid on the Bonds is exempt from income tax imposed upon individuals by the State of Maine (the "State") under existing statutes and judicial decisions. **The Town will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

**TOWN OF BAR HARBOR, MAINE**  
**\$4,300,000**  
**2010 GENERAL OBLIGATION BONDS**

Dated: May 1, 2010

Due: May 1, as shown below

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$215,000	2.00%	0.45	2021	\$215,000	3.00%	3.23
2012	215,000	2.00	0.75	2022	215,000	3.20	3.33
2013	215,000	2.00	1.10	2023	215,000	3.30	3.43
2014	215,000	2.50	1.50	2024	215,000	3.50	3.53
2015	215,000	2.50	1.80	2025	215,000	3.50	3.58
2016	215,000	2.50	2.25	2026	215,000	4.00	3.64
2017	215,000	2.75	2.50	2027	215,000	4.00	3.74
2018	215,000	3.00	2.70	2028	215,000	4.00	3.84
2019	215,000	3.00	2.85	2029	215,000	4.00	3.94
2020	215,000	3.00	100	2030	215,000	4.00	100

The Bonds will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on November 1, 2010, and semi-annually on each May 1 and November 1 thereafter until maturity or redemption prior to maturity.

The legal opinion of Bernstein, Shur, Sawyer & Nelson, P.A. of Augusta, Maine, Bond Counsel, will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of the Town of Bar Harbor, Maine and, unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it, except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality; and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. The Treasurer has certified that neither agreements under Title 30-A, Chapter 223, Subchapter V or Title 30-A, Chapter 206 or 207 of the Maine Revised Statutes, as amended, now exist. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, are subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

Bonds maturing on and before May 1, 2020 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after May 1, 2020 are subject to redemption prior to maturity, at the option of the Town, on and after May 1, 2020 as more fully set forth herein. See "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.

The Bonds are offered when, as and if issued, subject to the approval of legality by Bernstein, Shur, Sawyer & Nelson, P.A. of Augusta, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York City, New York on or about May 20, 2010.

**Hutchinson, Shockey, Erley & Co.**

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the Issuer. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the Issuer since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS ANY INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

**FOR NEW HAMPSHIRE RESIDENTS:** IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**CERTIFICATE  
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by the Town of Bar Harbor, Maine with the assistance of Moors & Cabot, Inc., its Financial Advisor, from the records of the Town and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by Moors & Cabot, Inc. or by Bernstein, Shur, Sawyer & Nelson, P.A., Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Financial Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the Treasurer, this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, he has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the Treasurer and furnished at the closing.

This Official Statement is in a form "deemed final" by the issuer for purposes of Securities and Exchange Commission's Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)].

Stanley W. Harmon  
Treasurer  
Town of Bar Harbor, Maine

**OFFICIAL STATEMENT  
TOWN OF BAR HARBOR, MAINE  
\$4,300,000  
2010 GENERAL OBLIGATION BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Bar Harbor, Maine (the "Town" or "Bar Harbor") in connection with the sale of its 2010 General Obligation Bonds (the "Bonds" or the "2010 Bonds").

**THE BONDS**

**DESCRIPTION OF THE BONDS**

The Bonds will be issued in fully-registered form without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York ("DTC"). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated May 1, 2010 and will bear interest, payable on November 1, 2010, and semi-annually thereafter on May 1, 2010 and November 1 of each year until maturity or redemption prior to maturity. The Bonds will mature annually as follows:

<u>Amount</u>	<u>May 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>May 1,</u>	<u>CUSIP</u>
\$215,000	2011	066878EH8	\$215,000	2021	066878ET2
215,000	2012	066878EJ4	215,000	2022	066878EU9
215,000	2013	066878EK1	215,000	2023	066878EV7
215,000	2014	066878EL9	215,000	2024	066878EW5
215,000	2015	066878EM7	215,000	2025	066878EX3
215,000	2016	066878EN5	215,000	2026	066878EY1
215,000	2017	066878EP0	215,000	2027	066878EZ8
215,000	2018	066878EQ8	215,000	2028	066878FA2
215,000	2019	066878ER6	215,000	2029	066878FB0
215,000	2020	066878ES4	215,000	2030	066878FC8

It is expected that the Bonds will be available for delivery at DTC on or about May 20, 2010.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as paying agent (the "Paying Agent"). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein.

**OPTIONAL REDEMPTION PRIOR TO MATURITY**

Bonds maturing on or before May 1, 2020 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing after May 1, 2020 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after May 1, 2020, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine at a price of par (100% of original stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

## **GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS**

### **Notice of Redemption**

In the case of every redemption of the Bonds, the Town shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at his or her address as the same shall last appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the Town to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner.

Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed.

The Town shall notify the Securities Depository (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein) in the same manner as the Bondholders, with a request that the Securities Depository notify its Participants who in turn notify the beneficial owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the Town, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

### **Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue**

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given in the manner described above, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given), the Bonds to be redeemed shall not be deemed to be outstanding.

### **Cancellation**

All Bonds which have been redeemed shall be canceled by the Paying Agent and either destroyed by the Paying Agent with counterparts of a certificate of destruction evidencing such destruction furnished by the Paying Agent to the Town or returned to the Town at its request.

### **Partial Redemption of Bonds**

Bonds or portions of Bonds to be redeemed in part shall be selected by the Town by lot or in such other manner, as the Town in its discretion may deem appropriate.

## RECORD DATE; PAYMENT

The principal of the Bonds is payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the last day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest which is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

## AUTHORIZATION AND PURPOSE

### Authorization

The Bonds are being issued pursuant to Article II, Section C-6.B(1) of the Town's Charter; by action of the voters of the Town at its Annual Town Meeting held on June 2, 2009; by Title 30-A, Section 5772 of the Maine Revised Statutes, as amended. The portion of the Bonds being issued for water main construction have also been approved by an *Order(s) Approving Issue of Securities*, consented by the Maine Public Utilities Commission ("MPUC") on April 13, 2010 (Docket #2010-110). The votes authorize the issuance of a consolidated amount of \$5,140,947 in bonds to provide funds to finance the cost of the projects as discussed below.

### Purpose

	<u>Amount Authorized</u>	<u>Financed by the Bonds</u>	<u>Authorized Unissued</u>	<u>Future Financing</u>
Roads and Storm Drains	\$3,179,127	\$2,756,000	(\$423,127)	(\$423,127)
Sidewalks	535,212	250,000	(285,212)	(285,212)
Newport Ave Comfort Station	467,745	335,137	(132,608)	0 <sup>(1)</sup>
Town Office Renovations	230,863	230,863	0	0
Barker Park	75,000	75,000	0	0
Public Safety Bldg Repairs	28,000	28,000	0	0
Harborview Park	25,000	25,000	0	0
Sub-total General Fund CIP	4,540,947	3,700,000	(840,947)	(708,339)
Water Main Construction	600,000	600,000	0	0
Totals	<u>\$5,140,947</u>	<u>\$4,300,000</u>	<u>(\$840,947)</u>	<u>(\$708,339)</u>

NOTE: <sup>(1)</sup> The project is expected to cost the amount of the portion of the Bonds that are being issued. The authorization for the amount in excess of that financed is expected to be re-designated or rescinded.

In the event that any proceeds of the Bonds remain unspent upon completion of the Project(s) or the Town abandons any of the Projects, the Town reserves the right to reallocate unspent proceeds to the costs of other qualified projects approved, or to be approved, by the Town Meeting, or to apply unspent proceeds to the payment of debt service on the Bonds.

## AMORTIZATION OF THE BONDS

May 1,	Roads	Sidewalk	Comfort Station	Town Office	Barker Park	Public Safety	Harbor-view	Water System	The Bonds
2011	\$137,800	\$12,500	\$16,887	\$11,413	\$3,750	\$1,400	\$1,250	\$30,000	\$215,000
2012	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2013	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2014	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2015	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2016	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2017	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2018	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2019	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2020	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2021	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2022	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2023	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2024	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2025	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2026	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2027	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2028	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2029	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
2030	137,800	12,500	16,750	11,550	3,750	1,400	1,250	30,000	215,000
	\$2,756,000	\$250,000	\$335,137	\$230,863	\$75,000	\$28,000	\$25,000	\$600,000	\$4,300,000

## SOURCE OF PAYMENT AND REMEDIES

The Bonds are general obligations of the Town and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State” or “Maine”) have the right to tax their inhabitants to pay municipal indebtedness unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, in which case the Town has the power to levy such ad valorem taxes without limit as to rate or amount upon all the taxable property within its territorial limits (see “THE BONDS – SOURCE OF PAYMENT AND REMEDIES – Limitation on Municipal Property Tax Levy” herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. The Treasurer has certified that neither agreements under Title 30-A, Chapter 223, Subchapter V or Title 30-A, Chapter 206 or 207 of the Maine Revised Statutes, as amended, now exist. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims

In the opinion of Bond Counsel, the Town is subject to suit on the Bonds. The Maine statutes provide that executions against a town shall be issued against the personal property of the residents of that town and real estate within its boundaries, whether or not owned by the town. Only town real estate not used for public purposes, however, is subject to such execution. In addition, the Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property to satisfy debts or judgments is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon.

Funds to meet Town expenses, including debt service, are not included in the tax levy to the extent they are expected to be met with other non-tax revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal or interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State of Maine.

### **Limitation on Municipal Property Tax Levy**

Effective July 1, 2005, the Legislature enacted LD 1, codified in part as Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as the "Property Tax Levy Limit". With certain exceptions, a municipality may not adopt a property tax levy that exceeds its Property Tax Levy Limit from one year to the next by more than a specified growth limitation factor.

The growth limitation factor is: (a) the 10-year average real personal income growth (but no more than 2.75%) plus a property growth factor (when, as currently is the case, the state and local tax burden ranks in the highest 1/3 of all states); or (b) the 10-year average real personal income growth plus forecasted inflation plus a property growth factor (when the state and local tax burden ranks in the middle 1/3 of all states).

In addition, a municipality is required to lower its Property Tax Levy Limit in any year by an amount equal to net new Revenue Sharing funds provided by the State.

The Town may increase or exceed the Property Tax Levy Limit by a majority vote of the entire Town Meeting on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. Pursuant to Section 5721-A(7)(B) this action, however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within 30 days of the council's vote.

Article IX, Section C-43 of the Town's Charter states that the right of initiative or referendum provided therein shall not "... extend to the budget or capital program ...". Therefore, the Town's ability to exceed the Property Tax Levy Limit is not subject to override by voter initiative under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended.

In lieu of increasing the Property Tax Levy Limit, the Town Meeting may vote to exceed the Property Tax Levy Limit for extraordinary circumstances. Exceeding the Property Tax Levy Limit permits the property tax levy to exceed the Property Tax Levy Limit only for the year in which the extraordinary circumstance occurs and does not increase the base for purposes of calculating the Property Tax Levy Limit for future years. Extraordinary circumstances are circumstances outside the control of the Town and include:

- (1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;
- (2) Unfunded or underfunded state or federal mandates;
- (3) Citizens' initiatives or other referenda;
- (4) Court orders or decrees; or
- (5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

Section 5721-A(7)(B) does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended. The debt service of the school project portion of the Bonds is includable in the school budget and the Town is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on that portion of the Bonds.

## **TAX MATTERS**

### **The Bonds**

In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Bond Counsel, based on existing statutes, regulations and court decisions interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals; however, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax upon corporations and will be taken into account in the computation of the foreign branch profits tax. In addition, interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals under existing statutes, regulations and decisions.

Bond Counsel's opinion will state that the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and the timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owner thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The opinion will further state that Bond Counsel has examined the Arbitrage and Use of Proceeds Certificate, the General Certificate of the Treasurer of the Town and the Issuer's Certificate Regarding Qualified and Designated Status (collectively the "Tax Certificates") all delivered concurrently with the Bonds, which will contain provisions and procedures regarding compliance with the requirements of the Code. The Town, in executing the Tax Certificates, will certify to the effect that the Town will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall not be included in the gross income of the owner thereof for federal income tax purposes. In rendering its opinion Bond Counsel will rely upon the representations of the Town set forth in the Tax Certificates and assume that the Town will comply with the provisions and procedures set forth in the Tax Certificates.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

*The Town will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.*

### **Original Issue Discount/Premium**

For federal income tax purposes, original issue discount with respect to a bond is equal to the excess, if any, of the stated redemption price at maturity of such bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all substantially identical Bonds were sold. Original issue discount accrues over the term of a bond in accordance with Section 1272 of the Code. Purchasers of the Bonds should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

The excess, if any, of the tax basis of the Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” For federal income tax purposes, bond premium is amortized over the term of such Bonds, is not deductible and reduces the purchaser’s adjusted tax basis. Bond purchasers should consult their own tax advisors with respect to the tax consequences of bond premium.

Bond Counsel will not express an opinion regarding the treatment of original issue discount or bond premium for federal income tax purposes.

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

## **RATINGS**

The Town has applied to Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("S&P") for ratings on the Bonds. The Town has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody's or S&P and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and their explanation of such rating.

## **CONTINUING DISCLOSURE**

In order to assist the underwriter in complying with the Securities Exchange Commission's Rule 15c2-12 (the "Rule") the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a "Continuing Disclosure Certificate" (the "Certificate"), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

## **CUSIP IDENTIFICATION NUMBERS**

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

## **FINANCIAL ADVISOR**

Moors & Cabot, Inc. has acted as Financial Advisor to the Town with respect to the issuance of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23. Moors & Cabot, Inc. does not intend to submit its bid or participate in an underwriting syndicate for the public bidding of the Bonds.

## **STATUTORY REFERENCES**

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

## **CONDITIONS PRECEDENT TO DELIVERY**

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

### **No Litigation**

Upon delivery of the Bonds, the Town shall deliver or cause to be delivered a certificate of the Treasurer, and attested to by the Town Clerk, dated the date of delivery, to the effect that there is no litigation pending or, to the knowledge of such officers, threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the Town, nor the title of any of said officers to their respective offices, is being contested.

### **Approval of Legality**

The legality of the Bonds will be approved by Bernstein, Shur, Sawyer & Nelson, P.A. of Augusta, Maine, Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds will be delivered at the time of original delivery of the Bonds and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and make no representations that they have independently verified the same. See also "PROPOSED FORM OF LEGAL OPINION" in APPENDIX B herein.

### **Certification of the Bonds**

The Bonds will be certified as to their genuineness by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, which certificate will appear on the Bonds.

### **Certificate With Respect to Debt Limits**

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Finance Director of the Town which certifies that the Town has not exceeded its debt limit under Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, and that issuance of the Bonds will not cause the Town to exceed such debt limit.

### **Certificate With Respect to Official Statement**

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer addressed to the original purchasers of the Bonds, to the effect that he has examined this Official Statement and the financial and other data contained therein and that, to the best of his knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

## TOWN OF BAR HARBOR

### GENERAL

The Town of Bar Harbor (hereinafter sometimes the “Town” or “Bar Harbor”) is located on the coast of Maine in the southern section of the County of Hancock, approximately 21 miles south-southeast of the City of Ellsworth and 45 miles southeast of the City of Bangor. The Town encompasses the entire northern and northeastern section of Mount Desert Island. Mount Desert Island is comprised of 114 square miles, being the third largest island in the continental United States, following only Long Island and Martha's Vineyard. The island is surrounded by Frenchman Bay to its northeast, Blue Hill Bay to its southwest and the Atlantic Ocean to its southeast. The Town is bordered from east to north to west by Frenchman Bay, Eastern Bay and Western Bay, respectively, with the Town of Mount Desert contiguous to Bar Harbor, forming its southern border. Access for ground transportation to Bar Harbor is provided by U.S. Interstate Route 95 in Bangor, to State Route 1A to Ellsworth with continuation on State Route 3 to the Town. Air service is provided by Bangor International Airport, in Bangor, and the Bar Harbor/Hancock County Airport, located on Trenton, just before Mount Desert Island. The Cat Ferry (the “Cat”) had provided seasonal ferry service between Bar Harbor and Yarmouth, Nova Scotia. However, due to discontinuance of subsidies (since the 2006 season) from the Government of Nova Scotia, Canada service has been suspended for the current season. It is unknown at this time if service will be reinstated between these locations or a new Canadian location (such as Halifax); or if another option will be offered in 2010 and beyond. The Town continues to be actively involved in facilitating a solution to reinstating ferry service.

In 1524, the Florentine explorer Giovanni da Verrazano was credited with naming the general area of the present Maine coast and the Canadian Maritime Provinces “L’Acadie”, perhaps a reference to an equally scenic region of ancient Greece. Mount Desert Island was first discovered by Samuel de Champlain in 1604 who named it “Isle des Montsdeserts”, or island of solitary mountains. Originally settled in 1763, the Town was incorporated as Eden on February 23, 1796. The name was changed to Bar Harbor on March 14, 1918, taken from its harbor with Bar Island directly in front of and to the west of the Town's main village.

In 1844, Thomas Cole, the founder of the Hudson River School of Painting, “discovered” the area encompassing the Town such that by the 1900's Bar Harbor had become the summer retreat for many of Boston's, New York City's and Philadelphia's wealthy and socially prominent citizens. The Depression of the 1930's and the Great Fire of 1947, which burned for three weeks destroying a third of the 222 mansions and over 11,000 acres of wilderness, caused the “Gilded Age” to end.

Today, the palatial summer “cottages” and hotels have become foundations for motor courts, campgrounds and a thriving motel industry. Many of the summer homes and clubs have become inns or B & Bs, retaining the previous decor of the Gilded Age era. Hotels, motels, inns and guest cottages provide over 3,500 rooms in the Town and the Town offers approximately 1,000 campsites for tents or camping vehicles. In addition to an economy enhanced by tourism, the Town of Bar Harbor is the home of The Jackson Laboratory, the College of the Atlantic, the Mount Desert Hospital, the Mount Desert Island Biological Laboratory, the Abbe Museum and is the urban hub for Acadia National Park.

The Town of Bar Harbor is a suburban-urban coastal community with highly developed shore areas. The Town is comprised of the villages of Bar Harbor, Salisbury Cove, Hulls Cove and Town Hill. The land area of the Town is comprised of zones which include: Business, Corridor, Historic, Industrial, Residential, Residential (limited), Resource Protection, Rural, Shoreland Development and Stream Protection, and open space, coastal and woodland areas with total land area embracing 44.48 square miles and approximately 34 miles of shoreline.

## GOVERNMENT

There are two basic forms of local government in Maine: the “Direct” form, often referred to as town meeting government, in which the town meeting serves as the legislative body, passing laws, approving the spending of monies; and the “Representational” form, in which an elected council serves as the legislative body. There are five basic variations of these two forms. Three variations of the Direct form are: *Town Meeting/Selectmen* Form of Government, the most common in Maine currently used by 209 municipalities in the state; *Town Meeting/Selectmen/Manager*, the second most common form of local government in Maine currently used by 135 towns; and *Council/Town Meeting/Manager* variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council. The two variations of the Representational form are: *Council/Manager* (37 cities or towns) and *Council/Mayor/Administrator* (four cities in Maine).

Pursuant to Title 30-A, Chapter 123, §2631 of Maine Revised Statutes, as amended, the Town has adopted its form of government through the state’s Statutory Town Manager Plan and operates as a *Town Council/Town Meeting/Manager* form. The Town also operates under a charter originally adopted in 1927, as amended, most recently on November 6, 2007 (the “Charter”). In November 2008 the voters of the Town formed a Charter Commission whose members submitted its final report on October 27, 2009 (see <http://www.barharbormaine.gov/document/0000/452.pdf>). The voters are expected to act on the proposed Charter changes at the Annual Town Meeting scheduled for June 8, 2010.

Under the Charter and pursuant to statute the Town Council is granted all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the Town’s property affairs and government, to preserve the public peace, health and safety, to establish personnel policies, and providing for an annual budget and annual audit of the Town’s accounts. Among several other powers the Annual and Special Town Meetings have the exclusive power and responsibility to act on the issuance of bonds. The Town Manager is the chief administrator of the Town.

## MUNICIPAL SERVICES

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, water and wastewater services, highways, streets and sidewalks, parks and recreation areas. Public education is provided for grades K through 12 through an interlocal agreement between the Town and the other members of AOS 91 (as defined and discussed further in “TOWN OF BAR HARBOR – PUBLIC EDUCATION - Reorganization of School Administrative Units” herein).

### Public Safety

The Police and Dispatch Departments are staffed by 17 full and six part-time employees which include a Police Chief, a Lieutenant, two Sergeants, nine Patrol Officers and four dispatchers, and maintains three vehicles and a 26-foot Police Boat for cruise ship security. The Fire and Ambulance Departments are operated by a Fire Chief, an Assistant Chief, a Deputy Chief, a Captain, three full-time firefighters, three paramedics and approximately 22 volunteers operating from one main fire station, one sub-station, and maintains six fire vehicles and three ambulances. The Ambulance Department bills approximately 1,000 runs per year in the effort to maintain 24-hour paramedic coverage and is self sustaining through user fees. The Town has maintained its 1996 fire insurance rating classifications of Class Five, for Downtown, and Class Nine, for its rural areas.

The Town has a Harbor Master, two seasonal assistants, a Harbor Committee and a Marine Resources Committee. The Harbor Master coordinates all harbor activity, cruise ship reservations, assigning anchorage and initiating the billing fees, and serves as the Shellfish Conservation Warden. The Harbor

Committee and the Marine Resources Committee consist as separate groups of seven members each. The Harbor Committee recommends improvements to and provides planning for the Municipal Pier, the Town's moorings and its harbor. The Marine Resources Committee reseeds clam flats, coordinates ordinances and licenses for shellfish harvesting, and works generally to improve water quality.

## **Public Works**

The Public Works Department is managed by a Public Works Director who oversees approximately 30 personnel in four divisions: Highway, Wastewater, Water and Solid Waste (three of which are discussed in greater detail below); and Parks & Grounds, Comfort Stations, and Cemeteries sections.

*Solid Waste Division* - Residents of the Town dispose of their solid waste at its Transfer Station which is operated by three employees and one seasonal employee. The Town contracts with a private vendor to transfer its solid waste to the Penobscot Energy Recovery Company ("PERC") waste-to-energy plant in Orrington. The Town pays a basic tipping fee that is adjusted quarterly based upon a contractual formula that is administered by a nine-member Municipal Review Committee (the "Review Committee") which is elected from the 130 charter communities who send waste to PERC (the "Sending Communities"). The Review Committee oversees PERC's management in an advisory capacity to ensure that the Sending Communities' interests are protected. The Town is currently an owner of the PERC facility by way of its founding membership and dues paid to the MRC. It may acquire further ownership of the facility, along with the other Sending Communities, effective upon the termination of the current waste handling agreement, scheduled for March 2018. Under the terms of a waste disposal agreement with PERC, the Town guarantees 5,200 tons of acceptable waste per year to be hauled from Bar Harbor to PERC at a net tipping rate, currently at \$49 per ton (\$72 gross cost less \$23 reimbursement). Additional haulage costs are contracted out at approximately \$22 per ton. At the Town's Hulls Cove facility, the Town maintains a fully licensed but non-operating compost facility.

*Wastewater Division* - The Wastewater Division is established as an Enterprise Activity in that the intent of the Town is for the department to provide services on a continuing basis, financed entirely through user charges. The department is staffed by one superintendent, seven full-time and one part-time employees. The Division maintains three treatment plants and 10 pump stations and 20 miles of mains. The average flow treated at the Main Plant was 1.0 million gallons per day ("MGD") or 50% of its 2.00 MGD design criteria; and 0.063 MGD at the Hulls Cove Plant, or 42.0% of its .150 MGD design criteria. The average daily flow at the Main Street Pumping Station is currently 760 gallons per minute ("GPM") or 19.5% of its 3,888 GPM design criteria; and 45.0 GPM at the Hulls Cove Pump Station, or 16.0% of its 279 GPM design criteria. The Town is currently working with the State of Maine DEP and has been spending approximately \$173,000 annually, to remedy its infiltration and inflow problems as the Town's approach to alleviate its present Combined Sewer Overflow ("CSO") problems that would otherwise allow untreated wastewater to flow into the ocean. The Town's CSO Master Plan, approved by the Maine Department of Environmental Protection (the "DEP") in 2010, implements flow studies and engineering-approved phases over a five-year period that are expected to cost approximately \$500,000 with its conclusion expected to be by calendar year 2018.

*Water Division* - The Water Division, formerly the Bar Harbor Water Company acquired by the Town in 2001, is established as an Enterprise Activity in that the intent of the Town is for the department to provide services on a continuing basis, financed entirely through user. In 2004 the Town invested in a water system master plan to evaluate the treatment and distribution system; to consider potential needs of the system which may be driven by growth, worker safety, fire fighting needs, protection of the public water supply, regulatory changes and equipment and piping deterioration with a comprehensive vision that the Town can utilize for its capital improvement program, coordinating pipe replacement with wastewater and road construction and maintaining its filtration waiver. Keeping in line with that report,

over the past few years, in an effort to improve the water system reliability, the division has been actively investing in pipe replacement projects coordinating those projects with wastewater and road construction projects. Additionally, in 2009, the division changed its method of water disinfection. These changes were made as a proactive approach to improve water quality in advance of proposed disinfection byproduct regulations changes. The division will soon begin engineering additional changes to the treatment process which will include the installation of UV treatment. This will be accomplished in an effort to comply with new surface water treatment regulations.

The former Bar Harbor Water Company was originally established under Chapter 449 of the Private and Special Laws of Maine (1874), as amended; and, pursuant to Chapter 16 of the Private and Special Laws of Maine (2001) the Town acquired the stock of the company (on October 4, 2001), dissolved the corporation (on June 25, 2003) and starting on July 1, 2003, initiated operation of water system services as a department of the Town (the “Water System”). The Water System is a Class II Distribution System and Class II Treatment System, serving approximately 1,811 customers in a territory serving the major part of the Town, consisting principally of the villages of Bar Harbor, Hulls Cove and Salisbury Cove, with a population of approximately 3,300 inhabitants. The current source of the system’s water supply is entirely from surface water located at Eagle Lake, a 3.6-mile watershed in Acadia National Park, with storage capacity estimated at 580 million gallons, an estimated “Dry Year” daily yield of 250 million gallons. The average daily draft of the watershed is 1,067,000 gallons per day (or 0.2% of storage capacity) with maximum daily draft of 2,361,000 gallons per day (or 0.4% of storage capacity).

<u>Largest Water Customers</u>	<u>Type of Use</u>	<u>2009 Revenues</u>	<u>% of Total</u>
Town of Bar Harbor	Parks, Bldgs, Hydrants & Schools	\$378,585	29.9%
Jackson Laboratory	Genetic Research & Mice Prod	112,053	8.8
College of the Atlantic	School	16,908	1.3
Witham Family LP	Bar Harbor Inn - Hotel	16,393	1.3
Colket, Tristram C Jr	Residence	13,682	1.1
Golden Anchor, LC	Harborside Hotel	12,855	1.0
Kebo Valley Club	Golf Club	10,884	0.9
Lafayette Bar Harbor, LLC	Hotel	9,798	0.8
Bar Harbor Housing Authority	Public Housing	9,166	0.7
Witham Family LP	Atlantic Oceanside - Hotel	9,093	0.7
Eden Street Trust	Regency Hotel	8,588	0.7
BHTC 111 LLC	Tennis Club	8,407	0.7
Pirates Cove Bar Harbor Inc	Mini Golf	7,197	0.6
Lafayette Bluenose, LLC	Hotel	7,145	0.6
Mount Desert Island Hospital	Hospital	7,115	0.6
Collier, Richard V Inc	Motel	6,877	0.5
Witham Family LP	Acadia Park Inn	6,350	0.5
Witham, David J	Acadia Motel	6,071	0.5
Frenchmans Bay Associates	Motel	5,710	0.5
Testas Hotels & Rest Inc	Retail & Restaurants	5,555	0.4
Sonogee LP	Elderly Housing	5,086	0.4
Hewlett Enterprises LP	Bed and Breakfast Inn	5,045	0.4
Bar Harbor Campground	Campground	4,188	0.3
Bayview Hotel Inc	Hotel	4,127	0.3
Birch Bay Retirement Village	Elderly Housing	3,966	0.3

The water system has the following reservoirs, standpipes or storage tanks:

<u>Location</u>	<u>Classification</u>	<u>Year Built</u>	<u>Capacity (000 gallons)</u>
Salisbury Cove	Riveted Steel	1928	50,000
Duck Brook	Riveted Steel	1936	528,000
Jackson Lab	Welded Steel	1968	500,000
Duck Brook	Underground Concrete	2001	500,000

<b>Number of Water System Customers</b>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Residential	1,255	1,265	1,290	1,297	1,266
Commercial	405	405	428	431	449
Industrial (Jax Lab)	30	32	36	38	47
Governmental	42	44	46	44	49
<b>Total</b>	1,732	1,746	1,800	1,810	1,811

<b>Water Sales (per 1,000 gallons)</b>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Residential	70,718	64,556	78,832	86,168	69,828
Commercial	107,523	100,139	105,470	114,358	108,793
Industrial (Jax Lab)	50,239	51,040	52,431	61,023	53,937
Public Authorities	11,672	13,304	12,486	10,452	14,279
<b>Total Water Sales</b>	240,152	229,039	249,219	272,001	246,837

<b>Water Sales (Revenue)</b>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Residential	\$272,647	\$263,478	\$328,642	\$331,911	\$360,176
Commercial	266,304	262,516	316,220	336,750	355,398
Industrial (Jax Lab)	60,094	62,051	75,681	79,940	90,825
Public Authorities	30,141	32,532	38,139	33,998	39,682
Public Fire Protection	270,000	270,000	298,522	298,522	346,992
Private Fire Protection	46,958	48,298	59,183	60,649	71,483
<b>Total Water Sales</b>	\$946,144	\$938,875	\$1,116,387	\$1,141,770	\$1,264,556

Source: Annual MPUC Reports of the Bar Harbor Water Division.

### Technology Initiatives

The Town has a private Fiber Optic backbone (“WAN”) connection to all municipal buildings allowing the Town to transfer and share data to all employees. Additionally, the Town has implemented secure, encrypted (“VPN”) connections allowing remote access for employees to the shared data from home, and away when traveling. This remote access provides the capability of the Town to function effectively in the event of a disaster that may not allow employees to come to the office. The Town has also implemented a Disaster Recovery plan for business continuity that includes tape/digital back-ups and off-site storage of the back-ups, has provided a platform to allow for on line registrations, payments, certain electronic billing, enabled residents to sign up online to obtain automatic reminders about tax payments, vehicle registrations, meeting agendas, and continues to expand in this area.

Web enabled security cameras have been installed in the downtown district allowing the Police Department to monitor high traffic areas. Currently, Bar Harbor is installing laptops in the Police, Fire and Ambulance vehicles to enable Dispatchers to ‘send’ critical first responder information via a secure (encrypted) radio connection directly to Public Safety vehicles. The Town has also expanded its use of GIS based data to post more information to its web site such as Tax Parcels, Dig Safe Forms, permits and much more. By accessing the same database Town departments are now enabled to efficiently update activity to its core GASB asset database by attaching related maintenance work, surveys, correspondence and other material that the Town deems to be electronically archived. Finally, the Town is actively engaged with various commercial providers to encourage efforts to continually expand broadband coverage into all the extended areas that are currently not served or are underserved. This is a focus of the Town Council, its Communication and Technology, and Economic Development Task Forces.

## **Economic Development**

The Town has established an Economic Development Task Force which is comprised of various business owners and professionals and works collaboratively with the Chamber of Commerce and Acadia National Park. The objective of the task force is to forward the *Economic Development Goals, Policies, and Strategies* in the Town’s Comprehensive Plan, especially to simplify regulatory and development standards to improve the community as a viable place for business. The Town is also working with a consultant to prepare an Economic Development Plan which will inventory businesses in Bar Harbor with the results of the study to enable the Town to institute measures that may further improve the local business climate.

## **PUBLIC EDUCATION**

### **Reorganization of School Administrative Units**

The School Consolidation Law (Public Law 2007, Chapter 240 (subsequently amended by Public Law 2007, Chapter 668) was enacted with the goal of reorganizing and consolidating existing School Administrative Units (“SAU”) into Regional School Units (“RSUs”). The law sets forth State policy to ensure that schools are reorganized into regional, State approved units of school administration in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All SAUs are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the SAU would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to create a maximum of 80 school units or the number of units appropriate to achieve administrative efficiencies.

Subject to certain exceptions, existing SAUs are directed to form regional school units of at least 2,500 resident students; or 1,200 resident students in certain situations where geography, demographics, population density, transportation challenges and other obstacles make 2,500 impractical. Offshore islands and tribal schools are not subject to a minimum size requirement. Certain SAUs designated as “efficient, high performing districts” also are exempt from the regionalization requirement. The SAUs that are exempt from the regionalization requirement nonetheless are required to submit a plan to achieve efficiencies.

### **Alternative Organizational Structures**

Public Law 2007, Chapter 668 was enacted by passage by the State Legislature on April 18, 2008 of LD 2323, *An Act to Remove Barriers to the Reorganization of School Administrative Units*. The law allows

RSU planning committees to file a notice of intent to form an alternative organizational structure instead of a RSU, and establishes criteria for the formation of an alternative organizational structure.

A RSU may opt to form as an alternative organizational structure (“AOS”) in place of the standard RSU structure. While the structure of an AOS may maintain some characteristics of the former School Union structure an AOS is more formal and structured than simple affiliation of independent school administrative units. Statute requires that an AOS function as a single unit, however with expanded local control within the unit in contrast to the typical RSU structure; but, still being a RSU, the AOS structure still requires communities to function as a single school system that reports a single budget to the State Department of Education, receives a single subsidy check, and has a common core curriculum and procedures for standardized testing and assessment. An AOS files reports with the State as a single unit and adopts consistent school policies, school calendars and a plan for achieving consistent collective bargaining agreements. The plan for an AOS must also include one or more interlocal agreements and a plan for presenting, approving, and validating the annual school budget that ensures K-12 budget transparency for its members and their voters.

### **AOS 91**

AOS 91 is comprised of members of the former School Union #98, Community School District #7, MSAD No. 76 and a member of the former School Union #92 (see table, below). Individually, each SAU had student enrollment of less than 2,500; and collectively AOS 91’s enrollment would have been 1,690 on October 1, 2006 and 1,600 on October 1, 2008. A Reorganization Plan was submitted on August 22, 2008, that was approved by the Commissioner of Education and the newly formed AOS 91 became operational on July 1, 2009 as Mount Desert Island Regional School System (“MDI RSS”).

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NOTE: School Unions in Maine were a combination of two or more cities or towns joined together for administrative purposes only to better cost justify the employment of a superintendent of schools. The city or town shared a superintendent’s services and office expense, apportioned to each community on a pro rata share of the superintendent’s services to the community. As such, the individual community maintained its own budget, had its own school committee and operated independently as a separate unit, except for the superintendent expenses.

Community School Districts (“CSD”) in Maine were a combination of two or more municipalities who form to build, maintain and operate a school or schools to educate certain grades (e.g., grades 9 through 12). The member towns maintain individual control for the education of their students for grades not included in a CSD.

School Administrative Districts (“MSAD”) in Maine were a combination of two or more municipalities who pooled all educational resources to educate all students of the constituent municipalities, with one school committee comprised of people elected from member municipalities and shared the MSAD costs among member municipalities based on a formula.

Article V, Section C-26 of the Town’s Charter establishes a five-member Superintending School Committee, elected by the voters at-large for three year terms. The School Committee selects from its membership its four representatives to MDI RSS. MDI RSS is operated through an interlocal agreement between the eight member school units (“MSU”), dated September 18, 2008. Each year the AOS School Committee prepares and submits a budget for the central office of the AOS; informs MSUs of its respective share of the AOS central office budget; the MSUs’ respective School Committee develops its own budget; and submits its budget, along with its share of the AOS central office budget to the voters of the that MSU for a Budget Validation Referendum. All real property previously held by each SAU remains the property of the respective community.

### Composition of MDI RSS

Former Administrative Unit	Community	School	Grade	Enrollment
School Union #98	Bar Harbor	Connors-Emerson School	K-8	430
School Union #98	Cranberry Isles	Islesford School	K-8	7
School Union #98	Frenchboro	Frenchboro Elementary	K-8	5
School Union #98	Mount Desert	Mt Desert Elementary	K-8	157
School Union #98	Southwest Harbor	Pemetic Elementary	K-8	229
School Union #98	Tremont	Tremont Consolidated	K-8	162
School Union #92	Trenton	Trenton Elementary	K-8	149
MSAD No. 76	Swan's Island	Swan's Island Elementary	K-8	34
C.S.D. No. 7	Mem'b's. of Union #98	Mt Desert Island High	9-12	701

The governing body (the "AOS School Committee") of MDI RSS is comprised of:

<u>Town</u>	<u>Population</u>	<u># Board Members</u>	<u>Votes per Member</u>	<u>Number of Students</u>	<u>% of Total Students</u>
Bar Harbor	4,820	4	1	620	40.05%
Mount Desert	2,109	3	1	231	14.92
Southwest Harbor	1,966	3	1	249	16.09
Tremont	1,529	3	1	192	12.40
Cranberry Isles	128	1	1	15	0.97
Frenchboro	38	1	1	14	0.90
Trenton	1,370	3	1	179	11.56
MSAD No. 76	<u>327</u>	<u>1</u>	1	<u>48</u>	<u>3.10</u>
	12,287	19		1,548	100.00%

### LABOR RELATIONS

The Town employs approximately 144 full-time personnel, approximately of whom 73 are employees of the Town including its utilities systems; and 71 of whom are employed by the School Department; and various part-time employees. The following lists the various bargaining units that are represented by a union, and the status of its current contract. There are approximately 38 full-time Town employees not included in the below table and are not represented by unions.

Union <sup>(1)</sup>	Bargaining Unit	Date of Contract	
		Effective	Expiration
Teamsters Local No. 340	Highway & Wastewater Unit	July 1, 2008	June 30, 2011
Teamsters Local No. 340	Supervisor Unit	July 1, 2008	June 30, 2011
IAFF (AFL/CIO)	Fire Department Unit	July 1, 2008	June 30, 2011
BHSEA (MEA)	School Support Unit	July 1, 2010	June 30, 2011
BHTA (MEA)	Teachers Unit	Sept.1, 2009	Aug. 31, 2012

NOTE: <sup>(1)</sup> "Teamsters" indicates the International Brotherhood of Teamsters, as separate bargaining units; "IAFF" indicates the International Association of Firefighters affiliated with the American Federation of Labor & Congress of Industrial Organizations ("AFL/CIO"); "BHSEA" indicates The Bar Harbor Support Educators Association, the unit including custodial, educational technician, cafeteria and secretarial personnel; "MEA" indicates the Maine Education Association of which the respective unit Bar Harbor Teachers Association ("BHTA") and BHSEA are affiliated, as separate bargaining units.

## BUILDING ACTIVITY

Year	Residential		Commercial		Total	
	# Permits	Est. Cost	# Permits	Est. Cost	# Permits	Est. Cost
2009	200	\$7,035,161	109	\$7,220,096	309	\$14,255,257
2008	271	12,099,715	132	6,200,606	403	18,300,321
2007	292	14,571,888	138	19,325,031	430	33,896,919
2006	390	16,417,092	151	8,752,959	541	25,170,051
2005	267	15,268,497	142	6,606,924	509	21,875,421
2004	327	13,987,989	123	19,981,458	450	33,969,447
2003	375	11,806,614	124	8,435,298	499	20,241,912
2002	373	16,393,123	147	25,832,389	520	42,225,512
2001	309	13,541,426	106	13,556,188	415	27,097,614
2000	370	9,256,944	76	12,416,145	446	21,673,089

## RETAIL TRADE

### Town of Bar Harbor - Retail Sales by Product Group and Consumer Sales (\$/000)

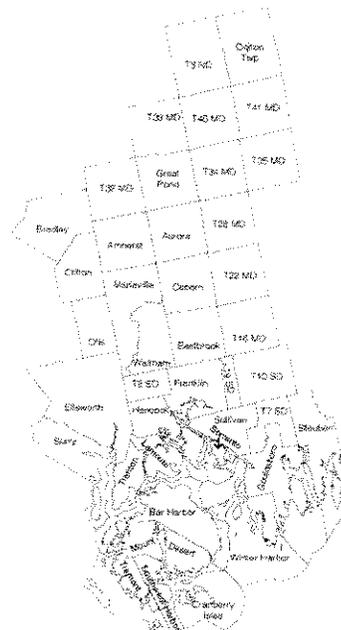
	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Retail Sales
2009	2,169	12,999	10,503	4,114	23,665	3,431	91,494	148,374	146,205
2008	2,265	14,057	10,477	3,919	25,216	3,646	97,320	156,900	154,635
2007	1,968	14,264	9,941	3,952	26,066	3,766	96,645	156,601	154,633
2006	2,064	15,020	8,600	3,576	25,183	4,141	88,550	147,135	145,071
2005	1,800	14,517	8,268	3,883	23,892	4,319	87,184	143,863	142,064
2004	2,067	13,782	7,973	4,471	24,546	4,065	84,614	141,517	139,450
2003	2,586	11,595	8,648	4,651	23,890	4,370	75,609	131,349	128,763
2002	2,507	11,275	9,270	4,526	24,812	4,483	83,798	140,671	138,165
2001	2,449	10,805	8,200	4,168	3,898	4,989	78,088	130,440	127,991
2000	2,393	9,760	9,279	4,309	20,968	5,424	78,252	130,384	127,991

## ELLSWORTH-BAR HARBOR METROPOLITAN STATISTICAL AREA

The U.S. Department of Commerce, Bureau of the Census formerly defined a metropolitan statistical area ("MSA") as an area that includes at least one city with 50,000 or more inhabitants, or a Census Bureau-defined urbanized area (of at least 50,000 inhabitants) and a total metropolitan population of at least 75,000 (in New England).

Additional cities and towns are included in the MSA if they meet specified requirements of commuting to the central area and other selected requirements of metropolitan character (such as population density and percent urban). A MSA is also considered a labor market area ("LMA").

The map displays the one city, 26 towns or townships and 14 parcels of unorganized territory that comprise the Ellsworth-Bar Harbor MSA.



## EMPLOYMENT

Representative Employers	Type of Business	Approximate Number of Employees			
		Full-Time	Part-Time	Seasonal	Total
The Jackson Laboratory	Genetic Research	1,177	0	0	1,177
Mount Desert Island Hospital	Hospital	340	130	0	470
National Park Service	Acadia National Park	95	0	146	241
Acadia Corporation	Gift Shops	10	40	135	185
Hannaford's Shop & Save	Grocery Store	30	41	20	92
College of the Atlantic	College	85	20	0	115
Sonogee Estates	Nursing Home	47	4	17	68
Bar Harbor Banking & Trust Co.	Bank	38	2	2	42
MDI Bio Laboratory	Medical Research	44	2	8	54

The following table displays the residential component of the Town's workforce, the respective component of its workers as a percentage of their local (i.e., home) workforce; and the geographic place of employment for the Town's residents:

People who work in Bar Harbor, but live in:	Number of Workers	% Bar Harbor Workforce	People who live in Bar Harbor, but work in:	Number of Workers	% Bar Harbor Workers
Bar Harbor	1,710	46.10%	Bar Harbor	1,710	71.97%
Mount Desert	310	8.36	Ellsworth	181	7.62
Ellsworth	296	7.98	Mount Desert	132	5.56
Trenton	177	4.77	Southwest Harbor	91	3.83
Tremont	158	4.26	Trenton	34	1.43
Southwest Harbor	157	4.23	Hancock	18	0.76
Lamoine	111	2.99	Bucksport	17	0.72
Franklin	85	2.29	Blue Hill	14	0.59
Hancock	66	1.78	Carrabassett Valley	12	0.51
Sullivan	65	1.75	Salt Lake Co. UT	12	0.51
Surry	53	1.43	Castine	11	0.46
Gouldsboro	48	1.29	Cranberry Isles	11	0.46
Orland	34	0.92	Bangor	11	0.46
Steuben	29	0.78	Chesterfield Co. VA	9	0.38
Bucksport	28	0.75	Gouldsboro	8	0.34
Mariaville	28	0.75	Stonington	8	0.34
Blue Hill	24	0.65	Tremont	8	0.34
Eastbrook	22	0.59	Brattleboro VT	8	0.34
Augusta	21	0.57	Brooksville	7	0.29
Brewer	20	0.54	Penobscot	7	0.29
Winter Harbor	18	0.49	Swans Island	7	0.29
Old Town	18	0.49	Addison	7	0.29
Castine	15	0.40	Monroe Co. FL	6	0.25
Otis	14	0.38	Cape Elizabeth	6	0.25
All Other	202	5.45	All Other	41	1.73
	<u>3,709</u>	<u>100.0%</u>		<u>2,376</u>	<u>100.00%</u>

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2000 data.

## **LOCAL ECONOMY**

### **Acadia National Park**

Originally known as the Lafayette National Park, Acadia National Park encompasses more than 44,000 acres on Mount Desert Island, Schoodic Peninsula, Isle Au Haut and several other small islands in Frenchman Bay. The major portion of the Park, 35,000 acres, is located on Mount Desert Island. An extensive, well maintained system of paved roads, including the 22-mile Park Loop Road, gives access to the shoreline and interior forests. Included in more than 120 miles of trails is a 51-mile network of gravel carriage paths enhanced by 16 stone bridges, each specially designed to compliment its setting. The National Park Service maintains two campgrounds, various picnic sites and surrounding facilities. Special attractions also include Sand Beach, Thunder Hole - a natural chasm, and a road to the summit of Cadillac Mountain.

The existence of the Park is due to the efforts of former year-round and summer residents, such as George Dorr who, in 1913 with others, acquired 6,000 acres which became the nucleus of today's Acadia National Park. Another noted benefactor was John D. Rockefeller, Jr. who personally acquired and donated 11,000 acres of forest, shoreland and scenic areas to the Park. Mr. Rockefeller also financed, had constructed and then donated the 51 miles of Carriage Paths to the Park, to ensure that the automobile would not undermine its natural beauty and tranquility. Acadia National Park is visited by more than 4 million people each year, making it second only to the Great Smokies in popularity among national parks.

### **Downeast Transportation – Island Explorer**

Downeast Transportation, Inc. was incorporated in 1979 as a non-profit organization that provides public transportation in Hancock County through a contract agreement with the State of Maine's Department of Transportation. The corporation also provides year-round fixed-route midday service to 17 towns in the County plus subscription commuter service to The Jackson Laboratory and other agencies.

To mitigate summer months' traffic congestion, Downeast Transportation implemented a seasonal, propane-powered shuttle service, the "Island Explorer", to provide transportation throughout Acadia National Park and the surrounding communities with a passenger transfer hub located in the downtown of Bar Harbor. The Island Explorer currently operates 25 propane powered seasonal vehicles and carries over 400,000 passengers on a no fee basis during the average summer season. Financial support for the buses and the operations are provided by the United States National Park Service, federal and State grants, and contributions from local municipalities, businesses and non-profit agencies. In 2009, L.L. Bean committed another \$1 million grant over five years to support the Island Explorer operations. The Maine Department of Transportation, Acadia National Park and Friends of Acadia have recently partnered to build a new transit hub in Trenton on the Route 3 approach to Acadia which is scheduled to be operational in 2011.

### **The Jackson Laboratory**

Located in Bar Harbor, the Jackson Laboratory ("Jackson Lab") is an independent, nonprofit biomedical mammalian research institution and National Cancer Institute-designated Cancer Center. Its mission is to discover the genetic basis for preventing, treating and curing human diseases, and to enable research and education for the global biomedical community. Its research staff of more than 500 investigates the genetic basis of cancers, heart disease, osteoporosis, Alzheimer's disease, glaucoma, diabetes and many other human diseases and disorders, as well as normal development, reproduction and aging. Jackson Lab is also the world's source for more than 5,000 strains of genetically defined mice, is home of the mouse genome database and is an international hub for scientific courses, conferences, training and education.

Jackson Lab was founded in 1929 by Dr. Clarence Cook Little on the premise that the causes of cancer and other diseases could be discovered through mammalian research. Two affluent summer residents, Roscoe B. Jackson, head of the Hudson Motorcar Company, and Edsel Ford, son of Ford Motor Company founder Henry Ford, provided initial funds for building the laboratory on 13 acres donated by George Dorr, a major benefactor of the development of Acadia National Park. Jackson Lab has made profound contributions to research and medicine through the years and its creative, collaborative research into human diseases and conditions such as cancer, diabetes and obesity continues the tradition. At least 22 Nobel Prizes in Physiology or Medicine are associated with Jackson research, resources or education programs.

Jackson Lab is situated on a 43-acre main campus with 47 buildings. The institution owns a total of 67 buildings on 160 acres adjacent to or near the main campus, including guest houses and two estates that support its teaching and educational mission, for a total of 710,000 building square feet. Jackson Lab completed a five-year infrastructure expansion in 2006 with the opening of the East Research Building. An expansion of the institution's research program continues, with the number of research groups projected to grow from 38 to 45 over the next 3-5 years.

The Jackson Lab had operating revenue of \$160 million in FY2008 with approximately \$91 million, or 57%, received from the mouse sales and service division. Government grants and support comprise another 34% with the remainder sourced from private gifts, grants and other revenue. Jackson Lab's endowment is over \$60 million. The price tag on a mouse bred at Jackson Laboratory runs anywhere from \$11 to \$300 and the lab distributed 2.5 million mice last year to over 16,000 investigators in 60 countries. The lab's buildings and improvements (excluding equipment) are valued at \$128,000,000 by the Town assessments. Jackson Lab also provides education and training for up to 3,000 scientists a year and, as of March 2010, Jackson Lab employed 1,300 personnel nationwide, of which 1,177 employees work at the Bar Harbor facilities.

### **College of the Atlantic**

The College of the Atlantic ("COA") was founded in 1969 to provide an ecological, problem-solving approach to education that combines academic rigor in the arts and sciences with practical application. The academic program is designed to develop an ecological perspective through the understanding of social, biological, and technological interrelationships. The college awards one undergraduate degree, the Bachelor of Arts, and a graduate degree, the Master of Philosophy, each in Human Ecology. The oceanfront location of the campus allows students to take advantage of the abundant natural resources offered by the Atlantic Ocean and nearby Acadia National Park. Mount Desert Rock and Great Duck Island lighthouses were given to COA in 1998 and are used as field stations for academic study and scientific research. Through the generosity of two COA graduates, an 86-acre organic farm was donated to the college in early 1999 and operates as a year round educational facility for agricultural production with particular emphasis on organic growing. With a faculty of 38 teachers, current (2009/2010) student enrollment is 324 providing a 11:1 student/teacher ratio. Total personnel employed by COA comprise 100 full-time-equivalent people.

### **Mount Desert Island Hospital**

Mount Desert Island Hospital ("MDI Hospital") is a modern, non-profit, Critical Access Hospital, providing treatment for a wide variety of acute and chronic health conditions. Located in Bar Harbor, MDI Hospital has served the MDI region with compassionate, high-quality care since 1897. Designated a Critical Access Hospital in October 2000, MDI Hospital is licensed for 25 beds, 15 of which are acute care beds and 10 are "swing" beds, which allow the transfer of qualifying acute care patients into a skilled rehabilitation program within the hospital. MDI Hospital provides a full range of inpatient and outpatient

medical services, including 24 hour emergency care, surgery, cardiac intensive care, laboratory services, respiratory therapy, physical therapy, occupational therapy, chemical dependency treatment, counseling, radiology, oncology and cardiac rehabilitation. MDI Hospital employs over 470 people (340 full time and 130 part time), and has an active medical staff of 26, that includes specialists in family practice, general surgery, internal medicine, ophthalmology, orthopedics, pathology and radiology. The 68 members of its courtesy and consulting medical staff, and allied health professionals include specialists in anesthesiology, dentistry, gastroenterology, gynecology, neurology, obstetrics, oncology, pediatrics, podiatry, psychiatry, and urology. With a primary service area population of approximately 10,000, MDI Hospital had 1,180 admissions, comprising a total of 4,827 patient days, with an average stay of three days during the fiscal year that ended April 30, 2009. The hospital's staff performed 1,300 surgeries, more than 16,000 radiology tests, and had 7,500 Emergency Room visits. MDI Hospital also owns or leases nine facilities in four other communities whereby approximately 65,000 "health center encounters" are recorded annually; and operates Birch Bay Retirement Village, a retirement community comprised of cottages and an Inn with 23 independent living apartments and 32 assisted living suites.

### **Mount Desert Island Biological Laboratory**

The Mount Desert Island Biological Laboratory (the "Laboratory") was founded in 1898 at South Harpswell, Maine by J.S. Kingsley of Tufts University. The Laboratory moved to its present site at Salisbury Cove in 1921 when an offer of land was made by an organization known as the Wild Gardens of Acadia, headed by George B. Dorr and John D. Rockefeller, Jr., benefactors in the founding of Acadia National Park. The Laboratory was incorporated in 1914 under the laws of the State of Maine as a non-profit scientific and educational institution. For more than 100 years, leading scientists from throughout the United States and abroad come to Mount Desert Island to study marine and simple organisms to learn about the basic biology of life. MDIBL scientists make critical discoveries about how organisms adapt to their environment and how environment, health and genetics are related. They also investigate the root causes of diseases like cystic fibrosis, study early development and regeneration, and examine the mechanisms that make living creatures age.

In 2000, in addition to its longstanding seasonal program, the Laboratory established a year-round research program and began to significantly expand hands-on training opportunities for Maine students. In 2008, the Laboratory finished construction of a \$7.2-million 15,000 square-foot LEED gold certified laboratory building, and successfully recruited its first year-round Director, who began work in July 2009. In 2009, the Laboratory received a 5-year renewal of an \$18-million grant from the National Institutes of Health to fund research training in biomedical research and increase the research capacity in the State of Maine through funding to a network of private and public research and educational institutions within the state. The Laboratory also received over \$4-million in funds from the National Institutes of Health to construct a 10,000 sq. ft. laboratory building. Construction will begin in fall 2010.

The Laboratory employs approximately 45 year-round professional personnel and staff, and is actively recruiting for additional full-time faculty. Each summer, its campus population swells to over 200 with visiting scientists, technical staff, and students from around the world.

### **The Waterfront**

The waterfront area of the Town comprises approximately 4.25 acres including the municipally owned and operated Town Pier, located at the base of Bar Harbor village, along with three privately-owned piers which skirt the harbor, that are hubs for sightseeing, windjammer, whale watching and nature cruises as well as private yachts, deep sea and lobster fishing boats. A privately owned Ferry Terminal is located at the entrance to the Bar Harbor village but service has been temporarily suspended and its current use is undetermined at this time. The office of the Harbor Master is located on the Town Pier.

Cruise ships have called at Bar Harbor for many years, and the Town is becoming a more active port-of-call for various lines. Cruise ship traffic in Bar Harbor provides a unique economic benefit from the direct and indirect spending of the line, its passengers and crew. Currently the economic impact in the region is estimated at \$10 million annually. The unique benefit is that the source of this revenue does not arrive by automobile and does not require school, water, wastewater or public facility infrastructure for its support. In May of 2007, a *Cruise Ship Study* was completed with various recommendations. The information in the report enabled the Town to create a Cruise Ship Task Force and, with the industry's cooperation, the Town adopted new cruise ship fees, based on number of passengers. Short and long term funding goals from this additional revenue is expected to be allocated for operational support and for capital improvements to the related infrastructure. A 2002 University of Maine study estimated that cruise ship calls inject approximately \$13 million per year into Bar Harbor's local economy.

### **The Abbe Museum**

The original Abbe Museum is located at Sieur de Monts Spring in Acadia National Park, as a seasonal facility dedicated to furthering the understanding and appreciation of Maine's Native American cultures, history and archaeology through exhibitions, educational programs and research. A private, not-for-profit institution, the museum is devoted solely to preserving and celebrating the heritage of all four Native communities in Maine: Maliseet, Micmac, Passamaquoddy and Penobscot. The Abbe Museum, listed in the National Register of Historic Places, has a permanent collection of more than 50,000 objects representing 10,000 years of Native American life in Maine. The museum is significant for its distinctive architecture, its legacy as a private trailside museum founded to complement the National Park System, and as one of the remaining examples of the spirit and architecture of the "Gilded Age" in Bar Harbor.

Founded by Dr. Robert Abbe, a noted New York surgeon and Bar Harbor summer resident, the museum first opened to the public in 1928. The original museum at Sieur de Monts Spring is open seasonally, from Memorial Day until Columbus Day. A second, \$6 million year-round facility opened in downtown Bar Harbor in September 2001. This facility provides over ten times the space for exhibitions, education and collections, as well as furthers the Town as a year-round destination for trips and tours.

### **Jesup Memorial Library**

The Bar Harbor Village Library was first established in 1875. The library was moved when, in 1911, Mrs. Morris K. Jesup gave the present library (the "Library") to the Town of Bar Harbor in memory of her husband, a New York financier and philanthropist, who had spent many summers in Bar Harbor. The Library, located in the downtown village, is a handsome brick structure, designed by Delano and Aldrich, architects from New York. The interior of the building is richly decorated with cut marble and oak paneling throughout. In April, 1991 the Jesup Memorial Library was entered in the National Register of Historic Places.

The Library is a private nonprofit organization, separate from the Town, and is operated by a Board of Trustees. Funding is provided by endowment incomes, gifts, fundraising, an annual book sale, and contributions from the Town on a year-to-year basis at the Town's pleasure. In fiscal year 2009/2010 the Town contributed \$17,716, or 7% of the Library's operating funds. The Library's collection includes approximately 33,000 volumes, subscriptions to about 50 periodicals, microfilm of the local weekly paper from 1881 through 2003, and many other historical resources. The Library offers six computers for the public to use at no charge and also provides free wi-fi service. The 2009 circulation was about 66,000 items, and more than 2,000 people attended programs it sponsored. The Library is managed by a professional librarian as Director, and is also served by one additional full-time staff member, three part-time staff, and many volunteers.

## ECONOMIC CHARACTERISTICS

Population	-----% Change-----			
	Town of Bar Harbor	Town	State	USA
1960	3,807	(1.4%)	6.1%	18.5%
1970	3,716	(2.3)	2.4	13.4
1980	4,124	11.0	13.4	11.4
1990	4,443	7.7	9.2	9.8
2000	4,820	8.5	3.8	13.2

Population Characteristics	Town of Bar Harbor	Hancock County	State of Maine	USA
Median age (years)	36.8	35.8	33.9	32.9
% school age	14.2	17.3	18.2	18.2
% working age	60.7	60.6	61.5	61.7
% 65 and over	18.5	15.2	13.3	12.6
Persons/household	2.28	2.48	2.56	2.63

Income	Town of Bar Harbor	Hancock County	State of Maine	USA
Median family income	\$36,495	\$29,939	\$32,422	\$35,225
% below poverty level	8.7	10.0	10.8	13.1
Per capita income	\$14,234	\$12,347	\$12,957	\$14,420

Housing	Town of Bar Harbor	Hancock County	State of Maine	USA
% owner occupied	61.7	75.7	71.6	66.2
% Built before 1939	48.8	37.0	34.9	20.7
% Built since 1980	24.7	24.8	20.7	18.4
Owner occupied med. value	\$107,600	\$85,200	\$87,400	\$79,100
Median gross rent	\$405	\$403	\$419	\$447
Occupied housing units	1,851	18,342	465,312	-

SOURCE: 2000 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	Town of Bar Harbor	Hancock County	State of Maine	USA
2009	9.3%	8.7%	8.0%	9.3%
2008	7.9	6.0	5.4	5.8
2007	7.2	5.5	4.6	4.7
2006	7.1	5.4	4.6	4.6
2005	7.5	5.5	4.8	5.1
2004	6.8	5.1	4.6	5.5
2003	7.0	5.1	5.1	6.0
2002	5.9	4.5	4.4	5.8
2001	6.5	4.5	4.0	4.8
2000	6.4	4.5	3.5	4.0

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

## TOWN FINANCES

### BUDGETARY PROCESS

The fiscal year (or “Budget Year”) of the Town begins on the first day of July and ends on the thirtieth day of June of the following calendar year. Article VI, Section C-31 of the Town’s Charter provides for a budget process. The Town Manager is required to submit the budget (the “Budget”) to the Town Council on or before the third Tuesday in January, preceding the next budget year. At least 56 days prior to this submittal all department heads, board or committee chairs, except School Committee and Cooperating Agencies, submit budget requests to the Town Manager. The School Committee submits its Budget to the Town Manager at least 14 days before his submittal to the Council. Upon submittal, the Council reviews, amends and tentatively adopts Budgets on or before February 7th and fixes a time and place for a public hearing, to be held prior to February 22nd. Following the public hearing, the Council recommends the Budgets to the Warrant Committee. Within seven days of adoption, the Town Manager submits a complete detailed budget to the Town Warrant Committee, who reviews and provides its recommendations to the Council at least four weeks prior to Town Meeting. The Council reviews the recommendations and submits the Budgets to the Town Meeting. The Town Meeting has the exclusive power and responsibility to approve the annual Town Budget on the first Tuesday in June. Pursuant to State law, if the Appropriation Resolve increases the property tax levy from the prior year by more than a specified Growth Limitation factor then the excess of the appropriation must be approved by a majority of the Town Meeting voters. Further, the School Budget is subject to referendum by the voters of the MSU through a Budget Validation process. Upon adoption of the budget, a property tax levy is established and filed with the Town Assessor.

### General Fund Budgets for Fiscal Year Ending June 30,

	2006	2007	2008	2009	2010
<b>Revenues</b>					
Taxes	\$11,629,998	\$12,622,719	\$12,946,549	\$13,300,828	\$13,682,508
Intergovernmental	447,635	446,454	454,538	446,497	414,725
Departmental	1,054,621	1,111,332	1,111,268	1,363,150	1,270,635
Other local sources	265,924	289,470	295,983	314,396	305,224
<b>Total Revenues</b>	13,398,178	14,469,975	14,808,338	15,424,871	15,673,092
<b>Expenditures</b>					
General government	2,228,880	2,393,484	2,377,515	2,618,093	2,746,880
Public safety	1,861,166	1,990,117	1,993,789	2,039,146	2,205,157
Health & welfare	95,268	108,841	102,971	102,959	96,791
Parks & recreation	197,265	218,030	209,401	219,917	209,416
Roads & sanitation	1,355,897	1,490,768	1,532,267	1,654,899	1,721,819
Debt service	45,453	43,035	42,759	40,186	13,551
Assessments	2,721,615	2,791,171	2,725,849	2,741,261	2,891,293
Transfers to school fund	3,741,284	4,006,126	4,194,993	4,442,778	4,432,487
Transfers to CIP	1,230,665	1,315,208	1,487,961	1,498,669	1,185,984
Other exp. & transfers	101,559	143,569	140,833	66,963	129,280
<b>Total Expenditures</b>	13,579,052	14,500,349	14,808,338	15,424,871	15,632,658
<b>Excess Exp. Over Revenues</b>	180,874	30,374	0	0	(40,434)
<b>Use of Fund Balance:</b>					
Transfer to CIP	150,000	0	0	0	0
Reduce taxes	30,874	30,374	0	0	0
Increase GF Bal	0	0	0	0	(40,434)
<b>Total Use of Fund Balance</b>	\$180,874	\$30,374	\$0	\$0	(\$40,434)

**CAPITAL IMPROVEMENT PLAN**

Article, VI, Section C-30 of the Town’s Charter provides that the Town of Bar Harbor will have a Capital Improvement Program (the “CIP”). The Town Manager is directed by the Charter to prepare and submit a CIP concurrent with the submission of the annual budget for expenditures, any one of which costs more than \$5,000 and (i) whose construction time extends to two or more fiscal years; or (ii) includes planning for, construction of or major renovation of a Town building, wharf, public way, wastewater, drain or appurtenant equipment; or (iii) replacement or acquisition of equipment with life expectancy of five years or longer. The CIP includes a list of all capital improvements proposed during the next five fiscal years. This includes costs, methods of financing and time schedules as well as the annual cost to operate and maintain the proposed respective improvement. The CIP is reviewed by the Council, amended if necessary following a public hearing, is presented to the Warrant Committee and then sent to the Annual Town Meeting for Town Meeting approval. The Town may incur indebtedness to finance any of its capital projects by authorizing the issuance of bonds pursuant to Article II, Section C-6.B of the Town’s Charter (i.e., through Town Meeting approval). The present Budget includes an “Equipment Replacement Schedule”. The proposed CIP contemplates funding equipment replacement costs by the establishment of equipment replacement reserves each budget year. In so doing the intent of the Town is to finance future equipment replacements, minor road repair and normal building maintenance through future reserves instead of debt issuance. As of June 30, 2009, \$2,092,565 raised primarily through property taxes is available in the CIP Fund. The following is the Town’s current CIP, by year of expenditure per departmental total:

**Capital Improvement Spending Plan  
Fiscal Year Ending June 30,**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Totals</b>
<b>CIP</b>						
Finance/Assess/Tech.	\$95,000	\$67,000	\$51,000	\$58,000	\$49,000	\$320,000
Municipal Building	210,000	120,000	983,000	0	0	1,313,000
Planning Department	10,000	0	0	0	0	10,000
Amb/Fire Department	0	16,000	0	148,000	22,000	186,000
Police Department	100,000	182,000	132,000	40,000	44,000	498,000
Public Safety Depart	48,000	22,000	30,000	22,000	22,000	144,000
Harbor Department	22,000	0	0	30,000	24,000	76,000
Parks Section	220,000	5,000	0	0	0	225,000
Comfort Stations	377,000	0	0	0	0	377,000
Highway Division	1,250,000	1,200,000	4,144,000	890,000	1,260,000	8,744,000
Solid Waste Division	5,000	0	40,000	5,000	5,000	55,000
School CIP	135,000	156,000	113,000	77,000	83,000	564,000
<b>Annual Totals</b>	<b>2,472,000</b>	<b>1,768,000</b>	<b>5,493,000</b>	<b>1,270,000</b>	<b>1,509,000</b>	<b>12,512,000</b>
<b>Funding Sources</b>						
CIP Funding (Taxes)	374,000	348,000	220,000	444,000	636,000	2,022,000
2010 Bond Proceeds	1,354,000	890,000	1,456,000	0	0	3,700,000
2012 Bond Proceeds	0	0	3,121,000	0	0	3,121,000
CIP Revenues	316,000	312,000	313,000	286,000	290,000	1,517,000
Prior Years CIP Balances	428,000	218,000	383,000	540,000	583,000	2,152,000
<b>Total Funding Sources</b>	<b>\$2,472,000</b>	<b>\$1,768,000</b>	<b>\$5,493,000</b>	<b>\$1,270,000</b>	<b>\$1,509,000</b>	<b>\$12,512,000</b>

## PROPERTY TAX LEVY LIMIT

As previously discussed, unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended the Town is limited to an increase in the Town's property tax levy from one year to the next to an amount not more than its Municipal Property Tax Levy Limit (see "THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). The Municipal Property Tax Limit for subsequent fiscal years is the Municipal Property Tax Levy Limit for the preceding year multiplied by the Growth Limitation Factor. Therefore, in cases where the amount of the prior year's Municipal Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy ("Property Tax Levy"), the Town may carry-forward that difference in establishing its future years' property tax levy.

Fiscal year:	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>
State Personal Income Factor:	2.58%	1.19%	2.47%	2.24%	2.28%
Town Prop Growth Factor:	<u>3.22</u>	<u>2.62</u>	<u>2.82</u>	<u>2.42</u>	<u>3.34</u>
Growth Limitation Factor:	5.80%	3.81%	5.29%	4.66%	5.62%
Property Tax Levy Limit:	\$4,078,018	\$4,333,699	\$4,992,924	\$5,250,846	\$5,519,253
Property Tax Levy:	<u>4,174,645</u>	<u>4,742,069</u>	<u>5,034,301</u>	<u>5,172,804</u>	<u>5,367,062</u>
Over/(below) Prop Tax Levy Limit:	\$96,627	\$408,370	\$41,377	(\$78,042)	(\$152,191)

## INVESTMENT POLICY

The Town has established a formal Investment Policy, pursuant to applicable Maine law [Title 30-A, Section 5706 et seq. of the Maine Revised Statutes, as amended (the "Act")] all investments of the Town must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the Town's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The Town is invested principally in direct obligations of the United States government and its agencies. The Town is not invested in any obligations typically referred to a derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

## FUND BALANCE POLICY

The Town has instituted a formal Fund Balance Policy. The policy states that "Fund Balance is comprised of both Reserved and Unreserved Fund Balance. Unreserved Fund Balance is further categorized into Designated and Undesignated Fund Balance and shall be maintained at reasonable levels at all times to ensure the financial well being of the Town, to lessen the need for borrowing, to protect the Town's Bond Rating and to provide the funds necessary to meet the Town's financial operating working capital. A strong Fund Balance may also allow Bar Harbor to provide for a fallback of its tax rate in times of temporary economic uncertainty, provide for unexpected capital expenditures, provide for unanticipated mandatory expenditures and provide for one-time expenses that do not create an ongoing financial obligation in future years.

An amount equal to at least 10% of the Town's latest year's total audited General Fund revenues shall be designated in the Unreserved Fund Balance as "*Designated for Working Capital*". Additionally, an amount equal to the estimated dollars payable for future unpaid compensated absences shall be designated

in the Unreserved Fund Balance as “*Designated for Compensated Absences*”. Annually, following completion of the Town audit, the Town Manager reviews the balance of the General Fund “*Unreserved and Undesignated Fund Balance*” and proposes to transfer through the annual budget process any funds deemed surplus from the past year’s operations for purposes of funding necessary projects in the Capital Improvement Program Fund. It is recognized, as part of this policy, that good budgeting practices suggest that fund balance shall not be routinely used to reduce taxes in the following year. Accordingly, use of fund balance to fund operating expenses shall require a two-thirds vote of the Town Council.”

**Fund Balance as % Revenues**

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
Unreserved General Fund Balance	\$1,638,546	\$1,604,817	\$2,042,199	\$2,027,559	\$1,725,685
Total Revenues (Current Year)	13,127,274	13,172,518	14,732,436	14,879,392	15,080,486
Fund Bal as % Revenues	12.48%	12.18%	13.86%	13.63%	11.44%
Undesignated General Fund Balance	\$393,546	\$294,817	\$702,199	\$557,559	\$237,685
Total Revenues (Current Year)	13,127,274	13,172,518	14,732,436	14,879,392	15,080,486
Fund Bal as % Revenues	3.00%	2.24%	4.77%	3.75%	1.58%

**DEBT MANAGEMENT POLICY**

On June 11, 2008 the Town enacted a formal Debt Management Policy that established conditions for the managed use of debt and to create procedures and policies that minimize the Town’s debt service and issuance costs, with the objective to obtain and then retain the highest credit rating and to maintain full and complete financial disclosure and reporting. The policy includes adoption and periodic adjustment of five-year CIP for its Municipal, Wastewater and Water funds. In the policy, the Town sets a maximum target for the Town’s outstanding debt at 2/3rds of the limit prescribed by State statute (see “INDEBTEDNESS - LIMITATIONS AND EXCLUSIONS” herein), or five percent (7½% x 66.7%) of equalized state valuation of property of the Town; but excluding school, storm or sanitary sewer debt. Among other common benchmarks, the policy has set a measurement standard of *annual debt service* (less self supporting) calculated as a percent of current year’s budgeted expenditures, excluding assessments with 2 to 7% considered low; 8 to 12% medium; and over 12% considered high. Debt will be issued for capital projects only when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries or users, or in the case of an emergency capital need and debt will not be issued for a period that exceeds 120% of the useful life or average useful life of the project or projects to be financed. As a guideline, the Town strives to repay from 30 to 50 % of the principal amount of its general obligation debt within five years; at least 60 % within ten years; and will seek to structure its debt with *level principal payments* recommended for *tax supported debt*, but *level principal & interest* may be used for *fee based debt* to maintain rate stabilization goals.

**FINANCIAL STATEMENTS**

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Article III, Section C10.A(7) of the Town’s Charter provide for independent annual audits of the Town’s accounts and establishes procedures for such audits. The Town of Bar Harbor, in conformance with this statute and its Charter, currently engages the services of the firm of James W. Wadman, Certified Public Accountant. The Town’s fiscal year 2009 Annual Report is presented as APPENDIX A to this Official Statement. The consent of James W. Wadman, Certified Public Accountant for the incorporation of the Financial Statements included in APPENDIX A has not been requested by the Town, nor has it been received.

## FUNDS

The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. The Town has the following fund types:

**Governmental Funds** are used to account for most governmental functions of the Town. Governmental Funds include the following fund types:

*General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* account for revenue sources (not including expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

*Capital Projects Fund* is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

*Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting governments' programs.

*Enterprise Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Town Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

**Fiduciary Funds** account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's Fiduciary Funds include the following types:

*Private Purpose Trust Funds* are used to report any trust arrangements under which principal and income benefit individuals, private organizations, and other governments and that are not accounted for in other fiduciary funds.

*Agency Funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

**TOWN OF BAR HARBOR**  
**COMPARATIVE BALANCE SHEET**  
**GENERAL FUND**  
**(As of June 30,)**

	2009	2008	2007	2006	2005
<b>ASSETS</b>					
Cash and equivalents	\$2,544,603	\$3,072,725	\$3,017,394	\$2,966,293	\$3,837,093
Investments	2,161,830	2,346,464	2,468,356	2,138,558	1,579,344
Receivables:					
Taxes	36,725	118,976	232,308	324,474	180,585
Tax liens	512,122	335,947	48,589	58,292	37,174
Accounts	5,849	3,674	5,524	21,852	28,838
Ambulance fees	83,377	104,803	138,744	94,380	79,866
Accrued interest	20,352	27,862	28,550	12,501	10,320
Prepaid expenses	18,247	27,116	42,092	47,944	55,613
Inventory	13,455	15,539	16,934	15,356	0
Due from other governments	650,341	374,484	169,313	32,843	0
Due from other funds	63,138	29,263	3,000	80,849	11,802
<b>TOTAL ASSETS</b>	<b>6,110,039</b>	<b>6,456,853</b>	<b>6,170,804</b>	<b>5,793,342</b>	<b>5,820,635</b>
<b>LIABILITIES</b>					
Accounts payable	236,188	255,884	261,956	180,977	644,061
Retainage payable	0	1,417	0	0	0
Payroll taxes	9,700	13,699	13,162	16,054	22,935
Accrued salaries	170,673	138,871	126,960	125,491	101,037
Accrued compensated absences	221,468	224,382	206,219	215,838	176,728
Deferred Revenue:					
Property Tax	465,070	333,788	221,808	357,681	137,355
Acadia National Park PILOT	16,132	38,729	40,216	50,320	44,501
Other	200	0	0	0	0
Prepaid taxes	28,939	26,874	11,599	17,402	23,501
Bond purchase premium	22,856	0	0	0	0
Due to other funds	3,161,523	3,350,320	3,101,998	3,147,425	2,947,142
Due to other governments	0	0	0	11,296	0
Deposits payable	6,108	8,315	30,485	3,912	7,586
<b>TOTAL LIABILITIES</b>	<b>4,338,857</b>	<b>4,392,279</b>	<b>4,014,403</b>	<b>4,126,396</b>	<b>4,104,846</b>
<b>FUND EQUITY</b>					
Fund Balances:					
Reserved for encumbrances	45,497	37,015	114,202	62,129	77,243
Unreserved:					
Designated for working capital	1,488,000	1,470,000	1,340,000	1,310,000	1,245,000
Undesignated	237,685	557,559	702,199	294,817	393,546
<b>TOTAL FUND EQUITY</b>	<b>1,771,182</b>	<b>2,064,574</b>	<b>2,156,401</b>	<b>1,666,946</b>	<b>1,715,789</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$6,110,039</b>	<b>\$6,456,853</b>	<b>\$6,170,804</b>	<b>\$5,793,342</b>	<b>\$5,820,635</b>

Prepared from Audited Financial Statements

**TOWN OF BAR HARBOR**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**(For the Years Ended June 30,)**

	2009	2008	2007	2006	2005
<b>REVENUES</b>					
Taxes	\$13,184,702	\$12,873,032	\$12,760,960	\$11,525,488	\$11,384,438
Intergovernmental revenue	505,002	447,076	454,848	179,138	455,783
Departmental revenue	1,097,442	1,193,593	1,129,182	1,141,142	1,002,611
Other local sources	293,340	365,691	387,446	326,750	284,442
<b>TOTAL REVENUES</b>	<b>15,080,486</b>	<b>14,879,392</b>	<b>14,732,436</b>	<b>13,172,518</b>	<b>13,127,274</b>
<b>EXPENDITURES</b>					
General government	2,559,855	2,495,044	2,383,765	2,173,968	2,040,744
Public safety	2,050,248	1,973,340	1,923,477	1,875,608	1,792,323
Health and welfare	102,162	101,362	105,209	91,921	103,293
Parks and recreation	218,151	223,854	197,092	192,812	147,899
Island Explorer	33,100	33,100	32,042	30,810	30,000
Roads and sanitation	1,693,061	1,713,079	1,452,431	1,379,586	1,362,847
Debt	39,708	42,759	43,035	45,453	47,864
Assessments	2,741,261	2,725,849	2,791,171	2,721,615	2,695,350
Other	0	0	0	0	154,000
<b>TOTAL EXPENDITURES</b>	<b>9,437,546</b>	<b>9,308,387</b>	<b>8,928,222</b>	<b>8,511,773</b>	<b>8,374,320</b>
Excess of Revenue Over (Under) Expenditures	5,642,940	5,571,005	5,804,214	4,660,745	4,752,954
<b>OTHER FINANCING SOURCES</b>					
Transfers from Other Funds	5,115	52,285	7,575	262,361	6,016
Transfers to Other Funds	(5,941,447)	(5,715,117)	(5,322,334)	(4,971,949)	(5,248,353)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,936,332)</b>	<b>(5,662,832)</b>	<b>(5,314,759)</b>	<b>(4,709,588)</b>	<b>(5,242,337)</b>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>	<b>(293,392)</b>	<b>(91,827)</b>	<b>489,455</b>	<b>(48,843)</b>	<b>(489,383)</b>
<b>FUND BALANCE - JULY 1</b>	<b>2,064,574</b>	<b>2,156,401</b>	<b>1,666,946</b>	<b>1,715,789</b>	<b>2,205,172</b>
<b>FUND BALANCE - JUNE 30</b>	<b>\$1,771,182</b>	<b>\$2,064,574</b>	<b>\$2,156,401</b>	<b>\$1,666,946</b>	<b>\$1,715,789</b>

Prepared from Audited Financial Statements

## **PROPERTY TAXATION**

The principal tax of the Town is the tax on real and personal property. A single tax rate applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal 2009/2010 the tax due dates are September 30, 2009 and March 31, 2010. All taxes paid after the due date will be subject to interest, at the rate of 9.00% per annum.

### **Real Estate Taxes**

Collection of real estate taxes is ordinarily enforced in the Town by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the Town.

### **Business Personal Property Taxes**

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, most types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to:

- (1) Office furniture;
- (2) Lamps and lighting fixtures used to provide general purpose office or worker lighting;
- (3) Property owned or used by public utilities and persons providing certain television/telecommunications services;
- (4) Telecommunications personal property subject to the tax imposed by section 457 of Title 36;
- (5) Gambling machines or devices and associated equipment;
- (6) Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

The exemption also does not apply to certain energy facilities and pollution control facilities.

The exemption is purely prospective and applies to all qualifying property that is first installed in Maine after April 1, 2007 and would therefore, if not for the law, have become subject to taxation on or after April 1, 2008.

In order for any personal property to be exempted from taxation under LD 2056, the property owner must file a complete list of that property with the municipal assessor by May 1 every year. If the owner fails to file for the exemption in a timely manner or fails to follow other statutory procedures in the legislation, the property in question is not exempt from taxation for that year.

The State will reimburse municipalities with respect to the lost property taxes associated with this new exemption through one of two formulas, whichever is most beneficial to the municipality, as follows:

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement would be 100% for the lost

property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.

2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula if it provides a higher level of reimbursement in any year than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by this legislation in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district.

The value of all property made exempt by this legislation in the municipality will also be considered part of that municipality's equalized State Valuation to the extent the municipality is being reimbursed for its lost property taxes by the state with an additional adjustment for exempt property in a tax increment financing district effective prior to April 1, 2008.

The legislation provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

### Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy	Collections (after Supplements and Abatements)		
					Year End	% of Levy	% of Levy A/O 04/01/10
2010	\$1,486,550	\$1,437,197	\$8.88	\$12,762,312	-----In Process -----		
2009	1,474,600	1,395,468	8.88	12,391,759	\$11,973,371	96.62%	98.10
2008	1,358,000	1,369,310	8.77	12,008,847	11,664,089	97.13	99.80
2007	1,309,800	1,371,689	8.50	11,659,358	11,427,050	98.01	99.99
2006	1,094,750	856,231	12.60	10,617,266	10,295,404	96.97	99.99
2005	924,750	840,969	12.40	10,428,238	10,252,815	98.32	99.99
2004	901,250	822,008	12.00	9,864,105	9,688,379	98.22	99.99
2003	764,750	586,994	15.70	9,215,818	9,010,598	97.77	99.99
2002	633,350	574,244	15.06	8,648,117	8,452,953	97.74	100.00
2001	594,350	561,859	14.36	8,068,301	7,826,108	97.00	100.00
2000	565,400	553,278	13.61	7,530,112	7,246,980	96.24	100.00

## LARGEST TAXPAYERS

Taxpayer	Type of Business	As of April 1, 2009			
		Real Estate	Personal Property	Assessed Value	% of Levy
Witham Family LP	Hotels	\$25,177,300	\$585,990	\$25,763,290	1.80%
Golden Anchor, LC	Hotels	19,488,300	1,875,210	21,363,510	1.49
Eden Street Trust	Hotels	17,578,400	179,670	17,758,070	1.24
BHTC 111, LLC	Rest/clubs	10,434,400	11,550	10,445,950	0.73
Colket, Tristram C Jr	Residential	7,177,900	0	7,177,900	0.50
Lafayette Bluenose, LLC	Hotels	6,784,800	157,620	6,942,420	0.49
Marine Atlantic Inc	Ferry Terminal	6,479,800	0	6,479,800	0.45
Bangor Hydro Elec Co	Public Utility	5,813,900	0	5,813,900	0.41
Holiday Assoc. of Naples	Hotels	5,613,700	79,230	5,692,930	0.40
Sonogee LP	Nursing Home	4,457,200	247,200	4,704,400	0.33

## TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enables a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate equalized value of property of all the districts and all housing districts within the municipality as of the April 1<sup>st</sup> preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, Section 3403, Subsection 3.

The Town has not designated TIF districts at this time but, at its pleasure may consider proposals for districts on an ongoing basis. All districts would be evaluated based upon the Town’s comprehensive plan for economic development. In no event will the Town’s districts exceed the statutory limitation of total area to not more than 5% of the Town’s acreage, and aggregate equalized value within all districts (not otherwise exempt from this calculation), determined as of their date of designation, of not more than 5% of the Town’s total equalized value of taxable property.

## STATE AID

The State provides aid to the Town in a number of areas including education, welfare assistance, road maintenance, homestead exemption and revenue sharing. The amount of aid in each category is based upon a number of formulas, many of which contain variables that change annually. Further, most categories of State aid are governed by laws that may be changed by the State Legislature are subject to appropriation by the State Legislature in its budgetary process.

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process.

Since the State’s establishment of school subsidy programs, in 1969, the State has never failed to pay its subsidy. However, over the last several fiscal cycles the State has delayed its transitional goals to reach its 55% State share target. In Section C-4 of Chapter 213 of the Public Laws of 2009, the State decreased the State share target for fiscal year 2009-2010 from 55% to 50.95% and re-established the 55% target for fiscal year 2010-2011 and succeeding years. No assurances can be given that future legislation will not have an adverse impact on school funding in Maine. The following table displays state aid received by the Town for the last five audited fiscal periods:

<b>Fiscal Yr. End June 30,</b>	<b>State Revenue Sharing</b>	<b>School Aid</b>	<b>Homestead Exemption</b>	<b>General Assistance</b>	<b>Other State Aid</b>	<b>Total From State</b>
2009	\$266,510	\$180,919	\$53,865	\$1,481	\$71,480	\$574,255
2008	264,895	382,163	55,042	765	86,158	789,023
2007	286,532	357,549	52,407	571	73,594	770,653
2006	256,525	344,034	71,242	155	66,704	738,660
2005	285,391	123,203	39,710	2,132	84,565	535,101

## INDEBTEDNESS

### LIMITATIONS AND EXCLUSIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, “No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary wastewater purposes, for energy facility purposes or for municipal airport purposes to exceed 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and wastewater purposes to an amount outstanding at any time not exceeding 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.”

Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply "... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, chapter 110, subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt."

On January 1, 2010 the Town's equalized state valuation ("equalized State Valuation") was \$1,486,550,000. The 15% debt limit is \$222,982,500. As of June 30, 2009 the Town's long-term debt outstanding was \$10,285,180 or 0.69% of the equalized State Valuation. The Town will certify on the date of issue of the Bonds that the Town has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the Town to exceed such debt limits.

**DEBT SUMMARY**

Year Issued	Purpose	Amount Issued	Date of Final Maturity	Balance on June 30, 2009 (Audited, in \$)			Balance on June 30, 2010 (Projected, in \$)		
				Gen'l	Propr'ty	Total	Gen'l	Propr'ty	Total
1988	Public Imp	\$273,385	11/01/10	23,577	0	23,577	11,920	0	11,920
1988	Sewer	345,556	11/01/10	0	29,802	29,802	0	15,066	15,066
1990	Browning Pt	239,500	06/01/10	0	11,054	11,054	0	0	0
1990	Sch/ Dump	410,500	06/01/10	18,946	0	18,946	0	0	0
1992	School	2,100,000	06/01/12	345,000	0	345,000	230,000	0	230,000
1992	Sewer	1,200,000	06/01/12	0	180,000	180,000	0	120,000	120,000
1997	SRF	7,300,000	10/01/17	0	3,692,878	3,692,878	0	3,322,256	3,322,256
2001	SRF	275,000	04/01/11	0	55,000	55,000	0	27,500	27,500
2001	Water Co	3,825,000	12/01/21	0	2,855,000	2,855,000	0	2,690,000	2,690,000
2002	SRF	750,000	10/01/21	0	526,011	526,011	0	491,650	491,650
2004	Muni Renov	250,000	11/01/13	148,132	0	148,132	120,627	0	120,627
2004	SRRF	700,000	11/01/13	350,000	0	350,000	280,000	0	280,000
2004	School	805,000	11/01/24	694,780	0	694,780	664,721	0	664,721
2005	Beach Wall	800,000	10/15/24	640,000	0	640,000	600,000	0	600,000
2005	Hulls Cove	800,000	10/15/27	0	715,000	715,000	0	690,000	690,000
				2,220,435	8,064,745	10,285,180	1,907,268	7,356,472	9,263,740
2010	CIP/Wtr Sys	4,300,000	05/01/30				3,700,000	600,000	4,300,000
				2,220,435	8,064,745	10,285,180	5,607,268	7,956,472	13,563,740

NOTE: "SRF" indicates the State Revolving Loan Fund Program. The 1997 Sewer Plant project, the 2001 Sewer project and the 2002 Water Tank project are eligible projects that were financed through the SRF, administered jointly by the Maine Municipal Bond Bank (the "MMBB") and the State of Maine, acting by and through its Department of Environmental Protection (the "DEP"). Through its initial equity subsidy the SRF program typically offers rates 200 bps below then current market rates. The interest rate for the 1997 bonds is 3.03%; the 2002 bonds is 2.00% and the 2002 bonds is 2.67%, plus administrative fees, respectively.

"SRRF" indicates the School Revolving Renovation Fund. The Town's Emerson/Connors School project cost \$1,805,000. A portion of the proceeds of the project, in the amount of \$805,000, was financed in a traditional financing through MMBB. The additional \$1,000,000 authorized, and required, for the project was obtained from the SRRF, administered through the MMBB. The SRRF's loan is without interest, with 30.0%% of the principal balance, or \$300,000, forgiven with an annual repayment of \$70,000 per year for ten years on the \$700,000 balance.

**PROJECTED PRINCIPAL PAYMENTS, BY YEAR OF ISSUE**

<b>Fiscal Y/E June 30,</b>	<b>1988 Issues</b>	<b>1990 Issues</b>	<b>1992 Issues</b>	<b>1997 Issues</b>	<b>2001 Issues</b>	<b>2002 Issues</b>	<b>2004 Issues</b>	<b>2005 Issues</b>	<b>2010 Issues</b>	<b>Total Principal</b>
2010	26,393	30,000	175,000	370,622	192,500	34,361	127,564	65,000	0	1,021,440
2011	26,986		175,000	379,400	202,500	35,281	129,460	65,000	215,000	1,228,627
2012			175,000	388,631	180,000	36,226	131,782	70,000	215,000	1,196,639
2013				398,341	190,000	37,196	134,585	70,000	215,000	1,045,122
2014				408,554	200,000	38,192	137,556	70,000	215,000	1,069,302
2015				419,295	205,000	39,215	37,321	70,000	215,000	985,831
2016				430,592	215,000	40,265	39,092	75,000	215,000	1,014,949
2017				442,473	225,000	41,344	41,096	75,000	215,000	1,039,913
2018				454,970	235,000	42,451	43,204	75,000	215,000	1,065,625
2019					250,000	43,588	45,419	75,000	215,000	629,007
2020					260,000	44,755	47,749	80,000	215,000	647,504
2021					270,000	45,953	50,197	80,000	215,000	661,150
2022					285,000	47,184	52,772	80,000	215,000	679,956
2023							55,478	85,000	215,000	355,478
2024							58,323	85,000	215,000	358,323
2025							61,314	85,000	215,000	361,314
2026								50,000	215,000	265,000
2027								50,000	215,000	265,000
2028								50,000	215,000	265,000
2029									215,000	215,000
2030									215,000	215,000
	53,379	30,000	525,000	3,692,878	2,910,000	526,011	1,192,912	1,355,000	4,300,000	14,155,180

**DEBT SERVICE COMPONENT OF OPERATING EXPENSES**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Total Current Year Debt Service:	\$1,371,525	\$1,481,090	\$1,463,870	\$1,448,341	\$1,432,533
(less Enterprise Debt Service)	<u>(1,011,081)</u>	<u>(1,002,048)</u>	<u>(1,004,233)</u>	<u>(999,825)</u>	<u>(996,838)</u>
Tax Supported Debt Service	\$360,444	\$479,042	\$459,637	\$448,516	\$435,695
Budgeted Operating Expense:	13,661,851	13,579,052	14,500,349	14,808,338	15,424,871
Debt Service as % Oper. Expense:	2.64%	3.53%	3.17%	3.03%	2.82%

**DEBT RATIOS**

<b>Fiscal Yr. End June 30,</b>	<b>Population</b>	<b>Equalized State Val. (000)</b>	<b>Assessed Valuation (000)</b>	<b>Total Debt</b>	<b>Debt as % Eq. Val.</b>	<b>Per Capita Debt</b>
2010	4,820	\$1,486,550	\$1,437,197	\$13,563,740	0.91%	\$2,814.05
2009	4,820	1,474,600	1,395,468	10,285,180	0.70	2,133.85
2008	4,820	1,358,000	1,369,310	11,314,812	0.83	2,347.47
2007	4,820	1,309,800	1,371,689	12,323,162	0.94	2,556.67
2006	4,820	1,094,750	856,231	13,311,378	1.22	2,761.70
2005	4,820	924,750	840,986	14,270,031	1.54	2,960.59
2004	4,820	901,250	822,008	14,327,850	1.59	2,972.58
2003	4,820	764,750	586,994	13,375,930	1.75	2,775.09
2002	4,820	633,350	574,244	14,190,549	2.24	2,944.10
2001	4,820	594,350	561,859	10,252,190	1.72	2,127.01

**DEBT OBLIGATIONS, BY FUND TYPE**

<b>Fiscal Yr. End June 30,</b>	<b>General Fund Debt (Town)</b>	<b>General Fund Debt (School)</b>	<b>Enterprise Fund Debt</b>	<b>Total Debt</b>	<b>Ent Debt as % Total Debt</b>
2009	\$811,709	\$1,408,726	\$8,064,745	\$10,285,180	78.41%
2008	914,765	1,641,558	8,758,489	11,314,812	77.41
2007	1,016,824	1,873,252	9,433,162	12,323,162	76.55
2006	1,115,732	2,104,259	10,091,387	13,311,378	75.81
2005	1,213,778	2,334,730	10,721,492	14,270,031	75.13
2004	561,062	2,425,000	11,341,788	14,327,850	79.16
2003	376,437	1,035,000	11,964,493	13,375,930	89.45
2002	438,226	1,150,000	12,602,323	14,190,549	88.81
2001	534,801	1,265,000	8,452,353	10,252,190	82.44
2000	631,177	1,380,000	7,714,161	9,725,338	79.32

**DEBT RATIOS, BY FUND TYPE**

<b>Fiscal Year End June 30,</b>	<b>Debt as % of Equalized. State Val.</b>				<b>Per Capita Debt</b>			
	<b>General Fund</b>		<b>Enterprise Fund</b>	<b>Total</b>	<b>General Fund</b>		<b>Enterprise Fund</b>	<b>Total</b>
	<b>Town</b>	<b>School</b>			<b>Town</b>	<b>School</b>		
2009	0.06%	0.10%	0.55%	0.70%	\$168.40	\$292.27	\$1,673.18	\$2,133.85
2008	0.07	0.12	0.64	0.83	189.79	340.57	1,817.11	2,347.47
2007	0.08	0.14	0.72	0.94	210.96	388.64	1,957.09	2,556.67
2006	0.10	0.19	0.92	1.22	231.48	436.57	2,093.65	2,761.70
2005	0.14	0.24	1.16	1.54	271.47	464.73	2,224.38	2,960.59
2004	0.06	0.27	1.26	1.59	116.40	503.11	2,353.07	2,972.58
2003	0.05	0.14	1.56	1.75	78.10	214.73	2,482.26	2,775.09
2002	0.07	0.18	1.99	2.24	90.92	238.59	2,614.59	2,944.10
2001	0.09	0.21	1.42	1.72	110.95	262.45	1,753.60	2,127.01
2000	0.11	0.24	1.36	1.72	130.95	286.31	1,600.45	2,017.70

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## PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr June 30,	Prior Debt			Projected Debt (This Issue)			Projected Total
	Principal	Interest	Total	Principal	Interest	Total	
2010	\$1,021,440	\$383,888	\$1,405,842	\$0	\$0	\$0	\$1,405,842
2011	1,013,627	347,104	1,360,731	215,000	132,763	347,763	1,708,493
2012	981,639	310,096	1,291,735	215,000	128,463	343,463	1,635,198
2013	830,122	274,767	1,104,889	215,000	124,163	339,163	1,444,052
2014	854,302	249,792	1,104,094	215,000	119,863	334,863	1,438,957
2015	770,831	223,386	994,217	215,000	114,488	329,488	1,323,704
2016	799,949	195,781	995,730	215,000	109,113	324,113	1,319,842
2017	824,913	167,494	992,406	215,000	103,738	318,738	1,311,144
2018	850,625	137,710	988,335	215,000	97,825	312,825	1,301,160
2019	414,007	96,547	510,553	215,000	91,375	306,375	816,928
2020	432,504	77,782	510,286	215,000	84,925	299,925	810,211
2021	446,150	58,294	504,444	215,000	78,475	293,475	797,919
2022	464,956	37,987	502,943	215,000	72,025	287,025	789,968
2023	140,478	22,176	162,654	215,000	65,145	280,145	442,799
2024	143,323	16,082	159,405	215,000	58,050	273,050	432,455
2025	146,314	9,753	156,067	215,000	50,525	265,525	421,592
2026	50,000	5,438	55,438	215,000	43,000	258,000	313,438
2027	50,000	3,275	53,275	215,000	34,400	249,400	302,675
2028	50,000	1,094	51,094	215,000	25,800	240,800	291,894
2029	0	0	0	215,000	17,200	232,200	232,200
2030	0	0	0	215,000	8,600	223,600	223,600
<b>TOTAL</b>	<b>\$10,285,180</b>	<b>\$2,618,444</b>	<b>\$12,904,138</b>	<b>\$4,300,000</b>	<b>\$1,559,933</b>	<b>\$5,859,933</b>	<b>\$18,764,070</b>

## OVERLAPPING DEBT

### County of Hancock

The Town is subject to an annual assessment of its proportional share of the County of Hancock's (the "County") expenses, including debt repayment, as determined by the percentage of the Town's equalized State Valuation to the County's equalized State Valuation. At January 1, 2010 the Town's proposed equalized State Valuation of \$1,486,550,000 is 10.76% of the County's equalized State Valuation of \$13,812,550,000. The Town's share is 10.76%, or \$290,582, of Hancock County's \$2,700,000 long-term debt outstanding as of December 31, 2009.

### AOS 92

The Town is responsible for its proportionate share of the former C.S.D. No. 7's long term debt. The debt service is included in the annual assessment to the Town. As of June 30, 2009, C.S.D. No. 7 had total bonded debt outstanding of \$5,846,914. The Town's current share of the debt is 34.56%, or \$2,020,693 for that period.

## CONTINGENT DEBT

The Town does not have any obligations which it is responsible for on a contingent basis.

## TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	<u>Direct Debt</u> <sup>(1)</sup>	<u>Overlapping</u>	<u>Contingent</u>	<u>Total Debt</u>
Town of Bar Harbor (CIP)	\$811,709			\$811,709
Town of Bar Harbor (School)	1,408,726			1,408,726
Town of Bar Harbor (Enterprise)	8,064,745			8,064,745
C.S.D. No. 7	0	\$2,020,693		2,020,693
County of Hancock <sup>(2)</sup>	0	290,582		290,582
<b>Total A/O June 30, 2009</b>	<b>\$10,285,180</b>	<b>\$2,311,275</b>	<b>\$0</b>	<b>\$12,596,455</b>

NOTE: <sup>(1)</sup> Includes General Fund and Enterprise Fund Debt.

<sup>(2)</sup> As of December 31, 2009.

## FUTURE FINANCING

The Town Manager develops a formal Capital Improvement Program which is submitted to the Town Council (see "TOWN FINANCES - CAPITAL IMPROVEMENT PROGRAM" herein). The CIP includes an inventory of possible capital projects, most of which may ultimately be included in its Capital Improvement Plan, and is an indication of future projects that may be financed through the issuance of indebtedness or by its annual appropriation of monies raised by taxation. The debt issues, however, are subject to the prior review and approval of the Town Council, then to the Warrant Committee for its recommendation and finally, to Town Meeting for authorization vote.

At its Annual Town Meeting held on June 2, 2009 the voters of the Town authorize the issuance of a consolidated amount of \$5,140,947 in bonds to provide funds to finance the cost of projects, portions of which are being financed entirely through the proceeds of the Bonds of this financing and two projects of which are expected to be financed as the respective portion of the project matures (see "THE BONDS - AUTHORIZATION AND PURPOSE - Purpose" herein). Portions of the Roads and Storm Drains project (\$3,179,127 authorized; \$2,756,000 financed by the 2010 Bonds) and the Sidewalks project (\$535,212 authorized; \$250,000 financed by the 2010 Bonds) leave an expected \$423,127 and \$285,212, leave a consolidated authorized but unissued balance of \$708,339 which the Town expects to finance no sooner than calendar year 2012. The authorization for the amount in excess of the \$335,137 financed for the Newport Avenue Comfort Station, in the amount of \$132,608, is expected to be re-designated for further road projects, or could be rescinded.

At its June 2007 Annual Town Meeting, the voters of the Town approved the issuance of \$1,000,000 in debt, the proceeds to be used for infrastructure improvements at the NorthEast Creek Housing Neighborhood operated by the Bar Harbor Housing Authority, a wholly-separate non-profit entity and not a department of the Town. The Town Council has placed a warrant article on the June 8, 2010 Annual Town Meeting's agenda to rescind the 2007 authorization and to vote on new authorization of \$1,000,000 under different conditions. If passed by the voters, the newly authorized debt would be issued by the Town, initially in the form of a Bond Anticipation Note, in August 2010 with permanent financing to follow.

Other than the above discussion, the Town has no authorized but unissued debt that it expects to finance through bond issues over the next year.

## **RETIREMENT**

### **A. DEFINED BENEFIT PENSION PLAN**

#### **1. Plan Description**

The Town contributes to the Consolidated Plan for Participating Local District (“CPPLD”) a “Cost-Sharing Multiple-Employer Defined Benefit Pension Plan” administered by the Maine Public Employees Retirement System (“MainePERS”), established and administered under the Maine State Retirement System Laws. A CPPLD provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The Maine PERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04433-0046 or by calling (800) 451-9800.

#### **2. Funding Policy**

Plan members are required to contribute 6.5% to 7.5% of their annual covered salary to the MSRS and the Town is required to contribute at an actuarially determined rate, adjusted annually. The contribution requirements of the plan members and the Town are established by and may be amended by the State Legislature.

#### **3. Unfunded Actuarial Accrued Liability**

Effective July 1, 1995, the Town joined the CPPLD of the Maine PERS (successor to the Maine State Retirement System or “MSRS”). Upon entry, the Town ceased to be an individual sponsor of a PLD and instead became a participant in the CPPLD. As a participant of the plan, the Town was required to fund its remaining unfunded unpooled actuarial liability over a period of five years. At June 30, 2009 the remaining balance was \$73,085.

### **B. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP**

Teachers and certain other School Department employees also participate in the Maine PERS through the Teachers Retirement Plan, a cost sharing plan with a special funding situation established by the Maine State legislature. School employees participating in the plan are eligible for normal retirement upon attaining age 60, provided they have 25 years of credible service. Employees are penalized 2.5% for each year of early retirement. The authority to establish and amend benefit provisions rests with the State legislature. The Maine PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers Retirement Plan. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling (800) 451-9800.

Employees are required by State statute to contribute 7.65% of their compensation to the MSRS. The Town is not required to make contributions to the Teachers Group required by State statute, contributions are made on behalf of the Town for the teachers by a biannual State appropriation.

### **C. DEFINED BENEFIT PENSION PLAN – BAR HARBOR WATER COMPANY**

Prior to its acquisition by the Town, the employees of the Bar Harbor Water Company were covered by the Bar Harbor Water Company Retirement Plan for Employees, a defined benefit pension plan.

Contributions were actuarially determined and made by the employer. Employees did not make contributions. The plan was amended by the Town Council to discontinue the accrual of any additional benefits after December 31, 2001, and, effective January 1, 2002, the Town of Bar Harbor became the successor sponsor. Based on the latest actuarial valuation as of January 1, 2009, the accrued liability of the plan was \$382,482. The value of assets available for funding totaled \$108,565, leaving an unfunded liability of \$273,917. The total unfunded liability has been recorded as a liability at June 30, 2009 of the Bar Harbor Water Division enterprise fund.

#### **D. DEFERRED COMPENSATION PLAN**

The Town offers its employees, except school teachers, a deferred compensation plan created in accordance with Section 457(k) of the Internal Revenue Code, as amended. The plan, available to all regular Town employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In applying the provisions of Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Town has determined that effective July 1, 1997 it is no longer required to record assets and associated liability of the plan.

#### **ENVIRONMENTAL MATTERS**

The Town is subject to a wide variety of federal and State laws and regulations relating to land use, water resources, sewage disposal, the use, storage, discharge, emission and disposal of wastes and other environmental matters. While the Town believes that its properties and operations are presently in material compliance with all land use and environmental laws, failure to comply with such laws could result in the imposition of severe penalties on operations by government agencies or courts that could adversely affect the Town. The Town is not aware of any environmental conditions or non-compliance, the remediation or correction of which the Town believes would have a material adverse impact on the financial condition of the Town. The Town is not subject to any pending or threatened proceedings or actions involving environmental matters that, if adversely decided, would have a material adverse impact upon the Town's financial condition or ability to pay debt service on the Bonds as and when due. While not having a material adverse impact upon the Town's financial condition, or its ability to meet its debt service obligations, the Town is voluntarily making the following disclosure with respect to environmental liabilities:

The Town is not subject to any pending legal proceedings involving environmental matters that would require disclosure under the Regulation were the Town subject to its provisions.

#### **LITIGATION**

In the opinion of Town officials there is no litigation pending against the Town which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the Town's financial position or its ability to meet its debt service obligations.

**APPENDIX A**

**TOWN OF BAR HARBOR, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED JUNE 30, 2009**

**(With Report of Independent Auditors' Thereon)**

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*TOWN OF BAR HARBOR, MAINE*

*FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES*

*FOR THE FISCAL YEAR  
ENDED JUNE 30, 2009*



**TOWN OF BAR HARBOR  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
 FOR THE YEAR ENDED JUNE 30, 2009**

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***INDEPENDENT AUDITOR'S REPORT***

November 11, 2009

Members of the Town Council  
Town of Bar Harbor  
Bar Harbor, ME 04609

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 Bar Harbor, Maine as of and for the year ended June 30, 2009, 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 of Bar Harbor, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Bar Harbor, Maine as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2-5 and 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bar Harbor, Maine's basic financial statements. 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 basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

TOWN OF BAR HARBOR, MAINE  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009

Management of the Town of Bar Harbor, Maine provides this *Management's Discussion and Analysis* of the Town's financial performance for readers of the Town's financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of the Town of Bar Harbor, Maine (the Town) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

*Net Assets* – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2009 by \$27,189,642 (presented as “net assets”). Of this amount, \$4,659,853 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 \$865,708 (a 3.29% increase) for the fiscal year ended June 30, 2009. Net assets of governmental activities increased by \$707,885 (a 4.13% increase), while net assets of business-type activities showed an increase of \$157,823 (a 1.72% increase).

**Fund Highlights:**

*Governmental Funds – Fund Balances* – As of the close of the fiscal year ended June 30, 2009, the Town's governmental funds reported a combined ending fund balance of \$4,392,129 with \$237,685 being general undesignated fund balance. This undesignated fund balance represents approximately 2.52% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations decreased by \$335,888 (13.14%) during the current fiscal year. There were no new debt obligations issued. Existing debt obligations were retired according to schedule. The 6/12/07 town meeting approved borrowing in the amount of \$1,000,000 to assist in the financing of the Northeast Creek housing project. At 6/30/09 this was authorized but unissued. The 6/2/09 town meeting approved borrowing in the amount of \$5,140,947 for the year ended 6/30/2010 for capital improvements and water department construction and remains unissued.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

**Government-wide Financial Statements**

The Government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

**Fund Financial Statements**

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using

the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

**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 immediately following the fund financial statements.

**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).

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

82.45% of the Town's net assets reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>Total 2009</b>	<b>Total 2008</b>
Current Assets	6,155,868	1,414,511	7,570,379	7,785,323
Capital Assets	15,260,328	17,395,917	32,656,245	32,329,507
<b>Total Assets</b>	<b>21,416,196</b>	<b>18,810,428</b>	<b>40,226,624</b>	<b>40,114,830</b>
Current Liabilities	1,652,372	2,095,856	3,748,228	3,467,683
Other Liabilities	1,932,282	7,356,472	9,288,754	10,323,213
<b>Total Liabilities</b>	<b>3,584,654</b>	<b>9,452,328</b>	<b>13,036,982</b>	<b>13,790,896</b>
<b>Net Assets:</b>				
Held for Postemployment Benefits	53,532		53,532	-
Invested in Capital Assets	13,001,860	9,417,117	22,418,977	20,964,191
Restricted	57,280		57,280	48,974
Unrestricted	4,718,870	(59,017)	4,659,853	5,310,769
<b>Total Net Assets</b>	<b>17,831,542</b>	<b>9,358,100</b>	<b>27,189,642</b>	<b>26,323,934</b>
<b>Total Liabilities and Net Assets</b>	<b>21,416,196</b>	<b>18,810,428</b>	<b>40,226,624</b>	<b>40,114,830</b>

Changes in Net Assets

Approximately 66.8% of the Town's total revenue came from property and excise taxes, approximately 8.85% came from State subsidies and grants, and approximately 24.37% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,760,044 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	Total 2009	Total 2008
<i>Revenues:</i>				
Taxes	13,315,984		13,315,984	12,985,012
Intergovernmental Revenues	1,764,674		1,764,674	1,620,517
Departmental Revenues	1,097,442	3,150,401	4,247,843	4,234,066
Investment Income	104,365	15,379	119,744	29,553
Other Local Sources	464,850	27,847	492,697	569,200
<b>Total</b>	<b>16,747,315</b>	<b>3,193,627</b>	<b>19,940,942</b>	<b>19,438,348</b>
<i>Expenses:</i>				
General Government	2,708,618		2,708,618	2,611,237
Public Safety	2,360,785		2,360,785	2,178,966
Health & Welfare	107,879		107,879	107,079
Parks and Recreation	159,348		159,348	258,084
Island Explorer Shuttle Bus	33,100		33,100	33,100
Roads and Sanitation	2,168,063		2,168,063	2,260,283
Debt Service	3,276		3,276	6,538
Assessments	2,741,261		2,741,261	2,725,849
Capital Outlay	245,544		245,544	172,214
Water Operations		1,266,135	1,266,135	1,103,293
Sewer Operations		1,770,825	1,770,825	1,650,742
Education Programs	3,413,855		3,413,855	3,335,559
Administrative Support	1,915,164		1,915,164	1,831,456
School Lunch	156,952		156,952	145,463
(Gain)/Loss on Disposal of Assets	25,585	(1,156)	24,429	18,858
<b>Total</b>	<b>16,039,430</b>	<b>3,035,804</b>	<b>19,075,234</b>	<b>18,438,721</b>
<b>Changes in Net Assets</b>	<b>707,885</b>	<b>157,823</b>	<b>865,708</b>	<b>999,627</b>

FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, undesignated 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 \$4,392,129, a decrease of \$461,773 in comparison with the prior year. Approximately 11.83 percent of this total amount constitutes undesignated fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

**Proprietary Funds**

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

**CAPITAL ASSET ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental and business-like activities amounts to \$57,572,376, net of accumulated depreciation of \$24,916,131, leaving a net book value of \$32,656,245. Current year additions included Capital Improvements, Water and Sewer additions.

**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 Bar Harbor, 93 Cottage Street – Suite I, Bar Harbor, ME 04609.

**TOWN OF BAR HARBOR**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

*Exhibit A*

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	2,554,965	551,022	3,105,987
Investments	2,172,521	199,894	2,372,415
Receivables			
Taxes and Liens	548,847	24,865	573,712
User Fees, net		417,236	417,236
Accounts	11,125	29,066	40,191
Ambulance	83,377		83,377
Accrued Interest	20,352	4,010	24,362
Prepaid Expense	18,247	6,470	24,717
Inventory	16,613	96,003	112,616
Due from Other Governments	729,821		729,821
Bond Issuance Costs, Net		85,945	85,945
Capital Assets:			
Land	1,899,514	164,793	2,064,307
Construction Work in Progress	348,931	72,232	421,163
Other Capital Assets, Net of Depreciation	13,011,883	17,158,892	30,170,775
<b>Total Assets</b>	<b>21,416,196</b>	<b>18,810,428</b>	<b>40,226,624</b>
 <i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	391,799	79,958	471,757
Retainage Payable	20,999		20,999
Payroll Taxes Deductible	9,700		9,700
Due to Other Governments		650,341	650,341
Accrued Salaries Payable	580,468	38,189	618,657
Accrued Compensated Absences	265,317	31,214	296,531
Accrued Interest Payable		50,753	50,753
Deferred Bond Premium	22,856	20,224	43,080
Accrued Pension Costs		273,917	273,917
Accrued Standpipe Costs		77,987	77,987
Prepaid Taxes	28,939		28,939
Construction Advances		165,000	165,000
Deposits Payable	6,108		6,108
Long-term Liabilities:			
Due Within One Year	326,186	708,273	1,034,459
Due in More Than One Year	1,932,282	7,356,472	9,288,754
<b>Total Liabilities</b>	<b>3,584,654</b>	<b>9,452,328</b>	<b>13,036,982</b>
Net Assets			
Held for Postemployment Benefits	53,532		53,532
Investment in Capital Assets, net of Related Debt	13,001,860	9,417,117	22,418,977
Restricted	57,280		57,280
Unrestricted	4,718,870	(59,017)	4,659,853
<b>Total Net Assets</b>	<b>17,831,542</b>	<b>9,358,100</b>	<b>27,189,642</b>
<b>Total Liabilities and Net Assets</b>	<b>21,416,196</b>	<b>18,810,428</b>	<b>40,226,624</b>

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

**TOWN OF BAR HARBOR  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

**Exhibit B**

<i>Functions/Programs</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Assets</i>		
	<i>Expenses</i>	<i>Fees, Fines, and Charges for Services</i>	<i>Operating Grants</i>	<i>Governmental Activities</i>	<i>Business-like Activities</i>	<i>Total</i>
<b>Primary Government</b>						
<u>Governmental Activities:</u>						
General Government	2,708,618	340,589		(2,368,029)		(2,368,029)
Public Safety	2,360,785	691,948	374,685	(1,294,152)		(1,294,152)
Health and Welfare	107,879			(107,879)		(107,879)
Parks & Recreation	159,348	600	9,344	(149,404)		(149,404)
Island Explorer Shuttle Bus	33,100			(33,100)		(33,100)
Roads and Sanitation	2,168,063	69,316		(2,098,747)		(2,098,747)
Debt Service - Interest	3,276			(3,276)		(3,276)
Assessments	2,741,261			(2,741,261)		(2,741,261)
Capital Outlay	245,544		46,866	(198,678)		(198,678)
Education Programs	3,413,855		117,658	(3,296,197)		(3,296,197)
Administrative Support	1,915,164			(1,915,164)		(1,915,164)
School Lunch	156,952	65,134	38,391	(53,427)		(53,427)
<b>Total Governmental Activities</b>	<b>16,013,845</b>	<b>1,167,587</b>	<b>586,944</b>	<b>(14,259,314)</b>		<b>(14,259,314)</b>
<u>Business-type Activities:</u>						
Wastewater	(1,770,825)	1,922,791			151,966	151,966
Water	(1,266,135)	1,227,610			(38,525)	(38,525)
<b>Total Business-type Activities</b>	<b>(3,036,960)</b>	<b>3,150,401</b>			<b>113,441</b>	<b>113,441</b>
<b>Total Primary Government</b>	<b>12,976,885</b>	<b>4,317,988</b>	<b>586,944</b>	<b>(14,259,314)</b>	<b>113,441</b>	<b>(14,145,873)</b>
<u>General Revenues:</u>						
Taxes						
Property				12,475,527		12,475,527
Auto and Boat Excise				840,457		840,457
Intergovernmental Revenues				1,207,729		1,207,729
Other Local Sources				469,071	43,226	512,297
Gain/(Loss) on Disposal of Assets				(25,585)	1,156	(24,429)
<b>Total Revenues, Special Items and Transfers</b>				<b>14,967,199</b>	<b>44,382</b>	<b>15,011,581</b>
<u>Changes in Net Assets</u>						
				707,885	157,823	865,708
<b>Net Assets - Beginning</b>				<b>17,123,657</b>	<b>9,200,277</b>	<b>26,323,934</b>
<b>Net Assets - Ending</b>				<b>17,831,542</b>	<b>9,358,100</b>	<b>27,189,642</b>

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

TOWN OF BAR HARBOR  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2009

Exhibit C  
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>CIP Fund</i>	<i>School Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	2,544,603		9,659	703	2,554,965
Investments	2,161,830			10,691	2,172,521
Receivables					
Taxes	36,725				36,725
Tax Liens	512,122				512,122
Accounts	5,849		5,276		11,125
Ambulance Fees	83,377				83,377
Accrued Interest	20,352				20,352
Prepaid Expense	18,247				18,247
Inventory	13,455		3,158		16,613
Due from Other Governments	650,341		7,931	71,549	729,821
Due from Other Funds	63,138	2,235,448	1,256,335	3,932	3,558,853
<b>Total Assets</b>	<b>6,110,039</b>	<b>2,235,448</b>	<b>1,282,359</b>	<b>86,875</b>	<b>9,714,721</b>
 <i>Liabilities and Net Assets</i>					
<i>Liabilities</i>					
Accounts Payable	236,188	121,884	25,316	8,411	391,799
Retainage Payable		20,999			20,999
Payroll Taxes/Deductions	9,700				9,700
Accrued Salaries Payable	170,673		409,795		580,468
Accrued Compensated Absences	221,468				221,468
Deferred Revenue					
Property Tax	465,070				465,070
Acadia Nat'l Park Payment in Lieu of Taxes	16,132				16,132
Other	200				200
Prepaid Taxes	28,939				28,939
Bond Purchase Premium	22,856				22,856
Due to Other Funds	3,161,523		334,192	63,138	3,558,853
Deposits Payable	6,108				6,108
<b>Total Liabilities</b>	<b>4,338,857</b>	<b>142,883</b>	<b>769,303</b>	<b>71,549</b>	<b>5,322,592</b>
 <i>Fund Balances</i>					
Reserved For:					
Encumbrances	45,497				45,497
Endowments				8,625	8,625
Inventory			3,158		3,158
Unreserved					
Designated for Working Capital	1,488,000				1,488,000
Designated for Subsequent Years' Expenditures		1,993,923	326,297	6,701	2,326,921
Undesignated	237,685	98,642	183,601		519,928
<b>Total Fund Balances</b>	<b>1,771,182</b>	<b>2,092,565</b>	<b>513,056</b>	<b>15,326</b>	<b>4,392,129</b>
<b>Total Liabilities and Fund Balances</b>	<b>6,110,039</b>	<b>2,235,448</b>	<b>1,282,359</b>	<b>86,875</b>	<b>9,714,721</b>

(Continued)

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

*TOWN OF BAR HARBOR  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2009*

*Exhibit C  
Page 2 of 2*

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

Total Fund Balance	4,392,129
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$16,107,243	15,260,328
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Revenues	481,402
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(2,220,435)
Accrued Compensated Absences - School Department	(43,849)
Capital Leases Payable	(38,033)
	<u>(2,302,317)</u>
Net Assets of Governmental Activities	<u><u>17,831,542</u></u>

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

**TOWN OF BAR HARBOR**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit D*  
*Page 1 of 2*

	<i>General Fund</i>	<i>CIP Fund</i>	<i>School Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>					
Taxes	13,184,702				13,184,702
Intergovernmental Revenues	505,002	16,866	881,173	384,030	1,787,071
Departmental Revenues	1,097,442				1,097,442
Other Local Sources	293,340	140,526	69,722	65,627	569,215
<b>Total Revenues</b>	<b>15,080,486</b>	<b>157,392</b>	<b>950,895</b>	<b>449,657</b>	<b>16,638,430</b>
<b>Expenditures</b>					
General Government	2,559,855				2,559,855
Public Safety	2,050,248			443,340	2,493,588
Health and Welfare	102,162				102,162
Parks and Recreation	218,151				218,151
Island Explorer Shuttle Bus	33,100				33,100
Roads and Sanitation	1,693,061				1,693,061
Debt	39,708				39,708
Assessments	2,741,261				2,741,261
Capital Outlay		1,857,484			1,857,484
Education Programs			3,402,757		3,402,757
Administrative Support			1,802,124		1,802,124
School Lunch			156,952		156,952
<b>Total Expenditures</b>	<b>9,437,546</b>	<b>1,857,484</b>	<b>5,361,833</b>	<b>443,340</b>	<b>17,100,203</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>5,642,940</b>	<b>(1,700,092)</b>	<b>(4,410,938)</b>	<b>6,317</b>	<b>(461,773)</b>
<b>Other Financing Sources (Uses)</b>					
Lease Proceeds					-
Transfers from Other Funds	5,115	1,498,669	4,498,591	-	6,002,375
Transfers to Other Funds	(5,941,447)	-	(55,813)	(5,115)	(6,002,375)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,936,332)</b>	<b>1,498,669</b>	<b>4,442,778</b>	<b>(5,115)</b>	<b>-</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>(293,392)</b>	<b>(201,423)</b>	<b>31,840</b>	<b>1,202</b>	<b>(461,773)</b>
<b>Fund Balance - July 1</b>	<b>2,064,574</b>	<b>2,293,988</b>	<b>481,216</b>	<b>14,124</b>	<b>4,853,902</b>
<b>Fund Balance - June 30</b>	<b>1,771,182</b>	<b>2,092,565</b>	<b>513,056</b>	<b>15,326</b>	<b>4,392,129</b>

(Continued)

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

**TOWN OF BAR HARBOR**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Net change in fund balances - total governmental funds (461,773)

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

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

Capital asset purchases capitalized	1,825,036
Disposal of Assets	(25,585)
Depreciation expense	(1,074,689)
	<u>724,762</u>

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

Deferred Revenues	(22,397)
Deferred Taxes	<u>131,282</u>

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

Capital lease obligation principal payments	12,471
General obligation bond principal payments	335,888
	<u>348,359</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued compensated absences	<u>(12,348)</u>
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Change in net assets of governmental activities 707,885

TOWN OF BAR HARBOR  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2009

Exhibit E

<i>Assets</i>	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	<i>Total</i>
<b><i>Current Assets:</i></b>			
Cash and Equivalents	547,067	3,955	551,022
Investments	199,894		199,894
Receivables			
User Fees, net	411,005	6,231	417,236
Liens Receivable	24,865		24,865
Accounts	16,433	12,633	29,066
Accrued Interest	4,010		4,010
Inventory	19,970	76,033	96,003
Due From Other Funds	45		45
Prepaid Expenses		6,470	6,470
<b><i>Total Current Assets</i></b>	<b>1,223,289</b>	<b>105,322</b>	<b>1,328,611</b>
<b><i>Noncurrent Assets:</i></b>			
Capital Assets, net	11,788,940	5,606,977	17,395,917
Bond Issuance Costs, net	53,627	32,318	85,945
<b><i>Total Noncurrent Assets</i></b>	<b>11,842,567</b>	<b>5,639,295</b>	<b>17,481,862</b>
<b><i>Total Assets</i></b>	<b>13,065,856</b>	<b>5,744,617</b>	<b>18,810,473</b>
<b><i>Liabilities and Fund Equity</i></b>			
<b><i>Liabilities</i></b>			
Accounts Payable	44,712	35,246	79,958
Accrued Salaries and Benefits	24,403	13,786	38,189
Accrued Interest Payable	35,857	14,896	50,753
Due to Other Governments	58,500	591,841	650,341
Due to Other Funds		45	45
Compensated Absences Payable	20,853	10,361	31,214
Bonds and Notes Payable	508,912	199,361	708,273
<b><i>Total Current Liabilities</i></b>	<b>693,237</b>	<b>865,536</b>	<b>1,558,773</b>
<b><i>Noncurrent Liabilities:</i></b>			
Deferred Bond Premium		20,224	20,224
Construction Advances		165,000	165,000
Accrued Pension Costs		273,917	273,917
Accrued Standpipe Costs		77,987	77,987
Bonds and Notes Payable	4,174,822	3,181,650	7,356,472
<b><i>Total Noncurrent Liabilities</i></b>	<b>4,174,822</b>	<b>3,718,778</b>	<b>7,893,600</b>
<b><i>Total Liabilities</i></b>	<b>4,868,059</b>	<b>4,584,314</b>	<b>9,452,373</b>
<b><i>Net Assets</i></b>			
Invested in Capital Assets, net of related debt	7,158,833	2,258,284	9,417,117
Retained Earnings			
Reserved	965,249	199,361	1,164,610
Unreserved - Undesignated	73,715	(1,297,342)	(1,223,627)
<b><i>Total Net Assets</i></b>	<b>8,197,797</b>	<b>1,160,303</b>	<b>9,358,100</b>
<b><i>Total Liabilities and Net Assets</i></b>	<b>13,065,856</b>	<b>5,744,617</b>	<b>18,810,473</b>

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

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	<i>Proprietary Fund Types</i>		<i>Total</i>
	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	
Operating Revenues:			
Charges for Services	1,144,645	1,225,589	2,370,234
Capital Charge	761,020		761,020
Interest - Late Penalties	17,126	2,021	19,147
<b>Total Operating Revenues:</b>	<b>1,922,791</b>	<b>1,227,610</b>	<b>3,150,401</b>
Operating Expenditures:			
Salaries and Benefits	514,133	472,521	986,654
Contracted Services	165,444	124,430	289,874
Utilities & Commodities	220,704	57,145	277,849
Repairs & Maintenance	96,500	134,815	231,315
Equipment	5,211	9,995	15,206
Other Expenses	37,366	30,634	68,000
Depreciation and Amortization	491,930	193,425	685,355
Materials and Supplies	82,430	85,558	167,988
<b>Total Operating Expenditures</b>	<b>1,613,718</b>	<b>1,108,523</b>	<b>2,722,241</b>
<b>Net Operating Income</b>	<b>309,073</b>	<b>119,087</b>	<b>428,160</b>
Nonoperating Revenues (Expenses)			
Interest Revenue	15,169	210	15,379
Nonutility Income, net of expense		27,847	27,847
Gain/(Loss) on Disposal of Asset		1,156	1,156
Interest Expense	(157,107)	(157,612)	(314,719)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(141,938)</b>	<b>(128,399)</b>	<b>(270,337)</b>
<b>Change in Net Assets</b>	<b>167,135</b>	<b>(9,312)</b>	<b>157,823</b>
<b>Total Net Assets - Beginning</b>	<b>8,030,662</b>	<b>1,169,615</b>	<b>9,200,277</b>
<b>Total Net Assets - Ending</b>	<b>8,197,797</b>	<b>1,160,303</b>	<b>9,358,100</b>

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

TOWN OF BAR HARBOR  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2009

Exhibit G

	Proprietary Fund Types		Total
	Wastewater Enterprise	Water Enterprise	
<b>Cash Flows from Operating Activities</b>			
Received from Customers	1,922,791	1,227,610	3,150,401
Payments to Suppliers	(570,289)	(411,943)	(982,232)
Payments to Employees	(514,133)	(472,521)	(986,654)
Other Receipts (Payments)	(37,366)	(1,631)	(38,997)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>801,003</b>	<b>341,515</b>	<b>1,142,518</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of Capital Assets	(152,276)	(215,610)	(367,886)
Capital Contributions	123,518	19,635	143,153
Principal Paid on Capital Debt	(475,279)	(193,465)	(668,744)
Interest Paid on Capital Debt	(123,215)	(148,102)	(271,317)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(627,252)</b>	<b>(537,542)</b>	<b>(1,164,794)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	(80,534)	189,143	108,609
Interest and Dividends	15,169	210	15,379
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(65,365)</b>	<b>189,353</b>	<b>123,988</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>108,386</b>	<b>(6,674)</b>	<b>101,712</b>
<b>Balances - beginning of the year</b>	<b>438,681</b>	<b>10,629</b>	<b>449,310</b>
<b>Balances - end of the year</b>	<b>547,067</b>	<b>3,955</b>	<b>551,022</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Net Operating Income (Loss)	309,073	119,087	428,160
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	(54,018)	(189,934)	(243,952)
Depreciation and Amortization	491,930	193,425	685,355
(Increase) Decrease in Accounts Receivable	11,049	(11,658)	(609)
(Increase) Decrease in Due To/From Other Funds	(45)		(45)
(Increase) Decrease in Inventory	(3,191)	14,382	11,191
(Increase) Decrease in Prepaid Expense		2,086	2,086
Increase (Decrease) in Accrued Wages Payable	9,919	1,621	11,540
Increase (Decrease) in Accrued Interest Payable	(3,697)	(696)	(4,393)
Increase (Decrease) in Deferred Revenue		(1,618)	(1,618)
Increase (Decrease) in Accrued Standpipe Costs		12,500	12,500
Increase (Decrease) in Accrued Pension Costs		67,488	67,488
Increase (Decrease) in Compensated Absences Payable	1,183	(677)	506
Increase (Decrease) in Due to Other Governments	44,693	231,164	275,857
Increase (Decrease) in Accounts Payable	9,039	(87,798)	(78,759)
Increase (Decrease) in Retainage Payable	(14,932)	(7,857)	(22,789)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>801,003</b>	<b>341,515</b>	<b>1,142,518</b>

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

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The financial statements of the Town of Bar Harbor have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

***A. Financial Reporting Entity***

The Town of Bar Harbor operates under an elected Town Council and Town Manager form of government. The Town's Elementary School Department operates under an elected School Committee. The School Department is administered by Union #98. The Town's major operations include public works, water, wastewater, harbor facilities, public safety, fire protection, education, and general administrative services.

For financial reporting purposes the Town includes all organizations, functions and activities in its financial statements for which it exercises oversight responsibility. Oversight responsibility as defined by the Governmental Accounting Standards Board (GASB) includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

In June 1999, GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". This statement, known as the "Reporting Model" statement affects the way the Town prepares financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

***Management's Discussion and Analysis***

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

***Government-wide Financial Statements***

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). The Town has recorded historical infrastructure assets in governmental activities and, accordingly, has recorded depreciation expense on those assets. The Town has recorded these effective June 30, 2006. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

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

**A. Financial Reporting Entity (continued)**

***Statement of Net Assets***

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

***Statement of Program Activities***

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for example, through user charges or intergovernmental grants).

***Budgetary Comparison Schedules***

Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments may revise their original budgets over the course of the year for a variety of reasons. Under GASB No. 34, governments continue to provide budgetary comparison information in their annual reports. GASB Statement No. 34 requires that the Town add the original budget to the current comparison of the final budget and actual results.

**B. Fund Accounting**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

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

Proprietary funds are established to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net assets. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other agencies primarily within the Town (internal service funds).

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the Town’s own programs.

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

*C. 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 Town. The effect of material interfund activity has been eliminated 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, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or withdraw directly from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues 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.

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 CIP funds account for all the Town and School Departments major capital projects.

The School Department accounts for the activities of the school operations.

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

Permanent 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.

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

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

The government-wide financial statements are reported using the 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. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized as soon as 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. 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 the fund liability is incurred. However, debt service expenditures (if any) 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 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 the 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.

*E. Assets, Liabilities and Equity*

*1. Deposits and Investments*

Governmental Accounting Standards Statement No. 40 requires the disclosure of interest rate risk, credit risk, and custodial 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. As a means of limiting its exposure credit risk, 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 unions, and direct debt securities of the United States Government unless such an investment is expressly prohibited by law. For an investment, custodial risk is the risk that in the event of the failure of the counter party the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As a means of limiting its exposure to custodial 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.

*TOWN OF BAR HARBOR  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009*

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

*E. Assets, Liabilities and Equity (continued)*

*2. Receivables and Payables*

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Property taxes receivable not expected to be collected within 60 days from year end are classified as deferred revenue. At June 30, \$465,070 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on July 24, 2008 on property values assessed on April 1. Taxes were due in two installments due on September 30 and March 31, with interest at 11.0% beginning October 1 and April 1. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

*3. Inventories*

Inventories are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

*4. Capital Assets*

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

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Infrastructure	18-77
Equipment	3-20

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

*C. Assets, Liabilities and Equity (Continued)*

*5. Compensated Absences*

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave, holiday leave and comp time in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

*6. Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

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

At June 30, the Town of Bar Harbor is in compliance with the above requirements.

*7. Fund Equity/Net Assets*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

*NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*

*A. Budgetary Information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the government's governmental funds. However, the Town's School Department does not budget for the revenues and expenditures associated with the employer's teacher retirement contribution made by the State of Maine on behalf of the town to the Maine State Retirement System. School grant funds and the school lunch fund do not have legally adopted budgets. All annual appropriations lapse at fiscal year-end to the extent that they have not been encumbered.

All agencies of the government submit requests for appropriations to the government's manager commencing 6 weeks before the manager is required to submit the budget to the government's council. The manager compiles

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Information (continued)**

the data and submits the total budget to the council on or before the third Tuesday in January each year. The council holds public hearings, adopts the budget, and recommends it to the warrant committee on or before February 22. No later than seven days following adoption, the manager submits the budget to the warrant committee, which reviews the budget and submits its recommendation to the council at least four weeks prior to the Town Meeting. The council submits the budget to the Town Meeting along with the recommendation of the warrant committee. The Town Meeting adopts the final budget.

The appropriated budget is prepared by fund, function and department. The manager and department heads may make transfers of appropriations within cost centers, but may not exceed the total cost center appropriation. The council may transfer appropriations between cost centers to the extent of any unencumbered appropriation balance.

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments are carried forward to supplement appropriations of the subsequent year.

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

**A. Cash and Equivalents**

At year-end, the government's carrying amount of deposits was \$3,105,987 and the bank balance was \$3,398,850. The bank balance is categorized according to credit risk as follows:

Category 1 - Insured by Federal depository or credit union insurance.

Category 2 - Collateralized with securities held by the pledging financial institution's trust Department or agent in the Town's name.

Category 3 - Uninsured and uncollateralized.

	<b>Bank Balance</b>	<b>Category</b>		
		<b>1</b>	<b>2</b>	<b>3</b>
Cash and Equivalents	<u>3,398,850</u>	<u>3,398,850</u>	-	-

*TOWN OF BAR HARBOR  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009*

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

*B. Investments*

Investments made by the Town are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk into three categories as follows:

- Category 1 - Insured or registered, or securities held by the government or its agent in the government's name.
- Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the government's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	<i>Category 2</i>	<i>Fair Value</i>	<i>Cost</i>
Fixed Income	<u>2,372,415</u>	<u>2,372,415</u>	<u>2,353,010</u>
Total	<u><u>2,372,415</u></u>	<u><u>2,372,415</u></u>	<u><u>2,353,010</u></u>

*C. Property Taxes*

Property taxes were levied for the fiscal year as follows:

Assessed Value	1,395,468,390
Tax Rate (per \$1,000)	<u>8.88</u>
Commitment	<u><u>12,391,759</u></u>
Appropriations	15,829,992
Less:	
State Municipal Revenue Sharing	277,133
Estimated Revenues	3,107,107
BETE Reimbursement	198
Homestead Reimbursement	<u>53,795</u>
	<u><u>3,438,233</u></u>
Net Assessment for Commitment	<u><u>12,391,759</u></u>

*TOWN OF BAR HARBOR  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009*

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

*C. Property Taxes (continued)*

Uncollected real estate taxes at June 30 for the current year commitment totaled \$418,388, which represents tax collection of approximately 96.62% of the current year commitment. Unpaid liens at June 30 totaled \$512,122.

*D. Interfund Receivables and Payables*

Individual fund interfund receivable and payable balances at June 30, 2009 were as follows:

Special Revenue Funds		
Dog Control Fund	2,095	
Eel Grass Grant		409
Scenic Byways Grant		2,500
Playground Fund	1,837	
Homeland Security Grant		53,385
Canopy Grant		6,844
School Operating	930,209	326,448
School Food Service		7,744
School Federal/State Projects		
School Reserves	320,520	
School Grants	3,710	
School Donations	1,896	
Trust Funds		
Capital Project Funds	<u>2,235,448</u>	<u>                    </u>
Totals	<u><u>3,558,853</u></u>	<u><u>3,558,853</u></u>

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. \$78,325 of the above balance is expected to be repaid during the next year. The remainder represents appropriations for future projects and will be repaid upon need of the funds for those projects.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**E. Capital Assets (Includes School)**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not begin depreciated</i>				
Land	1,899,514			1,899,514
<i>Capital assets being depreciated</i>				
Buildings	7,097,865	159,344	(1,400)	7,255,809
Equipment	4,546,020	917,764	(222,482)	5,241,302
Infrastructure	16,173,110	526,380	(77,475)	16,622,015
Construction Work in Progress	127,381	266,394	(44,844)	348,931
<i>Total capital assets being depreciated</i>	<u>27,944,376</u>	<u>1,869,882</u>	<u>(346,201)</u>	<u>29,468,057</u>
<i>Less accumulated depreciation for</i>				
Buildings	2,395,780	166,410	(1,400)	2,560,790
Equipment	2,477,037	399,343	(198,762)	2,677,618
Infrastructure	10,435,507	508,938	(75,610)	10,868,835
<i>Total accumulated depreciation</i>	<u>15,308,324</u>	<u>1,074,691</u>	<u>(275,772)</u>	<u>16,107,243</u>
<i>Net capital assets being depreciated</i>	<u>12,636,052</u>	<u>795,191</u>	<u>(70,429)</u>	<u>13,360,814</u>
<i>Governmental Activities Capital Assets, net</i>	<u>14,535,566</u>	<u>795,191</u>	<u>(70,429)</u>	<u>15,260,328</u>

TOWN OF BAR HARBOR  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2009

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

E. Capital Assets

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	164,793			164,793
<i>Capital assets being depreciated</i>				
Water Fund	7,720,319	215,610	(45,405)	7,890,524
Wastewater Fund	18,021,739	159,472	(31,720)	18,149,491
<i>Total capital assets being depreciated</i>	<u>25,742,058</u>	<u>375,082</u>	<u>(77,125)</u>	<u>26,040,015</u>
<i>Less accumulated depreciation for</i>				
Water Fund	2,279,349	190,067	(45,326)	2,424,090
Wastewater Fund	5,928,400	485,621	(29,220)	6,384,801
<i>Total accumulated depreciation</i>	<u>8,207,749</u>	<u>675,688</u>	<u>(74,546)</u>	<u>8,808,891</u>
<i>Net capital assets being depreciated</i>	<u>17,534,309</u>	<u>(300,606)</u>	<u>(2,579)</u>	<u>17,231,124</u>
<i>Business-type Activities Capital Assets, net</i>	<u>17,699,102</u>	<u>(300,606)</u>	<u>(2,579)</u>	<u>17,395,917</u>

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

Governmental Activities:

General Government	158,415
Public Safety	200,330
Health and Welfare	5,717
Parks and Recreation	39,178
Roads and Sanitation, including infrastructure	559,259
Education Administrative Support	111,790

Total Depreciation Expense - Governmental Activities 1,074,689

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**F. Capital Leases**

The Town is obligated under certain leases accounted for as capital leases. The related obligations are accounted for in General Long-Term Debt Account Group. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30:

<i>Year-ended June 30,</i>	<i>Minimum Lease Payment</i>
2010	14,565
2011	9,035
2013	9,035
2014	<u>9,034</u>
Total Minimum Lease Payments	41,669
Less: Amount Representing Interest	<u>(3,636)</u>
Present Value of Future Minimum Lease Payments	<u><u>38,033</u></u>

**G. Long-Term Debt**

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

<i>Purpose</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
<b>General Obligation</b>			
1988 Public Improvement Bonds	11/1/2010	5.00-7.85%	23,577
1990 School/Septic Dump Bonds	6/1/2010	6.50-9.00%	18,946
1992 School Project Bonds	6/1/2012	5.7-6.5%	345,000
2004 Municipal Renovations	11/1/2013	3.62%	148,132
2004 School Heating	11/1/2024	4.57%	694,780
2004 School Renovations	11/1/2013	0.00%	350,000
2005 Hulls Cove Wastewater	11/1/2013	3.00%	<u>640,000</u>
			<u><u>2,220,435</u></u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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

**1. General Obligation Bonds and Notes. (Continued)**

	<i>Maturity</i> <i>Date</i>	<i>Interest</i> <i>Rate</i>	<i>Amount</i>
<i>Proprietary</i>			
1988 Wastewater Improvement Bonds	11/1/2010	5.00-7.85%	29,802
1990 Dewatering / Browning Point	6/1/2010	6.5-9.00%	11,054
1992 Wastewater Project Bonds	6/1/2012	5.7-6.50%	180,000
1997 Wastewater Plant	10/1/2017	3.00%	3,692,878
2001 Wastewater Improvement Bond	4/1/2011	2.00%	55,000
2005 Hulls Cove Wastewater Plant	11/1/2013	3.00%	715,000
2001 Water Acquisition Bond	12/1/2021	4.540%	2,855,000
2002 Water Tank Purchase	10/1/2021	2.673%	<u>526,011</u>
			<u>8,064,745</u>
Total Debt			<u>10,285,180</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$2,466,728 are as follows:

<i>Year Ended</i> <i>June 30,</i>	<i>General</i> <i>Obligation</i> <i>Debt</i>	<i>Proprietary</i>	<i>Total</i>
2010	399,648	988,464	1,388,112
2011	369,376	973,650	1,343,026
2012	347,344	927,678	1,275,022
2013	223,458	864,726	1,088,184
2014	222,443	864,954	1,087,397
2015-2019	572,046	3,842,513	4,414,559
2020-2024	538,468	1,301,266	1,839,734
2025-2028	103,598	212,276	315,874
Total	<u>2,776,381</u>	<u>9,975,527</u>	<u>12,751,908</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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

**2. Changes in Long-Term Liabilities**

The following summary of long-term debt transactions of the Town of Bar Harbor for the fiscal year ended June 30, 2009:

	<i>General</i>		
	<i>Obligation</i>		
	<i>Debt</i>	<i>Proprietary</i>	<i>Total</i>
<i>Long-term Debt payable July 1, 2008</i>	2,556,323	8,758,489	11,314,812
Debt Issued			-
Debt Retired	(335,888)	(693,744)	(1,029,632)
<i>Long-term Debt payable June 30, 2009</i>	<u>2,220,435</u>	<u>8,064,745</u>	<u>10,285,180</u>

**3. Debt Authorized - Unissued**

The Town was authorized to issue general obligation securities not to exceed \$1,000,000 to assist in the financing of infrastructure costs for Northeast Creek, an affordable housing project. As of June 30 2009, this has not been issued:

<i>Per Referendum</i>	<i>Purpose</i>	<i>Unissued</i>
<i>Vote of:</i>		<i>Amount</i>
June 12, 2007	Northeast Creek	\$1,000,000
June 2, 2009	Capital Improvements and Water Construction	\$5,140,947

**H. Contributed Capital**

Changes in net contributed capital for the year-ended June 30, 2009 for the government's Proprietary Funds were as follows:

	<u>Wastewater</u>	<u>Water</u>
Balance - Beginning of Year	3,041,560	137,247
Additions:		19,635
Deductions:		
Retirements		
Depreciation Provided by Contributed Capital	<u>(123,518)</u>	<u>(7,502)</u>
Balance - End of Year	<u>2,918,042</u>	<u>149,380</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 4 - OTHER INFORMATION**

**A. Contingent Liabilities**

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

The government is a defendant in various lawsuits which results from the normal course of its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management that resolution of these matters will not have a material adverse effect on the financial condition of the government.

**B. Permanent Funds**

The principal amount of all Permanent Funds is restricted either by law or by terms of individual bequests in that only income earned may be expended. The government's Permanent Funds at June 30 are detailed as follows:

<u>Purpose</u>	<u>Nonexpendable</u>	<u>Expendable</u>
Cemetery Care	2,137	229
Scholarships	<u>6,488</u>	<u>2,540</u>
Total	<u><u>8,625</u></u>	<u><u>2,769</u></u>

**C. Pension Plans**

**Plan Description**

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

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

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

The Town participates in the Maine Public Employees Retirement System Consolidated Plan for Participating Districts (Consolidated Plan), and the Maine Public Employees Retirement System's Teacher Plan, both which are cost sharing multiple-employer defined benefit pension plans. The Maine Public Employees Retirement System (System) is a body corporate and politic and an incorporated public instrumentality of the State. Under Title 5 M.R.S.A. the System is the administrator of retirement and disability benefits, annual cost-of-living

*NOTE 4 - OTHER INFORMATION (Continued)*

*C. Pension Plans*

*Plan Description (Continued)*

adjustments, and death benefits to plan members and beneficiaries. The System issues a financial report that includes the financial statements and required supplementary information for the plans. That report may be obtained by writing to Maine Public Employees Retirement System, Two Central Plaza, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

*Funding Policy*

Under the ICMA plan, covered employees contribute a percentage of their salary to the plan with the Town contributing 6.5% to 9.5%. The Town's costs for the fiscal years ended June 30 2007, 2008 and 2009 were \$113,817, \$124,777 and \$107,582 respectively.

Maine Public Employees Retirement System Consolidated Plan members are required to contribute 6.5% to 7.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 2.8% to 3.5% of annual covered payroll, plus a monthly contribution of \$1,304. The contribution requirements of plan members and the Town are established by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Consolidated Plan for the years ended June 30, 2007, 2008 and 2009, were \$51,256, \$57,414 and \$62,162 respectively, which were paid in full each year.

Consolidated Plan members are required to contribute 6.5% of their annual covered salary and the School Department is required to contribute an actuarially determined rate. The current rate is 2.8% of annual covered payroll, plus a monthly payment for all covered employees of \$156. The contribution requirements of plan members and the School Department are established by the Maine Public Employees Retirement System Board of Trustees. The School Department's contributions to the Consolidated Plan for the years ended June 30, 2007, 2008 and 2009 were \$5,727, \$5,991 and \$6,144 respectively, which were paid in full each year.

Teachers and other qualified employees are required to contribute 7.65% of their compensation to the Teacher Plan. The State Department of Education is required to contribute the employer contribution, which amounted to 18.76% of the annual covered salary for fiscal year 2009. The State's cost for 2009 was approximately \$509,958. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 18.76% of their compensation. This cost amounted to \$14,734 for 2009 and is chargeable to the applicable grants.

*D. Bar Harbor Water Company Pension Plan*

Prior to its acquisition by the Town, the employees of the Bar Harbor Water Company were covered by the Bar Harbor Water Company Retirement Plan for Employees, a defined benefit pension plan. Contributions were actuarially determined and made by the employer. Employees did not make contributions.

The plan was amended by the Town Council to discontinue the accrual of any additional benefits after December 31, 2001, and effective January 1, 2002, the Town of Bar Harbor became the successor sponsor.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**D. Bar Harbor Water Company Pension Plan (Continued)**

Based on the latest actuarial valuation as of January 1, 2009, the accrued liability of the plan was \$382,482. The value of assets available for funding totaled \$108,565, leaving an unfunded liability of \$273,917. The total unfunded liability has been recorded as a liability at June 30, 2009 of the Bar Harbor Water Division enterprise fund.

**E. Risk Management**

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

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

Property and Casualty - MMA's Self-Funded Risk Management Pool (Pool) was created to establish and administer a risk management service and to bring about prevention or lessening of casualty and property losses to member towns. The town pays an annual premium to the Pool for various coverage and services. The Pool retains loss of property risk which exceeds \$1,000 up to a maximum coverage of \$100,000 and purchases an additional \$200,000,000 per occurrence. The Pool retains the first \$100,000 liability coverage per occurrence and purchases excess insurance for claims which exceed \$100,000 up to a maximum of \$1,000,000 per occurrence and \$5,000,000 aggregate annual coverage, and crime coverage which exceeds \$1,000 up to a maximum coverage of \$250,000.

Based on the coverage provided by the pools described above, the town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2009.

**F. Postemployment Benefits**

The Town participates in the Maine Municipal Employees Health Trust for purposes of employee health benefits. Premiums paid for active employees contain an imputed subsidy for the benefit of retired employees. In accordance with Governmental Accounting Standards Board (GASB) Statement number 45, the Town is required to disclose the Actuarial accrued liability and Annual Required Contribution (ARC) for the fiscal year ended June 30, 2009. These amounts are actuarially determined in accordance with the parameters of GASB Statement number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is recorded as an expense on the government-wide financial statements. The Actuarial accrued liability at June 30, 2009 is as follows:

Active Employees	\$290,689
Retirees and Spouses	\$233,517
Total	\$524,206

**TOWN OF BAR HARBOR**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit H*

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	13,300,828	13,300,828	13,184,702	(116,126)
Intergovernmental Revenues	446,497	446,497	505,002	58,505
Departmental Revenues	1,363,150	1,363,150	1,097,442	(265,708)
Other Local Sources	310,592	310,592	293,340	(17,252)
<b>Total Revenues</b>	<b>15,421,067</b>	<b>15,421,067</b>	<b>15,080,486</b>	<b>(340,581)</b>
<b>Expenditures</b>				
General Government	2,618,093	2,592,858	2,556,234	36,624
Public Safety	2,039,146	2,063,381	2,053,303	10,078
Health and Welfare	102,959	103,959	105,990	(2,031)
Parks and Recreation	219,917	219,917	220,971	(1,054)
Island Explorer Shuttle Bus	33,100	33,100	33,100	-
Roads and Sanitation	1,654,899	1,719,899	1,695,461	24,438
Debt	40,186	40,186	39,708	478
Assessments	2,775,124	2,775,124	2,741,261	33,863
<b>Total Expenditures</b>	<b>9,483,424</b>	<b>9,548,424</b>	<b>9,446,028</b>	<b>102,396</b>
<b>Excess Revenues Over Expenditures</b>	<b>5,937,643</b>	<b>5,872,643</b>	<b>5,634,458</b>	<b>(238,185)</b>
<b>Other Financing Sources</b>				
Transfers from Other Funds	3,804	3,804	5,115	1,311
Transfers to Other Funds	(5,941,447)	(5,941,447)	(5,941,447)	-
<b>Total Other Financing Sources</b>	<b>(5,937,643)</b>	<b>(5,937,643)</b>	<b>(5,936,332)</b>	<b>1,311</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(65,000)</b>	<b>(301,874)</b>	<b>(236,874)</b>
<b>Decrease in Designated for Working Capital</b>			<b>(18,000)</b>	
<b>Beginning Fund Balances - Budgetary Basis</b>			<b>557,559</b>	
<b>Ending Fund Balances - Budgetary Basis</b>			<b>237,685</b>	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<b>45,497</b>	
<b>Ending Fund Balances - GAAP Basis</b>			<b>283,182</b>	

TOWN OF BAR HARBOR  
GENERAL FUND  
STATEMENT OF ESTIMATED AND ACTUAL REVENUES  
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A-1  
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under) Budget</i>
<b>Taxes</b>			
Property	12,391,759	12,267,358	(124,401)
Auto Excise	853,010	830,876	(22,134)
Boat Excise	10,756	9,581	(1,175)
Interest/Fees on Taxes	45,303	76,887	31,584
	<hr/> 13,300,828	<hr/> 13,184,702	<hr/> (116,126)
<b>Intergovernmental Revenues</b>			
State of Maine			
Municipal Revenue Sharing	277,133	266,510	(10,623)
General Assistance	524	1,481	957
Urban Rural Initiative Program	70,040	66,638	(3,402)
Tree Growth	4,929	3,380	(1,549)
Veterans Reimbursement	1,189	1,262	73
Homestead Reimbursement	53,795	53,865	70
BETE Reimbursement	198	200	2
State MEMA Grant	1		(1)
Federal			
Bullet Proof Vest Grant		1,041	1,041
Acadia National Park - PILT	38,688	110,625	71,937
	<hr/> 446,497	<hr/> 505,002	<hr/> 58,505
<b>Departmental Revenues</b>			
Ambulance/Fire			
Ambulance Service	440,995	387,505	(53,490)
Police			
Police Detail	34,278	41,644	7,366
Parking Tickets	32,589	23,022	(9,567)
All Other	7,877	11,231	3,354
Planning / Code			
Building Permits	175,534	75,037	(100,497)
Plumbing Permits	36,278	15,494	(20,784)
Electrical Inspections	31,980	11,546	(20,434)
Vacation Rental Permits	7,440	7,232	(208)
Plan Board/Subdivision & Rezoning	25,223	7,691	(17,532)
Site Plan Review	17,686	8,170	(9,516)
All Other	21,050	12,197	(8,853)
Harbor Fees			
Cruise Ships	168,629	159,230	(9,399)
Docking	63,356	48,620	(14,736)
Moorings	6,404	5,420	(984)
All Other	12,931	10,265	(2,666)
Solid Waste			
Sale of Recyclables	69,287	59,361	(9,926)
All Other	2,276	1,275	(1,001)
Public Works			
All Other	7,102	8,680	1,578
Parks and Recreation			
Park and Recreation Fees	580	600	20
Finance			
Administrative Services	131,015	131,015	-
Auto Registrations	15,553	16,747	1,194
Boat/RV Registrations/Snowmobile Fees	1,481	1,560	79

TOWN OF BAR HARBOR  
GENERAL FUND  
STATEMENT OF ESTIMATED AND ACTUAL REVENUES  
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A-1  
Page 2 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under) Budget</i>
Departmental Revenues (Continued)			
Municipal Building Leases	29,227	30,529	1,302
Town Clerk			
Clerk's Fees	16,572	17,916	1,344
All Other	7,807	5,455	(2,352)
	<u>1,363,150</u>	<u>1,097,442</u>	<u>(265,708)</u>
Other Local Sources			
Interest on Investments	137,294	104,365	(32,929)
Kids Corner Lease	3,600	3,725	125
Other Rentals	2,804	2,546	(258)
Jackson Laboratory - PILT	61,800	61,800	-
Housing Authority - PILT	19,596	19,811	215
Other - PILT	10,375	12,472	2,097
Cable TV Franchise	60,000	68,460	8,460
Insurance Dividends	13,343	19,535	6,192
All Other	1,780	626	(1,154)
	<u>310,592</u>	<u>293,340</u>	<u>(17,252)</u>
Operating Transfers In			
Cemetery Income	191	191	-
Dog Control Reserve	1,708	3,149	1,441
Capital Improvements Program			-
Shellfish Conservation	1,905	1,775	(130)
	<u>3,804</u>	<u>5,115</u>	<u>1,311</u>
Total Revenues and Operating Transfers	<u>15,424,871</u>	<u><b>15,085,601</b></u>	<u><b>(339,270)</b></u>
Beginning Fund Balance Used	<u>65,000</u>		
<b>Total</b>	<u><b>15,489,871</b></u>		

TOWN OF BAR HARBOR  
GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A-2  
Page 1 of 2

	Encumbered From 6/30/08	Appropriations	Expenditures Net of Refund	Encumbered to 6/30/10	(Over) Under Budget
General Government					
Town Council		42,488	36,924		5,564
Town Manager		110,375	109,467		908
Town Clerk		104,914	101,940	2,950	24
Finance		294,838	289,014		5,824
Legal Counsel		81,325	117,216		(35,891)
Elections		19,267	17,187		2,080
Technology		102,220	101,134		1,086
Municipal Building		100,924	87,762	5,568	7,594
Town Offices		37,522	32,200		5,322
Employee Benefits		1,055,953	1,041,985		13,968
Insurance		77,075	82,259		(5,184)
Assessing		129,171	130,573		(1,402)
Code Enforcement		59,653	55,087		4,566
Planning	34,585	313,538	259,489	22,446	66,188
27th Pay Period		11,819	32,192		(20,373)
Vacation Accruals		10,568	1,488		9,080
Charter Commissions		100	61		39
Abatements/Discount on Taxes		41,108	63,877		(22,769)
	34,585	2,592,858	2,559,855	30,964	36,624
Public Safety					
Ambulance		349,758	347,119		2,639
Fire Department		613,572	611,032		2,540
Police Department		684,167	681,116	2,385	666
Public Safety Building	2,430	45,078	53,544		(6,036)
Street Lights		80,829	77,759	3,100	(30)
Dispatch		171,572	171,225		347
Harbor Division		118,405	108,453		9,952
	2,430	2,063,381	2,050,248	5,485	10,078
Health and Welfare					
General Assistance		1,049	3,093		(2,044)
Cooperating Agencies		45,523	45,543		(20)
Health Services		-	1,400		(1,400)
Comfort Station		57,387	52,126	3,828	1,433
	-	103,959	102,162	3,828	(2,031)
Parks and Recreation					
Parks & Recreation		206,002	204,649	2,820	(1,467)
Glen Mary Park		13,915	13,502		413
	-	219,917	218,151	2,820	(1,054)

**TOWN OF BAR HARBOR  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2009**

Exhibit A-2  
Page 2 of 2

	Encumbered From 6/30/08	Appropriations	Expenditures Net of Refund	Encumbered to 6/30/10	(Over) Under Budget
Island Explorer Shuttle Bus	-	33,100	33,100	-	-
Roads and Sanitation					
Public Works		143,642	136,524	2,400	4,718
Highway Division		1,029,736	1,005,187		24,549
Solid Waste		546,521	551,350		(4,829)
Debt Service	-	1,719,899	1,693,061	2,400	24,438
Principal		36,432	36,432		-
Interest		3,754	3,276		478
Contingency	-	40,186	39,708	-	478
Total Appropriations, Expenditures and Encumbrances	37,015	6,773,300	6,696,285	45,497	68,533
Assessments					
Regional School District		2,202,665	2,202,665		-
County Tax		538,596	538,596		-
Overlay		33,863			33,863
Operating Transfers Out	-	2,775,124	2,741,261	-	33,863
Capital Improvements Program		1,498,669	1,498,669		-
School Department		4,442,778	4,442,778		-
Totals	37,015	15,489,871	15,378,993	45,497	102,396

## GENERAL FUND

STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009

Unreserved - Undesignated Fund Balance, July 1	557,559	
Unreserved - Undesignated Fund Balance, June 30	<u>237,685</u>	
<b>Increase (Decrease)</b>		<b><u><u>(319,874)</u></u></b>

*Analysis of Change*

Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	(339,270)	
Unexpended Balance of Appropriations (Exhibit A-2)	68,533	
Unexpended Balance (Overdraft) of Assessments and Operating Transfers (Exhibit A-2)	33,863	
(Increase) Decrease in Designated for Working Capital	<u>(18,000)</u>	
Budget Surplus		(254,874)
Deductions		
Fund Balance Used to Fund Appropriations		<u>(65,000)</u>
<b>Increase (Decrease)</b>		<b><u><u>(319,874)</u></u></b>

**TOWN OF BAR HARBOR**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2009**

*Exhibit B-1*

<i>Assets</i>	<i>Town Reserves/ Grants</i>	<i>School Department</i>	<i>Total</i>
Cash and Equivalents		9,659	9,659
Accounts Receivable		5,276	5,276
Due from Other Funds	3,932	1,256,335	1,260,267
Due from Other Governments	71,549	7,931	79,480
Inventory		3,158	3,158
<b>Total Assets</b>	<b>75,481</b>	<b>1,282,359</b>	<b>1,357,840</b>
 <i>Liabilities &amp; Fund Balances</i>			
<i>Liabilities</i>			
Due to Other Funds	63,138	334,192	397,330
Accounts Payable	8,411	25,316	33,727
Accrued Salaries		409,795	409,795
<b>Total Liabilities</b>	<b>71,549</b>	<b>769,303</b>	<b>840,852</b>
 <i>Fund Balances</i>			
Reserved for Inventory		3,158	3,158
Unreserved			
Designated for Subsequent Years' Expenditures	3,932	326,297	330,229
Undesignated		183,601	183,601
<b>Total Fund Balances</b>	<b>3,932</b>	<b>513,056</b>	<b>516,988</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>75,481</b>	<b>1,282,359</b>	<b>1,357,840</b>

## ALL SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009

	<i>Town Reserves/ Grants</i>	<i>School Department</i>	<i>Total</i>
Revenues			
Intergovernmental Revenues	384,030	881,173	1,265,203
Lunch Sales		64,002	64,002
Other Local Sources	65,071	5,720	70,791
	<u>449,101</u>	<u>950,895</u>	<u>1,399,996</u>
Total Revenues			
Expenditures			
Education		3,402,757	3,402,757
Administration	87	1,802,124	1,802,211
Public Works	9,344		9,344
Public Safety	375,686		375,686
Parks and Recreation	58,223		58,223
Lunch Program		156,952	156,952
	<u>443,340</u>	<u>5,361,833</u>	<u>5,805,173</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	5,761	(4,410,938)	(4,405,177)
Other Financing Sources (Uses)			
Transfers from Other Funds		4,498,591	4,498,591
Transfers to Other Funds	(4,924)	(55,813)	(60,737)
	<u>(4,924)</u>	<u>4,442,778</u>	<u>4,437,854</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	837	31,840	32,677
Fund Balance - July 1	3,095	481,216	484,311
Fund Balance - June 30	<u>3,932</u>	<u>513,056</u>	<u>516,988</u>

**TOWN OF BAR HARBOR**  
**TOWN RESERVE/ GRANT FUNDS**  
**SCHEDULE OF ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit B-3*

	<i>Balance July 1</i>	<i>Revenues/ Transfers In</i>	<i>Disbursements/ Transfers Out</i>	<i>Balance June 30</i>
Reserve				
Dog Control (1)	2,095	3,236	(3,236)	2,095
Shellfish Conservation (2)		1,775	(1,775)	-
Sub-total	2,095	5,011	(5,011)	2,095
Grant				
Eel Grass Grant (3)	1,000	1,909	(2,909)	-
Scenic Byways Grant (4)		2,500	(2,500)	-
Playground Fund (5)		60,060	(58,223)	1,837
Homeland Security Grant (6)		372,777	(372,777)	-
Canopy Grant (7)		6,844	(6,844)	-
Sub-total	1,000	444,090	(443,253)	1,837
Totals	<b>3,095</b>	<b>449,101</b>	<b>(448,264)</b>	<b>3,932</b>

- Notes: (1) License Fees \$3,236.  
 Transfers to General Fund - \$3,149, Expenditures - \$87.
- (2) Revenues - Fees \$1,775.  
 Transfer to General Fund - Clam Flat Management, Salaries, \$1,775.
- (3) Grant Receipts \$1,909.  
 Exp. \$2,909
- (4) Grant Receipt \$2,500.  
 Exp. \$2,500.
- (5) Donations, Fundraising \$60,060.  
 Exp. \$58,223.
- (6) Grant Receipts \$372,777  
 Exp. \$372,777
- (7) Grant Receipts \$6,844  
 Exp. \$6,844

TOWN OF BAR HARBOR  
 COMBINING BALANCE SHEET  
 ELEMENTARY SCHOOL DEPARTMENT  
 JUNE 30, 2009

Exhibit B-4

Assets	Operating Fund	Food Service	ESL Grant	Emergency Special Education Reserve		Emery Grants	French Grant	Donations	Total
				ESL Grant	Emergency Special Education Reserve				
Cash & Equivalents		9,659							9,659
Accounts Receivable	5,276								5,276
Due From Other Funds	930,209		3,501	320,520	93		116	1,896	1,256,335
Due From Other Governments	6,142	1,789							7,931
Inventory		3,158							3,158
<b>Total Assets</b>	<b>941,627</b>	<b>14,606</b>	<b>3,501</b>	<b>320,520</b>	<b>93</b>		<b>116</b>	<b>1,896</b>	<b>1,282,359</b>
<b>Liabilities &amp; Fund Balances</b>									
Liabilities									
Due to Other Funds	326,448	7,744							334,192
Due to Students		3,533							3,533
Accounts Payable	21,783								21,783
Accrued Salaries	409,795								409,795
Total Liabilities	758,026	11,277							769,303
Fund Balances (Deficit)									
Reserved for Inventory		3,158							3,158
Undesignated									
Designated for Subsequent Years' Expenditures		171	3,501	320,520	93		116	1,896	326,297
Undesignated	183,601								183,601
Total Fund Balances	183,601	3,329	3,501	320,520	93		116	1,896	513,056
<b>Total Liabilities &amp; Fund Balances</b>	<b>941,627</b>	<b>14,606</b>	<b>3,501</b>	<b>320,520</b>	<b>93</b>		<b>116</b>	<b>1,896</b>	<b>1,282,359</b>

TOWN OF BAR HARBOR  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES  
 ELEMENTARY SCHOOL DEPARTMENT  
 FOR THE YEAR ENDED JUNE 30, 2009

	Operating Fund	Food Service	Federal/ State Projects	ESL Grant	Emergency Special Education Reserve	Emergency Grants	French Grant	Donations	Total
Revenues									
Intergovernmental	690,877	38,391	117,658		34,247				881,173
Local Sources	3,588	1,132						1,000	5,720
Lunch Sales		64,002							64,002
Total Revenues	694,465	103,525	117,658	-	34,247	-	-	1,000	950,895
Expenditures									
Education Programs	3,279,221		118,860			3,799	89	788	3,402,757
Administrative Support	1,802,124								1,802,124
Lunch Program		156,952							156,952
Total Expenditures	5,081,345	156,952	118,860	-	-	3,799	89	788	5,361,833
Excess of Revenues Over (Under) Expenditures	(4,386,880)	(53,427)	(1,202)	-	34,247	(3,799)	(89)	212	(4,410,938)
Other Financing Sources (Uses)									
Lease Proceeds									-
Transfers from Other Funds	4,442,778	55,813							4,498,591
Transfers to Other Funds	(55,813)								(55,813)
Total Other Financing Sources (Uses)	4,386,965	55,813	-	-	-	-	-	-	4,442,778
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	85	2,386	(1,202)	-	34,247	(3,799)	(89)	212	31,840
Fund Balance - July 1	183,516	943	1,202	3,501	286,273	3,892	205	1,684	481,216
<b>Fund Balance (Deficit) - June 30</b>	<b>183,601</b>	<b>3,329</b>	<b>-</b>	<b>3,501</b>	<b>320,520</b>	<b>93</b>	<b>116</b>	<b>1,896</b>	<b>513,056</b>

TOWN OF BAR HARBOR  
 CAPITAL IMPROVEMENTS PROGRAM  
 SCHEDULE OF ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C-1  
 Page 1 of 3

Town Projects	Balance	Budget	Revenues and	Expenditures	Balance	Transfers	Balance
	July 1		Transfers		(Over) Under	From (To) Unreserved	June 30
Town Clerk	6,500	671			7,171		7,171
Computerized Voting Equipment							
Finance							
Computer Hardware	6,969	2,756			9,725		9,725
Computer Reserve	13,433	12,143			25,576		25,576
Technology							
Copier Equipment	3,554	2,400			5,954		5,954
Wide Format Scanner & GIS Equipment	-	1,500			1,500		1,500
GPS Unit	3,096	1,521			4,617		4,617
Audio Visual Equipment	-				-		-
Map Plotter	1,792	1,791			3,583		3,583
Broadcast Equipment	-	8,030		(6,288)	1,742		1,742
Audio Visual Equipment	-	2,000		(916)	1,084	(1,084)	-
Document Imaging System	7,000	15,000		(16,374)	5,626		5,626
Computer Servers	2,296	3,789			6,085		6,085
Town Office Phone System	1,000	2,962			3,962		3,962
Municipal Building							
Building Renovation	79,262	20,862		(97,412)	2,712		2,712
Masonry/Chimney Repairs	28,173			(28,593)	(420)	420	-
Records Storage	28,910	(20,862)		(8,228)	(180)	180	-
Ventilation System	111,628			(76,393)	35,235		35,235
Code Enforcement							
Permit Mgt. Software-BMSI	326	1,071			1,071		1,071
Pickup Reserve		1,001			1,327		1,327
Assessing							
Property Tax Maps & Revaluation	54,623				54,623		54,623
Assessing Software	4,134	4,134			8,268		8,268
Planning							
Aerial Photography Update	-	11,945		(11,400)	545		545
Downtown Streetscapes	35,040				35,040		35,040
Ambulance							
Ambulance Reserve	-	20,124			20,124		20,124
Defibrillators	9,893	337			10,230		10,230
Jaws of Life	8,853				8,853		8,853
Fire Department							
Fire Engine #2	31,999	6,266			38,265		38,265
Fire Engine #3 Reserve	170,377	70,866		(242,129)	(886)	886	-
Fire Engine #4	107,484	(32,824)			74,660		74,660
Fire Engine #5	48,444	8,763			57,207		57,207
Pickup Truck Replacement	7,825	3,195			11,020		11,020
Thermal Imaging Camera	7,160	4,915			12,075		12,075

**TOWN OF BAR HARBOR  
CAPITAL IMPROVEMENTS PROGRAM  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2009**

Exhibit C-1  
Page 2 of 3

Town Projects (Continued)	Balance	Budget	Revenues and	Expenditures	Balance	Transfers	Balance
	July 1		Transfers		(Over) Under	From (To) Unreserved	June 30
Police Department	-						
Cruiser Replacement	7,000	39,233		(42,960)	(3,727)	3,727	-
Computers & Software	21,035	2,733		(4,339)	5,394		5,394
Radio Base Station & Console	1,510	9,137			30,172		30,172
Speed Trailer & Monitor	3,343	719			2,229		2,229
Public Safety Building	3,607	1,306			4,649		4,649
Phone System Replacement	40,500	667			4,274		4,274
Public Safety Bldg. Generator	-	8,200		(49,154)	(454)	454	-
School Shelter Generator		45,320		(47,980)	(2,660)	2,660	-
Building Renovations							
Harbor Department							
Harbor Master Boat & Trailer	10,344	2,100			12,444		12,444
New Floats	38,946	(2,021)		(10,324)	26,601		26,601
Gangway Replacement	4,802	1,661			6,463		6,463
Harbor Master's Office	18,327				18,327		18,327
Pier Renovations	29,593	15,901		(45,495)	(1)	1	-
Parks & Recreation							
Albert Meadow-Grant's Park	5,000				5,000		5,000
Mt. Desert Cemetery	66,068			(5,340)	60,728		60,728
Park Equipment	11,877			(11,877)	-		-
Village Green Bandstand	-	10,927			10,927		10,927
Glen Mary Renovations	113,232	60,000		(171,080)	2,152		2,152
Comfort Stations							
New Restrooms Construction	42,255				42,255		42,255
Public Works / Highway							
Land Acquisition & Development	117,629				117,629		117,629
Air Compressor	200	1,000			1,200		1,200
Backhoe Reserve (Cat & Deere)	64,145	14,099		(74,658)	3,586		3,586
Brush Chipper	9,888	1,604			11,492		11,492
Bikeway Construction	3,563				3,563		3,563
Grader Reserve	80,164	5,165			85,329		85,329
Front End Loader Reserve	61,323	9,929			71,252		71,252
Road Improvement Program	-	439,966		(184,276)	255,690	2,176	257,866
Sidewalk Plow	37,477	6,770			44,247		44,247
Sidewalk Reconstruction Program	74,727	155,127		(175,579)	54,275		54,275
Washer, Steam Pressure	8,223	1,277			9,500		9,500
Street Sweeper (Broom)	18,529	7,273			25,802		25,802
Street Sweeper (Vacuum)	57,911	14,111			72,022		72,022
Town Garage Replacement Reserve	195,110				195,110		195,110
Tag Trailer	5,976				5,976		5,976
Water Truck	10,155	4,845			15,000		15,000
Light Truck Purchase	41,237	1,909			43,146		43,146
Plow Truck Reserve	63,191	58,877			122,068		122,068
Bobcat Loader	-	1,250			1,250		1,250
Roller, Vibratory	22,028	1,379			23,407		23,407
Waste Oil Furnace	-	1,262			1,262		1,262

TOWN OF BAR HARBOR  
 CAPITAL IMPROVEMENTS PROGRAM  
 SCHEDULE OF ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C-1  
 Page 3 of 3

	Balance		Budget	Revenues and Transfers		Expenditures	Balance		Transfers From (To) Unreserved	Balance June 30
	July 1				(Over)		Under			
<i>Town Projects (Continued)</i>										
Solid Waste Division										
Storage	5,000	375					5,375			5,375
Bailers	3,315	907					4,222			4,222
Glass Crusher	-	807					807	1,970		2,777
Forklifts	8,682	2,583					11,265			11,265
Debt Service										
Building Renovation Bond Payment	-	32,524			(32,524)		-			-
Debt Service - Agamont Park	-	65,830			(65,830)		-			-
Septic Dump Payment	-	8,435			(8,335)		100	(100)		-
Workforce Housing	-	64,752					64,752	(64,752)		-
Town Total	2,085,683	1,252,295		-	(1,417,484)		1,920,494	(53,462)		1,867,032
<i>School Projects</i>										
Heating System Payment	-	13,738			(13,653)		85	(85)		-
Building Addition Payments	-	144,843			(144,843)		-			-
2004 Heating System Payment	-	70,000			(70,000)		-			-
2004 Heating System Payment	-	61,140			(61,140)		-			-
ADA Act Renovations	28,000	-			(15,351)		12,649			12,649
Capital Outlay Reserve	977	728					1,705	23,751		25,456
Furniture & Equipment	8,839	7,500			(12,387)		3,952			3,952
Computers & Technology	8,930	35,000			(35,950)		7,980			7,980
Copier Lease/Purchase	-	8,500			(9,035)		(535)			-
Flooring	5,058	10,000			(2,467)		12,591			12,591
Phone System	-	18,000			(17,990)		10	(10)		-
Asbestos Removal	8,160	1,500			(1,850)		7,810			7,810
Pickup Truck Replacement	-	5,530			(5,530)		-			-
Playground Equipment	4,538	-			(5,000)		(462)	462		-
Roof Repairs	11,749	2,000					13,749			13,749
Storage Units	17,000	-			(19,190)		(2,190)	2,190		-
Walk in Freezer	10,146	-					10,146	(10,146)		-
Connors Windows	12,065						12,065			12,065
Gym Floor Resurface	-	17,000			(9,940)		7,060	(7,060)		-
Door Sills-Emerson	-	25,000			(15,363)		9,637	(9,637)		-
Sewer Lines	-	5,000					5,000			5,000
Safety & Access Control	-	3,500			(311)		3,189			3,189
Indoor Pipe Replacement	19,450	3,000					22,450			22,450
School Total	134,912	431,979		-	(440,000)		126,891	-		126,891
Subtotal	2,220,595	1,684,274		-	(1,857,484)		2,047,385	(53,462)		1,993,923
Unreserved - Undesignated Balance	73,393	(1,684,274)		1,656,061	-		45,180	53,462		98,642
<b>Totals</b>	<b>2,293,988</b>	<b>-</b>		<b>1,656,061</b>	<b>(1,857,484)</b>		<b>2,092,565</b>	<b>-</b>		<b>2,092,565</b>

TOWN OF BAR HARBOR  
 COMBINING BALANCE SHEET  
 ALL PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

Exhibit D-1

<i>Assets</i>	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Cash and Equivalents	557	146	703
Investments	8,471	2,220	10,691
<b>Total Assets</b>	<b>9,028</b>	<b>2,366</b>	<b>11,394</b>
<i>Liabilities &amp; Fund Balances</i>			
Liabilities			
Due to Other Funds			-
Total Liabilities	-	-	-
Fund Balances			
Reserved for Endowments	6,488	2,137	8,625
Unreserved	2,540	229	2,769
Total Fund Balances	9,028	2,366	11,394
<b>Total Liabilities &amp; Fund Balances</b>	<b>9,028</b>	<b>2,366</b>	<b>11,394</b>

**TOWN OF BAR HARBOR**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit D-2*

	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
Investment Income	433	123	556
Expenditures			
Scholarships			-
	-	-	-
Excess of Revenues Over Expenditures	433	123	556
Other Financing Sources (Uses)			
Transfers to Other Funds		(191)	(191)
Total Other Financing Sources (Uses)	-	(191)	(191)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	433	(68)	365
Fund Balance - July 1	8,595	2,434	11,029
<b>Fund Balance - June 30</b>	<b>9,028</b>	<b>2,366</b>	<b>11,394</b>

November 11, 2009

Members of the Town Council  
Town of Bar Harbor  
Bar Harbor, ME 04609

We have audited the financial statements of the Bar Harbor School Department for the year ended June 30, 2009.

In connection with our audit, we make the following statements of assurances and determinations:

1. The audit has been conducted in accordance with applicable state and federal laws relating to financial and compliance audits.
2. Budgetary controls are in place.
3. The corrected annual financial report submitted to the Department of Education and Cultural Services is materially correct.
4. The Bar Harbor School Department has complied with the applicable provisions of the Maine School Finance Act.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

**APPENDIX B**

**PROPOSED FORM  
OF  
LEGAL OPINION**

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## **BERNSTEIN SHUR**

**COUNSELORS AT LAW**

146 Capitol Street  
PO Box 5057  
Augusta, ME 04332-5057

May 1, 2010

Town of Bar Harbor  
93 Cottage Street, Suite I  
Bar Harbor, ME 04609-1400

**Re: Town of Bar Harbor, Maine**

Dear Sir/Madam:

We have examined the law and certified proceedings submitted in connection with the issuance and sale of \$4,300,000 General Obligation Bonds (the "Bonds") of the Town of Bar Harbor, Maine (the "Issuer"), a municipal corporation in the State of Maine organized and existing under and pursuant to the laws of the State of Maine.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

The Bonds are issued under and pursuant to the laws of the State of Maine.

The Bonds will be dated May 1, 2010, and will bear interest, payable on November 1, 2010, and semi-annually thereafter on May 1, 2010 and November 1 of each year until maturity of redemption prior to maturity. The Bonds will mature annually as follows:

### **BONDS**

<b><u>Amount</u></b>	<b><u>May 1,</u></b>	<b><u>CUSIP</u></b>	<b><u>Amount</u></b>	<b><u>May 1,</u></b>	<b><u>CUSIP</u></b>
\$215,000	2011	066878	\$215,000	2021	066878
215,000	2012	066878	215,000	2022	066878
215,000	2013	066878	215,000	2023	066878
215,000	2014	066878	215,000	2024	066878
215,000	2015	066878	215,000	2025	066878
215,000	2016	066878	215,000	2026	066878
215,000	2017	066878	215,000	2027	066878

215,000	2018	066878	215,000	2028	066878
215,000	2019	066878	215,000	2029	066878
215,000	2020	066878	215,000	2030	066878

The Bonds maturing on or before May 1, 2020 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after May 1, 2020 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on or after May 1, 2020 as a whole at any time, or in part in such order of maturity as the Town, in its discretion, may determine, on any interest payment date, at the redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
May 1, 2020 and thereafter	100%

The Bonds will be issued in fully registered form without coupons and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be made in book entry form (without certificates) in the denomination of \$5,000.00 or any integral multiple thereof. The Bonds are lettered RA and shall be numbered from one (1) upwards.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs. The Issuer, in executing its Arbitrage Certificate, has certified to the effect that the Issuer will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for purposes of federal income tax, be excluded from the gross income of the owners thereof. In rendering this opinion, we have assumed that the Issuer will comply with the provisions and procedures set forth in its Arbitrage Certificate and Tax Certificate.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Issuer has been duly created and validly exists as a municipal corporation under and pursuant to the laws of the State of Maine.
2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds, except to any extent that the

Issuer may enter into an agreement under Title 30-A, Section 5752, of the Maine Revised Statutes, as amended, to share any portion of its assessed valuation with another municipality and except to the extent that the Issuer may establish municipal development Towns pursuant to Title 30-A, Chapter 207 of the Maine Revised Statutes as amended, the tax increment revenues on retained captured assessed values of which may not be available for payment of debt service on the Bonds.

3. The interest on the Bonds is excluded from gross income for federal income tax purposes, and exempt from the State of Maine Income Tax imposed on individuals under existing statutes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income (adjusted current earnings for taxable years beginning after December 31, 1989). The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

4. On the basis of representations made by the Issuer in the tax certificates executed and delivered by the Issuer, and assuming compliance with the provisions of such tax certificates, the Bonds will constitute "qualified tax-exempt obligations" under Section 265(b) of the Code.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined an executed Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

---

Bernstein, Shur, Sawyer & Nelson



**APPENDIX C**

**PROPOSED FORM  
OF  
CONTINUING DISCLOSURE CERTIFICATE**

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**TOWN OF BAR HARBOR, MAINE  
PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

In connection with the issuance by the Town of Bar Harbor, Maine (the "Issuer") of its \$4,300,000 2010 General Obligation Bonds, dated as of May 1, 2010 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated May \_\_, 2010 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board ("MSRB") established under the Securities and Exchange Act of 1934, as amended, or any successor thereto: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2010, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") established under the Securities and Exchange Act of 1934, as amended, or any successor thereto, notice of the occurrence of any of the following events with respect to the Bonds, if material:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
  - g. Modifications to the rights of securities holders;
  - h. Bond calls;
  - i. Defeasances;
  - j. The release, substitution, or sale of property securing repayment of the Bonds; or
  - k. Rating changes.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Bonds, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Issuer will provide, in a timely manner notice of a failure to satisfy the requirements of Paragraph 1 herein.

4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
  
5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
  
6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB to: <http://emma.msrb.org/submission>
  
7. The Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure.
  
8. The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Stanley W. Harmon, Treasurer, Town of Bar Harbor, 93 Cottage Street, Bar Harbor, ME 04609; Telephone: (207) 288-5096.

TOWN OF BAR HARBOR, MAINE

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 2010