



MOORS & CABOT
INVESTMENTS

Banking & Advisory Group

NEW ISSUE

**Moody's: Aa2
S&P: AA**

In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Bond Counsel, under existing statutes, regulations and court decisions, and assuming compliance with certain covenants, interest on the Bonds is 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 is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax and the foreign branch profits 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, regulations and court 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
\$3,350,000
2013 GENERAL OBLIGATION BONDS**

Dated: August 15, 2013

Due: October 15, 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>
2014	\$125,000	2.00%	0.30	2024	\$165,000	3.00%	2.90
2015	130,000	2.00	0.55	2025	170,000	3.00	100
2016	130,000	2.00	0.80	2026	175,000	3.50	3.15
2017	135,000	2.00	1.05	2027	180,000	3.50	3.30
2018	140,000	3.00	1.36	2028	190,000	3.375	100
2019	140,000	3.00	1.70	2029	195,000	4.00	3.65
2020	145,000	3.00	2.00	2030	205,000	4.00	3.80
2021	150,000	3.00	2.30	2031	210,000	4.00	3.90
2022	155,000	3.00	2.60	2032	220,000	4.00	100
2023	160,000	3.00	2.75	2033	230,000	4.00	4.10

The 2013 Bonds (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., Providence, Rhode Island, as Paying Agent. Interest on the Bonds will be payable on April 15, 2014, and semi-annually on each October 15 and April 15 thereafter until maturity, or redemption prior to maturity.

The legal opinion of 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 (the "Town") 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 October 15, 2023 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after October 15, 2023 are subject to redemption prior to maturity, at the option of the Town, on and after October 15, 2024 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 August 29, 2013.



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.

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.

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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)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Stanley W. Harmon
Treasurer
Town of Bar Harbor, Maine

**OFFICIAL STATEMENT
TOWN OF BAR HARBOR, MAINE
\$3,350,000
2013 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 2013 General Obligation Bonds (the “Bonds” or the “2013 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 August 15, 2013 and will bear interest, payable on April 15, 2014, and semi-annually thereafter on October 15 and April 15 of each year until maturity, or redemption prior to maturity. The Bonds will mature annually as follows:

<u>Amount</u>	<u>October 15,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>October 15,</u>	<u>CUSIP</u>
\$125,000	2014	066878GA1	\$165,000	2024	066878GL7
130,000	2015	066878GB9	170,000	2025	066878GM5
130,000	2016	066878GC7	175,000	2026	066878GN3
135,000	2017	066878GD5	180,000	2027	066878GP8
140,000	2018	066878GE3	190,000	2028	066878GQ6
140,000	2019	066878GF0	195,000	2029	066878GR4
145,000	2020	066878GG8	205,000	2030	066878GS2
150,000	2021	066878GH6	210,000	2031	066878GT0
155,000	2022	066878GJ2	220,000	2032	066878GU7
160,000	2023	066878GK9	230,000	2033	066878GV5

It is expected that the Bonds will be available for delivery at DTC on or about August 29, 2013.

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., Providence, Rhode Island, 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 October 15, 2023 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing after October 15, 2023 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after October 15, 2023, 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

The Town intends to build a new Public Works Garage and Office complex (the "Public Works Complex") to be located in Hulls Cove, in the Town. The Public Works Complex will house the Town's Water Division, its Highway Division, as well as be the Public Works office's new location (the "PW Complex Project"). The Town will own the building and lease approximately 1/3 of the facility to the Water Division, that portion of which is expected to be paid from water user charges.

Additionally, the Town closed, and on July 22, 2013, sold, the former Water Company's maintenance facility on Edgewood Street which was acquired by the Town when it purchased the former Bar Harbor Water Company in December 2001; to terminate the Water Division Office's Park Street leased space; and to demolish the existing Town Garage located on LedgeLawn Avenue (the "Supplemental Projects", and with the PW Complex Project, the "Projects"). The Projects are expected to cost \$3,350,000.

The Bonds to provide funds to finance the Projects 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 an Annual Town Meeting; and by Title 30-A, Section 5772 of the Maine Revised Statutes, as amended. At its June 5, 2012 Annual Town Meeting the voters of the Town approved the issuance of Bonds, in an amount not to exceed \$3,350,000, to provide funds to finance the Projects.

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") have the right to tax their inhabitants to pay municipal indebtedness. The Bonds 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 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 of 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 Title 30-A, Section 5721-A(7)(B) of the Maine Revised Statutes, as amended, 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.

Title 30-A, Section 5721-A(7)(B) of the Maine Revised Statutes, as amended, 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 school project 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 such bonds.

The Town does not expect that the Property Tax Levy Limit will have a material adverse effect on the Town's financial condition or on the ability of the Town to pay the principal of, and premiums, if any, and interest on the Bonds when due.

TAX MATTERS

The Bonds

Under existing statutes, regulations and court decisions interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations however, such interest on the Bonds will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax and the foreign branch profits tax.

Bond Counsel's opinion will state that 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.

Exemption of Interest on the Bonds from Taxation Within the State of Maine

In the opinion of Bond Counsel, interest payable on the Bonds is exempt from income taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. See “Proposed Form of Legal Opinion” in APPENDIX B herein.

Qualified Tax-Exempt Obligations

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

Original Issue Discount

Certain maturities of the Bonds (the “Discount Bonds”) may be sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds is sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income pursuant to Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Pursuant to Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences

In the case of certain corporate Holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the “IRS”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the Holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current IRS procedures Holders of the Bonds may not be permitted to participate in the audit process and the value and liquidity of the Bonds may be adversely affected.

Changes in Federal Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. For example, the President of the United States has submitted proposals to Congress for legislation that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. No prediction can be made as to the ultimate outcome of these legislative proposals. If enacted into law, such proposals (or any other proposal involving a piecemeal or comprehensive review of the provisions of the Code, including provisions affecting the federal tax treatment of interest on tax-exempt bonds, that Congress might consider) could affect the exclusion from gross income of interest on, or the market price or marketability of, tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their tax and financial advisors regarding such matters.

Extent of Opinion

Bond Counsel expresses no opinion regarding any tax consequences of holding the Bonds other than its opinion with regard to (a) the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code, (b) interest on the Bonds not constituting an item of tax preference pursuant to Section 57 of the Code and (c) the exemption of interest on the Bonds from taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Bonds.

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 a Standard & Poor's rating of: AA+. 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.

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 Bonds are rated "___" by Moody's Investors Service ("Moody's") and "___" by Standard & Poor's, Public Finance Ratings ("S&P") and, collectively, with Moody's, the "Rating Agencies" and, individually, each a "Rating Agency") The Town has furnished the Rating Agencies certain information and materials, some of which may not have been included in this Official Statement. Generally, a Rating Agency bases any rating established by it on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently. Each rating reflects only the view of the Rating Agency which published it and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Rating Agency should be contacted directly for its rating on the Bonds and its explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Due to the ongoing political uncertainty regarding the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States' debt limit, obligations issued by state and local governments in the United States, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such

event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds.

Except as set forth in the Continuing Disclosure Certificate set forth in APPENDIX C and referred to under “THE BONDS – CONTINUING DISCLOSURE’ herein, the Town has not undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of any rating of the Bonds or to oppose any such change or withdrawal.

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. Except for a one-day “late filing” of fiscal year ended June 30, 2012 financials, 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.

On December 5, 2008, the SEC adopted amendments to the Rule, effective July 1, 2009 (the “2009 Amendments”). Thus, under the amended Rule: (a) if an issuer (or obligated person) customarily prepares and makes available financial information and operating data, then that issuer (or obligated person) for bonds issued after July 1, 2009 the issuer (or obligated person) must file the information with the MSRB, in the electronic form prescribed by the MSRB; and (b) on and after July 1, 2009, filings were no longer filed with the four formerly recognized Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) but were instead to be filed to the through its Electronic Municipal Market Access System (“EMMA”). The following list summarizes financial filings records by the Town:

<u>Financial Period</u>	<u>Filed with EMMA</u>	<u>Days from end of FY</u>	<u>Filed with NRMSIRs</u>	<u>Days from end of FY</u>
06/30/12	03/28/13	271	03/28/13	271
06/30/11	02/28/12	243	03/01/12	245
06/30/10	02/02/11	217	01/25/11	209
06/30/09	12/03/09	156	12/14/09	167
06/30/08			12/03/08	156
06/30/07			02/07/08	222
06/30/06			01/10/07	194
06/30/05			01/06/06	190
06/30/04			12/07/04	160
06/30/03			12/11/03	164
06/30/02			01/29/03	213

SOURCE: Search for CUSIP 066878DH9

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 on, or participate in an underwriting syndicate for the public distribution 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 of the Bonds, 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., Providence, Rhode Island, which certificate will appear on the Bonds.

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 last two seasons. 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 2012 and beyond. The Town continues to be actively involved in facilitating a solution to reinstate 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 Acadia National Park encompasses 10,156 acres (15.8687 square miles) of the Town, or approximately 35.7% of the Town’s area (see “TOWN FINANCES – ZONING” herein).

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* (35 cities or towns) and *Council/Mayor/Administrator* (six cities in Maine).

The Town also operates under a charter originally adopted in 1927 and amended most recently by the voters of the Town at its Annual Town Meeting held on June 8, 2010 (the “Charter”) and, pursuant to Title 30-A, Chapter 123, Section 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.

Under the Charter and pursuant to State 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 inter-local 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).

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 has installed 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 and recording video systems in Police vehicles. The Town has also expanded its use of GIS based data to post more information to its web site. By accessing the same database Town departments are now enabled to efficiently update activity to its core tax parcel and GASB asset database by attaching related maintenance work, surveys, correspondence and other material that the Town deems to be electronically archived.

Public Safety

The Police and Dispatch Departments are staffed by 17 full-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, two Assistant Chiefs, a Captain, three full-time firefighters, three paramedics and approximately 19 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. In July 2013, the ISO rating was reviewed, but results are not yet available. However, the Town anticipates no changes in its rating.

The Town has a Harbor Master, one seasonal assistant, 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 4,875 tons of acceptable waste per year to be hauled from Bar Harbor to PERC at a net tipping rate, currently at \$54 per ton (\$76 gross cost less \$22 reimbursement). Additional haulage costs are contracted out at approximately \$25 per ton. The Town maintains a fully licensed but non-operating compost facility at the Town’s Hulls Cove 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 employee. The Division maintains three treatment plants and 11 pump stations and 20 miles of mains. The main wastewater plant is a Class IV facility with 4 fully licensed operators. The average flow treated at the Main Plant was 1.00 million gallons per day (“MGD”) or 50.0% of its 2.00 MGD design criteria; and 0.065 MGD at the Hulls Cove Plant, or 45.1% of its .150 MGD design criteria. The average daily flow at the Main Street Pumping Station is currently 694 gallons per minute (“GPM”) or 17.8% of its 3,888 GPM design criteria; and 45.4 GPM at the Hulls Cove Pump Station, or 16.3% of its 279 GPM design criteria. The Town is currently working with the State, acting by and through its Department of Environmental Protection (the “DEP”), 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 DEP in 2010, implemented flow studies and engineering-approved phases over a five-year period that are expected to ultimately cost approximately \$7,500,000 with its conclusion expected to be by calendar year 2018. This would achieve the DEP’s goal of 100% treated flows, whereas currently the Town is at 99%.

<u>Largest Wastewater Customers</u>	<u>Type of Use</u>	<u>2012 Revenues</u>	<u>% of Total</u>
Jackson Laboratory	Genetic Research & Mice Prod	\$393,963	20.8%
Eden Street Trust	Hotel – Holiday Inn Regency	69,638	3.7
Witham Family LTD Partnership	Hotel – Bar Harbor Inn	65,933	3.5
Golden Anchor, LC	Hotel - Harborside	41,853	2.2
Witham Family LTD Partnership	Hotel - Atlantic Oceanside	30,040	1.6
Mt. Desert Hospital	Hospital	27,811	1.5
Frenchman’s Bay Assoc	Motel – Days Inn	25,681	1.4
BHTC 111, LLC	Tennis & Swim Club	25,502	1.3
Town of Bar Harbor	Parks, Bldgs, Schools	25,440	1.3
Bar Harbor Housing Authority	Low Income/Elderly Housing	24,093	1.3
Lafayette Bluenose, LLC	Hotel – Bluenose	23,203	1.2
Lafayette Bar Harbor, LLC	Motel - Farview	22,117	1.2

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.

In 2009, the division changed its method of water disinfection to chloramination as the first part of a proactive transition to full compliance with the Federal Drinking Water Program of LD2 disinfection byproduct regulations. In 2012/2013 the Water Division invested \$2.9 million through bonds to fully comply with the mandated *Long Term Enhanced Surface Water Treatment Rules* and *Stage 2 Disinfection By-Products Rule*. The project replaced 70-year old pumps, revamped the chemical/pump house, added a backup generator, improved safety handling/storage of chemicals and added a primary UV system for water treatment. This upgrade became substantially complete in June of 2013, a full 9 months ahead of the regulatory date. New water rates were put into effect on January 1, 2013 to pay for the related debt service. The Division closed on the sale of its vacant water office building in July 2013 and anticipates utilizing the proceeds to fund the remaining unfunded liability on its frozen pension plan and eventually close that out by the end of 2013.

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 III Distribution System and Class III Treatment System, serving approximately 1,757 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 923,000 gallons per day (or 0.2% of storage capacity) with maximum daily draft of 2,330,000 gallons per day (or 0.4% of storage capacity).

<u>Largest Water Customers</u>	<u>Type of Use</u>	<u>2012 Revenues</u>	<u>% of Total</u>
Town of Bar Harbor	Parks, Bldgs, Schools & Hydrants	\$432,169	28.8%
Jackson Laboratory	Genetic Research & Mice Prod	138,135	9.2
Colket, Tristram C JR	Residence & Greenhouse	24,011	1.6
College of the Atlantic	College	20,544	1.4
Witham Family Ltd Partnership	Hotel – Bar Harbor Inn	19,877	1.3
Golden Anchor	Hotel – Harborside	16,780	1.1
Kebo Valley Club	Golf Course	14,898	1.0
Lafayette Bar Harbor, LLC	Motel - Farview	13,053	0.9
Mt. Desert Hospital	Hospital	11,569	0.8
Bar Harbor Housing Authority	Low Income/Elderly Housing	10,975	0.7
Eden Street Trust	Hotel – Holiday Inn Regency	10,962	0.7
Witham Family LTD Partnership	Atlantic Oceanside	10,233	0.7

<u>Standpipes or Storage Tanks</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

Number of Water System Customers	2008	2009	2010	2011	2012
Residential	1,297	1,266	1,272	1,251	1,248
Commercial	431	449	490	505	423
Industrial (Jax Lab)	38	47	39	42	41
Governmental	44	49	53	53	45
Total	1,810	1,811	1,854	1,851	1,757

Water Sales (per 1,000 gallons)	2008	2009	2010	2011	2012
Residential	86,168	69,828	83,026	73,690	71,570
Commercial	114,358	108,793	110,013	101,306	102,200
Industrial (Jax Lab)	61,023	53,937	54,566	52,065	57,920
Public Authorities	10,452	14,279	10,803	10,831	9,905
Total Water Sales	272,001	246,837	258,408	237,892	241,595

Water Sales (Revenue)	2008	2009	2010	2011	2012
Residential	\$331,911	\$360,176	\$385,829	\$433,721	\$426,246
Commercial	336,750	355,398	384,359	419,435	421,111
Industrial (Jax Lab)	79,940	90,825	93,311	105,520	116,518
Public Authorities	33,998	39,682	41,294	50,060	47,001
Public Fire Protection	298,522	346,992	346,992	402,968	402,968
Private Fire Protection	60,649	71,483	72,762	87,703	89,174
Total Water Sales	\$1,141,770	\$1,264,556	\$1,324,547	\$1,449,407	\$1,503,018

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

PUBLIC EDUCATION

Alternative Organizational Structures

Maine 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 Regional School Units (“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 inter-local 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 School Administrative Unit (“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”).

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 inter-local 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	Conners-Emerson School	K-8	430
School Union #98	Cranberry Isles	Islesford School	K-8	11
School Union #98	Frenchboro	Frenchboro Elementary	K-8	12
School Union #98	Mount Desert	Mt Desert Elementary	K-8	151
School Union #98	Southwest Harbor	Pemetic Elementary	K-8	138
School Union #98	Tremont	Tremont Consolidated	K-8	124
School Union #92	Trenton	Trenton Elementary	K-8	97
MSAD No. 76	Swan’s Island	Swan’s Island Elementary	K-8	33
C.S.D. No. 7	Mem’b’s. of Union #98	Mt Desert Island High	9-12	530

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	5,235	4	1	629	42.33%
Mount Desert	2,053	3	1	226	15.21
Southwest Harbor	1,764	3	1	229	15.41
Tremont	1,563	3	1	185	12.45
Cranberry Isles	141	1	1	16	1.08
Frenchboro	61	1	1	12	0.81
Trenton	1,481	3	1	146	9.83
Swan’s Island	332	1	1	43	2.89
	12,630	19		1,486	100.00%

LABOR RELATIONS

The Town employs approximately 141 full-time personnel, approximately of whom 71 are employees of the Town including its utilities systems; and 70 of whom are employed by the School Department; and various part-time employees. The following table lists the various bargaining units that are represented by a union, and the status of its current contract. Approximately 40 full-time Town employees, not included in the table below, are not represented by unions.

<u>Union ⁽¹⁾</u>	<u>Bargaining Unit</u>	<u>Date of Contract</u>	
		<u>Effective</u>	<u>Expiration</u>
Teamsters Local No. 340	Highway & Wastewater Unit	July 1, 2011	June 30, 2014
Teamsters Local No. 340	Supervisor Unit	July 1, 2011	June 30, 2014
IAFF (AFL/CIO)	Fire Department Unit	July 1, 2011	June 30, 2014
BHSEA (MEA)	School Support Unit	July 1, 2012	June 30, 2014
BHTA (MEA)	Teachers Unit	Sept.1, 2012	Aug. 31, 2015

NOTE: ⁽¹⁾ “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.

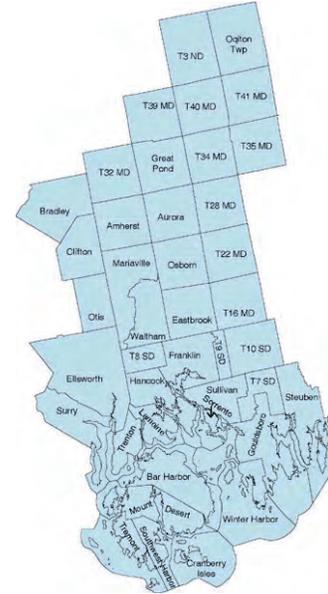
BUILDING ACTIVITY

<u>Calendar Year</u>	<u>Residential</u>		<u>Commercial</u>		<u>Total</u>	
	<u># Permits</u>	<u>Est. Cost</u>	<u># Permits</u>	<u>Est. Cost</u>	<u># Permits</u>	<u>Est. Cost</u>
2012	218	\$8,818,995	104	\$18,278,880	322	\$27,097,875
2011	206	5,066,552	115	6,751,987	321	11,818,539
2010	207	7,844,890	115	9,250,707	322	17,095,597
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	367	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

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.



SOURCE: Maine Department of Labor, Labor Market Information Services

EMPLOYMENT

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	2,011	44.96%	Bar Harbor	2,011	67.55%
Ellsworth	505	11.29	Ellsworth	306	10.28
Mount Desert	289	6.46	Mount Desert	191	6.42
Lamoine	215	4.81	Hancock	113	3.80
Trenton	166	3.71	Trenton	72	2.42
Southwest Harbor	144	3.22	Southwest Harbor	70	2.35
Franklin	141	3.15	Bangor	63	2.12
Hancock	119	2.66	Brookline	39	1.31
Tremont	105	2.35	Winter Harbor	27	0.91
Surry	96	2.15	Tremont	25	0.84
Sullivan	64	1.43	Laconia	18	0.60
Bangor	57	1.27	Blue Hill	15	0.50
Gouldsboro	55	1.23	Lamoine	10	0.34
Old Town	52	1.16	Orono	9	0.30
Bucksport	45	1.01	Bridgton	8	0.27
Dedham	38	0.85			
Mariaville	34	0.76			
Steuben	27	0.60			
Blue Hill	22	0.49			
All other	288	6.44			
	4,473	100.00%		2,977	100.00%

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2010 data.

Representative Employers	Type of Business	Approximate Number of Employees			
		Full-Time	Part-Time	Seasonal	Total
The Jackson Laboratory	Genetic Research	1,282	0	0	1,282
Mount Desert Island Hospital	Hospital	425	140	0	565
National Park Service	Acadia National Park	85	0	128	213
Acadia Corporation	Gift Shops	15	0	44	59
Hannaford's Shop & Save	Grocery Store	33	43	30	106
College of the Atlantic	College	85	20	0	115
Sonogee Estates	Nursing Home	47	4	17	68
Bar Harbor Banking & Trust Co.	Bank	36	3	2	41
MDI Bio Laboratory	Medical Research	45	3	9	57

RETAIL TRADE

Retail Sales by Product Group and Consumer Sales (\$/000)

	<u>Business/</u> <u>Operating</u>	<u>Building</u> <u>Supply</u>	<u>Food</u> <u>Store</u>	<u>General</u> <u>Mdse.</u>	<u>Other</u> <u>Retail</u>	<u>Auto/</u> <u>Transp.</u>	<u>Rest. &</u> <u>Lodging</u>	<u>Group</u> <u>Total</u>	<u>Retail</u> <u>Sales</u>
2012	5,278	14,085	10,408	3,932	25,886	4,154	113,094	176,837	171,560
2011	3,551	13,201	10,361	4,360	25,848	4,005	103,888	165,214	161,663
2010	3,032	13,122	10,782	4,503	25,841	3,711	102,856	163,847	160,814
2009	2,169	12,999	10,503	4,114	23,701	3,392	91,801	148,678	146,509
2008	2,265	14,057	10,477	3,919	25,226	3,520	97,468	156,932	154,667
2007	1,968	14,264	9,941	3,952	26,071	3,661	96,654	156,511	154,543
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

SOURCE: State of Maine, Department of Taxation, Sales Tax Section. The State Department of Taxation cautions that the 2003 statistics are correcting for an overstatement in 2002 on a statewide basis.

LOCAL ECONOMY

Economic Development

The Town's economic development strategy is to empower private, non-profit organizations to encourage improvements to private business. Leading this effort is the *Bar Harbor Chamber of Commerce*, which functions as the development arm of Town government. Chamber public relations and visitor information activities are subsidized by the Town, particularly with cruise ship industry relations and hosting the hundreds of thousands of visitors they bring to Bar Harbor every year. The Town also collaborates with the *Business Roundtable* to streamline local regulations in order to reduce unreasonable impediments to business. The most recent example being Town Council's approval of a *Business Roundtable* plan to effectively eliminate the sewer connection fee charged to new businesses and homes. Another local non-profit encouraged and enabled by the Town is the *Hub of Bar Harbor*, whose mission is to "advance efforts to develop the downtown area into a thriving and energetic, commercial, social and entertainment destination supporting the informing principle of Bar Harbor as a vibrant, year-round community where residents live, work and serve". Perhaps the most shining example of fostering economic development through collaboration with the business community is the Town's Cruise Ship Committee, a 16-member group representing all the stakeholders interested in a sustainable cruise ship industry in Bar Harbor.

The Waterfront

The Town's waterfront area comprises approximately 4.25 acres including the municipally owned and operated Town Pier, located at the base of the 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 has become an active port-of-call for various lines. In the 2012/2013 fiscal year Bar Harbor was the port-of-call for 114 passenger ships, of which 95 were "large" vessels, which disembarked approximately 142,000 passengers. Cruise ship traffic in Bar Harbor provides a unique economic benefit from the direct and indirect spending of the line, its passengers and crew with an estimated \$10 million annual economic impact in the region. Furthermore, this revenue does not arrive by automobile and does not require municipal services for its support. From recommendations in a May 2007, *Cruise Ship Study* the Town created a Cruise Ship Task Force and, with the industry's cooperation, adopted cruise ship fees based on number of passengers.

The Town has established a Cruise Ship Fund as an enterprise fund to account for fees collected by the visiting cruise ships, currently at \$4 per passenger. For the fiscal year ended June 30, 2013, collected fees exceeded \$581,000. These fees are used to support operations on the waterfront that enhance the visitor experience, the chamber of commerce, associated debt service, if any, and portions transferred to the Town's capital improvement fund to finance infrastructure renovations or improvements for facilities that are impacted by the cruise ship activities. Prior year's fees enabled the Town to build new bathroom facilities that are used by cruise ship passengers and the general public.

Acadia National Park

Established originally as Sieur de Monts National Monument in 1916, Acadia National Park (the "Park") encompasses more than 48,000 acres on Mount Desert Island, Schoodic Peninsula, Isle Au Haut, and many smaller coastal islands. The major portion of the Park (30,500 acres) is located on Mount Desert Island. The Park offers superb recreational and educational opportunities to visitors. Resource-based recreational activities include camping, hiking, horseback and carriage riding, bicycling, kayaking, canoeing, and sightseeing. People of all ages participate in a variety of interpretive activities, including guided walks, amphitheater presentations, education programs, and outreach activities. An extensive, well-maintained system of paved roads, including the historic 27-mile Park Loop Road, provides access to the shoreline and interior forests. The park also offers 120 miles of



hiking trails and 45 miles of gravel carriage roads enhanced by 16 stone bridges. The National Park Service maintains two campgrounds (520 sites) and five picnic areas on Mount Desert Island. Special attractions include Sand Beach, Thunder Hole, and a scenic road to the summit of Cadillac Mountain (1,530 feet), which is the highest point on east coast of the United States. The Park receives approximately 2.5 million visits per year with 75 percent of the visitation occurring between June and September.

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. (“DTI”), a non-profit organization that provides public transportation in Hancock County through a contract agreement with the State Department of Transportation, provides year-round, fixed-route, midday service to 17 towns in the County plus subscription commuter service to Jackson Laboratory and other agencies. To mitigate summer months’ traffic congestion, DTI provides a seasonal, propane-powered shuttle service, the “Island Explorer”, for transportation throughout Acadia National Park and the surrounding communities with a passenger hub located in Bar Harbor. The Island Explorer currently operates 30 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 a \$1 million grant over five years to support the Island Explorer operations. The State Department of Transportation, Acadia National Park and Friends of Acadia recently partnered to build a new transit hub in Trenton on the Route 3 approach to Acadia which opened in February 2012.

The Jackson Laboratory

Located in Bar Harbor, The Jackson Laboratory (“JAX”) is an independent, nonprofit biomedical mammalian research institution and National Cancer Institute-designated Cancer Center. Its mission is to discover precise genomic solutions for disease and empower the global biomedical community in the shared quest to improve human health. Its research staff of more than 200 Ph.D.s and M.D.s 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. JAX is also the world’s source for more than 7,000 strains of genetically defined mice, is home of the mouse genome database and is an international hub for scientific courses, conferences, training and education.

JAX 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. JAX 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 26 Nobel Prizes in Physiology or Medicine are associated with research, resources or education programs.

JAX 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. JAX 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 at its Bar Harbor headquarters campus projected to grow from 38 to 45 over the next five years. In November 2012 JAX purchased the former Lowe’s building in Ellsworth, Maine, and is now in the planning and programming

process for the building's use. And in January 2013, JAX broke ground on a \$135 million Jackson Laboratory for Genomic Medicine in Farmington, Connecticut, funded by an appropriation by the state.

The Jackson Laboratory had operating revenue of \$229.6 million in FY2012 with approximately \$158.9 million received from the mouse sales and service division. Government grants and support provide \$57.6 million, with the balance from private gifts, grants and other revenue. The Lab's endowment is approximately \$95 million. The Lab distributed three million mice last year to over 20,000 investigators in more than 50 countries. JAX buildings, land and equipment in Bar Harbor cost approximately \$365 million. Net of accumulated depreciation, the assets have a net book value of \$168 million as of June 30, 2013. The Lab also provides education and training for up to 3,000 scientists a year and, as of July 2013, JAX employed 1,514 personnel nationwide, of which 1,282 employees work at the Bar Harbor facilities.

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 began in 2010 and was completed in 2012.

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.

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 40, current student enrollment is 340 providing a 8.5:1 student/teacher ratio.

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 565 people (425 full time and 140 part time), and has an active medical staff of 30, that includes specialists in family practice, general surgery, internal medicine, ophthalmology, orthopedics, pathology and radiology. The 130 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 1365 admissions, comprising a total of 4,520 patient days, with an average stay of three days during the fiscal year that ended April 30, 2013. The hospital’s staff performed 1,694 surgeries, more than 14,000 radiology tests, and had 6,493 Emergency Room visits. MDI Hospital also owns or leases nine facilities in four other communities whereby approximately 71,542 “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.

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. In 2013, the Abbe Museum was named Maine’s first *Smithsonian Affiliate*.

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 Directors. 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 2012 the Town contributed \$17,716, or 5.5% of the Library's operating funds. The Library's collection includes approximately 33,000 volumes, subscriptions to about 60 periodicals, microfilm of the local weekly paper from 1881 through 2003, and many other historical resources. The Library offers 10 computers for the public to use at no charge and also provides free wi-fi service. Current circulation is about 66,000 items, and more than 4,000 people attended programs it sponsored. The Library is managed by a professional librarian as Director, and is also served by two additional full-time staff members, five part-time staff, and many volunteers.

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ECONOMIC CHARACTERISTICS

Population	-----% Change-----			
	<u>Town of Bar Harbor</u>	<u>Town</u>	<u>State</u>	<u>USA</u>
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
2010	5,235	8.6	4.2	8.9

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

Population Characteristics ^(a)	<u>Town of Bar Harbor</u>	<u>Hancock County</u>	<u>State of Maine</u>	<u>USA</u>
Median age (years)	45.3	46.3	42.7	37.2
% school age	12.3%	13.4%	18.2%	20.4%
% working age	64.7%	63.4%	63.4%	62.9%
% 65 and over	18.1%	18.3%	15.9%	13.0%
Persons/household	2.08	2.20	2.32	2.58

Income ^(a)	<u>Town of Bar Harbor</u>	<u>Hancock County</u>	<u>State of Maine</u>	<u>USA</u>
Median family income	\$81,583	\$60,092	\$58,185	\$62,982
% below poverty level	9.5%	11.5%	12.6%	13.8%
Per capita income	\$35,503	\$26,876	\$25,385	\$27,334

Housing	<u>Town of Bar Harbor</u>	<u>Hancock County</u>	<u>State of Maine</u>	<u>USA</u>
% owner occupied ^(a)	62.9%	76.0%	73.1%	66.6%
% Built before 1939 ^(b)	32.3%	30.1%	29.1%	15.0%
% Built since 1990 ^(b)	22.7%	19.9%	14.6%	17.0%
Owner occupied med. value ^(a)	\$311,000	\$201,600	\$176,200	\$188,400
Median gross rent ^(a)	\$828	\$725	\$707	\$841
Occupied housing units ^(a)	2,353	23,300	551,125	-

SOURCE: ^(a) 2010 Census; ^(b) 2000 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	<u>Town of Bar Harbor</u>	<u>Hancock County</u>	<u>State of Maine</u>	<u>USA</u>
2012	10.4%	8.6%	7.3%	8.1%
2011	10.3	8.6	7.5	8.9
2010	10.0	8.8	7.9	9.6
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

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 RSU 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,

	2010	2011	2012	2013	2014
Revenues					
Taxes	\$13,682,508	\$14,143,638	\$14,346,420	\$14,908,603	\$15,263,946
Intergovernmental	414,725	358,910	378,636	391,719	303,975
Departmental	1,270,635	973,335	1,039,386	1,033,614	1,078,517
Other local sources	305,224	547,640	531,781	561,361	551,796
Total Revenues	15,673,092	16,023,523	16,296,223	16,895,297	17,198,234
Expenditures					
General government	2,746,880	2,748,058	2,838,034	2,787,297	2,811,648
Public safety	2,205,157	2,149,969	2,230,015	2,442,592	2,549,803
Health & welfare	96,791	127,543	113,785	124,805	127,396
Parks & recreation	209,416	216,848	215,881	248,421	230,479
Roads & sanitation	1,721,819	1,666,782	1,704,846	1,808,304	1,763,969
Debt service	13,551	12,888	-	-	-
Assessments	2,891,293	2,971,418	2,998,800	3,144,324	3,160,004
Transfers to school fund	4,432,487	4,575,479	4,718,082	4,714,074	5,080,953
Transfers to CIP	1,185,984	1,501,170	1,423,418	1,747,987	1,700,842
Other exp. & transfers	129,280	53,368	53,362	51,320	-
Total Expenditures	\$15,632,658	\$16,023,523	\$16,296,223	\$17,069,124	\$17,425,094
Excess Exp. Over Revenues	(\$40,434)	\$0	\$0	\$173,827	\$226,860
Use of Fund Balance:					
Transfer to CIP	0	0	0	117,160	117,160
Reduce taxes	0	0	0	56,667	109,700
Increase GF Bal	(40,434)	0	0	0	0
Total Use of Fund Balance	(\$40,434)	\$0	\$0	\$173,827	\$226,860

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, 2012, \$4,515,725 was available in the CIP Fund of which \$3,100,079 was derived from tax revenue and \$1,415,646 was derived from a portion of the proceeds from the Town's 2010 Bonds, dated May 1, 2010. The following is the Town's current CIP, by year of expenditure per departmental total:

Capital Improvement Spending Plan Fiscal Year Ending June 30,

	2014	2015	2016	2017	2018	Totals
CIP						
Finance/Assess/Tech.	\$84,395	\$8,200	\$34,410	\$54,308	\$58,760	\$240,073
Municipal Building	34,197	2,200,000	-	-	-	2,234,197
Amb/Fire Department	-	-	-	13,003	165,572	178,575
Police Department	34,567	30,238	63,773	146,349	35,432	310,359
Public Safety Depart	21,600	21,600	21,600	21,600	21,600	108,000
Harbor Department	17,875	-	25,215	-	86,097	129,187
Highway Division	698,765	2,091,178	1,270,159	1,628,473	1,346,542	7,035,117
Solid Waste Division	7,500	-	-	-	-	7,500
School CIP	139,433	127,433	97,433	150,933	148,000	663,232
Annual Totals	1,038,332	4,478,649	1,512,590	2,014,666	1,862,003	10,906,240
Funding Sources						
CIP Funding (Taxes)	518,141	1,041,246	883,139	1,563,981	1,213,896	5,220,403
2015 Bond Proceeds	-	2,200,000	-	-	-	2,200,000
CIP Revenues	420,191	437,403	429,451	450,685	648,107	2,385,837
Prior Years CIP	100,000	800,000	200,000	-	-	1,100,000
Total Funding Sources	\$1,038,332	\$4,478,649	\$1,512,590	\$2,014,666	\$1,862,003	\$10,906,240

NOTE: The Projects being financed with the proceeds of the 2013 Bonds are not included in the above table.

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>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>
State Personal Income Factor:	2.28%	1.78%	1.66%	1.43%	1.05%
Town Prop Growth Factor:	<u>3.34</u>	<u>1.97%</u>	<u>2.41</u>	<u>1.76%</u>	<u>1.46%</u>
Growth Limitation Factor:	5.62%	3.75%	4.07%	3.19%	2.51%
Property Tax Levy Limit:	\$5,519,253	\$5,772,322	\$6,082,356	\$6,282,509	\$6,444,293
Property Tax Levy:	<u>5,367,062</u>	<u>5,708,877</u>	<u>5,742,050</u>	<u>6,095,170</u>	<u>6,174,598</u>
Over/(below) Prop Tax Levy Limit:	(\$152,191)	(\$63,445)	(\$346,306)	(\$187,339)	(\$269,695)

INVESTMENT POLICY

The Town has established, and follows, a formal Investment Policy since November 18, 2008, 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 as 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

On March 6, 2012, the Town established, and follows, a formal policy that recognizes the importance of maintaining an appropriate level of unrestricted fund balance in order to comply with Governmental Accounting Standards Board ("GASB") Statement 54 ("GASB 54"). The purpose of the policy is to establish a target level of fund balance for the General Fund and to establish a process and criteria for the continued evaluation of that target level as conditions warrant. After evaluating the Town's operating characteristics, property tax base, reliability of non-property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risks, and other contingent issues, the Town establishes goals regarding to the unrestricted fund balances of the General Fund of the Town.

An amount equal to at least 10% of the Town's latest year's total audited General Fund revenues shall be designated in the Assigned 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 Assigned Fund Balance as "*Designated for Compensated Absences*". Annually, following completion of

the Town audit, the Town Manager reviews the balance of the General Fund “Assigned and Unassigned 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,				
	2008	2009	2010	2011	2012
Assigned and Unassigned ⁽¹⁾ General Fund Balance	\$2,027,559	\$1,725,685	\$2,261,033	\$2,879,315	\$3,424,663
Total Revenues (Current Year)	14,879,392	15,080,486	15,887,271	17,548,339	17,745,350
Fund Bal as % Revenues	13.63%	11.44%	14.23%	16.41%	19.30%
Unassigned ⁽²⁾ General Fund Balance	\$557,559	\$237,685	\$696,033	\$850,243	\$1,170,977
Total Revenues (Current Year)	14,879,392	15,080,486	15,887,271	17,548,339	17,745,350
Fund Bal as % Revenues	3.75%	1.58%	4.38%	4.85%	6.60%

NOTE: ⁽¹⁾ The Town implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as “Unreserved”.

⁽²⁾ The Town implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as “Undesignated”.

DEBT MANAGEMENT POLICY

On May 19, 2010, 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.

POST-ISSUANCE COMPLIANCE POLICY

Part 7, Chapter 2, Section 3 of the Internal Revenue Manual sets forth procedures for the Tax Exempt Bond Voluntary Closing Agreement Program (“TEB VCAP”) that monitors “tax-advantage bonds” following an issue’s closing. Post-issuance federal tax requirements generally fall into two categories:

(1) qualified use of proceeds and financed property; and (2) arbitrage yield restriction and rebate. On May 21, 2013, the Town enacted a formal Post-Issuance Compliance Policy. The Town issues tax-exempt bonds from time to time to finance various capital improvements. As an issuer of tax-exempt bonds, the Town is required by the federal tax Code, and regulations promulgated by the United States Treasury Department (“Treasury Regulations”), to take certain actions subsequent to the issuance of bonds to ensure their continued tax-exempt status. The Town recognizes that compliance with applicable provisions of the Code and Treasury Regulations is an on-going process, necessary during the entire term of a bond issue, and is an integral component of the Town’s overall debt-management responsibilities. These requirements also apply equally to capital leases. Accordingly, the implementation of these requirements will require on-going monitoring and consultation with Bond Counsel the Financial Advisor, Paying Agent(s) and the Rebate Specialist, if any, (collectively the “Consultants”) each or all of which assisted in the origination of respective bonds.

The policy requires the Compliance Officer to accumulate and maintain a full and complete record for the principal documents of each issue; ensure that the Internal Revenue Service (IRS) forms 8038 are properly filed within the time limits imposed by Section 149(e) of the Code; account and record the allocation of bond proceeds; determine, in consultation with its Consultants, determine rebate requirements of Section 148(f) of the Code and related Treasury Regulations (“Rebate”) , if any, with respect to each issue; arrange for calculation of Rebate, if needed, and payment, if required.

The Compliance Officer also collects and retains records with respect to each issue of tax-exempt obligations and with respect to the facilities financed by bond proceeds including: audited financial statements appraisals, surveys, feasibility studies, if any, with respect to the facilities financed; trustee or Paying Agent statements; and records and relevant correspondence relating to the bonds. These records are retained for a period equal to the life of the bonds, including the life of any obligations issued to refund obligations, plus three (3) years. In addition to its post-issuance compliance requirements under the Code and Treasury Regulations, the Town agrees to provide Continuing Disclosure in its undertaking(s) pursuant to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended (see “THE BONDS – CONTINUING DISCLOSURE” and APPENDIX C, herein).

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 2012 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,)

	2012	2011	2010	2009	2008
ASSETS					
Cash and equivalents	\$7,110,044	\$6,623,300	\$6,993,917	\$2,544,603	\$3,072,725
Investments	1,295,232	1,300,271	1,372,250	2,161,830	2,346,464
Receivables:					
Taxes	788,051	490,854	19,721	36,725	118,976
Tax liens	48,093	248,064	640,645	512,122	335,947
Accounts	33,575	66,311	19,619	5,849	3,674
Ambulance fees	134,118	95,269	61,584	83,377	104,803
Accrued interest	4,790	5,118	16,780	20,352	27,862
Prepaid expenses	21,311	20,022	19,125	18,247	27,116
Inventory	18,955	23,712	12,843	13,455	15,539
Due from other governments	101,810	107,887	470,945	650,341	374,484
Due from other funds	747,900	1,683,063	6,611	63,138	29,263
TOTAL ASSETS	10,303,879	10,663,871	9,634,040	6,110,039	6,456,853
LIABILITIES					
Accounts payable	229,982	193,412	256,301	236,188	255,884
Retainage payable	0	0	0	0	1,417
Payroll taxes	12,897	6,287	12,432	9,700	13,699
Accrued salaries	530,436	625,665	182,412	170,673	138,871
Accrued compensated absences	249,698	246,666	237,524	221,468	224,382
Deferred Revenue:					
Property Tax	691,818	623,236	546,723	465,070	333,788
Acadia National Park PILOT	15,967	16,415	16,391	16,132	38,729
Other	0	0	34,472	200	0
Prepaid taxes	26,567	35,111	37,316	28,939	26,874
Bond purchase premium	2,088	3,579	9,259	22,856	0
Due to other funds	4,790,388	5,659,052	5,947,275	3,161,523	3,350,320
Due to other governments	0	0	316	0	0
Deposits payable	6,573	53,555	22,266	6,108	8,315
TOTAL LIABILITIES	6,556,414	7,462,978	7,302,687	4,338,857	4,392,279
FUND EQUITY					
Fund Balances:					
Reserved for encumbrances	-	-	70,320	45,497	37,015
Unreserved:					
Designated for working capital	-	-	1,508,000	1,488,000	1,470,000
Designated for subsequent years'	-	-	57,000	0	0
Undesignated	-	-	696,033	237,685	557,559
Non-spendable ⁽¹⁾	3,522	2,298	-	-	-
Restricted ⁽¹⁾	319,280	319,280	-	-	-
Committed ⁽¹⁾	0	0	-	-	-
Assigned ⁽¹⁾	2,253,686	2,029,072	-	-	-
Unassigned ⁽¹⁾	1,170,977	850,243	-	-	-
TOTAL FUND EQUITY	3,747,465	3,200,893	2,331,353	1,771,182	2,064,574
TOTAL LIABILITIES AND FUND EQUITY	\$10,303,879	\$10,663,871	\$9,634,040	\$6,110,039	\$6,456,853

Prepared from Audited Financial Statements – Exhibit C.

NOTE: ⁽¹⁾ Redefined, pursuant to GASB 54.

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

	2012	2011	2010	2009	2008
REVENUES					
Taxes	\$14,366,795	\$14,132,760	\$13,799,899	\$13,184,702	\$12,873,032
Intergovernmental revenue	402,550	373,324	428,401	505,002	447,076
Departmental revenue	2,729,941	2,775,438	1,383,136	1,097,442	1,193,593
Other local sources	246,064	266,817	275,835	293,340	365,691
TOTAL REVENUES	17,745,350	17,548,339	15,887,271	15,080,486	14,879,392
EXPENDITURES					
General government	2,583,317	2,699,779	2,694,696	2,559,855	2,495,044
Public safety	2,194,838	2,161,603	2,153,583	2,050,248	1,973,340
Health and welfare	117,896	127,602	102,260	102,162	101,362
Parks and recreation	211,256	210,025	207,151	218,151	223,854
Island Explorer	25,000	25,000	46,000	33,100	33,100
Roads and sanitation	1,614,189	1,637,836	1,577,818	1,693,061	1,713,079
Education	5,718,549	5,490,012	-	-	-
Assessments	2,999,096	2,971,418	2,891,293	2,741,261	2,725,849
Debt	0	12,388	13,045	39,708	42,759
Cruise ship	129,558	114,410	-	-	-
TOTAL EXPENDITURES	15,593,699	15,450,073	9,685,846	9,437,546	9,308,387
Excess of Revenue Over (Under) Expenditures	2,151,651	2,098,266	6,201,425	5,642,940	5,571,005
OTHER FINANCING SOURCES					
Lease proceeds	69,760	-	-	-	-
Transfers from Other Funds	250,608	271,035	3,857	5,115	52,285
Transfers to Other Funds	(1,925,447)	(2,046,087)	(5,645,111)	(5,941,447)	(5,715,117)
TOTAL OTHER FINANCING SOURCES (USES)	(1,605,079)	(1,775,052)	(5,641,254)	(5,936,332)	(5,662,832)
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	546,572	323,214	560,171	(293,392)	(91,827)
FUND BALANCE - JULY 1	3,200,893	2,877,679	1,771,182	2,064,574	2,156,401
FUND BALANCE - JUNE 30	\$3,747,465	\$3,200,893	\$2,331,353	\$1,771,182	\$2,064,574

Prepared from Audited Financial Statements – Exhibit D.

NOTE: Pursuant to GASB 54, School Funds and Cruise Ship Funds are added to the Town's General Fund since FY 2011.

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 2013/2014 the tax due dates are September 30, 2013 and March 31, 2014. All taxes paid after the due date will be subject to interest, at the rate of 7.00% 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: office furniture; lamps and lighting fixtures used to provide general purpose office or worker lighting; property owned or used by public utilities and persons providing certain television/telecommunications services; telecommunications personal property subject to the tax imposed by Section 457 of Title 36; gambling machines or devices and associated equipment; 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.

Through the Business Equipment Tax Exemption Program ("BETE") 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 was 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 law 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 law in the Town will also be considered part of that municipality’s equalized State Valuation to the extent the Town 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.

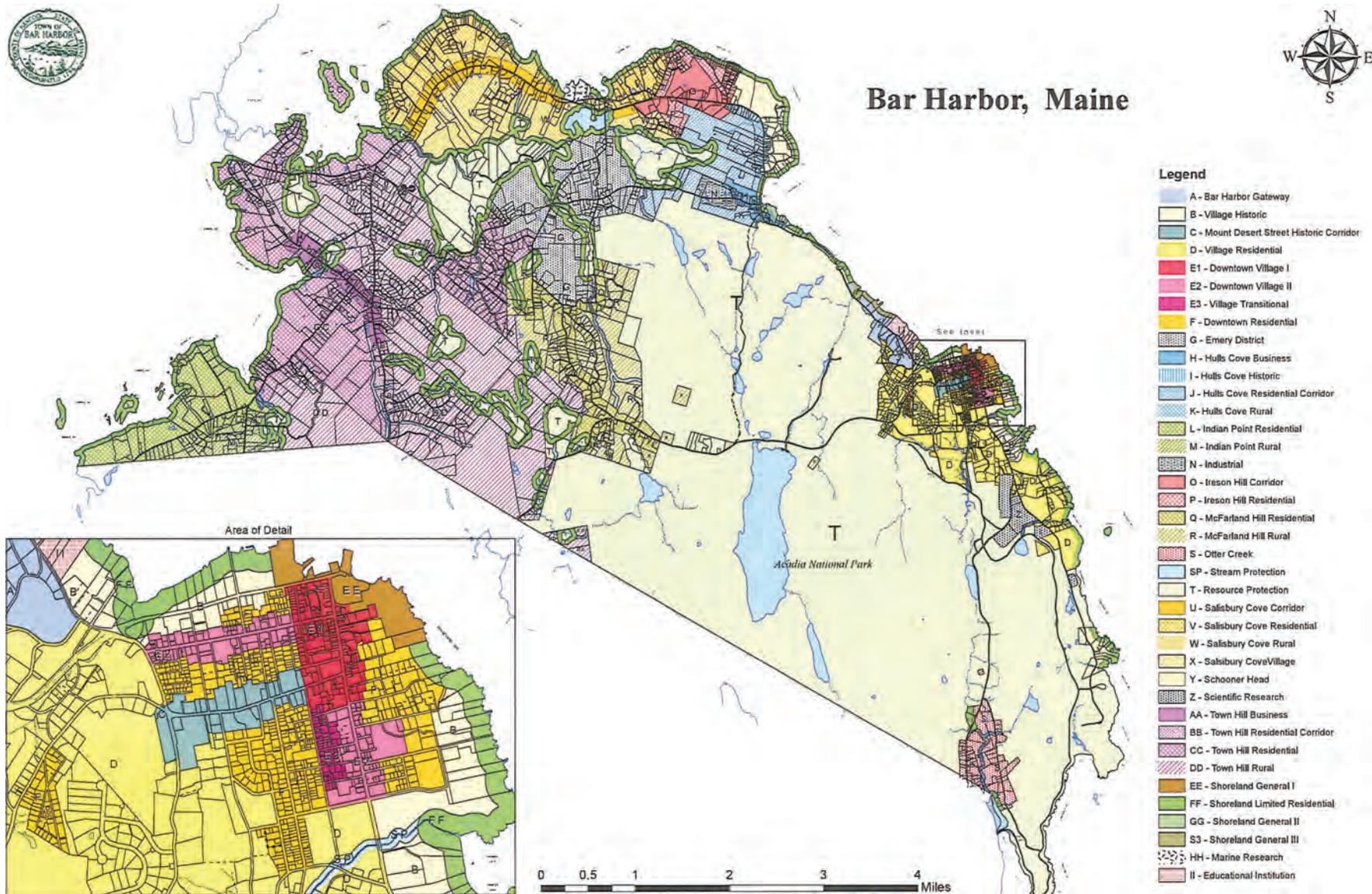
Tax Levy and Collections

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 6/30/13
2013	\$1,383,750	\$1,423,245	\$9.84	\$14,004,735	\$13,469,426	96.18%	96.18%
2012	1,389,150	1,407,891	9.60	13,515,751	12,998,547	96.17	98.21
2011	1,443,700	1,410,144	9.44	13,311,759	12,837,527	96.44	99.73
2010	1,486,550	1,437,197	8.88	12,762,312	12,288,901	96.29	99.88
2009	1,474,600	1,395,468	8.88	12,391,759	11,973,371	96.62	99.93
2008	1,358,000	1,369,310	8.77	12,008,847	11,664,089	97.13	99.99
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

ZONING



Bar Harbor, Maine



LARGEST TAXPAYERS

Taxpayer	As of April 1, 2012			
	Type of Business	Assessed Value	Tax	% of Levy
Golden Anchor, LLC	Hotels	\$19,488,300	\$191,765	1.37%
Eden Street Trust	Hotels	17,589,300	173,079	1.24
Witham Family Ltd	Hotels	13,533,800	133,173	0.95
BHTC 111, LLC	Rest/Clubs	10,434,400	102,674	0.73
Witham Family Ltd	Hotels	9,163,600	90,170	0.64
West Street Properties LLC	Hotels	7,251,200	71,352	0.51
Colket, Tristram C Jr	Residential	7,177,900	70,631	0.50
Lafayette Bluenose LLC	Hotels	6,784,800	66,762	0.48
Bangor Hydro Elec Co	Public Utilities	6,776,600	66,682	0.48
Marine Atlantic Inc	Ferry Terminal	6,603,500	<u>64,978</u>	<u>0.46</u>
Top ten taxpayers			\$1,031,265	7.36%

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 1st 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 of the Maine Revised Statutes, as amended.

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.

REVENUES FROM THE STATE

The State provides aid to the Town in a number of areas including education, general 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. The following table displays revenue received by the Town from the State for the last five audited fiscal periods. Revenues received by the Town from the State in future years could, however, be less than any of the amounts set forth in the following table (see “TOWN FINANCES – REVENUES FROM THE STATE - The 2014/2015 Biennium State Budget” herein). The following table displays state aid received by the Town for the last five audited fiscal periods:

Fiscal Yr. End June 30,	State Revenue Sharing	Homestead Exemption	General Assistance	Other State Aid	Total From State
2012	\$200,070	\$57,842	\$663	\$73,107	\$331,682
2011	192,549	20,935	4,334	74,992	292,810
2010	205,809	54,430	3,133	71,306	334,678
2009	266,510	53,865	1,481	71,480	393,336
2008	264,895	55,042	765	86,158	406,860

The 2014/2015 Biennium State Budget

On June 26, 2013, the State Legislature voted over a 2/3 majority to override the Governor’s veto of the biennial state budget, LD 1509. As amended by Committee and passed to be enacted, the bill is the budget designed to fund State government over the FY 2014/2015 biennium (the “State Budget”). The following programs are affected, accordingly:

The State Budget reduces municipal **Revenue Sharing** over the biennium by one-third relative to the distributions over recent years, and cuts the program by over 55% relative to the distributions that are supposed be provided as a matter of law. Specifically, \$65 million in Revenue Sharing will be distributed in FY 2014 and \$60 million in FY 2015. This compares to approximately \$95 million that was distributed each year of the present biennium, which was itself a 33% reduction of the \$135 - \$145 million that is supposed to be distributed as a matter of long-established law. This part of the State Budget also amends the law governing the calculation of a municipality’s “property tax levy limit” to allow for an upward adjustment to the tax levy limit to reflect the Revenue Sharing reduction at the same time that the reduction is occurring rather than one or two years after the fact.

The State Budget appropriates \$942 million for **General Purpose Aid to Local Schools** for FY 2014. This appropriation represents 46.3% of the total cost of K-12 education as measured by the EPS school funding model, which will now include the total “normal cost” of the teachers’ retirement premium. The appropriation represents approximately \$29 million over the distribution of school subsidy for the current fiscal year before that was reduced by \$12.6 million through a curtailment order issued by the Governor in December 2012 as an emergency procedure to keep the State Budget in balance. The \$29 million

increase, however, is not new money to the school systems because the budget also places the financial obligation on the schools, rather than the State, to pay for the “normal costs” of teachers’ retirement under MainePERS (as defined herein). The Statewide new cost to school systems is \$29 million a year.

Changes to the **General Assistance** program in this State Budget include: (i) adjusting the “overall maximum level of assistance”, which for 20 years has been calculated at 110% of the HUD “fair market rental” values, to be 90% of that calculation; (ii) creating an express General Assistance ineligibility for fugitives from justice and applicants who have committed unemployment fraud; (iii) amending the system for calculating a pro-rated benefit when a member of the household has been disqualified; (iv) amending the calculation of the duration of ineligibility related to the receipt of lump sum income to base it entirely on actual basic needs; and (v) counting Circuitbreaker benefits as income.

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, 2013 the Town’s equalized state valuation (“equalized State Valuation”) was \$1,383,750,000. The 15% debt limit is \$207,562,500. As of June 30, 2012 the Town’s long-term debt outstanding was \$13,653,474 or 0.987% 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, 2012			Projected Balance on August 15, 2013	
				General	Proprietary	Total	(Payments)	Total
1997	Sewer Plant (SRF)	7,300,000	10/01/17		2,554,225	2,554,225	(398,341)	2,155,884
2002	Water Tank (SRF)	750,000	10/01/21		420,143	420,143	(37,196)	382,947
2004	Muni Renov	250,000	11/01/13	62,605		62,605	(30,686)	31,919
2004	School (MMBB)	805,000	11/01/24	601,501		601,501	(33,899)	567,602
2004	School (SRRF)	700,000	11/01/13	140,000		140,000	(70,000)	70,000
2005	Beach Wall	800,000	10/15/24	520,000		520,000	(40,000)	480,000
2005	Sewer/Hulls Cove	800,000	10/15/27		635,000	635,000	(30,000)	605,000
2010	CIP	3,700,000	05/01/30	3,330,000		3,330,000	(185,000)	3,145,000
2010	Wtr Sys	600,000	05/01/30		540,000	540,000	(30,000)	510,000
2011	Sewer System	1,045,000	12/01/31		1,045,000	1,045,000	(38,686)	1,006,314
2011	Sewer System	271,000	12/01/26		271,000	271,000	(16,000)	255,000
2011	Water System	1,224,000	12/01/31		1,224,000	1,224,000	(45,314)	1,178,686
2011	Ref'd'g 2001	2,515,000	12/01/21		2,310,000	2,310,000	(210,000)	2,100,000
2012	Water (DWSRF)	2,679,150	10/01/32			0	0	2,662,957
				4,654,106	8,999,368	13,653,474	(1,165,122)	15,151,309
2013	Public Works	3,350,000	10/15/33					3,350,000
				4,654,106	8,999,368	13,653,474	(1,165,122)	18,501,309

NOTE: "SRF" indicates the State Revolving Loan Fund Program. The 1997 Sewer Plant project (Clean Water SRF, or "CWSRF") are eligible projects that were financed through the SRF, administered jointly by the MMBB and the DEP for the CWSRF; the 2002 and 2012 projects (Drinking Water SRF, or "DWSRF") administered jointly by the MMBB and the State Department of Human Services for the DWSRF. 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 at 2.67%; the 2012 bonds at 1.00%, 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 30.00% 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.

MMBB designation for the 2004 School issue indicates a borrowing through the General Bonds Resolution "pooled" financings.

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	2008	2009	2010	2011	2012
Total Current Year Debt Service:	\$1,448,341	\$1,432,533	\$1,388,112	\$1,698,240	\$1,617,987
(less Enterprise Debt Service)	<u>(999,825)</u>	<u>(996,838)</u>	<u>(988,464)</u>	<u>(1,029,627)</u>	<u>(975,603)</u>
Tax Supported Debt Service	\$448,516	\$435,695	\$399,648	\$668,613	\$642,384
Budgeted Operating Expense:	14,808,338	15,424,871	\$15,632,658	\$16,023,523	\$16,296,223
Debt Service as % Oper. Expense:	3.03%	2.82%	2.56%	4.17%	3.94%

DEBT RATIOS

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2013	5,235	\$1,383,750	\$1,423,245	\$18,501,309 ⁽¹⁾	1.34%	\$3,534.16
2012	5,235	1,389,150	1,407,891	13,653,474	0.98%	2,608.11
2011	5,235	1,443,700	1,410,144	12,335,113	0.85%	2,356.28
2010	5,235	1,486,550	1,437,197	13,563,739	0.91%	2,590.97
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

NOTE: ⁽¹⁾ Including the Bonds of this financing.

DEBT OBLIGATIONS, BY FUND TYPE

FY June 30,	General Fund Debt		Enterprise Fund Debt	Total Debt	Ent. Debt as % Total Debt
	Town	School			
2012	\$3,912,605	\$741,501	\$8,999,368	\$13,653,474	65.91%
2011	4,167,142	958,746	7,209,225	12,335,113	58.44%
2010	4,432,546	1,174,721	7,956,472	13,563,739	58.66%
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%

DEBT RATIOS, BY FUND TYPE

Fiscal Year End June 30,	Debt as % of Equalized. State Val.				Per Capita Debt			
	General Fund		Enterprise Fund	Total	General Fund		Enterprise Fund	Total
	Town	School			Town	School		
2012	0.28%	0.05%	0.65%	0.98%	\$747	\$142	\$1,719	\$2,608
2011	0.29	0.07	0.50	0.85	796	183	1,377	2,356
2010	0.30	0.08	0.54	0.91	847	224	1,520	2,591
2009	0.06	0.10	0.55	0.70	168	292	1,673	2,134
2008	0.07	0.12	0.64	0.83	190	341	1,817	2,347
2007	0.08	0.14	0.72	0.94	211	389	1,957	2,557
2006	0.10	0.19	0.92	1.22	231	437	2,094	2,762
2005	0.13	0.25	1.16	1.54	252	484	2,224	2,961
2004	0.06	0.27	1.26	1.59	116	503	2,353	2,973
2003	0.05	0.14	1.56	1.75	78	215	2,482	2,775

PROJECTED PRINCIPAL PAYMENTS, BY YEAR OF ISSUE

FYE June 30,	1997 CWSRF	2002 DWSRF	2004 Issues	2005 Issues	2010 Issues	2011 Issues	2012 DWSRF	2013 Issue	Total Principal
2013	\$398,341	\$37,196	\$134,585	\$70,000	\$215,000	\$310,000	\$0	\$0	\$1,165,122
2014	408,554	38,192	137,556	70,000	215,000	315,000	120,939	0	1,305,241
2015	419,295	39,215	37,321	70,000	215,000	325,000	122,148	125,000	1,352,979
2016	430,592	40,265	39,092	75,000	215,000	330,000	123,370	130,000	1,383,319
2017	442,473	41,344	41,096	75,000	215,000	340,000	124,604	130,000	1,409,517
2018	454,970	42,451	43,204	75,000	215,000	340,000	125,850	135,000	1,431,475
2019		43,588	45,419	75,000	215,000	345,000	127,108	140,000	991,115
2020		44,755	47,749	80,000	215,000	360,000	128,379	140,000	1,015,883
2021		45,953	50,197	80,000	215,000	375,000	129,663	145,000	1,040,813
2022		47,184	52,772	80,000	215,000	380,000	130,960	150,000	1,055,916
2023			55,478	85,000	215,000	130,000	132,269	155,000	772,747
2024			58,323	85,000	215,000	135,000	133,592	160,000	786,915
2025			61,314	85,000	215,000	140,000	134,928	165,000	801,242
2026				50,000	215,000	145,000	136,277	170,000	716,277
2027				50,000	215,000	155,000	137,640	175,000	732,640
2028				50,000	215,000	135,000	139,016	180,000	719,016
2029					215,000	140,000	140,406	190,000	685,406
2030					215,000	145,000	141,811	195,000	696,811
2031						150,000	143,229	205,000	498,229
2032						155,000	144,660	210,000	509,660
2033							146,108	220,000	366,108
2034								230,000	230,000
	\$2,554,225	\$420,143	\$804,106	\$1,155,000	\$3,870,000	\$4,850,000	\$2,662,957	\$3,350,000	\$19,666,431

PROJECTED DEBT SERVICE REQUIREMENTS

FY June 30,	Prior Debt			Projected Debt (This Issue)			Projected Total
	Principal	Interest	Total	Principal	Interest	Total	
2013	\$1,165,122	\$429,063	\$1,594,185	\$0	\$0	\$0	\$1,594,185
2014	1,305,241	421,240	1,726,482	0	72,258	72,258	1,798,740
2015	1,227,979	390,719	1,618,698	125,000	107,138	232,138	1,850,836
2016	1,253,319	359,438	1,612,757	130,000	104,588	234,588	1,847,344
2017	1,279,517	328,036	1,607,552	130,000	101,988	231,988	1,839,540
2018	1,296,475	295,250	1,591,725	135,000	99,338	234,338	1,826,063
2019	851,115	251,358	1,102,473	140,000	95,888	235,888	1,338,361
2020	875,883	230,203	1,106,086	140,000	91,688	231,688	1,337,774
2021	895,813	207,629	1,103,442	145,000	87,413	232,413	1,335,854
2022	905,916	182,950	1,088,866	150,000	82,988	232,988	1,321,854
2023	617,747	158,269	776,016	155,000	78,413	233,413	1,009,428
2024	626,915	139,394	766,309	160,000	73,688	233,688	999,996
2025	636,242	119,596	755,838	165,000	68,813	233,813	989,651
2026	546,277	101,545	647,822	170,000	63,788	233,788	881,610
2027	557,640	84,225	641,865	175,000	58,175	233,175	875,040
2028	539,016	66,956	605,972	180,000	51,963	231,963	837,935
2029	495,406	50,879	546,285	190,000	45,606	235,606	781,891
2030	501,811	35,562	537,373	195,000	38,500	233,500	770,873
2031	293,229	19,904	313,133	205,000	30,500	235,500	548,633
2032	299,660	12,553	312,213	210,000	22,200	232,200	544,413
2033	146,108	8,072	154,180	220,000	13,600	233,600	387,780
2034	0	0	0	230,000	4,600	234,600	234,600
TOTAL	\$16,170,323	\$3,884,770	\$20,055,092	\$3,350,000	\$1,393,127	\$4,743,127	\$24,952,400

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, 2013 the Town’s equalized State Valuation of \$1,383,750,000 is 10.68% of the County’s equalized State Valuation of \$12,951,950,000. The Town’s share is 10.68%, or \$192,307, of Hancock County’s \$1,800,000 long-term debt outstanding as of December 31, 2012.

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, 2012, C.S.D. No. 7 had total bonded debt outstanding of \$4,583,776. The Town’s current share of the debt is 34.41%, or \$1,623,115 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> ⁽¹⁾	<u>Overlapping</u>	<u>Contingent</u>	<u>Total Debt</u>
Town of Bar Harbor (CIP)	\$3,912,605			\$3,912,605
Town of Bar Harbor (School)	741,501			741,501
Town of Bar Harbor (Enterprise)	8,999,368			8,999,368
C.S.D. No. 7	0	\$1,623,115		1,623,115
County of Hancock ⁽²⁾	0	192,307		192,307
Total A/O June 30, 2012	\$13,653,474	\$1,815,422	\$0	\$15,468,896
Debt as % Eq State Valuation	0.98%	0.13%	0.00%	1.12%
Per Capita Debt	\$2,308.11	\$346.79	\$0.00	\$2,954.90

NOTE: ⁽¹⁾ Includes General Fund and Enterprise Fund Debt.

⁽²⁾ As of December 31, 2012.

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.

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 is a “participating local district” pursuant to Regular Plan AC and Special Plan 4C of the Consolidated Plan for Participating Local Districts (the “Consolidated Plan”) (“CPPLD”) and contributes to Maine Public Employees Retirement System (“MainePERS”) CPPLD, a cost-sharing multiple-employer defined benefit pension plan, as successor to the Maine State Retirement System (“MSRS”). MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS. MainePERS is established and administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. 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. MainePERS 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 (Town employees other than those served by the Teachers Retirement Plan, described in B, below) are required to contribute 6.5% to 7.5% of their annual covered salary to MainePERS and the Town is required to contribute at an actuarially determined rate, adjusted annually. The rate is for fiscal year 2012 was 4.4% to 5.5; fiscal year 2013 was 5.3% to 6.6%. The contribution requirements of the plan members and the Town are established by and may be amended by the State Legislature. The Town’s contributions for the fiscal years 2012, 2011 and 2010 were \$104,296, \$80,352 and \$66,022, respectively, which were paid in full, each year.

3. Unfunded Actuarial Accrued Liability

Effective July 1, 1995, the Town joined the CPPLD of MainePERS. 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 initial unfunded unpooled actuarial liability (“IUUAL”) obligation over a period of years. At July 1, 2011, the IUUAL was \$a consolidated \$47,073, being amortized over three years beginning July 1, 2011.

B. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP

Teachers and certain other School Department employees also participate in MainePERS 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. MainePERS 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.

These employees are required by State statute to contribute 7.65% of their compensation to MainePERS. 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 biennium 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 became the successor sponsor. Based on the latest actuarial valuation as of January 1, 2012, the accrued liability of the plan was \$319,680. The value of assets available for funding totaled \$153,175, leaving an unfunded liability of \$166,505. The total unfunded liability has been recorded as a liability at June 30, 2012 of the Bar Harbor Water Division Enterprise Fund.

D. DEFERRED COMPENSATION PLAN

The Town offers its employees, except school teachers, a qualified deferred compensation plan administered by the International City Management Association Retirement Corporation (“ICMA”) (the “ICMA 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. Under the ICMA Plan, covered employees contribute a percentage of their wages to the plan, currently not in excess of \$16,500 annually, with the Town contributing from 6.5% to 9.5%.

E. OTHER POST EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB 45”) addresses the reporting and disclosure requirements for other post employment benefits (“OPEB”). GASB 45 was implemented, as required, by the Town for the year ended June 30, 2009. GASB 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust (the “Health Trust”). The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town’s An OPEB liability actuarial valuation was completed by such consultant in October 2012 for the year ended June 30, 2012. GASB 45 rules allow employers with fewer than 200 employees to use the same actuarial study for three years.

Plan Descriptions - In addition to providing pension benefits, the Town provides access to health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost - GASB 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (“ARC”), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed 30 years. The following represents OPEB costs and the annual required contributions (“ARC”) over the last three audited fiscal periods:

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Normal cost:	\$19,722	\$19,722	\$12,062
Amortization of unfunded:	32,400	32,400	21,384
Adjustment to ARC:	(4,160)	(1,916)	(967)
Interest:	<u>3,909</u>	<u>2,357</u>	<u>1,333</u>
ARC:	\$51,871	\$52,563	\$33,812

Net OPEB Obligation - The Town’s net OPEB obligation was calculated as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPEB liability, July 1:	\$71,929	\$33,132	\$16,715
ARC:	51,871	52,563	33,812
(Actual member contributions):	<u>(11,493)</u>	<u>(13,766)</u>	<u>(17,395)</u>
OPEB liability, June 30:	\$112,307	\$71,929	\$33,132

Funding Status and Funding Progress - The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three audited fiscal periods was:

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Annual required contribution:	\$51,871	\$52,563	\$33,812
Annual member contribution:	11,495	13,766	17,395
% contributed:	22.16%	26.19%	51.45%
Actuarial accrued liability:	\$582,677	\$582,677	\$384,561
Plan assets:	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded actuarial accrued liability:	\$582,677	\$582,677	\$384,561
Covered payroll:	\$2,717,300	\$2,577,000	\$2,442,000
Unfunded actuarial accrued liability as % payroll:	21.44%	22.61%	15.75%

The Town does not believe that its OPEB liabilities, as determined pursuant to GASB 45, have a material impact on its current financial condition or operations. The Town has monitored and will continue to monitor its OPEB liabilities as determined pursuant to GASB Statement 45. The Town does not, however, offer any assurance as to the impact, if any, of future OPEB liabilities, as determined pursuant to GASB 45, on the Town’s future financial condition or operations. For additional information about the Town’s OPEB liabilities, see “Other Post Employment Benefits” in Notes to Basic Financial Statements in APPENDIX A hereto.

F. SOCIAL SECURITY

The Town has a section 218 agreement to provide full Social Security to its full time employees and at the Town's discretion may exclude part time emergency and police employees. This agreement was enacted on July 1, 1965. The Town's contribution to Social Security (including Medicare) was \$248,041 for the year ending June 30, 2012.

ENVIRONMENTAL MATTERS

Securities and Exchange Commission Regulation 229.103 (the "Regulation") requires that issuers subject to the disclosure requirements of the Securities Exchange Act of 1934 disclose, among other things, any material pending legal proceedings, including without limitation, legal proceedings involving environmental issues. The Regulation states that no information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed ten percent (10%) of the current assets of the issuer, and, if a governmental authority is a party to such proceeding and such proceeding involves potential monetary sanctions, unless the issuer reasonably believes that such proceeding will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. Although the Town, as an issuer of municipal securities, is not subject to the provisions of the Regulation or the Securities Exchange Act of 1934, the Town is voluntarily making the following disclosure with respect to environmental liabilities:

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.

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, 2012**

(With Report of Independent Auditors' Thereon)

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INDEPENDENT AUDITOR'S REPORT

November 9, 2012

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012 on our consideration of the Town of Bar Harbor, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 37 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bar Harbor, Maine's financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.

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

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, 2012. 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, 2012 by \$31,658,897 (presented as "net assets"). Of this amount, \$10,980,895 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 \$1,842,323 (a 6.2% increase) for the fiscal year ended June 30, 2012. Net assets of governmental activities increased by \$1,154,433 (a 5.9% increase), while net assets of business-type activities showed an increase of \$687,890 (a 6.6% increase).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2012, the Town's governmental funds reported a combined ending fund balance of \$8,481,430 with \$1,170,977 being general unassigned fund balance. This unassigned fund balance represents approximately 7.6% of the total general fund expenditures for the year.

Long-term Debt:

The Town's total long-term debt obligations increased by \$1,356,696 (11.0%) during the current fiscal year. Existing debt obligations were retired according to schedule. The Town issued a new bond in the amount of \$5,055,000 that was approved at the annual town meeting on 6/7/11 for water and sewer projects in the amount of \$2,540,000 and \$2,515,000 was to refinance the 2001 water purchase bond. \$1,754,150 of the total \$4,294,500 approved on 6/7/11 remains unissued at 6/30/12. A special town meeting on 6/7/12 approved new borrowing in the amount of \$925,000 for the Duck Brook pump station upgrade. Total approved borrowing in the amount of \$2,679,150 remains unissued at 6/30/12 but was issued on 10/1/12 for the Duck Brook pump station upgrade.

The annual town meeting on 6/5/12 also approved new borrowing in the amount of \$3,350,000 for the Public Works complex at Hulls Cove and remains unissued at 6/30/12.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

The basic governmental fund financial statements can be found on pages 10-13 of this report.
The basic proprietary fund financial statements can be found on pages 14-16 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

The notes to the financial statements can be found on pages 17-36 of this report.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary). Required supplementary information can be found on page 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

63.5% 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 accumulated depreciation and net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

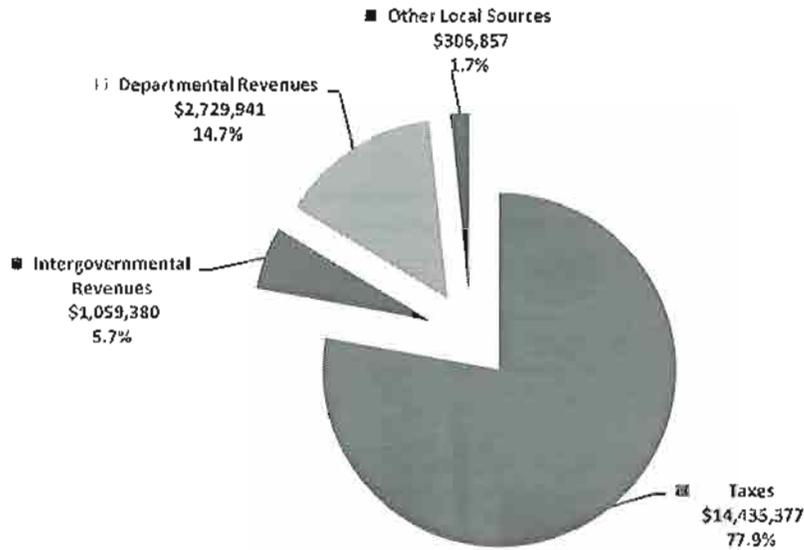
	Governmental Activities	Business-like Activities	Total 2012	Total 2011
Current Assets	9,790,024	3,534,313	13,324,337	10,992,257
Capital Assets	16,158,858	17,596,859	33,755,717	33,979,990
Total Assets	25,948,882	21,131,172	47,080,054	44,972,247
Current Liabilities	1,010,887	1,879,744	2,890,631	4,008,522
Other Liabilities	4,336,695	8,193,831	12,530,526	11,147,151
Total Liabilities	5,347,582	10,073,575	15,421,157	15,155,673
<i>Net Assets:</i>				
Held for Postemployment Benefits	52,563		52,563	53,154
Invested in Capital Assets	11,449,406	8,639,401	20,088,807	23,665,449
Restricted	536,632		536,632	472,397
Unrestricted	8,562,699	2,418,196	10,980,895	5,625,574
Total Net Assets	20,601,300	11,057,597	31,658,897	29,816,574
Total Liabilities and Net Assets	25,948,882	21,131,172	47,080,054	44,972,247

Changes in Net Assets

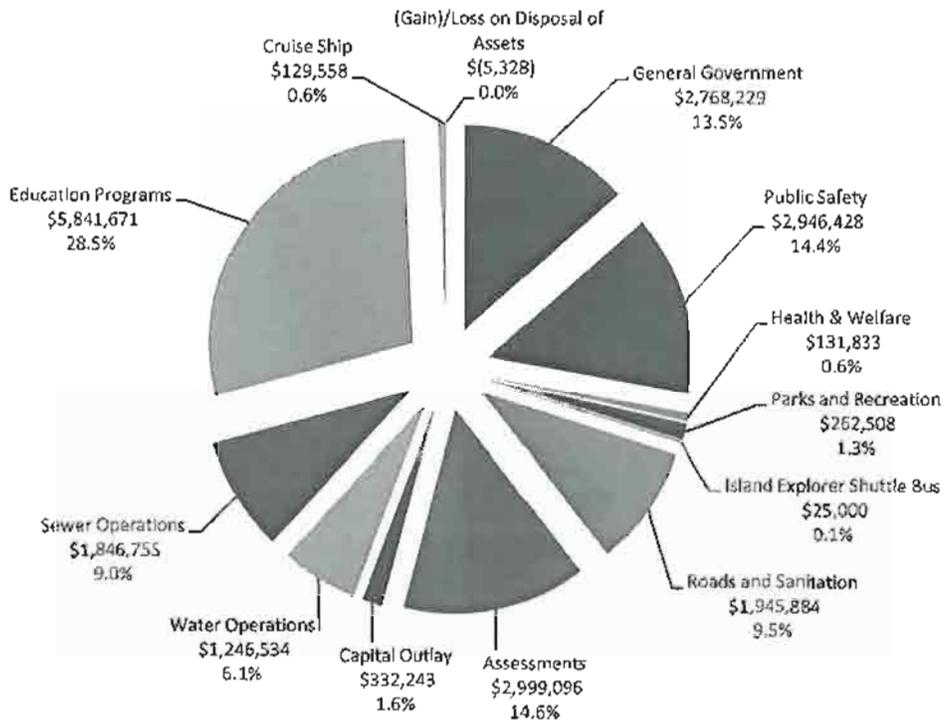
Approximately 64.7% of the Town's total revenue came from property and excise taxes, approximately 4.7% came from Federal and State subsidies and grants, and approximately 1.6% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,657,318 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	Total 2012	Total 2011
<i>Revenues:</i>				
Taxes	14,435,377		14,435,377	14,209,273
Intergovernmental Revenues	1,059,380		1,059,380	600,378
Departmental Revenues	2,729,941	3,725,817	6,455,758	6,301,773
Bond Refinancing Refund	-	-	-	618
Other Local Sources	306,857	55,362	362,219	320,753
Total	18,531,555	3,781,179	22,312,734	21,432,795
<i>Expenses:</i>				
General Government	2,768,229		2,768,229	2,874,536
Public Safety	2,946,428		2,946,428	2,672,214
Health & Welfare	131,833		131,833	141,539
Parks and Recreation	262,508		262,508	262,058
Island Explorer Shuttle Bus	25,000		25,000	25,000
Roads and Sanitation	1,945,884		1,945,884	1,971,285
Debt Service	-		-	468
Assessments	2,999,096		2,999,096	2,971,418
Capital Outlay	332,243		332,243	491,237
Water Operations		1,246,534	1,246,534	1,227,441
Sewer Operations		1,846,755	1,846,755	1,820,791
Education Programs	5,841,671		5,841,671	5,592,363
Cruise Ship	129,558		129,558	114,410
(Gain)/Loss on Disposal of Assets	(5,328)		(5,328)	4,268
Total	17,377,122	3,093,289	20,470,411	20,169,028
Changes in Net Assets	1,154,433	687,890	1,842,323	1,263,767

Revenues By Source - Governmental and Business-Type



Expenditures by Source - Governmental and Business-Type



FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

Governmental Funds

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

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$8,481,430, an increase of \$571,046 in comparison with the prior year. Approximately 13.8 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

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

- \$(62,198) negative variance in property taxes due to the adjustment of deferred property taxes and supplemental taxes. Deferred property taxes increased by \$68,582 and supplemental taxes were issued in the amount of \$6,764.
- \$22,567 positive variance in auto excise due to a small rise in revenue per vehicle registered.
- \$60,989 positive variance in sale of recyclables due to higher scrap prices per ton for metals and cardboard.
- \$(58,210) negative variance in interest on investments due to a lower yield than anticipated while rates were expected to increase.
- \$124,752 positive variance in employee benefits primarily due to a lower than expected increase in health insurance, employees changing to the opt out plan and fewer employees for the town.
- \$(18,617) negative variance in vacation accruals due to less vacation time taken by the end of the year which increased the accrual for compensated absences.
- \$43,050 positive variance in planning due to reduced levels of legal and outside professional services utilized.
- \$96,070 positive variance in highway division due to lower storm related expenses such as overtime wages, salt, sand and related vehicle repairs and supplies.

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 \$62,646,151, net of accumulated depreciation of \$28,890,434, leaving a net book value of \$33,755,717. 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, 2012

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	7,114,573	2,783,696	9,898,269
Investments	1,303,738		1,303,738
Receivables			
Taxes and Liens	836,144	35,953	872,097
User Fees, net		441,944	441,944
Accounts	89,150	28,057	117,207
Ambulance	134,118		134,118
Accrued Interest	4,790		4,790
Prepaid Expense	21,311	73,061	94,372
Inventory	18,955	129,692	148,647
Due from Other Governments	267,245		267,245
Bond Issuance Costs, Net		41,910	41,910
Capital Assets:			
Land	1,899,514	164,793	2,064,307
Construction Work in Progress	158,188	194,719	352,907
Other Capital Assets, Net of Depreciation	14,101,156	17,237,347	31,338,503
Total Assets	25,948,882	21,131,172	47,080,054
 <i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	340,375	48,802	389,177
Retainage Payable	20,053		20,053
Payroll Taxes Deductible	12,897		12,897
Accrued Salaries Payable	533,473	15,458	548,931
Accrued Compensated Absences	298,559	38,748	337,307
Accrued Interest Payable		36,228	36,228
Deferred Bond Premium	2,088		2,088
Accrued Pension Costs		166,505	166,505
Internal Balances	(602,455)	602,455	-
Prepaid Taxes	26,567		26,567
Construction Advances		165,000	165,000
Deposits Payable	6,573	1,011	7,584
Long-term Liabilities:			
Due Within One Year	372,757	805,537	1,178,294
Due in More Than One Year	4,336,695	8,193,831	12,530,526
Total Liabilities	5,347,582	10,073,575	15,421,157
Net Assets			
Held for Postemployment Benefits	51,871		51,871
Investment in Capital Assets, net of Related Debt	11,449,406	8,639,401	20,088,807
Restricted	537,827		537,827
Unrestricted	8,562,196	2,418,196	10,980,392
Total Net Assets	20,601,300	11,057,597	31,658,897
Total Liabilities and Net Assets	25,948,882	21,131,172	47,080,054

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, 2012

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
<u>Primary Government</u>						
<u>Governmental Activities:</u>						
General Government	2,768,229	413,590		(2,354,639)		(2,354,639)
Public Safety	2,946,428	546,273	571,778	(1,828,377)		(1,828,377)
Health and Welfare	131,833			(131,833)		(131,833)
Parks & Recreation	262,508	950		(261,558)		(261,558)
Island Explorer Shuttle Bus	25,000			(25,000)		(25,000)
Roads and Sanitation	1,945,884	135,581	500	(1,809,803)		(1,809,803)
Assessments	2,999,096			(2,999,096)		(2,999,096)
Capital Outlay	332,243			(332,243)		(332,243)
Education	5,841,671	1,025,730		(4,815,941)		(4,815,941)
Cruise Ship	129,558	613,617		484,059		484,059
<u>Total Governmental Activities</u>	<u>17,382,450</u>	<u>2,735,741</u>	<u>572,278</u>	<u>(14,074,431)</u>		<u>(14,074,431)</u>
<u>Business-type Activities:</u>						
Wastewater	1,846,755	2,219,343			372,588	372,588
Water	1,246,534	1,506,474			259,940	259,940
<u>Total Business-type Activities</u>	<u>3,093,289</u>	<u>3,725,817</u>			<u>632,528</u>	<u>632,528</u>
<u>Total Primary Government</u>	<u>20,475,739</u>	<u>6,461,558</u>	<u>572,278</u>	<u>(14,074,431)</u>	<u>632,528</u>	<u>(13,441,903)</u>
<u>General Revenues:</u>						
Taxes						
Property				13,602,097		13,602,097
Auto and Boat Excise				833,280		833,280
Intergovernmental Revenues				487,602		487,602
Other Local Sources				300,557	55,362	355,919
Gain/(Loss) on Disposal of Assets				5,328		5,328
<u>Total Revenues, Special Items and Transfers</u>				<u>15,228,864</u>	<u>55,362</u>	<u>15,284,226</u>
<u>Changes in Net Assets</u>				<u>1,154,433</u>	<u>687,890</u>	<u>1,842,323</u>
<u>Net Assets - Beginning</u>				<u>19,446,867</u>	<u>10,369,707</u>	<u>29,816,574</u>
<u>Net Assets - Ending</u>				<u>20,601,300</u>	<u>11,057,597</u>	<u>31,658,897</u>

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

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

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>CIP Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	7,110,044		4,529	7,114,573
Investments	1,295,232		8,506	1,303,738
Receivables				
Taxes	788,051			788,051
Tax Liens	48,093			48,093
Accounts	33,575	55,575		89,150
Ambulance Fees	134,118			134,118
Accrued Interest	4,790			4,790
Prepaid Expense	21,311			21,311
Inventory	18,955			18,955
Due from Other Governments	101,810		165,435	267,245
Due from Other Funds	747,900	4,565,197	221,937	5,535,034
Total Assets	10,303,879	4,620,772	400,407	15,325,058
 <i>Liabilities and Fund Balances</i>				
<i>Liabilities</i>				
Accounts Payable	229,982	87,575	22,818	340,375
Retainage Payable		17,472	2,581	20,053
Payroll Taxes/Deductions	12,897			12,897
Accrued Salaries Payable	530,436		3,037	533,473
Accrued Compensated Absences	249,698		11,540	261,238
Deferred Revenue				
Property Tax	691,818			691,818
Acadia Nat'l Park Payment in Lieu of Taxes	15,967			15,967
Prepaid Taxes	26,567			26,567
Bond Purchase Premium	2,088			2,088
Due to Other Funds	4,790,388		142,191	4,932,579
Deposits Payable	6,573			6,573
Total Liabilities	6,556,414	105,047	182,167	6,843,628
 <i>Fund Balances</i>				
Nonspendable	3,522		9,820	13,342
Restricted	319,280		205,205	524,485
Committed		4,515,725		4,515,725
Assigned	2,253,686		3,215	2,256,901
Unassigned	1,170,977			1,170,977
Total Fund Balances	3,747,465	4,515,725	218,240	8,481,430
Total Liabilities and Fund Balances	10,303,879	4,620,772	400,407	15,325,058

(Continued)

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

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

Total Fund Balance	8,481,430
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$18,272,289	16,158,858
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds: Deferred Revenues	707,785
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds: Bonds Payable Accrued Compensated Absences - School Department Capital Leases Payable	(4,654,106) (37,321) (55,346) <u>(4,746,773)</u>
Net Assets of Governmental Activities	<u>20,601,300</u>

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

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

Exhibit D
Page 1 of 2

	<i>General Fund</i>	<i>CIP Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues				
Taxes	14,366,795			14,366,795
Intergovernmental Revenues	402,550	85,500	571,778	1,059,828
Departmental Revenues	2,729,941			2,729,941
Other Local Sources	246,064	59,026	1,767	306,857
Total Revenues	17,745,350	144,526	573,545	18,463,421
Expenditures				
General Government	2,583,317			2,583,317
Public Safety	2,194,838		596,781	2,791,619
Health and Welfare	117,896			117,896
Parks and Recreation	211,256			211,256
Island Explorer Shuttle Bus	25,000			25,000
Roads and Sanitation	1,614,189		500	1,614,689
Education	5,718,549			5,718,549
Assessments	2,999,096			2,999,096
Cruise Ship	129,558			129,558
Capital Outlay		1,771,155		1,771,155
Total Expenditures	15,593,699	1,771,155	597,281	17,962,135
Excess of Revenues Over (Under) Expenditures	2,151,651	(1,626,629)	(23,736)	501,286
Other Financing Sources (Uses)				
Lease Proceeds	69,760			69,760
Transfers from Other Funds	250,608	1,674,855	88,014	2,013,477
Transfers to Other Funds	(1,925,447)	(88,014)	(16)	(2,013,477)
Total Other Financing Sources (Uses)	(1,605,079)	1,586,841	87,998	69,760
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	546,572	(39,788)	64,262	571,046
Fund Balance - July 1	3,200,893	4,555,513	153,978	7,910,384
Fund Balance - June 30	3,747,465	4,515,725	218,240	8,481,430

(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, 2012

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds	571,046
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	1,046,805
Disposal of Assets	5,328
Depreciation expense	<u>(952,190)</u>
	<u>99,943</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues	(448)
Deferred Taxes	68,582
	<u>68,134</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	14,414
Lease Proceeds	(69,760)
General obligation bond principal payments	<u>471,782</u>
	<u>416,436</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>(1,126)</u>
Change in net assets of governmental activities	<u><u>1,154,433</u></u>

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

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

Exhibit E

<i>Assets</i>	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	<i>Total</i>
<i>Current Assets:</i>			
Cash and Equivalents	2,049,508	734,188	2,783,696
Receivables			
User Fees, net	440,645	1,299	441,944
Liens Receivable	35,953	-	35,953
Accounts	20,925	7,132	28,057
Inventory	22,554	107,138	129,692
Prepaid Expenses		73,061	73,061
<i>Total Current Assets</i>	2,569,585	922,818	3,492,403
<i>Noncurrent Assets:</i>			
Capital Assets, net	11,342,035	6,254,824	17,596,859
Bond Issuance Costs, net	34,700	7,210	41,910
<i>Total Noncurrent Assets</i>	11,376,735	6,262,034	17,638,769
<i>Total Assets</i>	13,946,320	7,184,852	21,131,172
<i>Liabilities and Net Assets</i>			
<i>Liabilities</i>			
Accounts Payable	36,730	12,072	48,802
Accrued Salaries and Benefits	8,963	6,495	15,458
Accrued Interest Payable	26,992	9,236	36,228
Escrow Deposit		1,011	1,011
Due to Other Funds	81,182	521,273	602,455
Compensated Absences Payable	26,253	12,495	38,748
Bonds and Notes Payable	483,027	322,510	805,537
<i>Total Current Liabilities</i>	663,147	885,092	1,548,239
<i>Noncurrent Liabilities:</i>			
Construction Advances		165,000	165,000
Accrued Pension Costs		166,505	166,505
Bonds and Notes Payable	4,022,198	4,171,633	8,193,831
<i>Total Noncurrent Liabilities</i>	4,022,198	4,503,138	8,525,336
<i>Total Liabilities</i>	4,685,345	5,388,230	10,073,575
<i>Net Assets</i>			
Invested in Capital Assets, net of related debt	6,871,510	1,767,891	8,639,401
Retained Earnings			
Reserved	1,956,437	-	1,956,437
Unreserved - Undesignated	433,028	28,731	461,759
<i>Total Net Assets</i>	9,260,975	1,796,622	11,057,597
<i>Total Liabilities and Net Assets</i>	13,946,320	7,184,852	21,131,172

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

TOWN OF BAR HARBOR
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

Exhibit F

	<u>Proprietary Fund Types</u>		<u>Total</u>
	<u>Wastewater</u>	<u>Water</u>	
	<u>Enterprise</u>	<u>Enterprise</u>	
Operating Revenues:			
Charges for Services	1,462,176	1,504,526	2,966,702
Capital Charge	745,149		745,149
Interest - Late Penalties	12,078	1,948	13,966
Total Operating Revenues:	2,219,343	1,506,474	3,725,817
Operating Expenditures:			
Salaries and Benefits	557,233	426,714	983,947
Contracted Services	203,823	175,882	379,705
Utilities & Commodities	208,945	59,559	268,504
Repairs & Maintenance	78,160	136,465	214,625
Equipment	7,868	9,892	17,760
Other Expenses	38,387	25,507	63,894
Depreciation and Amortization	521,779	211,109	732,888
Materials and Supplies	94,092	76,812	170,904
Total Operating Expenditures	1,710,287	1,121,940	2,832,227
Net Operating Income	509,056	384,534	893,590
Nonoperating Revenues (Expenses)			
Interest Revenue	7,595	6,380	13,975
Nonutility Income, net of expense		4,921	4,921
Contributions in Aid of Construction		36,466	36,466
Interest Expense	(136,468)	(124,594)	(261,062)
Total Nonoperating Revenue (Expenses)	(128,873)	(76,827)	(205,700)
Change in Net Assets (net income)	380,183	307,707	687,890
Total Net Assets - Beginning	8,880,792	1,488,915	10,369,707
Total Net Assets - Ending	9,260,975	1,796,622	11,057,597

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

TOWN OF BAR HARBOR
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit G

	<i>Proprietary Fund Types</i>		<i>Total</i>
	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	
<i>Cash Flows from Operating Activities</i>			
Received from Customers	2,219,343	1,506,474	3,725,817
Payments to Suppliers	(592,888)	(458,610)	(1,051,498)
Payments to Employees	(557,233)	(426,714)	(983,947)
Other Receipts (Payments)	(38,387)	(20,586)	(58,973)
<i>Net Cash Provided by (Used in) Operating Activities</i>	1,030,835	600,564	1,631,399
<i>Cash Flows from Capital and Related Financing Activities</i>			
Purchases of Capital Assets	(137,810)	(392,056)	(529,866)
Capital Contributions	-	914	914
Principal Received on Capital Debt Issued	1,316,000	(240,281)	1,075,719
Principal Paid on Capital Debt	(478,631)	(240,281)	(718,912)
Interest Paid on Capital Debt	(136,468)	(124,594)	(261,062)
<i>Net Cash Used in Capital and Related Financing Activities</i>	563,091	(996,298)	(433,207)
<i>Cash Flows from Investing Activities</i>			
Purchase of Investments	23,316	223,995	247,311
Interest and Dividends	7,595	6,380	13,975
<i>Net Cash Provided by (Used in) Investing Activities</i>	30,911	230,375	261,286
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	1,624,837	(165,359)	1,459,478
<i>Balances - beginning of the year</i>	424,671	7,294	431,965
<i>Balances - end of the year</i>	2,049,508	(158,065)	1,891,443
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>			
Net Operating Income (Loss)	509,056	384,534	893,590
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	521,779	211,109	732,888
(Increase) Decrease in Accounts Receivable	2,738	7,602	10,340
(Increase) Decrease in Due To/From Other Funds	31,277	213,720	244,997
(Increase) Decrease in Inventory	(1,684)	(19,793)	(21,477)
(Increase) Decrease in Prepaid Expense		(13,829)	(13,829)
Increase (Decrease) in Accrued Wages Payable	(14,996)	(10,645)	(25,641)
Increase (Decrease) in Accrued Interest Payable	(1,333)	(7,189)	(8,522)
Increase (Decrease) in Accrued Standpipe Costs		(4,804)	(4,804)
Increase (Decrease) in Accrued Pension Costs		(26,058)	(26,058)
Increase (Decrease) in Compensated Absences Payable	2,595	944	3,539
Increase (Decrease) in Accounts Payable	(15,589)	(135,027)	(150,616)
Increase (Decrease) in Retainage Payable	(3,008)	-	(3,008)
<i>Net Cash Provided by (Used in) Operating Activities</i>	1,030,835	600,564	1,631,399

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 AOS #91. 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. Fiduciary activities, whose resources are not available to finance the Town's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and various intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Funds are classified into the following categories: governmental, proprietary and fiduciary.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

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

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.

*TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Fund 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.

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, \$691,818 has been so classified and reported on the general fund balance sheet.

Annual property taxes were levied on July 26, 2011, on property values assessed on April 1. Taxes were due in two installments without penalty, due on September 30 and March 30, with interest at 7.0% beginning October 1 and March 31. 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.

*TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

4. Capital Assets (Continued)

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

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.

*TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Assets

Fund Balances

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the Town classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through town meeting voting and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the Town Council.

Unassigned – includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

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

The Town's fund balance policy requires at least 10% of the Town's previous year's total audited general fund revenues to be assigned as designated for working capital.

TOWN OF BAR HARBOR
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Assets (Continued)

Fund Balances

The Town has identified June 30, 2012 fund balances on the balance sheet as follows:

	<i>General Fund</i>	<i>Capital Improvement Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
<u><i>Nonspendable</i></u>				
School Lunch Inventory	3,522			3,522
Gurnee Principal			6,488	6,488
Cemetery Principal			3,332	3,332
	3,522	-	9,820	13,342
<u><i>Restricted</i></u>				
Dog Control Reserve	2,040			2,040
School Reserves	317,240			317,240
Homeland Security Grant - 2009			156,978	156,978
ARRA Port Security Grant			48,227	48,227
	319,280	-	205,205	524,485
<u><i>Committed</i></u>				
Capital Improvement Programs		4,515,725		4,515,725
	-	4,515,725	-	4,515,725
<u><i>Assigned</i></u>				
Reserve for Working Capital	1,706,000			1,706,000
Designated Police Officer Reserve	85,000			85,000
General Fund Encumbrances	25,287			25,287
Education Assigned Funds	287,106			287,106
Cruise Ship Fund	150,293			150,293
Gurnee Scholarship			3,215	3,215
	2,253,686	-	3,215	2,256,901
<u><i>Unassigned</i></u>				
General Fund	1,170,977			1,170,977
<u><i>Total Fund Balance</i></u>	<u>3,747,465</u>	<u>4,515,725</u>	<u>218,240</u>	<u>8,481,430</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Assets (Continued)

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.

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

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portions of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

Restricted – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

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

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 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.

*TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012*

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statute 5706 require banks to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the Town in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of Federal Deposit Insurance Corporation (FDIC).

One or more of the financial institutions holding the Town's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program, all noninterest bearing checking accounts include demand deposit accounts and any transaction account that has unlimited withdrawals and cannot earn interest are fully guaranteed by the FDIC for the entire amount. Also through December 31, 2012, IOLTA accounts and NOW accounts that do not earn more than .25% interest are fully guaranteed by the FDIC for the entire amount as long as the depository institution participates in the Transaction Account Guarantee (TAG) program. For interest bearing accounts, the Town's cash deposits, including certificates of deposits, are insured up to \$250,000 per custodian by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the Town and thus no custodial risk exists.

The Town's investment policy further restricts the investment options delegated to the Town Treasurer. The Town is authorized to invest in only U.S. Treasury bills less than one year, U.S. Treasury notes 1-5 years, certificates of deposit up to \$250,000 per bank with FDIC coverage from only 5 local banks, overnight repurchase agreements or deposit accounts, investment management agreements, local government investment pools, interest bearing checking accounts, or CDARS investment options.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

A. Deposits and Investments (Continued)

Deposits (Continued)

At year-end, the government's carrying amount of deposits was \$9,898,269 and the bank balance was \$10,507,872. 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.

	Bank Balance	Category		
		1	2	3
Cash and Equivalents	<u>10,507,872</u>	<u>8,435,260</u>	<u>2,072,612</u>	-

Investments

At June 30, 2012, the Town's investments, maturities and credit ratings are as follows:

Type	June 30, 2012						
	Fair Value	Maturities in Years				Credit Rating	
		Less Than 1	1-5	6-10	More than 10	S&P	Moody's
General City:							
Bank of Nova Scotia	302,808	302,808				-	BBB+
Mutual Funds	<u>1,000,930</u>	<u>1,000,930</u>				not rated	not rated
Total	<u>1,303,738</u>	<u>1,303,738</u>	<u>-</u>	<u>-</u>	<u>-</u>		

Summary of Deposits and Investment Balances

Following is a reconciliation of the Town's deposit and investment balances as of June 30, 2012:

Deposits and Cash on Hand	\$ 9,898,269		
Investments	<u>\$ 1,303,738</u>		
	<u>\$ 11,202,007</u>		
		Government-wide Statement of Net Assets	Business-Type Statement of Net Assets
Cash and Cash Equivalents	\$ 7,114,573	\$ 2,783,696	\$ 9,898,269
Investments	<u>\$ 1,303,738</u>	<u>\$ -</u>	<u>\$ 1,303,738</u>
	<u>\$ 8,418,311</u>	<u>\$ 2,783,696</u>	<u>\$ 11,202,007</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

B. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value		1,407,890,760
Tax Rate (per \$1,000)		<u>9.60</u>
Commitment		<u>13,515,751</u>
Appropriations		17,503,632
Less:		
State Municipal Revenue Sharing	192,577	
Estimated Revenues	3,745,730	
BETE Reimbursement	3,398	
Homestead Reimbursement	<u>46,176</u>	
		<u>3,987,881</u>
Net Assessment for Commitment		<u>13,515,751</u>

Uncollected real estate taxes at June 30 for the current year commitment totaled \$517,204, which represents tax collection of approximately 96.2% of the current year commitment. Unpaid prior year tax liens at June 30 totaled \$318,939.

C. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2012 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	747,900	4,790,388
Special Revenue Funds		
Homeland Security Grant-2009	156,978	
Septic Grant		500
ARRA Port Security Grant	64,959	
Scenic Byways Grant		
Safe Routes to School Grant		141,691
Capital Project Funds	4,565,197	
Water Fund		521,273
Wastewater Fund		<u>81,182</u>
Totals	<u>5,535,034</u>	<u>5,535,034</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

C. Interfund Receivables and Payables (Continued)

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. \$966,583 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.

D. Capital Assets (Includes School)

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

	<i>Beginning</i>			<i>Ending</i>
	<i>Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	1,899,514			1,899,514
Construction Work in Progress	148,413	102,647	(92,872)	158,188
	<u>2,047,927</u>	<u>102,647</u>	<u>(92,872)</u>	<u>2,057,702</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,027,914	73,265	(600)	8,100,579
Equipment	5,583,552	359,924	(170,242)	5,773,234
Infrastructure	17,998,662	603,841	(102,871)	18,499,632
	<u>31,610,128</u>	<u>1,037,030</u>	<u>(273,713)</u>	<u>32,373,445</u>
<i>Total capital assets being depreciated</i>				
<i>Less accumulated depreciation for:</i>				
Buildings	2,904,538	191,490	(600)	3,095,428
Equipment	3,273,691	445,099	(162,181)	3,556,609
Infrastructure	11,403,900	315,601	(99,249)	11,620,252
	<u>17,582,129</u>	<u>952,190</u>	<u>(262,030)</u>	<u>18,272,289</u>
	<u>14,027,999</u>	<u>84,840</u>	<u>(11,683)</u>	<u>14,101,156</u>
	<u>16,075,926</u>	<u>187,487</u>	<u>(104,555)</u>	<u>16,158,858</u>
<i>Governmental Activities</i>				
<i>Capital Assets, net</i>				

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

D. Capital Assets (Continued)

	<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	8,704,778	259,306	(40,343)	8,923,741
Wastewater Fund	18,988,661	137,810	-	19,126,471
<i>Total capital assets being depreciated</i>	27,693,439	397,116	(40,343)	28,050,212
<i>Less accumulated depreciation for:</i>				
Water Fund	2,660,950	189,658	(41,148)	2,809,460
Wastewater Fund	7,293,218	515,470	-	7,808,688
<i>Total accumulated depreciation</i>	9,954,168	705,128	(41,148)	10,618,148
<i>Net capital assets being depreciated</i>	17,739,271	(308,012)	805	17,432,064
<i>Business-type Activities</i>				
<i>Capital Assets, net</i>	17,904,064	(308,012)	805	17,596,857

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

Governmental Activities:

General Government	184,912
Public Safety	248,898
Health and Welfare	13,937
Parks and Recreation	51,252
Roads and Sanitation, including infrastructure	331,195
Education	121,996
Total Depreciation Expense - Governmental Activities	952,190

**TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

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

E. 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 School 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>
2013	14,993
2014	14,994
2015	14,993
2016	<u>14,992</u>
Total Minimum Lease Payments	59,972
Less: Amount Representing Interest	<u>(4,626)</u>
Present Value of Future Minimum Lease Payments	<u><u>55,346</u></u>

F. 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>
General Obligation			
2004 Municipal Renovations	11/1/2013	3.62%	62,605
2004 School Heating System	11/1/2024	4.45%	601,501
2004 School Heating System	11/1/2013	0.00%	140,000
2005 Agamont Park and Seawall	10/15/2027	3.75 - 4.25%	520,000
2010 Capital Construction, Roads, etc.	5/1/2030	2.0-4.0%	<u>3,330,000</u>
			<u><u>4,654,106</u></u>

TOWN OF BAR HARBOR
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

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

F. Long-Term Debt (Continued)

1. General Obligation Bonds and Notes (Continued)

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
<i>Proprietary</i>			
1997 Wastewater Plant	10/1/2017	3.00%	2,554,225
2005 Hulls Cove Wastewater Plant	10/15/2027	3.0 - 4.38%	635,000
2002 Water Tank Purchase	10/1/2021	2.673%	420,143
2010 Water Mains	5/1/2030	2.0 - 4.0%	540,000
2011 Wastewater Mains Replacement	12/1/2031	2.0 - 3.5%	1,045,000
2011 Wastewater Scada System	12/1/2031	2.0 - 3.5%	271,000
2011 Water Refinance. Mains Replacement and Duck Brook Pump Station	12/1/2031	2.0 - 3.5%	3,534,000
			8,999,368
Total Debt			13,653,474

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$3,243,886 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary</i>	<i>Total</i>
2013	513,965	1,038,982	1,552,947
2014	509,184	1,036,897	1,546,081
2015	400,004	1,038,485	1,438,489
2016	394,114	1,039,815	1,433,929
2017	388,091	1,040,886	1,428,977
2018-2022	1,839,663	3,330,736	5,170,399
2022-2027	1,454,635	1,336,362	2,790,997
2028-2032	599,400	936,141	1,535,541
Total	6,099,056	10,798,304	16,897,360

**TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

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

F. 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, 2012:

	General Obligation		
	Debt	Proprietary	Total
Long-term Debt payable July 1, 2011	5,125,888	7,209,225	12,335,113
Debt Issued	-	5,055,000	5,055,000
Debt Retired	(471,782)	(3,264,857)	(3,736,639)
Long-term Debt payable June 30, 2012	<u>4,654,106</u>	<u>8,999,368</u>	<u>13,653,474</u>

3. Debt Authorized - Unissued

The Town was authorized to issue general obligation securities for the following:

Per Referendum Vote of:	Purpose	Unissued Amount:
June 5, 2012	Public Works Complex At Hulls Cove	\$3,350,000

As of June 30, 2012, this remained unissued.

Per Referendum Vote of:	Purpose	Unissued Amount:
June 6, 2011	Duck Brook pump station	\$1,754,150
June 7, 2012	Duck Brook pump station	<u>\$925,000</u>
		<u>\$2,679,150</u>

As of June 30, 2012, this remained unissued, but was later issued on 10/1/2012.

G. Contributed Capital

Changes in net contributed capital for the year-ended June 30, 2012 for the government's Proprietary Funds were as follows:

	Wastewater	Water
Balance - Beginning of Year	<u>2,671,005</u>	<u>137,565</u>
Additions:		36,466
Deductions:		
Retirements		
Depreciation Provided by Contributed Capital	<u>(123,522)</u>	<u>(8,429)</u>
Balance - End of Year	<u>2,547,483</u>	<u>165,602</u>

TOWN OF BAR HARBOR
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

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>Nonspendable</u>	<u>Assigned</u>
Cemetery Care	3,332	-
Scholarships	6,488	3,215
Total	<u>9,820</u>	<u>3,215</u>

C. *Pension Plans*

Plan Description

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

The ICMA RC (International City Management Association Retirement Corporation) 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 as defined by the Internal Revenue Code provisions.

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

*TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012*

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 2010, 2011 and 2012 were \$105,143, \$101,711 and \$100, 842 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 4.4% to 5.5% of annual covered payroll, plus a monthly contribution of \$889 and \$483 to fund the IUUAL, or the Initial Unpooled Unfunded Actuarial Liability. The IUUAL liability stands at \$47,073 as of July 1, 2011. The IUUAL is being amortized over 3 years beginning July 1, 2011. Funding for subsequent fiscal year 2013 will be at 5.3% to 6.6% respectively. 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 all four funds for the years ended June 30, 2010, 2011 and 2012, were \$66,022, \$80,352 and \$104,296 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 3.5% of annual covered payroll, plus a monthly payment for all covered employees of \$88. 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, 2010, 2011 and 2012 were \$5,820, \$4,969 and \$5,563 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 14.32% of the annual covered salary for fiscal year 2012. The State's cost for 2012 was approximately \$388,425. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 14.32% of their compensation. This cost amounted to \$20,134 for 2012 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, 2012*

NOTE 4 - OTHER INFORMATION (Continued)

D. Bar Harbor Water Company Pension Plan (Continued)

Based on the latest actuarial valuation as of January 1, 2012, the accrued liability of the plan was \$319,680. The value of assets available for funding totaled \$153,175, leaving an unfunded liability of \$166,505. The total unfunded liability has been recorded as a liability at June 30, 2012 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 \$1,000,000 of risk and purchases excess insurance for claims which exceed \$1,000,000 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.

Property Coverage: Members' deductibles vary by type of coverage. The Pool retains the difference up to \$300,000 per occurrence. The first level of reinsurance provides a limit of \$700,000 on a per occurrence basis. Separate contracts are maintained to provide an additional \$500,000,000 per occurrence, bringing the total limit to \$501,000,000 for the Pool. Varying sublimits apply for forest fire suppression, earthquake and flood, including property located in Special Flood Hazard Areas.

Liability Coverages: The Pool retains the first \$300,000 per occurrence. Separate reinsurance contracts are maintained to provide up to an additional \$700,000 per occurrence, for a total of \$1,000,000 per occurrence for claims brought outside the Maine Tort Claims Act. The Pool retains the first \$300,000 per occurrence for Maine Tort Claims Act claims with reinsurance of \$100,000 per occurrence, for a total of \$400,000; the current statutory limit. The primary reinsurer is limited to a maximum limit of liability of \$25,000,000 ultimate net loss for any one occurrence or claim made.

Public Officials and Employment Practices Liability Coverages: Member deductibles range upwards from \$1,000. The Pool retains the difference to a maximum of \$300,000 per occurrence. Separate reinsurance contracts provide up to \$700,000 per occurrence, \$3,000,000 annual aggregate for each member, subject to \$10,000,000 annual aggregate for the Pool.

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, 2012.

F. Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Bar Harbor, Maine for the year ended June 30, 2009. Under this

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (Continued)

pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust. The Trust is an agent multiple employer Voluntary Employee's Beneficiary Association. The Town is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in October 2011 based on an actuarial valuation date updated to January 1, 2012.

Plan Descriptions – In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis primarily from the general fund. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the years ending June 30, 2012, 2011 and 2010 and the annual required contributions:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal Cost	\$ 19,722	\$ 19,722	\$ 12,062
Amortization of unfunded	\$ 32,400	\$ 32,400	\$ 21,384
Adjustment to ARC	\$ (4,160)	\$ (1,916)	\$ (967)
Interest	\$ 3,909	\$ 2,357	\$ 1,333
Annual required contribution	<u>\$ 51,871</u>	<u>\$ 52,563</u>	<u>\$ 33,812</u>

Net OPEB Obligation – The Town's net OPEB obligation was calculated as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPEB liability, July 1	\$ 71,929	\$ 33,132	\$ 16,715
Annual required contribution	\$ 51,871	\$ 52,563	\$ 33,812
Less: Actual member contributions	<u>\$ (11,493)</u>	<u>\$ (13,766)</u>	<u>\$ (17,395)</u>
OPEB liability, June 30	\$ 112,307	\$ 71,929	\$ 33,132

TOWN OF BAR HARBOR
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 4 - OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (Continued)

Funding Status and Funding Progress – The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2012, 2011 and 2010 was as follows:

	2012	2011	2010
Annual Required Contribution	\$ 51,871	\$ 52,563	\$ 33,812
Actual Member Contributions	\$ 11,495	\$ 13,766	\$ 17,395
Percent contributed	22.16%	26.19%	51.45%
Actuarial accrued liability	\$ 582,677	\$ 582,677	\$ 384,561
Plan Assets	\$ -	\$ -	\$ -
Unfunded actuarial accrued liability	\$ 582,677	\$ 582,677	\$ 384,561
Covered payroll	\$ 2,717,300	\$ 2,577,000	\$ 2,442,000
Unfunded actuarial accrued liability as a percentage of covered payroll	21.44%	22.61%	15.75%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/12
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 8.7%

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

Exhibit H

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	14,402,229	14,402,229	14,366,795	(35,434)
Intergovernmental Revenues	383,369	383,369	402,550	19,181
Departmental Revenues	2,065,116	2,065,116	2,116,324	51,208
Other Local Sources	283,261	283,261	240,264	(42,997)
Total Revenues	17,133,975	17,133,975	17,125,933	(8,042)
Expenditures				
General Government	2,866,399	2,866,399	2,577,469	288,930
Public Safety	2,230,019	2,230,019	2,198,671	31,348
Health and Welfare	117,205	117,205	117,896	(691)
Parks and Recreation	215,880	215,880	211,256	4,624
Island Explorer Shuttle Bus	25,000	25,000	25,000	-
Roads and Sanitation	1,704,846	1,704,846	1,614,189	90,657
Education	5,813,572	5,813,572	5,813,572	-
Assessments	3,057,118	3,057,118	2,999,096	58,022
Total Expenditures	16,030,039	16,030,039	15,557,149	472,890
Excess Revenues Over Expenditures	1,103,936	1,103,936	1,568,784	464,848
Other Financing Sources				
Lease Proceeds	69,760	69,760	69,760	-
Transfers from Other Funds	249,722	249,722	250,608	886
Transfers to Other Funds	(1,423,418)	(1,423,418)	(1,423,418)	-
Total Other Financing Sources	(1,103,936)	(1,103,936)	(1,103,050)	886
Net Change in Fund Balance	-	-	465,734	465,734
Beginning Fund Balances - Budgetary Basis			2,496,243	
Ending Fund Balances - Budgetary Basis			2,961,977	
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			633,155	
Ending Fund Balances - GAAP Basis			3,595,132	

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A-1
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under) Budget</i>
Taxes			
Property	13,515,941	13,453,743	(62,198)
Auto Excise	795,500	818,067	22,567
Boat Excise	12,288	15,213	2,925
Interest/Fees on Taxes	78,500	79,772	1,272
	<u>14,402,229</u>	<u>14,366,795</u>	<u>(35,434)</u>
Intergovernmental Revenues			
State of Maine			
Municipal Revenue Sharing	192,577	200,070	7,493
General Assistance	2,404	663	(1,741)
Urban Rural Initiative Program	68,956	69,125	169
Tree Growth	2,596	4,494	1,898
Veterans Reimbursement	1,696	2,057	361
Homestead Reimbursement	46,176	57,842	11,666
BETE Reimbursement	3,398	3,982	584
State Grants	1	-	(1)
Other Grants	1	-	(1)
Federal			
Acadia National Park - PIUT	65,564	64,317	(1,247)
	<u>383,369</u>	<u>402,550</u>	<u>19,181</u>
Departmental Revenues			
Ambulance/Fire			
Ambulance Service	417,523	404,719	(12,804)
Police			
Police Detail	14,928	8,133	(6,795)
Parking Tickets	47,379	70,037	22,658
All Other	10,304	7,162	(3,142)
Planning / Code			
Building Permits	103,422	114,116	10,694
Plumbing Permits	17,906	25,155	7,249
Electrical Inspections	16,425	20,641	4,216
Vacation Rental Permits	9,551	2,100	(7,451)
Plan Board/Subdivision & Rezoning	1,212	3,021	1,809
Site Plan Review	12,183	7,953	(4,230)
All Other	9,779	5,313	(4,466)
Harbor Fees			
Docking	37,611	33,350	(4,261)
Moorings	4,243	4,650	407
All Other	11,996	11,542	(454)
Solid Waste			
Sale of Recyclables	64,205	125,194	60,989
All Other	1,105	465	(640)
Public Works			
All Other	8,767	9,922	1,155
Parks and Recreation			
Park and Recreation Fees	500	950	450
Fire Department	1	880	879

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A-1
Page 2 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under)</i> <i>Budget</i>
Departmental Revenues (Continued)			
Finance			
Administrative Services	172,767	172,767	-
Auto Registrations	16,643	16,072	(571)
Boat/RV Registrations/Snowmobile Fees	1,582	1,699	117
Municipal Building Leases	34,000	18,775	(15,225)
Town Clerk			
Clerk's Fees	18,021	16,968	(1,053)
All Other	7,333	9,010	1,677
Elementary School	1,025,730	1,025,730	-
	<u>2,065,116</u>	<u>2,116,324</u>	<u>51,208</u>
Other Local Sources			
Interest on Investments	85,000	26,790	(58,210)
Kids Corner Lease	4,500	4,550	50
Other Rentals	2,498	5,590	3,092
Jackson Laboratory - PILT	67,474	72,785	5,311
Housing Authority - PILT	23,919	23,819	(100)
Other - PILT	12,299	13,575	1,276
Cable TV Franchise	79,268	81,624	2,356
Insurance Dividends	7,307	6,198	(1,109)
Sale of Fixed Assets	1	4,191	4,190
All Other	995	1,142	147
	<u>283,261</u>	<u>240,264</u>	<u>(42,997)</u>
Operating Transfers In			
Cemetery Income	70	16	(54)
Cruise Ship Fund	244,909	244,909	-
Dog Control Reserve	2,931	3,134	203
Shellfish Conservation	1,812	2,549	737
	<u>249,722</u>	<u>250,608</u>	<u>886</u>
Other Financing Sources			
Lease Proceeds	69,760	69,760	-
	<u>69,760</u>	<u>69,760</u>	<u>-</u>
Total Revenues, Operating Transfers and Other Financing Sources	17,453,457	<u>17,446,301</u>	<u>(7,156)</u>
Beginning Fund Balance Used	<u>-</u>		
Total	<u><u>17,453,457</u></u>		

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A-2
Page 1 of 2

	<i>Encumbered From 6/30/11</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/13</i>	<i>(Over) Under Budget</i>
General Government					
Town Council	3,816	36,836	38,382		2,270
Town Manager		115,878	113,028		2,850
Town Clerk		110,588	97,836		12,552
Finance		292,406	288,042		4,364
Legal Counsel		23,968	18,297		5,671
Elections		14,150	10,175		3,975
Technology	1,558	124,232	125,145		2,647
Municipal Building		89,872	77,920		11,952
Town Offices		33,424	31,767		1,657
Employee Benefits		1,280,632	1,155,880		124,752
Insurance		83,339	76,752		6,587
Assessing		145,406	144,321		1,085
Code Enforcement		92,495	71,185		21,310
Planning	19,561	271,183	228,607	19,087	43,050
Economic Development		547	-		547
27th Pay Period		12,744	574		12,170
Vacation Accruals		11,394	30,011		(18,617)
Contingency		53,366	-		53,366
Abatement/Discount on Taxes		74,139	77,397		(3,258)
	24,935	2,866,399	2,583,317	19,087	288,930
Public Safety					
Ambulance		381,355	382,178		(823)
Fire Department		707,093	701,345		5,748
Police Department	2,250	719,289	713,290		8,249
Public Safety Building		37,013	42,231		(5,218)
Street Lights		76,868	68,823		8,045
Dispatch		190,705	190,019		686
Harbor Division		117,696	96,835	6,200	14,661
	2,250	2,230,019	2,194,721	6,200	31,348
Health and Welfare					
General Assistance		4,806	1,326		3,480
Cooperating Agencies		35,358	35,358		-
Emergency Management		1,508	-		1,508
Comfort Station		75,533	81,212		(5,679)
	-	117,205	117,896	-	(691)

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A-2
Page 2 of 2

	<i>Encumbered From 6/30/11</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/13</i>	<i>(Over) Under Budget</i>
Parks and Recreation					
Parks & Recreation		198,039	193,758		4,281
Glen Mary Park		17,841	17,498		343
	-	215,880	211,256	-	4,624
Island Explorer Shuttle Bus	-	25,000	25,000	-	-
Roads and Sanitation					
Public Works		144,114	136,970		7,144
Highway Division		1,024,155	928,085		96,070
Solid Waste		536,577	549,134		(12,557)
	-	1,704,846	1,614,189	-	90,657
Education					
Elementary School	512,845	5,813,572	5,718,549	607,868	-
Total Appropriations, Expenditures and Encumbrances	540,030	12,972,921	12,464,928	633,155	414,868
Assessments					
Regional School District		2,449,839	2,449,839		-
County Tax		549,257	549,257		-
Overlay		58,022			58,022
	-	3,057,118	2,999,096	-	58,022
Operating Transfers Out					
Capital Improvements Program		1,423,418	1,423,418		-
	-	1,423,418	1,423,418	-	-
Totals	540,030	17,453,457	16,887,442	633,155	472,890

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A-3

Unassigned Fund Balance, July 1	850,243	
Unassigned Fund Balance, June 30	<u>1,170,977</u>	
Increase (Decrease)		<u><u>320,734</u></u>

Analysis of Change

Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	(7,156)	
Unexpended Balance of Appropriations (Exhibit A-2)	414,868	
Unexpended Balance (Overdraft) of Assessments and Operating Transfers (Exhibit A-2)	58,022	
(Increase) Decrease in Designated for Working Capital	<u>(145,000)</u>	
Budget Surplus		320,734
Deductions		
Fund Balance Used to Fund Appropriations		<u>-</u>
Increase (Decrease)		<u><u>320,734</u></u>

TOWN OF BAR HARBOR
GENERAL RESERVES AND COMMITTED FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

Exhibit A-4

<i>Assets</i>	<i>Dog Control Reserve</i>	<i>Cruise Ship Fund</i>	<i>Total</i>
Accounts Receivable		18,546	18,546
Due from Other Funds	2,040	135,810	137,850
Total Assets	2,040	154,356	156,396
 <i>Liabilities & Fund Balances</i>			
Liabilities			
Accounts Payable		4,063	4,063
Total Liabilities	-	4,063	4,063
 Fund Balances			
Restricted	2,040		2,040
Assigned		150,293	150,293
Total Fund Balances	2,040	150,293	152,333
Total Liabilities & Fund Balances	2,040	154,356	156,396

TOWN OF BAR HARBOR

Exhibit A-5

GENERAL RESERVES AND COMMITTED FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	<i>Dog Control Reserve</i>	<i>Shellfish Conservation Reserve</i>	<i>Cruise Ship Fund</i>	<i>Total</i>
Revenues				
Dog Fees	3,251			3,251
Shellfish Fees		2,549		2,549
Ferry Terminal Reimbursements			21,600	21,600
Port Fees			215,857	215,857
Cruise Ship Passenger Fees			376,160	376,160
Total Revenues	3,251	2,549	613,617	619,417
Expenditures				
Public Safety	117			117
Cruise Ship Operating			129,558	129,558
Total Expenditures	117	-	129,558	129,675
Excess of Revenues Over (Under) Expenditures	3,134	2,549	484,059	489,742
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds	(3,134)	(2,549)	(496,346)	(502,029)
Total Other Financing Sources (Uses)	(3,134)	(2,549)	(496,346)	(502,029)
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	-	-	(12,287)	(12,287)
Fund Balance - July 1	2,040	-	162,580	164,620
Fund Balance - June 30	2,040	-	150,293	152,333

TOWN OF BAR HARBOR
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

Exhibit B-1

<i>Assets</i>	<i>Homeland Security Grant - 2009</i>	<i>ARRA Port Security Grant</i>	<i>Safe Routes To School</i>	<i>Septic Grant</i>	<i>Total</i>
Due from Other Funds	156,978	64,959			221,937
Due from Other Governments			164,935	500	165,435
Total Assets	156,978	64,959	164,935	500	387,372
 <i>Liabilities & Fund Balances</i>					
<i>Liabilities</i>					
Due to Other Funds			141,691	500	142,191
Accounts Payable		2,155	20,663		22,818
Retainage Payable			2,581		2,581
Accrued Compensated Absences		11,540			11,540
Accrued Salaries		3,037			3,037
Total Liabilities	-	16,732	164,935	500	182,167
 <i>Fund Balances</i>					
Restricted	156,978	48,227			205,205
Total Fund Balances	156,978	48,227	-	-	205,205
Total Liabilities & Fund Balances	156,978	64,959	164,935	500	387,372

TOWN OF BAR HARBOR
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES
 SPECIAL REVENUES/GRANTS
 FOR THE YEAR ENDED JUNE 30, 2012

Exhibit B-2

	<i>Scenic Byways Grant</i>	<i>Homeland Security Grant - 2009</i>	<i>Homeland Security Grant - 2008</i>	<i>ARRA Port Security Grant</i>	<i>Safe Routes To School</i>	<i>Energy Grant</i>	<i>Septic Grant</i>	<i>Total</i>
Revenues								
Local Revenues							500	500
Intergovernmental				418,743	153,035			571,778
Total Revenues	-	-	-	418,743	153,035	-	500	572,278
Expenditures								
Public Works							500	500
Public Safety		724	69,031	373,991	153,035			596,781
Total Expenditures	-	724	69,031	373,991	153,035	-	500	597,281
Excess of Revenues Over (Under) Expenditures	-	(724)	(69,031)	44,752	-	-	-	(25,003)
Other Financing Sources (Uses)								
Transfers from Other Funds		88,014						88,014
Transfers to Other Funds								-
Total Other Financing Sources (Uses)	-	88,014	-	-	-	-	-	88,014
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	87,290	(69,031)	44,752	-	-	-	63,011
Fund Balance - July 1	-	69,688	69,031	3,475	-	-	-	142,194
Fund Balance (Deficit) - June 30	-	156,978	-	48,227	-	-	-	205,205

**TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit C-1
Page 1 of 3*

<i>Town Projects</i>	<i>Balance July 1</i>	<i>Budget</i>	<i>Revenues and Transfers</i>	<i>Expenditures/ Transfers</i>	<i>Balance (Over) Under</i>	<i>Transfers From (To) Unreserved</i>	<i>Balance June 30</i>
Town Clerk							
Computerized Voting Equipment	8,326	7,074			15,400		15,400
Finance							
Computer Hardware	7,224	5,363			12,587		12,587
Computer Software	10,000			(5,150)	4,850		4,850
Technology							
Copier Equipment	643	3,505			4,148		4,148
Wide Format Scanner & GIS Equipment	3,000	5,845			8,845		8,845
GPS Unit	673	(673)			-		-
WAN & Cable TV System	17,572	13,030			30,602		30,602
Audio Visual Equipment	610	305			915		915
Document Imaging System	14,696	2,000		(13,677)	3,019		3,019
Computer Servers	3,436	8,189		(1,973)	9,652		9,652
Town Office Phone System	8,783	3,217			12,000		12,000
Asset Management System	7,120			(1,383)	5,737		5,737
Municipal Building							
Building Renovation	147,093			(42,896)	104,197		104,197
Code Enforcement							
Pickup Inspection Truck	6,855	2,667			9,522		9,522
Assessing							
Property Tax Maps & Revaluation	17,454	(5,000)			12,454		12,454
Assessing Software	5,000				5,000		5,000
Vehicle Purchase	2,400	7,667			10,067		10,067
Planning							
Aerial Photography Update	14,773	8,502			23,275		23,275
Downtown Streetscapes	35,040	(35,040)			-		-
Ambulance							
Ambulance Reserve	71,978	33,674			105,652		105,652
Defibrillators	21,220	3,000			24,220		24,220
Jaws of Life	8,488				8,488		8,488
Fire Department							
Fire Engine #2	53,528	8,267			61,795		61,795
Fire Engine #3 Reserve	16,082	8,041			24,123		24,123
Fire Engine #4	108,014	16,667			124,681		124,681
Fire Engine #5	72,470	8,267			80,737		80,737
Pickup Truck Replacement	16,685	4,791			21,476		21,476
Thermal Imaging Camera	13,283	2,415			15,698		15,698
SCBA's & Cascade System	6,025	6,025			12,050		12,050
Police Department							
Computers & Software	7,000	3,533		(4,005)	6,528		6,528
Radio Base Station & Console	31,993	8,158		(23,413)	16,738		16,738
Speed Trailer & Monitor	2,948	719			3,667		3,667
Cruiser Replacement	1,667	25,849		(27,398)	118		118
Port Security Grant Match - 2009	-	88,014		(88,014)	-		-
Cruiser Equipment	-	4,100			4,100		4,100
Security camera System	-	2,500			2,500		2,500
Night Vision Units	-	1,360			1,360		1,360
Port Security Boat	-	8,819			8,819		8,819

**TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit C-1
Page 2 of 3*

	<u>Balance July 1</u>	<u>Budget</u>	<u>Revenues and Transfers</u>	<u>Expenditures/ Transfers</u>	<u>Balance (Over) Under</u>	<u>Transfers From (To) Unreserved</u>	<u>Balance June 30</u>
<i>Town Projects (Continued)</i>							
Public Safety Building							
Phone System Replacement	7,254	747			8,001		8,001
Public Safety Bldg. Generator	5,608	667			6,275		6,275
School Shelter Generator	667	667			1,334		1,334
Building Renovations	20,019	21,600		(30,830)	10,789		10,789
Harbor Department							
Harbor Master Boat & Trailer	12,444	2,100			14,544		14,544
New Floats	34,993	8,476			43,469		43,469
Gangway Replacement	8,280	1,633			9,913		9,913
Harbor Master's Office	35,603	(18,327)		(17,276)	-		-
Pier Renovations	1,000	500			1,500		1,500
Security Camera System	860	860			1,720		1,720
Parks & Recreation							
Museum in the Streets	19,604			(8,998)	10,606		10,606
Albert Meadow-Grant's Park	5,000	464			5,464		5,464
Mt Desert Cemetery	60,728				60,728		60,728
Park Equipment	1,837	5,000			6,837		6,837
Launch Ramp-Hadley Point		1,496			1,496		1,496
Village Green Bandstand		1,233			1,233		1,233
Glen Mary Renovations	12,652	5,429			18,081		18,081
Harborview Park	46,867				46,867		46,867
Comfort Stations							
New Restrooms Construction	49,875	536			50,411		50,411
Public Works / Highway							
Land Acquisition & Development	25,000	146,000		(145,350)	25,650		25,650
Air Compressor	3,200	1,000			4,200		4,200
Backhoe Reserve (Cat & Deere)	47,193	19,692			66,885		66,885
Brush Chipper	17,156	3,499			20,655		20,655
Bikeway Construction	3,563	(3,563)			-		-
Grader Reserve	103,569	11,466			115,035		115,035
Hydraulic Lifts	1,000				1,000		1,000
Front End Loader Reserve	90,448	9,267			99,715		99,715
Road Improvement Program	2,267,809	326,361		(487,779)	2,106,391		2,106,391
Sidewalk Plow	58,804	14,299			73,103		73,103
Sidewalk Reconstruction Program	189,823	172,983		(2,935)	359,871		359,871
Washer, Steam Pressure	10,480				10,480		10,480
Street Sweeper (Broom)	41,693	7,733			49,426		49,426
Street Sweeper (Vacuum)	111,033	10,407			121,440		121,440
Tag Trailer	7,992	2,407			10,399		10,399
Water Truck	17,963	2,037		(20,000)	-		-
Light Truck Purchase	15,413	31,924			47,337		47,337
Plow Truck Reserve	103,856	41,144		(143,331)	1,669		1,669
Bobcat Loader	16,466	6,947			23,413		23,413
Roller, Vibratory	26,165	1,379			27,544		27,544
Waste Oil Furnace	3,902	1,198		(5,141)	(41)	41	-

TOWN OF BAR HARBOR
 CAPITAL IMPROVEMENTS PROGRAM
 SCHEDULE OF ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2012

Exhibit C-1
 Page 3 of 3

	Balance July 1	Budget	Revenues and Transfers	Expenditures/ Transfers	Balance (Over) Under	Transfers From (To) Unreserved	Balance June 30
<i>Town Projects (Continued)</i>							
Solid Waste Division							
Storage	6,125	375		(4,133)	2,367		2,367
Bailers	7,220	2,280		(10,645)	(1,145)	1,145	-
Glass Crusher	3,584				3,584		3,584
Forklifts	22,411	7,589		(21,385)	8,615		8,615
Transfer Station Reserve	2,168				2,168		2,168
Recycling Facility Reserve	645				645		645
Debt Service							
Building Renovation Bond Payment	-	32,539		(32,539)	-		-
Debt Service - Agamogog Park	-	61,780		(61,780)	-		-
Public Works	47,845	247,750		(295,537)	58	(58)	-
Town Total	4,317,896	1,452,424	-	(1,495,568)	4,274,752	1,128	4,275,880
<i>School Projects</i>							
Building Addition Payments	-	122,475		(122,656)	(181)	181	-
2004 Heating System Payment	-	70,000		(70,000)	-		-
2004 Heating System Payment	-	60,550		(60,953)	497	(497)	-
ADA Act Renovations	12,728	15,000			27,728		27,728
Capital Outlay Reserve	11,421	67			11,488	(14,021)	(2,533)
Furniture & Equipment	854	5,000		(5,921)	(67)	67	-
Computers & Technology	15,476	55,000		(65,281)	7,195		7,195
Carrier Lease/Purchase	165	9,300		(14,993)	(5,528)	5,528	-
Flooring	20,991	1,500			22,491		22,491
Repaving	7,500	7,500			15,000		15,000
Asbestos Removal	8,810				8,810		8,810
Pickup Truck Replacement	5,530	5,641			11,171		11,171
Playground Equipment	1,886	2,500			4,386		4,386
Roof Repairs	20,668	5,000			25,668		25,668
Connors Windows	12,065				12,065		12,065
Elevator Drainage Pit	-	(5,000)			(5,000)	5,000	-
Gym Floor Resurface	-	2,000			2,000		2,000
Boiler Lead-Lag System	9,000	9,300		(2,525)	15,975		15,975
Tractor Flow Reserve		2,500			2,500		2,500
Kitchen Floor		15,000		(10,430)	4,570		4,570
Biochar Dreddy	2,000				2,000		2,000
Emerson Entry Doors		10,000		(13,742)	(3,742)	3,742	-
Roof Fascia & Drainage	16,430	(15,000)			830		830
Sewer Lines	6,064				6,064		6,064
Safety & Access Control	11,858	7,600			19,458		19,458
Indoor Pipe Replacement	32,450	5,000			37,450		37,450
School Total	195,896	390,533	-	(363,601)	222,828	-	222,828
Subtotal	4,513,792	1,842,957	-	(1,859,169)	4,497,580	1,128	4,498,708
Unreserved - Undesignated Balance	41,721	(1,842,957)	1,819,381	-	18,145	(1,128)	17,017
Totals	4,555,513	-	1,819,381	(1,859,169)	4,515,725	-	4,515,725

TOWN OF BAR HARBOR
 COMBINING BALANCE SHEET
 ALL PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

Exhibit D-1

<i>Assets</i>	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Cash and Equivalents	3,371	1,158	4,529
Investments	6,332	2,174	8,506
Total Assets	9,703	3,332	13,035
<i>Liabilities & Fund Balances</i>			
Liabilities			
Duc to Other Funds			-
Total Liabilities	-	-	-
Fund Balances			
Nonspendable	6,488	3,332	9,820
Assigned	3,215	-	3,215
Total Fund Balances	9,703	3,332	13,035
 Total Liabilities & Fund Balances	 9,703	 3,332	 13,035

TOWN OF BAR HARBOR
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit D-2

	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
New Funds		1,195	1,195
Investment Income	56	16	72
	<u>56</u>	<u>1,211</u>	<u>1,267</u>
Expenditures			
Scholarships			-
	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>56</u>	<u>1,211</u>	<u>1,267</u>
Other Financing Sources (Uses)			
Transfers to Other Funds		(16)	(16)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(16)</u>	<u>(16)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	56	1,195	1,251
Fund Balance - July 1	<u>9,647</u>	<u>2,137</u>	<u>11,784</u>
Fund Balance - June 30	<u>9,703</u>	<u>3,332</u>	<u>13,035</u>

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APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINION**

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207 623-1596 main
207 626-0200 facsimile
bernsteinshur.com

BERNSTEIN SHUR

C O U N S E L O R S A T L A W

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

August 15, 2013

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 acted as bond counsel in connection with the issuance by the Town of Bar Harbor, Maine (the "Issuer") of \$3,350,000 General Obligation Bonds dated August 15, 2013 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion, including the Arbitrage and Use of Proceeds Certificate and the General Certificate of the Treasurer of the Issuer.

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 are issued only as fully-registered bonds without coupons, one certificate per maturity and are registered in the name of Cede & Co., nominee for Depository Trust Company ("DTC"). DTC acts as the securities depository for the Bonds. Purchases of the Bonds are made in book-entry form, in the denomination of \$5,000 or any integral multiples thereof. The Bonds are dated August 15, 2013 and bear interest payable on April 15, 2014 and semi-annually thereafter on October 15 and April 15 of each year until maturity.

The Bonds are lettered GO and are numbered from one (1) upwards, and mature annually as follows:

<u>Oct 1,</u>	<u>Amount</u>	<u>CUSIP</u>	<u>Oct 1,</u>	<u>Amount</u>	<u>CUSIP</u>
2014	120,000	066878	2024	165,000	066878
2015	120,000	066878	2025	175,000	066878

<u>Oct 1,</u>	<u>Amount</u>	<u>CUSIP</u>	<u>Oct 1,</u>	<u>Amount</u>	<u>CUSIP</u>
2016	125,000	066878	2026	180,000	066878
2017	130,000	066878	2027	185,000	066878
2018	135,000	066878	2028	195,000	066878
2019	140,000	066878	2029	200,000	066878
2020	145,000	066878	2030	205,000	066878
2021	150,000	066878	2031	215,000	066878
2022	155,000	066878	2032	220,000	066878
2023	160,000	066878	2033	230,000	066878

The Bonds maturing on or before October 15, 2023 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing after October 15, 2023 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on or after October 15, 2023 as a whole at any time, 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.

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. 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 constitute "qualified tax-exempt obligations" under Section 265(b) of the Code.
3. The Bonds, having been executed by the appropriate officials as indicated on the face thereof, are valid and binding obligations of the Issuer 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 taxable property within the territorial limits of the Issuer, except to the extent that the Issuer may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share assessed valuation with another municipality and except to the extent that the Issuer may establish or may have established municipal development districts either as tax increment financing districts or municipal 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.

4. 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 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 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 and Tax 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. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

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, and is treated as "disqualified income" for purposes of determining whether an individual is

eligible for the earned income tax credit. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

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 the executed Bonds and, in our opinion, the form of said Bonds and their 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 \$3,350,000 2013 General Obligation Bonds, dated as of August 15, 2013 (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 August __, 2013 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 established under the Securities and Exchange Act of 1934, as amended, or any successor thereto ("MSRB"): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2014, 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 payer or property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension and other post employment benefit 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 not in excess of ten (10) business days after the occurrence of an event listed in this Section 2 to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - 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, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - g. Modifications to the rights of securities holders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. The release, substitution, or sale of property securing repayment of the Bonds; or
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the Issuer; for the purposes of the event identified in paragraph l, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all

- of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);
- m. The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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 to the MSRB 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. Except for a one-day late filing for fiscal year 2012, 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: _____

Dated: _____, 2013

Its: _____

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