



In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A. of Augusta, Maine, 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 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 is 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. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, the interest paid on the Bonds is exempt from income tax within 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**  
**\$2,970,000**  
**2015 GENERAL OBLIGATION BONDS**

**Dated: Date of Delivery**

**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>
2016	\$180,000	2.00%	0.35	2026	\$155,000	5.00%	2.40
2017	180,000	3.00	0.70	2027	155,000	2.50	100
2018	180,000	4.00	0.90	2028	105,000	3.00	2.65
2019	185,000	3.00	1.10	2029	105,000	3.00	2.80
2020	185,000	3.00	1.35	2030	105,000	3.00	2.90
2021	185,000	3.00	1.65	2031	105,000	3.00	100
2022	190,000	4.00	1.85	2032	105,000	3.00	3.05
2023	190,000	4.00	1.95	2033	105,000	3.00	3.10
2024	190,000	4.00	2.05	2034	105,000	3.00	3.15
2025	155,000	5.00	2.20	2035	105,000	3.00	3.20

The 2015 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 U.S. Bank, National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on April 15, 2016, 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 (see "THE BONDS—SOURCE OF PAYMENTS 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. See "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein. 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, 2025 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing on and after October 15, 2026 are subject to redemption prior to maturity, at the option of the Town, on and after October 15, 2025 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 September 10, 2015.

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  
\$2,970,000  
2015 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 2015 General Obligation Bonds (the “Bonds” or the “2015 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”; or the “Securities Depository”). 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 September 10, 2015 and will bear interest, payable on April 15, 2016, 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>
\$180,000	2016	066878HS1	\$155,000	2026	066878JC4
180,000	2017	066878HT9	155,000	2027	066878JD2
180,000	2018	066878HU6	105,000	2028	066878JE0
185,000	2019	066878HV4	105,000	2029	066878JF7
185,000	2020	066878HW2	105,000	2030	066878JG5
185,000	2021	066878HX0	105,000	2031	066878JH3
190,000	2022	066878HY8	105,000	2032	066878JJ9
190,000	2023	066878HZ5	105,000	2033	066878JK6
190,000	2024	066878JA8	105,000	2034	066878JL4
155,000	2025	066878JB6	105,000	2035	066878JM2

It is expected that the Bonds will be available for delivery at DTC on or about September 10, 2015.

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 U.S. Bank, National Association, Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein.

**OPTIONAL REDEMPTION PRIOR TO MATURITY**

Bonds maturing on or before October 15, 2025 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after October 15, 2026 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after October 15, 2025, 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 optional 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 such address as shall 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 when held by a Securities Depository by lot and when not held by a Securities Depository 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**

Bonds to provide funds to finance projects are issued pursuant to Article II, Section C-6.B(1) of the Town's Charter (action of the voters of the Town at its Annual Town Meeting) and by Title 30-A, Section 5772 of the Maine Revised Statutes, as amended. The portion of the 2015 Bonds being issued for the Water Main Project, as defined below, has also been approved by an *Order(s) Approving Issue of Securities*, consented by the Maine Public Utilities Commission ("MPUC") at its meeting held on August 4, 2015 (Docket #2015-00206).

### **Public Safety Building Project**

At its April 21, 2015 meeting, The Town Council approved Article R(3) to send to the voters a warrant that would authorize the Town Council to issue debt, in an amount not to exceed \$400,000, to provide funds to finance repairs to, and replacement and renovations of the Town's Public Safety Building located in the downtown at 37 Firefly Lane (the "Public Safety Project"). At its Annual Town Meeting held June 2, 2015 the voters of the Town approved the Public Safety Project and funding thereon.

### **Route 3 Water Main Project**

In the fall of 2016, the State of Maine Department of Transportation ("DOT") anticipates beginning the construction phase of the five-mile State Route 3 corridor area, from Ireson Hill to West Street, which leads into the village of Bar Harbor. All pole utility services will be moved, State Route 3 will be widened, watermains moved, roads and sidewalks rebuilt (the "Route 3 Project"). This is expected to be a multi year project. The Town has previously funded its portion of the road/sidewalk monies, in the amount of \$540,000, from fund balance. There are no significant sewer utility charge changes.

At its April 21, 2015 meeting, The Town Council approved Article S(3) to send to the voters a warrant that would authorize the Town Council to issue debt, in an amount not to exceed \$1,700,000, to provide funds to finance water mains improvements for the Route 3 Project (the "Water Main Project"). At its Annual Town Meeting held June 2, 2015 the voters of the Town approved the Water Main Project and funding thereon.

### **The 2005 Bonds**

The Town issued \$1,600,000 of its 2005 General Obligation Bonds, dated February 1, 2005 (the "2005 Bonds") pursuant to action of the Town's voters at Town Meetings held on March 24, 1998, July 6, 1999 and June 22, 2004; and votes of the Town Council at meetings held on April 21, 1998, July 6, 1999, November 23, 1999, July 6, 2004 and December 21, 2004.

### The Hulls Cove Project

Starting in 1998, the Town authorized the issuance of bonds and acceptance of grants to provide funds to finance necessary improvements at the Hulls Cove wastewater treatment facility, pump station, force main, gravity sewer and compost site (the “Hulls Cove Project”). A portion of the cost of the Hulls Cove Project was financed from the proceeds of the Town’s \$315,000 2000 loan and a \$385,000 grant financed through the United States Department of Agriculture’s Department of Rural and Economic Community Development (“RECD”) successor to the Farmers Home Administration. A supplemental portion of the cost of the Hulls Cove Project was financed from the proceeds of the Town’s \$550,000 2000 RECD loan and \$450,000 grant (the loans collectively the “RECD Loans”). The Town used a portion of the proceeds of its 2005 Bonds, in the amount of \$800,000, to refund the RECD Loans, on a current basis. A portion of the proceeds of the 2015 Bonds, in the amount of \$510,000, will be used to refund the RECD Loans portion of the 2005 Bonds, on a current basis.

### The Beach Wall Project

The voters of the Town approved the issuance of \$800,000 in debt and approximately \$700,000 from government grants, private contributions and Town funds in to provide funds necessary for granite-faced replacement of the retaining wall above the Town Beach (the “Beach Wall Project”), ocean-side near the Town Pier; construction of a beach access ramp; and landscaping of the adjacent Agamont Park. A portion of the proceeds of the 2015 Bonds, in the amount of \$360,000, will be used to refund the Beach Wall Project portion of the 2005 Bonds, on a current basis.

### Amortization of the Projects

<b>Due Oct 15,</b>	<b>RECD Loans</b>	<b>2005 Bonds</b>		<b>Public Safety</b>	<b>Water Main</b>	<b>2015 Bonds</b>
		<b>Beach Wall</b>	<b>Total 2005 Bonds</b>			
2016	\$35,000	\$40,000	\$75,000	\$20,000	\$85,000	\$180,000
2017	35,000	40,000	75,000	20,000	85,000	180,000
2018	35,000	40,000	75,000	20,000	85,000	180,000
2019	40,000	40,000	80,000	20,000	85,000	185,000
2020	40,000	40,000	80,000	20,000	85,000	185,000
2021	40,000	40,000	80,000	20,000	85,000	185,000
2022	45,000	40,000	85,000	20,000	85,000	190,000
2023	45,000	40,000	85,000	20,000	85,000	190,000
2024	45,000	40,000	85,000	20,000	85,000	190,000
2025	50,000		50,000	20,000	85,000	155,000
2026	50,000		50,000	20,000	85,000	155,000
2027	50,000		50,000	20,000	85,000	155,000
2028				20,000	85,000	105,000
2029				20,000	85,000	105,000
2030				20,000	85,000	105,000
2031				20,000	85,000	105,000
2032				20,000	85,000	105,000
2033				20,000	85,000	105,000
2034				20,000	85,000	105,000
2035				20,000	85,000	105,000
	<u>\$510,000</u>	<u>\$360,000</u>	<u>\$870,000</u>	<u>\$400,000</u>	<u>\$1,700,000</u>	<u>\$2,970,000</u>

## **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 (see “TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” section herein). 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. See also "TOWN FINANCES – PROPERTY TAX LEVY LIMIT" on page 32 herein.

## **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.

### **Designated as 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](http://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 "Aa2" by Moody's Investors Service ("Moody's") and "AAA" 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.

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” and incomplete financial statements thereon, both for the fiscal year ended June 30, 2012, 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. However, the Town has failed to file Operating Data “for the preceding fiscal year of the type presented in the Town’s Official Statements prepared in connection with the sale of its Bonds” for the fiscal years June 30, 2009 through 2013. The Town recognizes its obligation in this undertaking and (a) has filed a material event Notice of Failure to File Operating Data and (b) has incorporated procedures to ensure Operating Data filings, in a timely manner, in conformance with the Rule on a going forward basis. The following list summarizes financial filings records by the Town:

<b><u>Financial Period</u></b>	<b><u>Filed with EMMA</u></b>	<b><u>Days from end of FY</u></b>
06/30/2014	01/07/2015	185
06/30/2013	01/15/2014	199
06/30/2012	03/28/2013 <sup>(1)</sup>	271
06/30/2011	02/08/2012	223
06/30/2010	02/02/2011 <sup>(2)</sup>	217
06/30/2009	12/03/2009	156

NOTE: <sup>(1)</sup> The Town intended to file its Financial/Operating filing for fiscal year ended June 30, 2012 but inadvertently did not post the entire financial statements for that period. The entire Financial Statement for fiscal year ended June 30, 2012 was posted on August 4, 2014. Additionally, on August 4, 2014 the Town posted a material event Notice of Failure to File due to this circumstance.

<sup>(2)</sup> Search CUSIP 066878FC8, issue dated 05/01/2010 on EMMA to verify the original posting of 02/02/11.

### **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 U.S. Bank, National Association, Boston, Massachusetts, which certificate will appear on the Bonds.

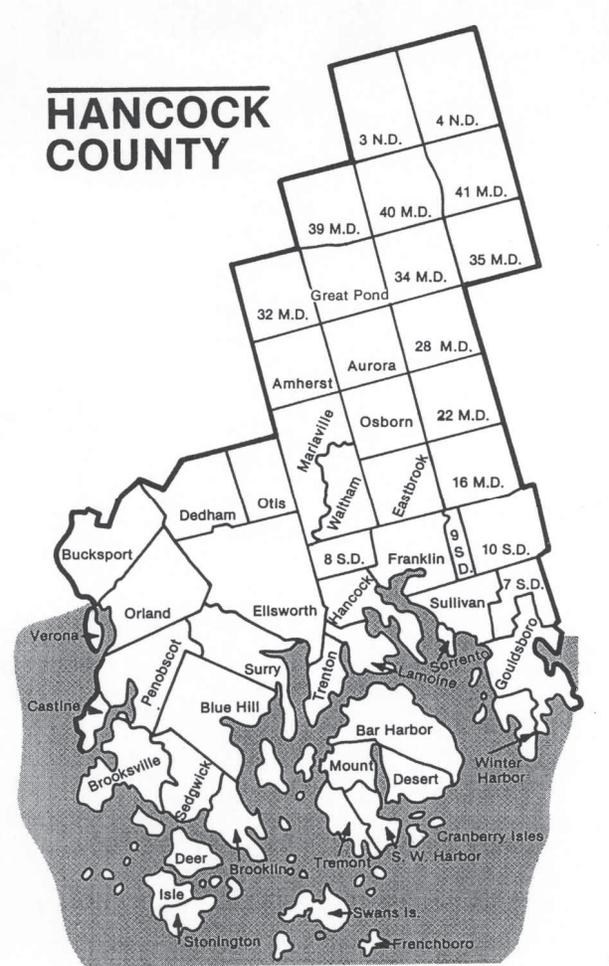
### **Certificate With Respect to Official Statement**

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 from the Government of Nova Scotia, Canada service was suspended in 2006. The Maine Port Authority and Marine Atlantic (terminal owner) have nearly concluded their negotiations for a lease/purchase agreement. There should be an announcement by fall. It is anticipated that the terminal will be the gateway for the cruise ships’ tendering operations to start and eventually docking capabilities.



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, effective July 1, 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 (except Land Use) 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” 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.

In 2015 the Town funded a study to possibly bring broadband to its entire geographic community. This was motivated by stalled franchise negotiations with its existing provider Time Warner that supplies fiber currently at no cost to its major municipal buildings. The scope of the study is to investigate a complete fiber rebuild to all its municipal facilities, including water utility locations as well as all wastewater plants and pump stations. This would provide a real time communication mechanism on all its utilities, perhaps avoiding Combined Sewer Overflow (“CSO”) violations with faster response time. This fiber build, initially funded by a portion of taxes and utility user fees, would also provide the initial backbone for a majority of the Town’s residents. Subsequent expansion for providing reasonable cost broadband to customers in the downtown and residents in the rural areas would occur as demand and the political will for funding economic development enables the build out by signing up user fees. The Town is beginning to recognize that broadband availability may well be a necessary public utility; part of its critical infrastructure.

## **Public Safety**

The Police and Dispatch Departments are staffed by 17 full-time employees which include a Police Chief, two Lieutenants, one Sergeant, nine Patrol Officers, four dispatchers and one administrative assistant; and maintains four vehicles and a 26-foot Police Boat for cruise ship and port security. The Police Chief and administrative assistant are successfully shared with the neighboring Town of Mount Desert on a 60/40% funding basis; with officers of both communities deputized for any mutual aid related coverage. The Fire and Ambulance Departments are operated by a Fire Chief, one Assistant Chief, two Captains, 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 900 runs per year in the effort to maintain 24-hour paramedic coverage and is partly 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 and reaffirmed with a 5/9 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 187 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 \$59 per ton (\$83 gross cost less \$24 reimbursement). Additional haulage costs are contracted out at approximately \$26 per ton.

***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 and eight full-time employees. The Division maintains three treatment plants, 11 pump stations and 20 miles of mains. The main wastewater plant is a Class IV facility with four fully licensed operators. In the 2014 fiscal year the average flow treated at the Main Plant was 1.12 million gallons per day ("MGD") or 56% of its 2.00 MGD design criteria; and 0.064 MGD at the Hulls Cove Plant, or 42% of its 0.150 MGD design criteria. The average daily flow at the Main Street Pumping Station is currently 775 gallons per minute ("GPM") or 20% of its 3,888 GPM design criteria; and 44 GPM at the Hulls Cove Pump Station, or 16% 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 the last 1% of its infiltration and inflow ("I & I") problems. This led to the development of the Combined Sewer Overflow Master Plan ("CSO Master Plan") which was approved by the DEP in 2010. The plan identified an alternative to install additional pumping capacity at selected pump stations and a "swirl concentrator" at the main plant for treatment of storm flows. The estimated costs of this project are approximately \$7.5 Million. Due to the Town's successful I&I removal work, we were able to negotiate the implementation of the CSO Master Plan out of the present licensing renewal period. We are required to identify and perform more I&I removal projects as well as re-evaluate our CSO Master plan by 2020.

	<u>Type of Use</u>	<u>2014 Revenues</u>	<u>% of Total</u>
<b><u>Largest Wastewater Customers</u></b>			
Jackson Laboratory	Genetic Research & Mice Prod	\$457,094	21.9%
Witham Family LTD	Hotels	183,156	8.8%
Eden Street Trust	Hotel	62,899	3.0%
Hulls Cove, LLC	Hotel	46,645	2.2%
Golden Anchor, LC	Hotel	38,401	1.8%
BHTC 111, LLC	Tennis & Swim Club	32,860	1.6%
Bar Harbor Housing Authority	Low Income/Elderly Housing	29,510	1.4%
Town of Bar Harbor	Parks, Bldgs, Schools	28,918	1.4%
Mt. Desert Hospital	Hospital	27,033	1.3%
Lafayette Bluenose, LLC	Hotel	24,480	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. 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 garage building in July 2014 and utilized the proceeds to fund its working capital. Its 2016 budget was passed with an increase in rates anticipated to be filed with the Maine Public Utilities Commission in October of 2015. The higher rates will pay for the new debt service relating to this bond issue.

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 1,743 metered 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 943,000 gallons per day (or 0.2% of storage capacity) with maximum daily draft of 1,792,000 gallons per day (or 0.3% of storage capacity).

<u>Largest Water Customers</u>	<u>Type of Use</u>	<u>2014 Revenues</u>	<u>% of Total</u>
Town of Bar Harbor	Parks, Bldgs, Schools & Hydrants	\$520,300	30.6%
Jackson Laboratory	Genetic Research & Mice Prod	168,520	9.9%
Witham Family LTD Partnership	Hotels	76,034	4.5%
College of the Atlantic	College	25,091	1.5%
Golden Anchor	Hotel	18,602	1.1%
Lafayette Bar Harbor, LLC	Hotel	16,597	1.0%
Mount Desert Hospital	Hospital	16,431	1.0%
Kebo Valley Club	Golf Course	15,043	0.9%
Bar Harbor Housing Authority	Low Income/Elderly Housing	13,202	0.8%
BHTC 111, LLC	Tennis & Swim Club	13,071	0.8%

<u>Standpipes or Storage Tanks</u>	<u>Classification</u>	<u>Year Built</u>	<u>Capacity (000 gallons)</u>
Duck Brook	Riveted Steel	1936	528,000
Jackson Lab	Welded Steel	1968	500,000
Duck Brook	Underground Concrete	2001	500,000

<u>Number of Water System Customers</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	1,272	1,251	1,249	1,247	1,241
Commercial	490	505	493	490	491
Industrial (Jax Lab)	39	42	43	43	43
Governmental	53	53	52	52	51
<b>Total</b>	<b>1,854</b>	<b>1,851</b>	<b>1,837</b>	<b>1,832</b>	<b>1,826</b>

<u>Water Sales (per 1,000 gallons)</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	83,026	73,690	71,570	65,318	59,766
Commercial	110,013	101,306	102,200	103,634	107,376
Industrial (Jax Lab)	54,566	52,065	57,920	60,116	56,251
Public Authorities	10,803	10,831	9,905	10,170	5,357
<b>Total Water Sales</b>	<b>258,408</b>	<b>237,892</b>	<b>241,595</b>	<b>239,238</b>	<b>231,750</b>

<u>Water Sales (Revenue)</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	\$385,829	\$433,721	\$426,246	\$484,620	\$482,859
Commercial	384,359	419,435	421,111	494,752	526,799
Industrial (Jax Lab)	93,311	105,520	116,518	138,761	136,958
Public Authorities	41,294	50,060	47,001	56,710	51,637
Public Fire Protection	346,992	402,968	402,968	480,468	480,468
Private Fire Protection	72,762	87,703	89,174	106,563	107,952
<b>Total Water Sales</b>	<b>\$1,324,547</b>	<b>\$1,449,407</b>	<b>\$1,503,018</b>	<b>\$1,761,874</b>	<b>\$1,786,673</b>

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”).

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NOTE: *School Unions* in Maine were a combination of two or more cities or towns joined together for administrative purposes only to better cost justify the employment of a superintendent of schools. The city or town shared a superintendent’s services and office expense, apportioned to each community on a pro rata share of the superintendent’s services to the community. As such, the individual community maintained its own budget, had its own school committee and operated independently as a separate unit, except for the superintendent expenses; *Community School Districts* (“CSD”) in Maine were a combination of two or more municipalities who form to build, maintain and operate a school or schools to educate certain grades (e.g., grades 9 through 12). The member towns maintain individual control for the education of their students for grades not included in a CSD; *School Administrative Districts* (“MSAD”) in Maine were a combination of two or more municipalities who pooled all educational resources to educate all students of the constituent municipalities, with one school committee comprised of people elected from member municipalities and shared the MSAD costs among member municipalities based on a formula.

Article V, Section C-26 of the Town’s Charter establishes a five-member Superintending School Committee, elected by the voters at-large for three year terms. The School Committee selects from its membership its four representatives to MDI RSS. MDI RSS is operated through an 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 RSU for a Budget Validation Referendum. All real property previously held by each SAU remains the property of the respective community.

**Composition of MDI RSS**

<b>Former Administrative Unit</b>	<b>Community</b>	<b>School</b>	<b>Grade</b>	<b>Enrollment (as of Oct. 1, 2014)</b>
School Union #98	Bar Harbor	Conners-Emerson School	K-8	374
School Union #98	Cranberry Isles	Islesford School	K-8	14
School Union #98	Frenchboro	Frenchboro Elementary	K-8	2
School Union #98	Mount Desert	Mt Desert Elementary	K-8	190
School Union #98	Southwest Harbor	Pemetic Elementary	K-8	146
School Union #98	Tremont	Tremont Consolidated	K-8	115
School Union #92	Trenton	Trenton Elementary	K-8	122
MSAD No. 76	Swan's Island	Swan's Island Elementary	K-8	35
C.S.D. No. 7	Members of Union #98	Mt Desert Island High	9-12	<u>527</u>
		Total Enrollment		1,525
		(less Tuition Students)		<u>(52)</u>
		Total Member Enrollment		1,473

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

<b><u>Town</u></b>	<b><u>Population<sup>(1)</sup></u></b>	<b><u># Board Members</u></b>	<b><u>Votes per Member</u></b>	<b><u>Number of Students</u></b>	<b><u>% of Member Students</u></b>
Bar Harbor	5,235	4	1	609	40.49%
Mount Desert	2,053	3	1	259	17.22%
Southwest Harbor	1,764	3	1	224	14.89%
Tremont	1,563	3	1	178	11.84%
Cranberry Isles	141	1	1	15	1.00%
Frenchboro	61	1	1	8	0.53%
Trenton	1,481	3	1	162	10.77%
Swan's Island	<u>332</u>	<u>1</u>	1	<u>49</u>	<u>3.26%</u>
	12,630	19		1,504	100.00%

SOURCE: <sup>(1)</sup> 2010 Census, U.S. Department of Commerce, Bureau of the Census.

## LABOR RELATIONS

The Town employs approximately 147 full-time personnel, approximately of whom 74 are employees of the Town including its utilities systems; and 73 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 41 full-time Town employees, not included in the table below, are not represented by unions.

Union <sup>(1)</sup>	Bargaining Unit	Date of Contract	
		Effective	Expiration
Teamsters Local No. 340	Highway & Wastewater Unit	July 1, 2014	June 30, 2017
IAFF (AFL/CIO)	Fire Department Unit	July 1, 2014	June 30, 2017
BHSEA (MEA)	School Support Unit	July 1, 2015	June 30, 2018
BHTA (MEA)	Teachers Unit	Sept.1, 2015	Aug. 31, 2018

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

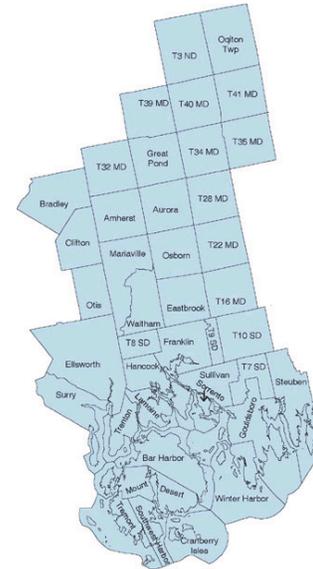
## BUILDING ACTIVITY

Calendar Year	Residential		Commercial		Total	
	# Permits	Est. Cost	# Permits	Est. Cost	# Permits	Est. Cost
2014	186	\$10,730,656	93	\$4,289,181	279	\$15,019,837
2013	195	11,067,509	112	21,401,296	307	32,468,805
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

## FORMER 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			
<b>Total Commuters</b>	<b>4,473</b>	<b>100.00%</b>	<b>Total Workers</b>	<b>2,977</b>	<b>100.00%</b>

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	1,276	0	0	1,276
Mount Desert Island Hospital	Hospital	422	138	0	560
National Park Service	Acadia National Park	85	0	128	213
Hannaford's Shop & Save	Grocery Store	33	43	30	106
College of the Atlantic	College	85	20	0	115
MDI Bio Laboratory	Medical Research	60	3	9	72
Sonogee Estates	Nursing Home	47	4	17	68
Bar Harbor Banking & Trust Co.	Bank	36	3	2	41

## 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. &amp;</u> <u>Lodging</u>	<u>Group</u> <u>Total</u>	<u>Retail</u> <u>Sales</u>
2014	1,790	18,475	11,663	4,196	25,449	4,856	127,957	194,386	192,596
2013	3,005	15,808	10,789	4,622	24,825	4,587	121,669	185,305	182,300
2012	5,278	14,085	10,408	3,932	25,887	4,154	113,119	176,862	171,584
2011	3,551	13,201	10,361	4,360	25,848	4,005	103,892	165,218	161,667
2010	3,032	13,122	10,782	4,503	25,841	3,711	102,863	163,854	160,822
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

SOURCE: State of Maine, Department of Taxation, Sales Tax Section. .

## 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 lower the sewer connection fee charged to new businesses and homes which has already enabled small businesses and restaurants to expand. 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 2014/2015 fiscal year Bar Harbor was the port-of-call for 120 passenger ships, of which 102 were "large" vessels, which disembarked approximately 154,000 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 activity within its General Fund to account for fees collected by the visiting cruise ships, currently at \$4 per passenger. For the fiscal year ended June 30, 2015, collected fees exceeded \$563,000. The fees are scheduled to increase to \$4.30/passenger on January 1, 2016. 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. In July 2014, the Island Explorer recorded its 5 millionth passenger riding on the line since shuttle service started in June of 1999.

### **The Jackson Laboratory**

The Jackson Laboratory is an independent, IRS Code 501(c)3, nonprofit biomedical research institution and National Cancer Institute-designated Cancer Center with more than 1,700 employees in three locations. Headquartered in Bar Harbor, Maine, the institution has a facility in Sacramento, CA and a new Institute for Genomic Medicine in Farmington, CT. The Laboratory’s mission is to discover precise genomic solutions to disease and empower the global biomedical community in the shared quest to improve human health.

Dr. Clarence Cook Little founded The Jackson Laboratory (“JAX”) in 1929 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 continue the tradition. At least 26 Nobel Prizes in Physiology or Medicine are associated with JAX research, resources or education programs.

As of July, 2015, JAX employed 1,276 employees at the Bar Harbor facilities, including 287 Ph.D.’s and M.D.’s, investigating 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 the world’s source for more than 7,000 strains of genetically defined mice and is home to Mouse Genome Informatics, the international database resource for the laboratory mouse, providing integrated genetic, genomic, and biological data to facilitate the study of human health and disease. The Lab distributed approximately 2.5 million mice in 2014, to more than 20,000

investigators in 56 countries. As an international hub for scientific courses and conferences, JAX also provides annual education and training for up to 3,000 scientists and students each year.

JAX is situated on a 85-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 762,000 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 use of the building.

JAX had operating revenue of \$274 million in FY2014 with approximately \$185 million received from the mouse sales and service division. Government grants and support provide \$83 million, with the balance from private gifts, grants and other revenue. JAX's endowment is approximately \$126 million as of December 31, 2014; buildings, land and equipment in Bar Harbor cost approximately \$404 million; and net of accumulated depreciation, the assets have a net book value of \$212 million as of December 31, 2014.

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

The Mount Desert Island Biological Laboratory (the "MDI Biological Laboratory") is a rapidly growing, independent non-profit biomedical research institution. Its mission is to improve human health and well-being through basic research, education, and development ventures that transform discoveries into cures. Founded in 1898, the Laboratory's research focuses on defining the biology of regeneration and aging with the goal of finding ways to help us lead longer, healthier lives. Its Community Environmental Health Laboratory leads programs to find collaborative solutions to environmental health problems and to ensure a sustainable future for Frenchman Bay.

In 2013, the Institution was recognized by the National Institutes of Health ("NIH") as a Center of Biomedical Research Excellence and received a \$13 million grant for its innovative research program in regenerative and aging biology and medicine. The Institution's interdisciplinary faculty uses a variety of model organisms and diverse cell systems to define mechanisms of tissue repair and regeneration and characterize changes that occur in cells and tissues with disease and aging.

The MDI Biological Laboratory is also a world-class science education institution where students at all levels from middle to medical school learn problem-solving and communication skills, and where out-of-the-box thinking, entrepreneurship, and partnership-building are encouraged. The Mount Desert Island Biological Laboratory leads the Statewide INBRE program, a network of research institutions and colleges across Maine with the goal of strengthening Maine's capacity to conduct competitive biomedical research and build its skilled workforce. In 2014, the NIH awarded a five-year, \$18 million grant in support of the INBRE program, bringing a total of federal support for the program since 2001 to \$68 million.

The Institution employs approximately 60 full-time, year-round professional personnel and staff, and is actively recruiting additional faculty members. It is located in Salisbury Cove and has an annual operating budget exceeding \$11 million.

## **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 350 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 560 people (422 full time and 138 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 970 admissions, comprising a total of 2,875 patient days, with an average stay of approximately three days during the fiscal year that ended April 30, 2015. The hospital’s staff performed 1,588 surgeries, 11,384 radiology tests, and had 6,235 Emergency Room visits. MDI Hospital also owns or leases nine facilities in four other communities whereby approximately 56,816 “health center patient visits” 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 2015 the Town contributed \$20,000, or 4.6% 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.

## 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	<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	<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	62.9%	76.0%	73.1%	66.6%
% Built before 1939	30.9%	27.2%	28.1%	14.1%
% Built since 2000	11.0%	10.8%	8.9%	12.8%
Owner occupied med. value	\$311,000	\$201,600	\$176,200	\$188,400
Median gross rent	\$828	\$725	\$707	\$841
Occupied housing units	2,353	23,300	551,125	-

SOURCE::2010 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>
2014	8.6%	7.0%	5.7%	6.2%
2013	10.4	8.1	6.7	7.4
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

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 22<sup>nd</sup>. 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,**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Revenues</b>					
Taxes	\$14,346,420	\$14,908,603	\$15,263,946	\$15,759,618	\$16,557,858
Inter-governmental	378,636	391,719	303,975	246,206	219,637
Departmental	1,039,386	1,033,614	1,078,517	1,081,216	1,032,901
Other local sources	531,781	561,361	551,796	535,264	534,465
<b>Total Revenues</b>	<b>16,296,223</b>	<b>16,895,297</b>	<b>17,198,234</b>	<b>17,622,304</b>	<b>18,344,861</b>
<b>Expenditures</b>					
General government	2,838,034	2,787,297	2,811,648	2,778,378	2,883,143
Public safety	2,230,015	2,442,592	2,549,803	2,608,008	2,795,896
Health & welfare	113,785	124,805	127,396	130,716	137,648
Parks & recreation	215,881	248,421	230,479	230,865	235,251
Roads & sanitation	1,704,846	1,808,304	1,763,969	1,746,798	1,810,053
Assessments	2,998,800	3,144,324	3,160,004	3,396,885	3,583,721
Transfers to school fund	4,718,082	4,714,074	5,080,953	5,176,423	5,223,669
Transfers to CIP	1,423,418	1,747,987	1,700,842	1,820,106	1,753,435
Other exp. & transfers	53,362	51,320	-	-	32,045
<b>Total Expenditures</b>	<b>\$16,296,223</b>	<b>\$17,069,124</b>	<b>\$17,425,094</b>	<b>\$17,888,179</b>	<b>\$18,454,861</b>
<b>Excess Exp. Over Revenues</b>	<b>\$0</b>	<b>\$173,827</b>	<b>\$226,860</b>	<b>\$265,875</b>	<b>\$110,000</b>
<b>Use of Fund Balance:</b>					
Transfer to CIP	0	117,160	117,160	200,000	110,000
One-time expenditures	0	56,667	109,700	65,875	
Increase GF Bal	0	0	0	0	
<b>Total Use of Fund Balance</b>	<b>\$0</b>	<b>\$173,827</b>	<b>\$226,860</b>	<b>\$265,875</b>	<b>\$110,000</b>

## CAPITAL IMPROVEMENT PLAN

Article VI, Section C-30 of the Town’s Charter provides that the Town 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. 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. The following is the Town’s current CIP, by year of expenditure per departmental total:

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

	2016	2017	2018	2019	2020	Totals
<b>CIP</b>						
General Government	\$29,549	\$35,500	\$78,200	\$33,943	\$49,700	\$226,892
Municipal Building	10,536	1,500,000	561,851	0	0	2,072,387
Amb/Fire Department	0	240,000	0	756,000	0	996,000
Police Department	45,000	80,000	81,500	100,000	46,000	352,500
Public Safety Depart	424,870	24,870	24,870	24,870	24,870	524,350
Harbor Department	55,600	24,000	48,000	18,000	0	145,600
Highway Division	989,629	2,129,749	706,095	1,837,559	1,717,041	7,380,073
Parks, Rec & Comfort	15,420	193,867	8,000	8,000	8,000	233,287
School CIP	199,379	110,793	174,891	176,000	174,900	835,963
<b>Annual Totals</b>	<b>1,769,983</b>	<b>4,338,779</b>	<b>1,683,407</b>	<b>2,954,372</b>	<b>2,020,511</b>	<b>12,767,052</b>
<b>Funding Sources</b>						
CIP Funding (Taxes) <sup>(1)</sup>	348,662	250,000	275,952	250,000	476,366	1,600,980
Bond Proceeds	400,000	3,000,000	550,000	1,400,000	0	5,350,000
CIP Revenues	321,321	443,743	392,455	626,599	394,145	2,178,263
Prior Years CIP	700,000	645,036	465,000	677,773	1,150,000	3,637,809
<b>Total Funding Sources</b>	<b>\$1,769,983</b>	<b>\$4,338,779</b>	<b>\$1,683,407</b>	<b>\$2,954,372</b>	<b>\$2,020,511</b>	<b>\$12,767,052</b>

NOTE: <sup>(1)</sup> Annual taxpayer funding for CIP is approximately \$1.7 million/year as is displayed on Transfers to CIP item in the Town’s Annual Budget. See the table in “TOWN FINANCES – BUDGETARY PROCESS” on page 30 herein.

## 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>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>
State Personal Income Factor:	1.66%	1.43%	1.05%	1.09%	0.86%
Town Prop Growth Factor:	<u>2.41</u>	<u>1.76%</u>	<u>1.46%</u>	<u>1.41%</u>	<u>0.70%</u>
Growth Limitation Factor:	4.07%	3.19%	2.51%	2.50%	1.56%
Property Tax Levy Limit:	\$6,082,356	\$6,282,509	\$6,444,293	\$6,632,283	\$6,774,604
Property Tax Levy:	<u>5,742,050</u>	<u>6,095,170</u>	<u>6,174,598</u>	<u>6,199,868</u>	<u>6,731,982</u>
Over/(below) Prop Tax Levy Limit:	(\$346,306)	(\$187,339)	(\$269,695)	(\$432,415)	(\$42,622)

The Town has never exceeded, or proposed to exceed, its Property Tax Levy Limit since the 2005 inception of LD 1.

## 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. See "NOTE 3(A) – Investments" on page 31 of APPENDIX A, herein.

## 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 “*Reserve for Working Capital*”. 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**

	<b>Fiscal Year Ended June 30,</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Assigned and Unassigned <sup>(1)</sup> General Fund Balance	\$2,261,033	\$2,879,315	\$3,424,663	\$3,489,920	\$3,314,239
Total Revenues (Current Year) <sup>(2)</sup>	15,887,271	17,548,339	17,745,350	18,135,145	18,594,081
Fund Bal as % Revenues	14.23%	16.41%	19.30%	19.24%	17.82%

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

<sup>(2)</sup> Pursuant to GASB 54, School Funds and Cruise Ship Funds have been added to the Town’s General Fund since FY 2011.

**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 (see “INDEBTEDNESS – DEBT SERVICE COMPONENT OF OPERATING EXPENSES” on page 47 herein). 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 (currently being 39.68%); at least 60% within ten years (currently being 65.55%); 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 2014 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,)**

	2010	2011	2012	2013	2014
<b>ASSETS</b>					
Cash and equivalents	\$6,993,917	\$6,623,300	\$7,110,044	\$6,637,614	\$7,137,029
Investments	1,372,250	1,300,271	1,295,232	1,627,085	1,639,174
Receivables:					
Taxes	19,721	490,854	788,051	18,042	22,297
Tax liens	640,645	248,064	48,093	828,597	751,558
Accounts	19,619	66,311	33,575	66,046	51,403
Ambulance fees (net)	61,584	95,269	134,118	109,170	104,043
Accrued interest	16,780	5,118	4,790	1,142	1,363
Prepaid expenses	19,125	20,022	21,311	22,376	23,495
Inventory	12,843	23,712	18,955	18,960	17,932
Due from Other Governments	470,945	107,887	101,810	97,886	78,436
Due from Other Funds	6,611	1,683,063	747,900	443,054	15,024
<b>TOTAL ASSETS</b>	<b>9,634,040</b>	<b>10,663,871</b>	<b>10,303,879</b>	<b>9,869,972</b>	<b>9,841,754</b>
<b>LIABILITIES</b>					
Accounts payable	256,301	193,412	229,982	348,515	242,025
Payroll taxes	12,432	6,287	12,897	8,041	13,238
Accrued salaries	182,412	625,665	530,436	562,606	578,002
Accrued compensated absences	237,524	246,666	249,698	260,282	221,269
Due to Other Funds	5,947,275	5,659,052	4,790,388	4,292,966	4,631,450
Deposits payable	22,266	53,555	6,573	5,873	11,364
<b>TOTAL LIABILITIES</b>	<b>6,658,210</b>	<b>6,784,637</b>	<b>5,819,974</b>	<b>5,478,283</b>	<b>5,697,348</b>
<b>DEFERRED REVENUES</b>					
Prepaid taxes	37,316	35,111	26,567	38,786	35,247
Property tax	546,723	623,236	691,818	686,316	630,597
Unearned rental	16,391	16,415	15,967	7,855	2,319
Unearned escrow	0	0	0	0	28,000
Other	34,788	0	0	402	0
Bond purchase premium	9,259	3,579	2,088	0	0
<b>TOTAL DEFERRED REVENUES</b>	<b>644,477</b>	<b>678,341</b>	<b>736,440</b>	<b>733,359</b>	<b>696,163</b>
<b>FUND EQUITY</b>					
Fund Balances:					
Reserved for encumbrances	70,320	-	-	-	-
Unreserved:					
Designated for working capital	1,508,000	-	-	-	-
Designated for subsequent years'	57,000	-	-	-	-
Undesignated	696,033	-	-	-	-
Non-spendable	-	2,298	3,522	3,224	2,850
Restricted	-	319,280	319,280	165,186	131,154
Committed	-	0	0	0	0
Assigned	-	2,029,072	2,253,686	2,649,174	2,690,307
Unassigned	-	850,243	1,170,977	840,746	623,932
<b>TOTAL FUND EQUITY</b>	<b>2,331,353</b>	<b>3,200,893</b>	<b>3,747,465</b>	<b>3,658,330</b>	<b>3,448,243</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$9,634,040</b>	<b>\$10,663,871</b>	<b>\$10,303,879</b>	<b>\$9,869,972</b>	<b>\$9,841,754</b>

Prepared from Audited Financial Statements – Exhibit C.

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

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>REVENUES</b>					
Taxes	\$13,799,899	\$14,132,760	\$14,366,795	\$14,960,299	\$15,406,046
Intergovernmental revenue	428,401	373,324	402,550	382,084	232,227
Departmental revenue	1,383,136	2,775,438	2,729,941	2,569,836	2,693,826
Other local sources	275,835	266,817	246,064	222,926	261,982
<b>TOTAL REVENUES</b>	<b>15,887,271</b>	<b>17,548,339</b>	<b>17,745,350</b>	<b>18,135,145</b>	<b>18,594,081</b>
<b>EXPENDITURES</b>					
General government	2,694,696	2,699,779	2,583,317	2,510,077	2,693,245
Public safety	2,153,583	2,161,603	2,194,838	2,419,830	2,541,457
Health and welfare	102,260	127,602	117,896	119,231	132,017
Parks and recreation	207,151	210,025	211,256	246,272	228,873
Island Explorer	46,000	25,000	25,000	25,000	38,720
Roads and sanitation	1,577,818	1,637,836	1,614,189	1,713,980	1,804,295
Education	-	5,490,012	5,718,549	5,891,328	6,023,600
Assessments	2,891,293	2,971,418	2,999,096	3,144,324	3,160,004
Debt	13,045	12,388	0	0	0
Cruise ship	-	114,410	129,558	131,255	131,993
<b>TOTAL EXPENDITURES</b>	<b>9,685,846</b>	<b>15,450,073</b>	<b>15,593,699</b>	<b>16,201,297</b>	<b>16,754,204</b>
Excess of Revenue Over (Under) Expenditures	6,201,425	2,098,266	2,151,651	1,933,848	1,839,877
<b>OTHER FINANCING SOURCES</b>					
Lease/Bond proceeds		-	69,760	-	-
Transfers from Other Funds	3,857	271,035	250,608	283,137	284,259
Transfers to Other Funds	(5,645,111)	(2,046,087)	(1,925,447)	(2,306,120)	(2,334,223)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,641,254)</b>	<b>(1,775,052)</b>	<b>(1,605,079)</b>	<b>(2,022,983)</b>	<b>(2,049,964)</b>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>	<b>560,171</b>	<b>323,214</b>	<b>546,572</b>	<b>(89,135)</b>	<b>(210,087)</b>
<b>FUND BALANCE - JULY 1</b>	<b>1,771,182</b>	<b>2,877,679</b>	<b>3,200,893</b>	<b>3,747,465</b>	<b>3,658,330</b>
<b>FUND BALANCE - JUNE 30</b>	<b>\$2,331,353</b>	<b>\$3,200,893</b>	<b>\$3,747,465</b>	<b>\$3,658,330</b>	<b>\$3,448,243</b>

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 2015/2016 the tax due dates are September 30, 2015 and March 31, 2016. 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**

Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, provides for an eligible business equipment tax exemption ("BETE" or the "BETE Act") for certain 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 <sup>(1)</sup> (after Supplements and Abatements)		
					Year End	% of Levy	% of Levy A/O 6/30/15
2015	\$1,404,100	\$1,449,121	\$10.22	\$14,810,016	\$14,334,981	96.79%	96.79%
2014	1,390,700	1,435,775	10.01	14,372,104	13,918,708	96.86	98.80
2013	1,383,750	1,423,245	9.84	14,004,735	13,469,426	96.18	99.87
2012	1,389,150	1,407,891	9.60	13,515,751	12,998,547	96.17	99.92
2011	1,443,700	1,410,144	9.44	13,311,759	12,837,527	96.44	99.93
2010	1,486,550	1,437,197	8.88	12,762,312	12,288,901	96.29	99.93
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	100.00
2005	924,750	840,969	12.40	10,428,238	10,252,815	98.32	100.00

NOTE: <sup>(1)</sup> 2015 is as yet unaudited.

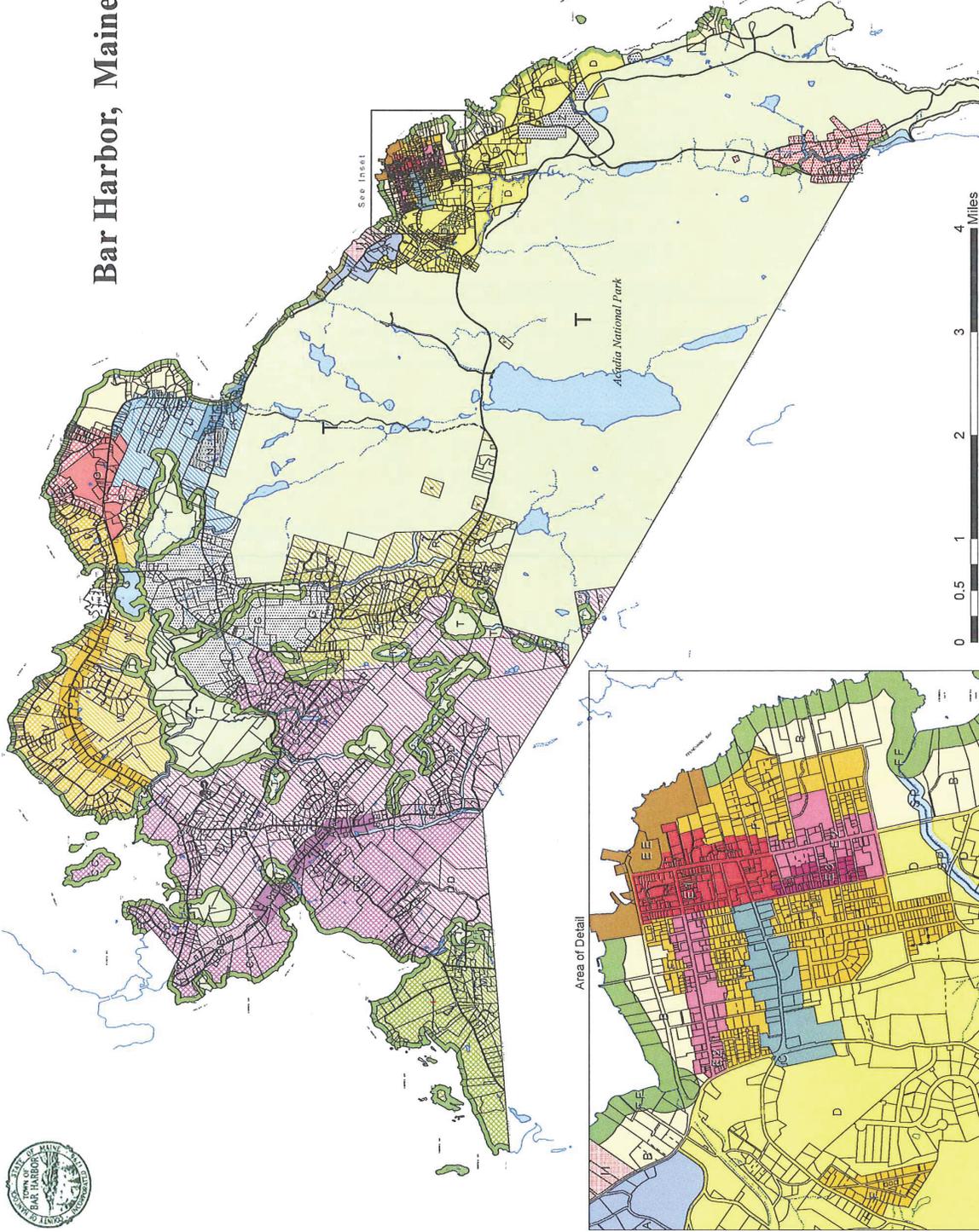
### LARGEST TAXPAYERS

Taxpayer	As of April 1, 2014			
	Type of Business	Assessed Value	Tax	% of Levy
Golden Anchor, L C	Hotel	\$20,169,500	\$206,132	1.44%
Eden Street Trust	Hotel	17,960,600	183,557	1.24
West Street Properties, LLC	Hotel	17,869,400	182,625	1.23
Witham Family, LTD	Hotel	13,548,200	138,463	0.93
BHTC 111, LLC	Res/Club	10,434,400	106,640	0.72
Witham Family LTD	Hotel	9,124,300	93,250	0.63
Emera Maine	Utility	8,917,500	91,137	0.62
Colket, Tristram C Jr	Residential	8,158,600	83,381	0.56
Lafayette Bluenose, LLC	Hotel	6,784,800	69,341	0.47
Holiday Assoc. of Naples	Motel	5,767,900	<u>58,948</u>	<u>0.40</u>
<b>Top ten taxpayers</b>			\$1,213,474	8.24%

# ZONING



## Bar Harbor, Maine



### Legend

- A - Bar Harbor Gateway
- B - Village Historic
- C - Mount Desert Street Historic Corridor
- D - Village Residential
- E1 - Downtown Village I
- E2 - Downtown Village II
- E3 - Village Transitional
- F - Downtown Residential
- G - Emery District
- H - Hulls Cove Business
- I - Hulls Cove Historic
- J - Hulls Cove Residential Corridor
- K - Hulls Cove Rural
- L - Indian Point Residential
- M - Indian Point Rural
- N - Industrial
- O - Ireson Hill Corridor
- P - Ireson Hill Residential
- Q - McFarland Hill Residential
- R - McFarland Hill Rural
- S - Otter Creek
- SP - Stream Protection
- T - Resource Protection
- U - Salsbury Cove Corridor
- V - Salsbury Cove Residential
- W - Salsbury Cove Rural
- X - Salsbury Cove Village
- Y - Schooner Head
- Z - Scientific Research
- AA - Town Hill Business
- BB - Town Hill Residential Corridor
- CC - Town Hill Residential
- DD - Town Hill Rural
- EE - Shoreland General I
- FF - Shoreland Limited Residential
- GG - Shoreland General II
- SS - Shoreland General III
- HH - Marine Research
- II - Educational Institution

## **TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DISTRICTS**

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

The following displays revenues received by the Town from the State for the last five audited fiscal periods:

<b>Fiscal Yr. End June 30,</b>	<b>State Revenue Sharing</b>	<b>Homestead Exemption</b>	<b>General Assistance</b>	<b>State School Subsidy<sup>(1)</sup></b>	<b>Other State Aid <sup>(2)</sup></b>	<b>Total From State</b>
2014	\$133,206	\$47,655	\$279	\$239,614	\$73,286	\$494,040
2013	203,535	47,474	0	194,414	75,886	521,309
2012	200,070	57,842	663	165,701	73,107	497,783
2011	192,549	20,935	4,334	179,965	74,992	472,775
2010	205,809	54,430	3,133	173,690	71,306	508,368

NOTE: <sup>(1)</sup> Since July 1, 2009, school subsidy is paid directly to AOS 91 (see “TOWN OF BAR HARBOR, MAINE – PUBLIC EDUCATION – Alternative Organization Structures” herein.

<sup>(2)</sup> Starting FY 2014, the Urban Renewal Initiative Program revenue is posted in the CIP Fund.

### **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, 2015 the Town’s equalized state valuation (“equalized State Valuation”) was \$1,404,100,000. The 15% debt limit is \$210,615,000. As of June 30, 2014 the Town’s long-term debt outstanding was \$19,638,067 or 1.40% 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, 2014		Projected Balance on Sept. 10, 2015			
				General	Prop'r't'ry	Total	(Payments)	Ref'd'd	Total
1997	Sewer Plant (CWSRF)	7,300,000	10/01/17		1,747,330	1,747,330	(419,295)		1,328,035
2002	Water Tank (DWSRF)	750,000	10/01/21		344,754	344,754	(39,215)		305,539
2004	School (MMBB)	805,000	11/01/24	531,965		531,965	(37,321)		494,644
2005	Beach Wall	800,000	10/15/24	440,000		440,000	(80,000)	(360,000)	0
2005	Sewer/Hulls Cove	800,000	10/15/27		575,000	575,000	(65,000)	(510,000)	0
2010	Various CIP	3,700,000	05/01/30	2,960,000		2,960,000	(185,000)		2,775,000
2010	Water System	600,000	05/01/30		480,000	480,000	(30,000)		450,000
2011	Sewer System	1,045,000	12/01/31		967,167	967,167	(41,450)		925,717
2011	Sewer (SCADA)	271,000	12/01/26		240,000	240,000	(15,000)		225,000
2011	Water System	1,224,000	12/01/31		1,132,833	1,132,833	(48,550)		1,084,283
2011	Ref'd'g 2001	2,515,000	12/01/21		1,885,000	1,885,000	(220,000)		1,665,000
2012	Water (DWSRF)	2,679,150	10/01/32		2,542,018	2,542,018	(122,148)		2,419,870
2013	Public Works	3,350,000	10/15/33	3,350,000		3,350,000	(125,000)		3,225,000
2014	Muni Bldg/Signage	2,442,000	10/15/34			0	0		2,442,000
2015	Ref'd'g 2005 RECD	510,000	10/15/27	7,281,965	9,914,102	17,196,067	(1,427,979)	(870,000)	17,340,088
2015	Ref'd'g 2005 Wall	360,000	10/15/24						510,000
2015	Public Safety	400,000	10/15/35						360,000
2015	Water System	1,700,000	10/15/35						400,000
				7,281,965	9,914,102	17,196,067	(1,427,979)	(870,000)	1,700,000
									20,310,088

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.

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

Shaded rows indicate 2005 Bonds that will be refunded with a portion of the proceeds of this issue. The "Projected" payments include \$40,000 and \$30,000 payments that were made from budgeted funds on October 15, 2014, respectively; and \$40,000 and \$35,000 payments that will be made from budgeted funds on October 15, 2015, respectively.

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

Fiscal Y/E June 30,	1997 CWSRF	2002 DWSRF	2004 Issues	2005 Issues	2005 Ref'd'd	2010 Issues	2011 Issues	2012 DWSRF	2013 Issue	2014 Issue	2015 Issue	Total Principal
2015	419,295	39,215	37,321	70,000		215,000	325,000	122,148	125,000	0	0	1,352,979
2016	430,592	40,265	39,092	75,000		215,000	330,000	123,370	130,000	122,000	0	1,505,319
2017	442,473	41,344	41,096	75,000	(75,000)	215,000	340,000	124,604	130,000	125,000	180,000	1,639,517
2018	454,970	42,451	43,204	75,000	(75,000)	215,000	340,000	125,850	135,000	125,000	180,000	1,661,475
2019		43,588	45,419	75,000	(75,000)	215,000	345,000	127,108	140,000	125,000	180,000	1,221,115
2020		44,755	47,749	80,000	(80,000)	215,000	360,000	128,379	140,000	125,000	185,000	1,245,883
2021		45,953	50,197	80,000	(80,000)	215,000	375,000	129,663	145,000	125,000	185,000	1,270,813
2022		47,184	52,772	80,000	(80,000)	215,000	380,000	130,960	150,000	125,000	185,000	1,285,916
2023			55,478	85,000	(85,000)	215,000	130,000	132,269	155,000	130,000	190,000	1,007,747
2024			58,323	85,000	(85,000)	215,000	135,000	133,592	160,000	130,000	190,000	1,021,915
2025			61,314	85,000	(85,000)	215,000	140,000	134,928	165,000	130,000	190,000	1,036,242
2026				50,000	(50,000)	215,000	145,000	136,277	170,000	130,000	155,000	951,277
2027				50,000	(50,000)	215,000	155,000	137,640	175,000	130,000	155,000	967,640
2028				50,000	(50,000)	215,000	135,000	139,016	180,000	130,000	155,000	954,016
2029				50,000	(50,000)	215,000	140,000	140,406	190,000	130,000	105,000	920,406
2030						215,000	145,000	141,811	195,000	110,000	105,000	911,811
2031							150,000	143,229	205,000	110,000	105,000	713,229
2032							155,000	144,660	210,000	110,000	105,000	724,660
2033								146,108	220,000	110,000	105,000	581,108
2034									230,000	110,000	105,000	445,000
2035										110,000	105,000	215,000
2036											105,000	105,000
<b>06/30/14</b>	<b>1,747,330</b>	<b>344,754</b>	<b>531,965</b>	<b>1,015,000</b>	<b>(870,000)</b>	<b>3,440,000</b>	<b>4,225,000</b>	<b>2,542,018</b>	<b>3,350,000</b>	<b>2,442,000</b>	<b>2,970,000</b>	<b>21,738,067</b>
<b>pd 2014/2015</b>	<b>(419,295)</b>	<b>(39,215)</b>	<b>(37,321)</b>	<b>(145,000)</b>	<b>0</b>	<b>(215,000)</b>	<b>(325,000)</b>	<b>(122,148)</b>	<b>(125,000)</b>	<b>0</b>	<b>0</b>	<b>(1,427,979)</b>
<b>09/10/15</b>	<b>1,328,035</b>	<b>305,539</b>	<b>494,644</b>	<b>870,000</b>	<b>(870,000)</b>	<b>3,225,000</b>	<b>3,900,000</b>	<b>2,419,870</b>	<b>3,225,000</b>	<b>2,442,000</b>	<b>2,970,000</b>	<b>20,310,088</b>

NOTE: Shaded rows indicate 2005 Bonds that will be refunded with a portion of the proceeds of this issue.

**DEBT RATIOS**

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2015	5,235	\$1,404,100	\$1,449,121	\$20,310,088 <sup>(1)</sup>	1.45%	\$3,879.67
2014	5,235	1,390,700	1,435,775	17,196,067	1.24%	3,284.83
2013	5,235	1,383,750	1,423,245	18,501,308	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

NOTE: <sup>(1)</sup> Including the Bonds of this financing and the 2005 Bonds that mature and will be retired October 15, 2015.

**DEBT OBLIGATIONS, BY FUND TYPE**

FY June 30,	General Fund Debt		Enterprise Fund Debt	Total Debt	Ent. Debt as % Total Debt
	(Town)	(School)			
2014	\$6,750,000	\$531,965	\$9,914,102	\$17,196,067	57.65%
2013	7,006,919	637,602	10,856,787	18,501,308	58.68%
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%

**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		
2014	0.49%	0.04%	0.71%	1.24%	\$1,289	\$102	\$1,894	\$3,285
2013	0.51	0.05	0.78	1.34	1,338	122	2,074	3,535
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	0.14	0.28	1.27	1.69	252	484	2,224	2,961

**PROJECTED DEBT SERVICE REQUIREMENTS**

FY June 30,	Prior Debt				Projected Debt (This Issue)			Projected Total
	Principal	Interest	(Ref'd'd)	Total	Principal	Interest	Total	
2016	\$1,505,319	\$546,480	(\$112,403)	\$2,051,799	\$0	\$59,857	\$59,857	\$2,111,656
2017	1,534,517	508,148	(109,403)	2,042,665	180,000	98,425	278,425	2,321,090
2018	1,556,475	467,713	(106,403)	2,024,188	180,000	93,925	273,925	2,298,113
2019	1,116,115	415,996	(103,403)	1,532,111	180,000	87,625	267,625	1,799,736
2020	1,140,883	386,266	(105,303)	1,527,149	185,000	81,250	266,250	1,793,399
2021	1,165,813	354,416	(102,103)	1,520,229	185,000	75,700	260,700	1,780,929
2022	1,180,916	320,312	(98,863)	1,501,229	185,000	70,150	255,150	1,756,379
2023	902,747	285,956	(100,459)	1,188,703	190,000	63,575	253,575	1,442,278
2024	916,915	257,156	(96,910)	1,174,071	190,000	55,975	245,975	1,420,046
2025	931,242	227,284	(93,319)	1,158,526	190,000	48,375	238,375	1,396,901
2026	846,277	199,008	(55,438)	1,045,285	155,000	40,700	195,700	1,240,985
2027	862,640	171,850	(53,275)	1,034,490	155,000	32,950	187,950	1,222,440
2028	849,016	144,956	(51,094)	993,972	155,000	27,138	182,138	1,176,110
2029	815,406	118,785	0	934,191	105,000	23,625	128,625	1,062,816
2030	806,811	92,762	0	899,573	105,000	20,475	125,475	1,025,048
2031	608,229	65,804	0	674,033	105,000	17,325	122,325	796,358
2032	619,660	46,853	0	666,513	105,000	14,175	119,175	785,688
2033	476,108	30,472	0	506,580	105,000	11,025	116,025	622,605
2034	340,000	9,963	0	349,963	105,000	7,875	112,875	462,838
2035	110,000	1,788	0	111,788	105,000	4,725	109,725	221,513
2036					105,000	1,575	106,575	106,575
<b>TOTAL</b>	<b>\$18,285,088</b>	<b>\$4,651,968</b>	<b>(\$1,188,371)</b>	<b>\$22,937,056</b>	<b>\$2,970,000</b>	<b>\$936,444</b>	<b>\$3,906,444</b>	<b>\$26,843,501</b>

**DEBT SERVICE COMPONENT OF OPERATING EXPENSES**

	2010	2011	2012	2013	2014
Total Current Year Debt Service:	\$1,388,112	\$1,698,240	\$1,617,987	\$1,552,947	\$1,765,303
(less Enterprise Debt Service):	<u>(988,464)</u>	<u>(1,029,627)</u>	<u>(975,603)</u>	<u>(1,038,982)</u>	<u>(1,183,861)</u>
Tax Supported Debt Service:	\$399,648	\$668,613	\$642,384	\$513,965	\$581,442
Budgeted Operating Expense:	\$15,632,658	\$16,023,523	\$16,296,223	\$17,069,124	\$17,425,094
Debt Service as % Oper. Expense:	2.56%	4.17%	3.94%	3.01%	3.34%

**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, 2015 the Town’s equalized State Valuation of \$1,404,100,000 is 11.17% of the County’s equalized State Valuation of \$12,570,400,000. The Town’s share is 11.17%, or \$134,039, of Hancock County’s \$1,200,000 long-term debt outstanding as of December 31, 2014.

**AOS 91**

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, 2014, C.S.D. No. 7 had total

bonded debt outstanding of \$3,461,785. The Town's current share of the debt is 35.26%, or \$1,256,285 for that period.

**CONTINGENT DEBT**

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

**TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT**

	<u>Direct Debt</u> <sup>(1)</sup>	<u>Overlapping</u>	<u>Contingent</u>	<u>Total Debt</u>
Town of Bar Harbor (CIP)	\$7,230,000			\$7,230,000
Town of Bar Harbor (School)	531,965			531,965
Town of Bar Harbor (Enterprise)	9,434,102			9,434,102
C.S.D. No. 7		\$1,256,282		1,256,282
County of Hancock <sup>(2)</sup>		157,200		157,200
<b>Total A/O June 30, 2014</b>	<b>\$17,196,067</b>	<b>\$1,413,482</b>	<b>\$0</b>	<b>\$18,609,549</b>
Debt as % Eq State Valuation	1.24%	0.10%	0.00%	1.34%
Per Capita Debt	\$3,284.83	\$270.01	\$0.00	\$3,554.83

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

<sup>(2)</sup> As of December 31, 2014.

**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. See also “TOWN FINANCES – CAPITAL IMPROVEMENT PLAN – footnote <sup>(1)</sup>” regarding the Route 3 Plan.”

**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 for fiscal year 2014 was 6.5% to 6.9%, plus a monthly contribution of \$967 and \$478, respectively, to fund the Initial Unfunded Unpooled Actuarial Liability (“IUUAL”). The contribution requirements of the plan members and the Town are established the MainePERS Board of Trustees. The Town’s contributions for the fiscal years 2014, 2013, 2012, and 2011 were \$143,403, \$128,619, \$104,296 and \$80,352, 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, 2015, the IUUAL was reduced to \$0.00.

### Employer Contribution Rates

The MainePERS Board of Trustees has increased employer contribution rates for the CPPLD Plan based upon actuarial recommendations. The following table shows the rates for fiscal years ended June 30, 2014 through 2016:

<u>Plan</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Regular AC	6.5%	7.8%	8.9%
Special 1C	12.8%	13.4%	14.0%
Special 2C	7.9%	8.3%	8.9%

The Town recognizes the fiscal impact of these increases and is taking these rates into consideration in its budgeting process as well as in its negotiations with collective bargaining unit(s).

## 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. Prior to the fiscal year ended June 30, 2013, the Town had not been required to make contributions to the

Teachers Retirement Plan; beginning on July 1, 2013, as a result of the State Biennial budget, the School Department will be responsible for approximately half of the normal cost of the teachers' plan. The State Department of Education is required to pay a portion of the employer contribution, which amounted to 13.03% of the annual covered salary for fiscal year 2014. The State's cost for 2014 was approximately \$382,240. The Town is required to pay 2.65% of non-federally funded teachers' compensation and 16.15% for federally funded teachers' compensation. This cost amounted to \$77,739 and \$11,985 respectively for 2014. The federal portion is charged to the applicable grant.

### **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. The plan was subsequently fully-funded with the proceeds of the August 2013 sale of excess real property, the proceeds of which were sent to the member participants, such that the plan was closed by December 2013.

### **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 10.0%. The Town's contribution to the ICMA Plan for fiscal year ended June 30, 2014, 2013, 2012, and 2011 were \$77,885, \$81,728, \$100,842 and \$101,711, respectively. In FY 2014, the Town contributed \$30,097 on behalf of a former Town Manager as part of a severance agreement.

### **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 OPEB liability actuarial valuation was completed by such consultant in January 2014. 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 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Normal cost:	\$18,158	\$19,722	\$19,722
Amortization of unfunded:	24,981	32,400	32,400
Adjustment to ARC:	(7,913)	(6,495)	(4,160)
Interest:	<u>6,327</u>	<u>5,524</u>	<u>3,909</u>
ARC:	\$41,553	\$51,151	\$51,871

**Net OPEB Obligation:**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPEB liability, July 1:	\$136,827	\$112,307	\$71,929
ARC:	21,553	51,151	51,871
(Actual member contributions):	<u>(18,522)</u>	<u>(26,631)</u>	<u>(11,493)</u>
OPEB liability, June 30:	\$159,858	\$136,827	\$112,307

**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 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Annual required contribution:	\$41,553	\$51,151	\$51,871
Annual member contribution:	18,522	26,631	11,495
% contributed:	44.57%	52.06%	22.16%
Actuarial accrued liability:	\$449,253	\$582,677	\$582,677
Plan assets:	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded actuarial accrued liability:	\$449,253	\$582,677	\$582,677
Covered payroll:	\$2,821,170	\$2,739,000	\$2,717,300
Unfunded actuarial accrued liability as % payroll:	15.92%	21.27%	21.44%

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.

**F. SOCIAL SECURITY**

The Town has a section 218 agreement, enacted July 1, 1965, to provide full Social Security coverage for its full time employees and, at the Town’s discretion, may exclude part-time public safety employees.

## **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.

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**APPENDIX A**

**TOWN OF BAR HARBOR, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED JUNE 30, 2014**

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

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**TOWN OF BAR HARBOR, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED JUNE 30, 2014**

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

**TOWN OF BAR HARBOR  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
 FOR THE YEAR ENDED JUNE 30, 2014**

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# James W. Wadman

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**CERTIFIED PUBLIC ACCOUNTANT**

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

## *INDEPENDENT AUDITOR'S REPORT*

December 9, 2014

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

We have audited the accompanying financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bar Harbor, Maine as of June 30, 2014, 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.

### *Other-Matters*

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 through 13 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bar Harbor, Maine's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully Submitted,

**James W. Wadman, CPA**

James W. Wadman, CPA

**TOWN OF BAR HARBOR, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**

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, 2014. 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 Position* – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2014 by \$34,041,382 (presented as “net position”). Of this amount, \$11,017,404 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

*Changes in Net Position* – The Town's total net position increased by \$1,033,753 (a 3.1% increase) for the fiscal year ended June 30, 2014. Net position of governmental activities decreased by \$21,797 (a .1% decrease), while net position of business-type activities showed an increase of \$1,055,550 (a 9.1% increase).

**Fund Highlights:**

*Governmental Funds – Fund Balances* – As of the close of the fiscal year ended June 30, 2014, the Town's governmental funds reported a combined ending fund balance of \$7,870,230 with \$623,932 being general unassigned fund balance. This unassigned fund balance represents approximately 3.8% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations decreased by \$376,162 (4.9%) during the current fiscal year. Existing debt obligations were retired according to schedule. The Town approved 2 general obligation securities at the 6/3/14 annual town meeting. The first was in the amount of \$2,200,000 for the renovations to the town office and the second was in the amount of \$242,000 for the Downtown Wayfinding Signage Plan. Both are authorized but unissued at 6/30/14.

**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 14-15 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 16-19 of this report.  
The basic proprietary fund financial statements can be found on pages 20-22 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 23-42 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 43 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

60.2% of the Town's net position reflects its net 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 are 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.

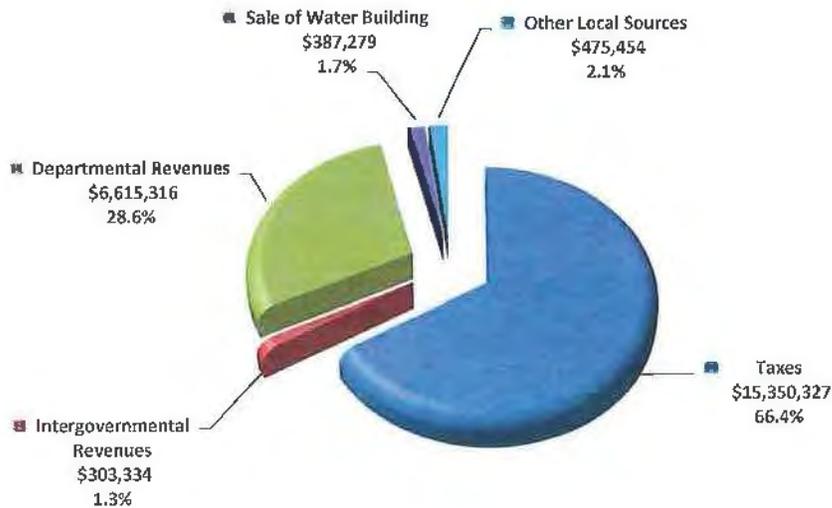
	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>Total 2014</b>	<b>Total 2013</b>
Current Assets	9,852,779	3,328,152	13,180,931	16,131,082
Capital Assets	20,169,790	20,225,953	40,395,743	37,628,929
<b>Total Assets</b>	<b>30,022,569</b>	<b>23,554,105</b>	<b>53,576,674</b>	<b>53,760,011</b>
Current Liabilities	1,733,669	1,998,665	3,732,334	3,488,961
Other Liabilities	6,909,159	9,914,102	16,823,261	17,224,635
<b>Total Liabilities</b>	<b>8,642,828</b>	<b>11,912,767</b>	<b>20,555,595</b>	<b>20,713,596</b>
<b>Deferred Inflows of Resources</b>				
Prepaid Property Taxes	35,247		35,247	38,786
<b>Net Position:</b>				
Held for Postemployment Benefits			-	51,152
Net Investment in Capital Assets	12,859,257	9,375,617	22,234,874	19,091,898
Restricted	145,761		145,761	206,899
Unrestricted	8,339,476	2,265,721	10,605,197	13,657,680
<b>Total Net Position</b>	<b>21,344,494</b>	<b>11,641,338</b>	<b>32,985,832</b>	<b>33,007,629</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>30,022,569</b>	<b>23,554,105</b>	<b>53,576,674</b>	<b>53,760,011</b>

**Changes in Net Position**

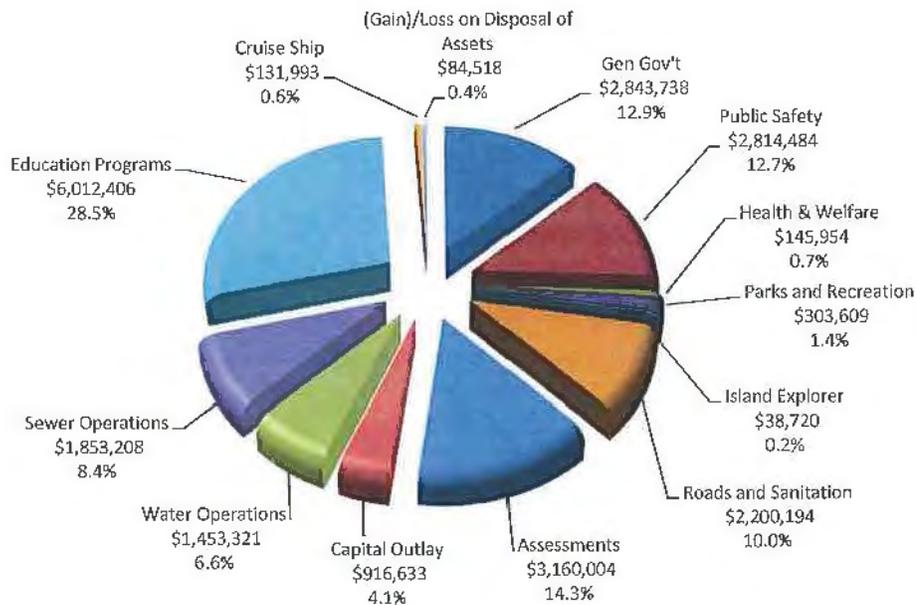
Approximately 66.4% of the Town's total revenue came from property and excise taxes, approximately 1.3% came from Federal and State subsidies and grants, and approximately 32.3% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,763,466 of the total expenses for the fiscal year.

	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>Total 2014</b>	<b>Total 2013</b>
<b>Revenues:</b>				
Taxes	15,350,327		15,350,327	14,954,797
Intergovernmental Revenues	303,334		303,334	1,018,084
Departmental Revenues	2,693,826	3,921,490	6,615,316	6,359,982
Other Local Sources	373,423	489,310	862,733	281,760
<b>Total</b>	<b>18,720,910</b>	<b>4,410,800</b>	<b>23,131,710</b>	<b>22,614,623</b>
<b>Expenses:</b>				
General Government	2,843,738		2,843,738	2,678,675
Public Safety	2,814,484		2,814,484	2,729,034
Health & Welfare	145,954		145,954	133,168
Parks and Recreation	303,609		303,609	301,752
Island Explorer Shuttle Bus	38,720		38,720	25,000
Roads and Sanitation	2,200,194		2,200,194	2,152,990
Assessments	3,160,004		3,160,004	3,144,324
Capital Outlay	916,633		916,633	707,486
Water Operations		1,453,321	1,453,321	1,302,057
Sewer Operations		1,853,208	1,853,208	1,935,276
Education Programs	6,151,581		6,151,581	6,012,406
Cruise Ship	131,993		131,993	131,255
(Gain)/Loss on Disposal of Assets	35,797	48,721	84,518	12,468
<b>Total</b>	<b>18,742,707</b>	<b>3,355,250</b>	<b>22,097,957</b>	<b>21,265,891</b>
<b>Changes in Net Position</b>	<b>(21,797)</b>	<b>1,055,550</b>	<b>1,033,753</b>	<b>1,348,732</b>

## 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 \$7,870,230, a decrease of \$3,128,498 in comparison with the prior year. Approximately 7.9 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:

- \$59,719 positive variance in property taxes due to the adjustment for unearned property tax revenue.
- \$50,750 positive variance in auto excise due to newer/higher vehicles being registered.
- \$(55,398) negative variance in municipal revenue sharing due to proportionally shared state cuts to this program.
- \$(61,838) negative variance in ambulance revenues, net of write offs. This was due to approximately 10% reduction in billable runs and a 48% increase in bad debts write offs not budgeted for.
- \$24,149 positive variance in building permits revenue due to a new and unbudgeted hotel.
- \$19,195 negative variance in sale of recyclables revenue due to a reduction in cardboard and metals prices in the market.
- \$13,424 positive variance in the assessing department expenditures. The staff changed from outsourcing personal property updates to performing that in house.
- \$16,667 positive variance in the 27<sup>th</sup> pay period expenditure due to a reduction in high wage personnel in the wage base accrual that were not budgeted for.

### 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 \$71,413,480, net of accumulated depreciation of \$31,316,320, leaving a net book value of \$40,097,160. Current year additions included Capital Improvements, Water and Sewer additions.

**TOWN OF BAR HARBOR, MAINE  
OPERATING DATA AS OF JUNE 30, 2014**

**MUNICIPAL SERVICES**

**Public Works**

*Wastewater Division*

<u>Largest Wastewater Customers</u>	<u>Type of Use</u>	<u>2013 Revenues</u>	<u>% of Total</u>
Jackson Laboratory	Genetic Research & Mice Prod	\$463,147	22.4%
Witham Family LTD	Hotels	182,015	8.8%
Eden Street Trust	Hotel	79,638	3.8%
Hulls Cove, LLC	Hotel	39,715	1.9%
Golden Anchor, LC	Hotel	37,743	1.8%
BHTC 111, LLC	Tennis & Swim Club	31,284	1.5%
Bar Harbor Hsg Auth	Low Income/Elderly Housing	27,846	1.3%
Town of Bar Harbor	Parks, Bldgs, Schools	25,938	1.3%
Mt. Desert Hospital	Hospital	26,341	1.3%
Lafayette Bluenose, LLC	Hotel	23,656	1.1%

*Water Division*

<u>Largest Water Customers</u>	<u>Type of Use</u>	<u>2013 Revenues</u>	<u>% of Total</u>
Town of Bar Harbor	Parks, Bldgs, Schools & Hydrants	\$523,199	29.3%
Jackson Laboratory	Genetic Research & Mice Prod	173,221	9.7%
Witham Family LTD Partnership	Hotels	80,404	4.5%
College of the Atlantic	College	25,692	1.4%
Golden Anchor	Hotel	17,032	1.0%
Colket, Tristram C JR	Residence & Greenhouse	16,897	0.9%
Lafayette Bar Harbor, LLC	Motel	16,614	0.9%
Hulls Cove, LLC	Hotel	16,292	0.9%
Kebo Valley Club	Golf Course	15,884	0.9%
Eden Street Trust	Hotel	14,436	0.8%

<u>Number of Water System Customers</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	1,266	1,272	1,251	1,249	1,247
Commercial	449	490	505	493	490
Industrial (Jax Lab)	47	39	42	43	43
Governmental	49	53	53	52	52
<b>Total</b>	<b>1,811</b>	<b>1,854</b>	<b>1,851</b>	<b>1,837</b>	<b>1,832</b>

<u>Water Sales (per 1,000 gallons)</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	69,828	83,026	73,690	71,570	65,318
Commercial	108,793	110,013	101,306	102,200	103,634
Industrial (Jax Lab)	53,937	54,566	52,065	57,920	60,116
Public Authorities	14,279	10,803	10,831	9,905	10,170
<b>Total Water Sales</b>	<b>246,837</b>	<b>258,408</b>	<b>237,892</b>	<b>241,595</b>	<b>239,238</b>

<b>Water Sales (Revenue)</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Residential	\$360,176	\$385,829	\$433,721	\$426,246	\$484,620
Commercial	355,398	384,359	419,435	421,111	494,752
Industrial (Jax Lab)	90,825	93,311	105,520	116,518	138,761
Public Authorities	39,682	41,294	50,060	47,001	56,710
Public Fire Protection	346,992	346,992	402,968	402,968	480,468
Private Fire Protection	71,483	72,762	87,703	89,174	106,563
<b>Total Water Sales</b>	<b>\$1,264,556</b>	<b>\$1,324,547</b>	<b>\$1,449,407</b>	<b>\$1,503,018</b>	<b>\$1,761,874</b>

## PUBLIC EDUCATION

### Composition of MDLRSS

<i>Former Administrative Unit</i>	<i>Community</i>	<i>School</i>	<i>Grade</i>	<b>Enrollment (as of Oct. 1, 2013)</b>
School Union #98	Bar Harbor	Connors-Emerson School	K-8	389
School Union #98	Cranberry Isles	Islesford School	K-8	12
School Union #98	Frenchboro	Frenchboro Elementary	K-8	6
School Union #98	Mount Desert	Mt Desert Elementary	K-8	184
School Union #98	Southwest Harbor	Pemetic Elementary	K-8	152
School Union #98	Tremont	Tremont Consolidated	K-8	109
School Union #92	Trenton	Trenton Elementary	K-8	123
MSAD No. 76	Swan's Island	Swan's Island Elementary	K-8	36
C.S.D. No. 7	Members of Union #98	Mt Desert Island High	9-12	538
		Total Enrollment		1,549
		(less Tuition Students)		(45)
		Total Member Enrollment		1,504

## 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. Approximately 40 full-time Town employees, not included in the table below, are not represented by unions.

<b>Union</b>	<b>Bargaining Unit</b>	<b>Date of Contract</b>	
		<b>Effective</b>	<b>Expiration</b>
Teamsters Local No. 340	Highway & Wastewater Unit	July 1, 2014	June 30, 2017
Teamsters Local No. 340	Supervisor Unit	Job Vacant	
IAFF (AFL/CIO)	Fire Department Unit	July 1, 2014	June 30, 2017
BHSEA (MEA)	School Support Unit	July 1, 2012	June 30, 2015
BHTA (MEA)	Teachers Unit	Sept. 1, 2012	Aug. 31, 2015

## BUILDING ACTIVITY

Calendar Year	Residential		Commercial		Total	
	# Permits	Est. Cost	# Permits	Est. Cost	# Permits	Est. Cost
2013	195	\$11,067,509	112	\$21,401,296	307	\$32,468,805
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

Representative Employers	Type of Business	Approximate Number of Employees			
		Full-Time	Part-Time	Seasonal	Total
The Jackson Laboratory	Genetic Research	1,254	0	0	1,254
Mount Desert Island Hospital	Hospital	425	140	0	565
National Park Service	Acadia National Park	85	0	128	213
Hannaford's Shop & Save	Grocery Store	33	43	30	106
College of the Atlantic	College	85	20	0	115
MDI Bio Laboratory	Medical Research	60	3	9	72
Sonogee Estates	Nursing Home	47	4	17	68
Bar Harbor Banking & Trust Co.	Bank	36	3	2	41

## TOWN FINANCES

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

	2011	2012	2013	2014	2015
<b>Revenues</b>					
Taxes	\$14,143,638	\$14,346,420	\$14,908,603	\$15,310,100	\$15,796,457
Intergovernmental	358,910	378,636	391,719	309,110	241,420
Departmental	973,335	1,039,386	1,033,614	1,078,517	1,081,216
Other local sources	547,640	531,781	561,361	551,796	535,264
<b>Total Revenues</b>	<b>16,023,523</b>	<b>16,296,223</b>	<b>16,895,297</b>	<b>17,249,523</b>	<b>17,654,357</b>
<b>Expenditures</b>					
General government	2,748,058	2,838,034	2,787,297	2,811,648	2,778,378
Public safety	2,149,969	2,230,015	2,442,592	2,549,803	2,608,008
Health & welfare	127,543	113,785	124,805	127,396	130,716
Parks & recreation	216,848	215,881	248,421	230,479	230,865
Roads & sanitation	1,666,782	1,704,846	1,808,304	1,763,969	1,746,798
Debt service	12,888	-	-	-	-
Assessments	2,971,418	2,998,800	3,144,324	3,160,004	3,396,885
Transfers to school fund	4,575,479	4,718,082	4,714,074	5,080,953	5,176,423
Transfers to CIP	1,501,170	1,423,418	1,747,987	1,700,842	1,820,106
Other exp. & transfers	53,368	53,362	51,320	51,289	32,053
<b>Total Expenditures</b>	<b>\$16,023,523</b>	<b>\$16,296,223</b>	<b>\$17,069,124</b>	<b>\$17,476,383</b>	<b>\$17,920,232</b>
<b>Excess Exp. Over Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$173,827</b>	<b>\$226,860</b>	<b>\$265,875</b>
<b>Use of Fund Balance:</b>					
Transfer to CIP	0	0	117,160	117,160	200,000
One-time expenditures	0	0	56,667	109,700	65,875
Increase GF Bal	0	0	0	0	0
<b>Total Use of Fund Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$173,827</b>	<b>\$226,860</b>	<b>\$265,875</b>

**Property Tax Levy Limit**

Fiscal year:	<b><u>2010/2011</u></b>	<b><u>2011/2012</u></b>	<b><u>2012/2013</u></b>	<b><u>2013/2014</u></b>	<b><u>2014/2015</u></b>
State Personal Income Factor:	1.78%	1.66%	1.43%	1.05%	1.09%
Town Prop Growth Factor:	<u>1.97%</u>	<u>2.41</u>	<u>1.76%</u>	<u>1.46%</u>	<u>1.41%</u>
Growth Limitation Factor:	3.75%	4.07%	3.19%	2.51%	2.50%
Property Tax Levy Limit:	\$5,772,322	\$6,082,356	\$6,282,509	\$6,444,293	\$6,632,283
Property Tax Levy:	<u>5,708,877</u>	<u>5,742,050</u>	<u>6,095,170</u>	<u>6,174,598</u>	<u>6,199,868</u>
Over/(below) Prop Tax Levy Limit:	(\$63,445)	(\$346,306)	(\$187,339)	(\$269,695)	(\$432,415)

**General Fund Balance as % Revenues**

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
Assigned and Unassigned General Fund Balance	\$2,261,033	\$2,879,315	\$3,424,663	\$3,489,920	\$3,314,239
Total Revenues	15,887,271	17,548,339	17,745,350	18,135,145	18,594,081
Fund Bal as % Revenues	14.23%	16.41%	19.30%	19.24%	17.82%

**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 6/30/14
2014	1,390,700	\$1,435,775	10.01	\$14,372,104	\$13,918,708	96.86%	96.86%
2013	1,383,750	1,423,245	9.84	14,004,735	13,469,426	96.18	98.33
2012	1,389,150	1,407,891	9.60	13,515,751	12,998,547	96.17	99.75
2011	1,443,700	1,410,144	9.44	13,311,759	12,837,527	96.44	99.83
2010	1,486,550	1,437,197	8.88	12,762,312	12,288,901	96.29	99.89

**Largest Taxpayers**

Taxpayer	As of April 1, 2014			
	Type of Business	Assessed Value	Tax	% of Levy
Golden Anchor, L C	Hotel	\$20,169,500	\$206,132	1.39%
Eden Street Trust	Hotel	17,589,300	179,763	1.22%
Witham Family LTD	Hotel	13,548,200	138,463	0.93%
West Street Properties, LLC	Hotel	13,206,800	134,974	0.91%
BHTC 111, LLC	Res/Club	10,434,400	106,640	0.72%
Witham Family LTD	Hotel	9,124,300	93,250	0.63%
Bangor Hydro Elec Co	Utility	7,938,200	81,128	0.55%
Colket, Tristram C Jr	Residential	7,177,900	73,358	0.50%
Lafayette Blunose, LLC	Hotel	6,784,800	69,341	0.47%
Holiday Assoc. of Naples	Hotel	5,767,900	58,948	0.40%
<b>Top ten taxpayers</b>			<b>\$1,141,997</b>	<b>7.71%</b>

**Revenues from the State**

Fiscal Yr. End June 30.	State Revenue Sharing	Homestead Exemption	General Assistance	Other State Aid	Total From State
2014	\$133,206	\$47,655	\$279	\$9,324	\$190,464
2013	203,535	47,474	0	75,886	326,895
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

**DEBT**

Year Issued	Purpose	Amount Issued	Final Maturity	Balance on June 30, 2014			Balance on June 30, 2015	
				General	Propriety	Total	(Payments)	Total
1997	Sewer Plant (SRF)	7,300,000	10/01/17		\$1,747,330	\$1,747,330	(\$419,295)	\$1,328,035
2002	Water Tank (SRF)	750,000	10/01/21		344,754	344,754	(39,215)	305,539
2004	School (MMIB)	805,000	11/01/24	531,965		531,965	(37,321)	494,644
2005	Beach Wall	800,000	10/15/24	440,000		440,000	(40,000)	400,000
2005	Sewer/Hulls Cove	800,000	10/15/27		575,000	575,000	(30,000)	545,000
2010	Roads & Sidewalks	3,700,000	05/01/30	2,960,000		2,960,000	(185,000)	2,775,000
2010	Water System	600,000	05/01/30		480,000	480,000	(30,000)	450,000
2011	Sewer System	1,316,000	12/01/31		1,207,167	1,207,167	(56,450)	910,717
2011	Water System	1,224,000	12/01/31		1,132,833	1,132,833	(53,000)	1,079,833
2011	Ref'd'g Water-01	2,515,000	12/01/21		1,885,000	1,885,000	(215,000)	1,670,000
2012	Water (SRF)	2,679,150	10/01/32		2,542,018	2,542,018	(122,148)	2,419,870
2013	Public Works	3,350,000	10/15/33	3,350,000		3,350,000	(125,000)	3,225,000
				7,281,965	9,914,102	17,196,067	(1,352,429)	15,843,638
2014	Muni Bldg/Signage (issued 8/15/14)	2,442,000	10/15/34		2,442,000	2,442,000	(122,000)	2,320,000
				\$7,281,965	\$9,914,102	\$19,638,067	(\$1,474,429)	\$18,163,638

**Debt Ratios**

Fiscal Yr. End June 30.	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2014	5,235	\$1,390,700	\$1,435,775	\$19,638,067 <sup>(1)</sup>	1.41%	\$3,751.30
2013	5,235	1,383,750	1,423,245	18,501,308	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

*Debt Obligations, by Fund Type*

FY June 30,	General Fund Debt		Enterprise Fund Debt	Total Debt	Ent. Debt as % Total Debt
	(Town)	(School)			
2014	\$9,192,919	\$531,965	\$9,914,102	\$19,638,067	50.48%
2013	7,006,919	637,602	10,856,787	18,501,308	58.68%
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%

*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		
2014	0.66%	0.04%	0.71%	1.41%	\$1,756	\$101	\$1,894	\$3,751
2013	0.50	0.05	0.78	1.34	1,338	122	2,074	3,535
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

**Debt Service Component of Operating Expenses**

	2010	2011	2012	2013	2014
Total Current Year Debt Service:	\$1,388,112	\$1,698,240	\$1,617,987	\$1,552,947	\$1,765,303
(less Enterprise Debt Service)	<u>(988,464)</u>	<u>(1,029,627)</u>	<u>(975,603)</u>	<u>(1,038,982)</u>	<u>(1,183,861)</u>
Tax Supported Debt Service	\$399,648	\$668,613	\$642,384	\$513,965	\$581,442
Budgeted Operating Expense:	15,632,658	\$16,023,523	\$16,296,223	\$17,069,124	\$17,476,383
Debt Service as % Oper. Expense:	2.56%	4.17%	3.94%	3.01%	3.32%

**Total General Obligation, Overlapping and Contingent Debt**

	<u>Direct Debt (1)</u>	<u>Overlapping</u>	<u>Contingent</u>	<u>Total Debt</u>
Town of Bar Harbor (CIP)	\$7,230,000			\$7,230,000
Town of Bar Harbor (School)	531,965			531,965
Town of Bar Harbor (Enterprise)	9,434,102			9,434,102
C.S.D. No. 7		\$1,256,282		1,256,282
County of Hancock		157,200		157,200
<b>Total A/O June 30, 2014</b>	<b>\$17,196,067</b>	<b>\$1,413,482</b>	<b>\$0</b>	<b>\$18,609,549</b>
Debt as % Eq State Valuation	1.24%	0.10%	0.00%	1.34%
Per Capita Debt	\$3,284.83	\$270.01	\$0.00	\$3,554.83

**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, Bar Harbor, ME 04609.

**TOWN OF BAR HARBOR**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

*Exhibit A*

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	7,139,725	2,212,640	9,352,365
Investments	1,651,527		1,651,527
Receivables			
Taxes and Liens	773,855	50,841	824,696
User Fees, net		497,719	497,719
Accounts	51,403	6,885	58,288
Ambulance	104,043		104,043
Accrued Interest	1,363		1,363
Prepaid Expense	23,495	66,203	89,698
Inventory	17,932	180,351	198,283
Due from Other Governments	89,436		89,436
Bond Issuance Costs, Net		5,692	5,692
Capital Assets:			
Land	2,059,514	164,126	2,223,640
Construction Work in Progress	93,744	88,507	182,251
Other Capital Assets, Net of Depreciation	18,016,532	19,674,737	37,691,269
<b>Total Assets</b>	<b>30,022,569</b>	<b>22,947,701</b>	<b>52,970,270</b>
 <i>Liabilities, Deferred Inflows of Resources and Net Position</i>			
<i>Liabilities</i>			
Accounts Payable	415,150	78,503	493,653
Retainage Payable	44,755	3,780	48,535
Payroll Taxes Deductible	13,238		13,238
Accrued Salaries Payable	578,002	17,881	595,883
Accrued Compensated Absences	267,178	31,872	299,050
Accrued Interest Payable		41,441	41,441
Internal Balances	2,608	(2,608)	-
Construction Advances		165,000	165,000
Deposits Payable	11,364	842	12,206
Long-term Liabilities:			
Due Within One Year	401,374	774,295	1,175,669
Due in More Than One Year	6,909,159	9,139,807	16,048,966
<b>Total Liabilities</b>	<b>8,642,828</b>	<b>10,250,813</b>	<b>18,893,641</b>
 <i>Deferred Inflows of Resources</i>			
Prepaid Taxes	35,247		35,247
 <i>Net Position</i>			
Net Investment in Capital Assets	12,859,257	10,018,960	22,878,217
Restricted	145,761		145,761
Unrestricted	8,339,476	2,677,928	11,017,404
<b>Total Net Position</b>	<b>21,344,494</b>	<b>12,696,888</b>	<b>34,041,382</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>30,022,569</b>	<b>22,947,701</b>	<b>52,970,270</b>

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

TOWN OF BAR HARBOR  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
<u>Primary Government</u>						
<u>Governmental Activities:</u>						
General Government	2,843,738	499,655	15,000	(2,329,083)		(2,329,083)
Public Safety	2,814,484	453,115	-	(2,361,369)		(2,361,369)
Health and Welfare	145,954			(145,954)		(145,954)
Parks & Recreation	303,609	800	-	(302,809)		(302,809)
Island Explorer Shuttle Bus	38,720			(38,720)		(38,720)
Roads and Sanitation	2,200,194	82,162		(2,118,032)		(2,118,032)
Assessments	3,160,004			(3,160,004)		(3,160,004)
Capital Outlay	916,633			(916,633)		(916,633)
Education	6,151,581	53,607	926,028	(5,171,946)		(5,171,946)
Cruise Ship	131,993	683,843		551,850		551,850
<u>Total Governmental Activities</u>	<u>18,706,910</u>	<u>1,773,182</u>	<u>941,028</u>	<u>(15,992,700)</u>		<u>(15,992,700)</u>
<u>Business-type Activities:</u>						
Wastewater	1,853,208	2,139,634			286,426	286,426
Water	1,453,321	1,781,856			328,535	328,535
<u>Total Business-type Activities</u>	<u>3,306,529</u>	<u>3,921,490</u>			<u>614,961</u>	<u>614,961</u>
<u>Total Primary Government</u>	<u>22,013,439</u>	<u>5,694,672</u>	<u>941,028</u>	<u>(15,992,700)</u>	<u>614,961</u>	<u>(15,377,739)</u>
<u>General Revenues:</u>						
Taxes						
Property				14,449,631		14,449,631
Auto and Boat Excise				900,696		900,696
Intergovernmental Revenues				288,334		288,334
Other Local Sources				368,039	102,031	470,070
Water Building Proceeds					387,279	387,279
Gain/(Loss) on Disposal of Assets				(35,797)	(48,721)	(84,518)
<u>Total Revenues, Special Items and Transfers</u>				<u>15,970,903</u>	<u>440,589</u>	<u>16,411,492</u>
<u>Changes in Net Position</u>				<u>(21,797)</u>	<u>1,055,550</u>	<u>1,033,753</u>
<u>Net Position - Beginning</u>				<u>21,366,291</u>	<u>11,641,338</u>	<u>33,007,629</u>
<u>Net Position - Ending</u>				<u>21,344,494</u>	<u>12,696,888</u>	<u>34,041,382</u>

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

**TOWN OF BAR HARBOR**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

*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	7,137,029		2,696	7,139,725
Investments	1,639,174		12,353	1,651,527
Receivables				
Taxes	22,297			22,297
Tax Liens	751,558			751,558
Accounts	51,403			51,403
Bonds				-
Ambulance Fees	104,043			104,043
Accrued Interest	1,363			1,363
Prepaid Expense	23,495			23,495
Inventory	17,932			17,932
Due from Other Governments	78,436		11,000	89,436
Due from Other Funds	15,024	4,624,818	-	4,639,842
<b>Total Assets</b>	<b>9,841,754</b>	<b>4,624,818</b>	<b>26,049</b>	<b>14,492,621</b>
<i>Liabilities, Deferred Inflows of Resources and Fund Balances</i>				
<i>Liabilities</i>				
Accounts Payable	242,025	173,125		415,150
Retainage Payable		44,755		44,755
Payroll Taxes/Deductions	13,238			13,238
Accrued Salaries Payable	578,002			578,002
Accrued Compensated Absences	221,269			221,269
Due to Other Funds	4,631,450		11,000	4,642,450
Deposits Payable	11,364			11,364
<b>Total Liabilities</b>	<b>5,697,348</b>	<b>217,880</b>	<b>11,000</b>	<b>5,926,228</b>
<i>Deferred Inflows of Resources:</i>				
Prepaid Taxes	35,247			35,247
Unearned Property Taxes	630,597			630,597
Unearned Rental Income	2,319			2,319
Unearned Escrow	28,000			28,000
<b>Total Deferred Inflows of Resources</b>	<b>696,163</b>	<b>-</b>	<b>-</b>	<b>696,163</b>
<i>Fund Balances</i>				
Nonspendable	2,850		11,757	14,607
Restricted	131,154			131,154
Committed		4,406,938		4,406,938
Assigned	2,690,307		3,292	2,693,599
Unassigned	623,932			623,932
<b>Total Fund Balances</b>	<b>3,448,243</b>	<b>4,406,938</b>	<b>15,049</b>	<b>7,870,230</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>9,841,754</b>	<b>4,624,818</b>	<b>26,049</b>	<b>14,492,621</b>

(Continued)

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

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

Total Fund Balance	7,870,230
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$19,563,033	20,169,790
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Unearned Revenues	660,916
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(7,281,965)
Accrued Compensated Absences - School Department	(45,909)
Capital Leases Payable	(28,568)
	<u>(7,356,442)</u>
Net Position of Governmental Activities	<u><u>21,344,494</u></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, 2014**

*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	15,406,046			15,406,046
Intergovernmental Revenues	232,227	63,962	15,000	311,189
Departmental Revenues	2,693,826			2,693,826
Other Local Sources	261,982	81,467	57	343,506
<b>Total Revenues</b>	<b>18,594,081</b>	<b>145,429</b>	<b>15,057</b>	<b>18,754,567</b>
Expenditures				
General Government	2,693,245		19,895	2,713,140
Public Safety	2,541,457		14,169	2,555,626
Health and Welfare	132,017			132,017
Parks and Recreation	228,873		21,667	250,540
Island Explorer Shuttle Bus	38,720			38,720
Roads and Sanitation	1,804,295		-	1,804,295
Education	6,023,600			6,023,600
Assessments	3,160,004			3,160,004
Cruise Ship	131,993			131,993
Capital Outlay		5,073,130		5,073,130
<b>Total Expenditures</b>	<b>16,754,204</b>	<b>5,073,130</b>	<b>55,731</b>	<b>21,883,065</b>
Excess of Revenues Over (Under) Expenditures	1,839,877	(4,927,701)	(40,674)	(3,128,498)
Other Financing Sources (Uses)				
Transfers from Other Funds	284,259	2,035,984	14,000	2,334,243
Transfers to Other Funds	(2,334,223)	-	(20)	(2,334,243)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,049,964)</b>	<b>2,035,984</b>	<b>13,980</b>	<b>-</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(210,087)	(2,891,717)	(26,694)	(3,128,498)
Fund Balance - July 1	3,658,330	7,298,655	41,743	10,998,728
<b>Fund Balance - June 30</b>	<b>3,448,243</b>	<b>4,406,938</b>	<b>15,049</b>	<b>7,870,230</b>

(Continued)

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

**TOWN OF BAR HARBOR**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

*Exhibit D*  
*Page 2 of 2*

Net change in fund balances - total governmental funds	(3,128,498)
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	3,780,335
Gain/(Loss) on Disposal of Assets	(35,797)
Depreciation expense	(977,724)
	<u>2,766,814</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unearned Revenues	22,062
Unearned Taxes	(55,719)
	<u>(33,657)</u>
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Capital lease obligation principal payments	13,606
General obligation bond principal payments	362,556
	<u>376,162</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	(2,618)
Change in net position of governmental activities	<u>(21,797)</u>

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

**TOWN OF BAR HARBOR**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2014**

*Exhibit E*

<i>Assets</i>	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	<i>Total</i>
<b>Current Assets:</b>			
Cash and Equivalents	1,759,037	453,603	2,212,640
Receivables			
User Fees, net	480,786	16,933	497,719
Liens Receivable	50,841	-	50,841
Accounts	4,359	2,526	6,885
Inventory	31,429	148,922	180,351
Due From Other Funds	6,687		6,687
Prepaid Expenses		66,203	66,203
<b>Total Current Assets</b>	<b>2,333,139</b>	<b>688,187</b>	<b>3,021,326</b>
<b>Noncurrent Assets:</b>			
Capital Assets, net	11,115,313	8,812,057	19,927,370
Bond Issuance Costs, net	-	5,692	5,692
<b>Total Noncurrent Assets</b>	<b>11,115,313</b>	<b>8,817,749</b>	<b>19,933,062</b>
<b>Total Assets</b>	<b>13,448,452</b>	<b>9,505,936</b>	<b>22,954,388</b>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Accounts Payable	51,269	27,234	78,503
Retainage Payable	3,780	-	3,780
Accrued Salaries and Benefits	9,813	8,068	17,881
Accrued Interest Payable	20,040	21,401	41,441
Escrow Deposit		842	842
Due to Other Funds		4,079	4,079
Compensated Absences Payable	14,336	17,536	31,872
Bonds and Notes Payable	505,745	268,550	774,295
<b>Total Current Liabilities</b>	<b>604,983</b>	<b>347,710</b>	<b>952,693</b>
<b>Noncurrent Liabilities:</b>			
Construction Advances		165,000	165,000
Bonds and Notes Payable	3,023,752	6,116,055	9,139,807
<b>Total Noncurrent Liabilities</b>	<b>3,023,752</b>	<b>6,281,055</b>	<b>9,304,807</b>
<b>Total Liabilities</b>	<b>3,628,735</b>	<b>6,628,765</b>	<b>10,257,500</b>
<b>Net Position</b>			
Net Investment in Capital Assets	7,585,816	2,433,144	10,018,960
Retained Earnings			
Reserved	1,865,467	-	1,865,467
Unreserved	368,434	444,027	812,461
<b>Total Net Position</b>	<b>9,819,717</b>	<b>2,877,171</b>	<b>12,696,888</b>
<b>Total Liabilities and Net Position</b>	<b>13,448,452</b>	<b>9,505,936</b>	<b>22,954,388</b>

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 POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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	1,262,461	1,779,162	3,041,623
Capital Charge	862,150		862,150
Interest - Late Penalties	15,023	2,694	17,717
<b>Total Operating Revenues:</b>	<b>2,139,634</b>	<b>1,781,856</b>	<b>3,921,490</b>
Operating Expenditures:			
Salaries and Benefits	569,348	531,411	1,100,759
Contracted Services	220,471	184,044	404,515
Utilities & Commodities	204,962	66,105	271,067
Repairs & Maintenance	66,084	106,151	172,235
Equipment	5,530	19,898	25,428
Other Expenses	41,400	35,252	76,652
Depreciation and Amortization	529,696	280,809	810,505
Materials and Supplies	99,866	94,657	194,523
<b>Total Operating Expenditures</b>	<b>1,737,357</b>	<b>1,318,327</b>	<b>3,055,684</b>
<b>Net Operating Income</b>	<b>402,277</b>	<b>463,529</b>	<b>865,806</b>
Nonoperating Revenues (Expenses)			
Interest Revenue	5,760	1,159	6,919
Transfer from Other Funds	-	-	-
Nonutility Income, net of expense	4,500	504	5,004
Water Building Proceeds		387,279	387,279
Loss on Disposal of Assets		(48,721)	(48,721)
Contributions in Aid of Construction	30,000	60,108	90,108
Interest Expense	(115,851)	(134,994)	(250,845)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(75,591)</b>	<b>265,335</b>	<b>189,744</b>
<b>Change in Net Position (net income)</b>	<b>326,686</b>	<b>728,864</b>	<b>1,055,550</b>
<b>Total Net Position - Beginning</b>	<b>9,493,031</b>	<b>2,148,307</b>	<b>11,641,338</b>
<b>Total Net Position - Ending</b>	<b>9,819,717</b>	<b>2,877,171</b>	<b>12,696,888</b>

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, 2014**

*Exhibit G*

	<i>Proprietary Fund Types</i>		<i>Total</i>
	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	
<b><i>Cash Flows from Operating Activities</i></b>			
Received from Customers	2,139,634	1,781,856	3,921,490
Payments to Suppliers	(596,913)	(470,855)	(1,067,768)
Payments to Employees	(569,348)	(531,411)	(1,100,759)
Other Receipts (Payments)	(36,900)	(34,748)	(71,648)
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>936,473</b>	<b>744,842</b>	<b>1,681,315</b>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>			
Purchases of Capital Assets	(129,879)	(2,927,312)	(3,057,191)
Principal Received on Capital Debt Issued	-	2,662,957	2,662,957
Principal Paid on Capital Debt	(449,984)	(322,510)	(772,494)
Proceeds from Sale of Building		387,279	387,279
Interest Paid on Capital Debt	(115,851)	(134,994)	(250,845)
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b>(695,714)</b>	<b>(334,580)</b>	<b>(1,030,294)</b>
<b><i>Cash Flows from Investing Activities</i></b>			
Purchase of Investments	(419,289)	(142,743)	(562,032)
Interest and Dividends	5,760	1,159	6,919
<b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	<b>(413,529)</b>	<b>(141,584)</b>	<b>(555,113)</b>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>(172,770)</b>	<b>268,678</b>	<b>95,908</b>
<b><i>Balances - beginning of the year</i></b>	<b>1,931,807</b>	<b>184,925</b>	<b>2,116,732</b>
<b><i>Balances - end of the year</i></b>	<b>1,759,037</b>	<b>453,603</b>	<b>2,212,640</b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>			
Net Operating Income (Loss)	402,277	463,529	865,806
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	529,696	280,809	810,505
(Increase) Decrease in Accounts Receivable	(21,925)	395,141	373,216
(Increase) Decrease in Due To/From Other Funds	91,350	(356,978)	(265,628)
(Increase) Decrease in Inventory	(5,526)	699	(4,827)
(Increase) Decrease in Prepaid Expense		34,581	34,581
Increase (Decrease) in Accrued Wages Payable	425	(1,193)	(768)
Increase (Decrease) in Accrued Interest Payable	(3,586)	(1,034)	(4,620)
Increase (Decrease) in Escrow Deposits		(1,294)	(1,294)
Increase (Decrease) in Compensated Absences Payable	(12,460)	3,298	(9,162)
Increase (Decrease) in Accounts Payable	(43,778)	(27,927)	(71,705)
Increase (Decrease) in Retainage Payable	-	(44,789)	(44,789)
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>936,473</b>	<b>744,842</b>	<b>1,681,315</b>

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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 unearned 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 revenues and expenditures of the Cruise Ship fund, the collection and disbursement of earmarked monies (special revenue funds). The General Fund is used to account for all activities of the general government not accounted in some other fund.

The CJP funds account for all the Town and School Departments major capital projects and the servicing of general long-term debt (debt service fund).

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, 2014**

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

**D. Assets, Liabilities, and Net Position 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 unearned revenue. At June 30, \$630,597 has been so classified and reported on the general fund balance sheet.

Annual property taxes were levied on August 13, 2013, on property values assessed on April 1. Taxes were due in two installments without penalty, due on September 30 and March 31, with interest at 7.0% beginning October 1 and April 1. A 1% discount was available on the second half taxes if paid at the due date of the first half taxes. 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, 2014**

**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, 2014**

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

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

**7. Fund Balances/Net Position**

Fund Balances

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

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

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

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

*Assigned* includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Position (Continued)

Fund Balances

The Town has identified June 30, 2014 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>Nonspendable</u>				
School Lunch Inventory	2,850			2,850
Gurnee Principal			6,488	6,488
Cemetery Principal			5,269	5,269
	2,850	-	11,757	14,607
<u>Restricted</u>				
Dog Control Reserve	1,029			1,029
School Restricted Funds	130,125			130,125
	131,154	-	-	131,154
<u>Committed</u>				
Capital Improvement Programs		4,406,938		4,406,938
	-	4,406,938	-	4,406,938
<u>Assigned</u>				
Reserve for Working Capital	1,783,000			1,783,000
Designated for Insurance	500,000			500,000
General Fund Encumbrances	20,575			20,575
Education Assigned Funds	336,757			336,757
Cruise Ship Fund - Encumbrances	16,413			16,413
Cruise Ship Fund	33,562			33,562
Gurnee Scholarship			3,292	3,292
	2,690,307	-	3,292	2,693,599
<u>Unassigned</u>				
General Fund	623,932			623,932
<u>Total Fund Balance</u>	3,448,243	4,406,938	15,049	7,870,230

**TOWN OF BAR HARBOR  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

**7. Fund Balances/Net Position (Continued)**

Net Position

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 position are required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

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

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

*Unrestricted* – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the government’s 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 Public Employees Retirement System (MPERS). 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, 2014**

**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, as of January 1, 2013, all interest bearing and non-interest bearing accounts, are aggregated and are insured up to \$250,000 in total 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, 2014**

**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 \$9,352,365 and the bank balance was \$9,856,456. 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.

	<i>Bank Balance</i>	<i>Category</i>		
		<i>1</i>	<i>2</i>	<i>3</i>
Cash and Equivalents	<u>9,856,456</u>	<u>8,650,073</u>	<u>1,206,383</u>	-

**Investments**

At June 30, 2014, the Towns investments, maturities and credit ratings are as follows:

Type	June 30, 2014						
	Fair Value	Maturities in Years				Credit Rating	
		Less Than 1	1-5	6-10	More than 10	S&P	Moody's
<b>General Town:</b>							
Chesapeake Energy Corp.	50,312		50,312			BBB	Ba3
Freeport McMoran Copper & Gold	51,033		51,033			A	Baa3
Morgan Stanley	101,420		101,420			A-	Baa1
Mutual Funds	<u>1,448,762</u>	<u>1,448,762</u>				not rated	not rated
Total	<u>1,651,527</u>	<u>1,448,762</u>	<u>202,765</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, 2014:

Deposits and Cash on Hand	\$ 9,352,365
Investments	<u>\$ 1,651,527</u>
	<u>\$ 11,003,892</u>

	Government-wide Statement of Net Position	Business-Type Statement of Net Position	Totals
Cash and Cash Equivalents	\$ 7,139,725	\$ 2,212,640	\$ 9,352,365
Investments	<u>\$ 1,651,527</u>	<u>\$ -</u>	<u>\$ 1,651,527</u>
	<u>\$ 8,791,252</u>	<u>\$ 2,212,640</u>	<u>\$ 11,003,892</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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		1,435,774,620
Tax Rate (per \$1,000)		<u>10.01</u>
Commitment		<u>14,372,104</u>
Appropriations		18,957,821
Less:		
State Municipal Revenue Sharing	188,604	
Estimated Revenues	4,346,615	
BETE Reimbursement	3,001	
Homestead Reimbursement	<u>47,497</u>	
		<u>4,585,717</u>
Net Assessment for Commitment		<u>14,372,104</u>

Uncollected real estate taxes and personal property taxes at June 30 for the current year commitment totaled \$448,959, which represents tax collection of approximately 96.9% of the current year commitment. The real estate portion of the total taxes due were placed on lien June 27, 2014. Unpaid prior year tax liens at June 30 totaled \$309,214.

**C. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at June 30, 2014 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	15,024	4,631,450
Special Revenue Funds		
Maine Forestry Grant		11,000
ARRA Port Security Grant	-	
Capital Project Funds	4,624,818	
Water Fund		4,078
Wastewater Fund	<u>6,686</u>	
Totals	<u>4,646,528</u>	<u>4,646,528</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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. \$21,764 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, 2014 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<b>Governmental Activities;</b>				
<i>Capital assets not being depreciated</i>				
Land	1,899,514	160,000		2,059,514
Construction Work in Progress	356,067	32,033	(294,356)	93,744
	<u>2,255,581</u>	<u>192,033</u>	<u>(294,356)</u>	<u>2,153,258</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,934,704	2,534,128	(89,626)	11,379,206
Equipment	6,124,478	453,537	(213,331)	6,364,684
Infrastructure	18,944,162	894,993	(3,480)	19,835,675
	<u>34,003,344</u>	<u>3,882,658</u>	<u>(306,437)</u>	<u>37,579,565</u>
<i>Less accumulated depreciation for:</i>				
Buildings	3,295,132	221,632	(62,318)	3,454,446
Equipment	3,733,524	409,830	(204,842)	3,938,512
Infrastructure	11,827,293	346,262	(3,480)	12,170,075
	<u>18,855,949</u>	<u>977,724</u>	<u>(270,640)</u>	<u>19,563,033</u>
	<u>15,147,395</u>	<u>2,904,934</u>	<u>(35,797)</u>	<u>18,016,532</u>
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<u>17,402,976</u>	<u>3,096,967</u>	<u>(330,153)</u>	<u>20,169,790</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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>
<b><i>Business-type Activities;</i></b>				
<i>Capital assets not being depreciated</i>				
Land	164,793		(667)	164,126
<i>Capital assets being depreciated:</i>				
Water Fund	11,819,663	2,973,619	(3,167,524)	11,625,758
Wastewater Fund	19,531,766	454,030	(95,023)	19,890,773
<i>Total capital assets being depreciated</i>	<u>31,351,429</u>	<u>3,427,649</u>	<u>(3,262,547)</u>	<u>31,516,531</u>
<i>Less accumulated depreciation for:</i>				
Water Fund	2,973,262	256,046	(275,731)	2,953,577
Wastewater Fund	8,317,008	529,696	(46,994)	8,799,710
<i>Total accumulated depreciation</i>	<u>11,290,270</u>	<u>785,742</u>	<u>(322,725)</u>	<u>11,753,287</u>
<i>Net capital assets being depreciated</i>	<u>20,061,159</u>	<u>2,641,907</u>	<u>(2,939,822)</u>	<u>19,763,244</u>
<b><i>Business-type Activities Capital Assets, net</i></b>	<u>20,225,952</u>	<u>2,641,907</u>	<u>(2,939,822)</u>	<u>19,927,370</u>

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

<u>Governmental Activities:</u>	
General Government	130,598
Public Safety	258,858
Health and Welfare	13,937
Parks and Recreation	53,069
Roads and Sanitation, including infrastructure	395,899
Education	125,363
<b>Total Depreciation Expense - Governmental Activities</b>	<u>977,724</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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</i> <u>June 30,</u>	<i>Minimum Lease Payment</i>
2015	14,993
2016	14,992
Total Minimum Lease Payments	29,985
Less: Amount Representing Interest	<u>(1,417)</u>
Present Value of Future Minimum Lease Payments	<u><u>28,568</u></u>

**F. Long-Term Debt**

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

<i>Purpose</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
<b>General Obligation</b>			
2004 School Heating System	11/1/2024	4.45%	531,965
2005 Agamont Park and Seawall	10/15/2027	3.75 - 4.25%	440,000
2010 Capital Construction, Roads, etc.	5/1/2030	2.0-4.0%	2,960,000
2013 Public Works Complex	4/15/2034	2.0-4.0%	<u>3,350,000</u>
			<u><u>7,281,965</u></u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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%	1,747,330
2005 Hulls Cove Wastewater Plant	10/15/2027	3.0 - 4.38%	575,000
2002 Water Tank Purchase	10/1/2021	2.673%	344,754
2010 Water Mains	5/1/2030	2.0 - 4.0%	480,000
2011 Wastewater Mains Replacement and Scada System	12/1/2031	2.0 - 3.5%	1,207,167
2011 Water Refinance. Mains Replacement and Duck Brook Pump Station	12/1/2031	2.0 - 3.5%	3,017,833
2012 Safe Drinking Revolving Water Loan	10/1/2032	1.000%	<u>2,542,018</u>
			<u>9,914,102</u>
Total Debt			<u>17,196,067</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$4,091,949 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary</i>	<i>Total</i>
2015	632,142	1,192,379	1,824,521
2016	628,701	1,193,699	1,822,400
2017	620,079	1,194,761	1,814,840
2018	615,946	1,185,635	1,801,581
2019	610,646	713,255	1,323,901
2020-2024	2,933,981	3,002,382	5,936,363
2025-2029	2,343,480	1,967,019	4,310,499
2030-2034	1,361,800	1,092,111	2,453,911
Total	<u>9,746,775</u>	<u>11,541,241</u>	<u>21,288,016</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014:

	<i>General</i>		
	<i>Obligation</i>		
	<i>Debt</i>	<i>Proprietary</i>	<i>Total</i>
<i>Long-term Debt payable July 1, 2013</i>	7,644,521	10,856,787	18,501,308
Debt Issued	-	-	-
Debt Retired	(362,556)	(942,685)	(1,305,241)
<i>Long-term Debt payable June 30, 2014</i>	<u>7,281,965</u>	<u>9,914,102</u>	<u>17,196,067</u>

**G. Contributed Capital**

Changes in net contributed capital for the year-ended June 30, 2014 for the government's Proprietary Funds were as follows:

	<u>Wastewater</u>	<u>Water</u>
Balance - Beginning of Year	2,423,960	161,411
Additions:	30,000	60,108
Deductions:		
Retirements		
Depreciation Provided by Contributed Capital	<u>(80,622)</u>	<u>(9,682)</u>
Balance - End of Year	<u>2,373,338</u>	<u>211,837</u>

**H. Authorized, Unissued Debt**

The Town approved the following general obligation securities at the 6/3/14 annual town meeting:

- 1) \$2,200,000 to provide for the costs of renovations to the Town Office.
- 2) \$242,000 to provide for the costs of new signage for the downtown area known as the Downtown Wayfindings Signage Plan.

Both of the approved borrowings are authorized but unissued at 6/30/14.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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	5,269	-
Scholarships	6,488	3,292
Total	<u>11,757</u>	<u>3,292</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, 2014**

**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, PO Box 349, Augusta, Maine 04332-0349 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 10.0%. The Town's costs for the fiscal years ended June 30, 2012, 2013 and 2014 were \$100,842, \$81,728 and \$77,885 respectively. The Town also contributed \$30,097 on behalf of the former Town Manager as part of a severance agreement.

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 FY 14 rate is 6.5% and 6.9% of annual covered payroll, plus a monthly contribution of \$967 and \$478 to fund the IUUAL, or the Initial Unpooled Unfunded Actuarial Liability. The IUUAL liability stands at \$52,342 as of July 1, 2012. The IUUAL is zero as of 6/30/14. Funding for subsequent fiscal year 2015 will be at 7.8% and 7.2% 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 three funds for the years ended June 30, 2012, 2013 and 2014, were \$104,296, \$128,619 and \$143,403 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 FY 14 rate is 6.5% of annual covered payroll, plus a monthly charge for all covered employees of \$58. 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, 2012, 2013 and 2014 were \$5,563, \$9,347 and \$10,975 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 a portion of the employer contribution, which amounted to 13.03% of the annual covered salary for fiscal year 2014. The State's cost for 2014 was approximately \$382,240. The School Unit is required to pay 2.65% of non-federally funded teachers' compensation and 16.15% for federally funded teachers' compensation. This cost amounted to \$77,739 and \$11,985 respectively for 2014. The federal portion is chargeable to the applicable grants.

**Social Security** – The Town has a section 218 agreement to provide full Social Security coverage for its full time employees and at the Town's discretion may exclude part time public safety employees. This agreement was enacted July 1, 1965.

**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.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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. During the fiscal year 2014 the Town sold the Water Department Building and used a portion of the proceeds to fully fund the retirement plan and discontinue the plan under the Town. Employees were given the option to roll over their funds or take a lump sum payout. The final distribution of the plan occurred on 12/9/13.

**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 \$2,000,000 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 \$2,000,000 per occurrence, \$4,000,000 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, 2014.

**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,

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**F. Other Postemployment Benefits (Continued)**

*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 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 January 2014.

**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, 2014, 2013 and 2012 and the annual required contributions:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal Cost	\$ 18,158	\$ 19,722	\$ 19,722
Amortization of unfunded	\$ 24,981	\$ 32,400	\$ 32,400
Adjustment to ARC	\$ (7,913)	\$ (6,495)	\$ (4,160)
Interest	<u>\$ 6,327</u>	<u>\$ 5,524</u>	<u>\$ 3,909</u>
Annual required contribution	\$ 41,553	\$ 51,151	\$ 51,871

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPEB liability, July 1	\$ 136,827	\$ 112,307	\$ 71,929
Annual required contribution	\$ 41,553	\$ 51,151	\$ 51,871
Less: Actual member contributions	<u>\$ (18,522)</u>	<u>\$ (26,631)</u>	<u>\$ (11,493)</u>
OPEB liability, June 30	\$ 159,858	\$ 136,827	\$ 112,307

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014, 2013 and 2012 was as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual Required Contribution	\$ 41,553	\$ 51,151	\$ 51,871
Actual Member Contributions	\$ 18,522	\$ 26,631	\$ 11,495
Percent contributed	44.57%	52.06%	22.16%
Actuarial accrued liability	\$ 449,253	\$ 582,677	\$ 582,677
Plan Assets	\$ -	\$ -	\$ -
Unfunded actuarial accrued liability	\$ 449,253	\$ 582,677	\$ 582,677
Covered payroll	\$ 2,821,170	\$ 2,739,000	\$ 2,717,300
Unfunded actuarial accrued liability as a percentage of covered payroll	15.92%	21.27%	21.44%

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	11/14
Actuarial cost method	Projected Unit
Amortization method	Level dollar Open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.0%
Healthcare inflation rate	4.6%

**TOWN OF BAR HARBOR**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Exhibit H**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	15,310,098	15,310,098	15,406,046	95,948
Intergovernmental Revenues	309,110	309,110	232,227	(76,883)
Departmental Revenues	2,058,155	2,058,155	2,009,983	(48,172)
Other Local Sources	268,269	268,269	256,598	(11,671)
<b>Total Revenues</b>	<b>17,945,632</b>	<b>17,945,632</b>	<b>17,904,854</b>	<b>(40,778)</b>
<b>Expenditures</b>				
General Government	2,772,930	2,733,930	2,676,963	56,967
Public Safety	2,549,375	2,551,375	2,542,285	9,090
Health and Welfare	127,820	127,820	128,040	(220)
Parks and Recreation	230,478	230,478	228,873	1,605
Island Explorer Shuttle Bus	38,720	38,720	38,720	-
Roads and Sanitation	1,763,969	1,810,969	1,807,945	3,024
Education	6,060,588	6,060,588	6,060,588	-
Assessments	3,211,296	3,211,296	3,160,004	51,292
<b>Total Expenditures</b>	<b>16,755,176</b>	<b>16,765,176</b>	<b>16,643,418</b>	<b>121,758</b>
<b>Excess Revenues Over Expenditures</b>	<b>1,190,456</b>	<b>1,180,456</b>	<b>1,261,436</b>	<b>80,980</b>
<b>Other Financing Sources</b>				
Transfers from Other Funds	283,527	283,527	284,259	732
Transfers to Other Funds	(1,700,842)	(1,752,842)	(1,752,842)	-
<b>Total Other Financing Sources</b>	<b>(1,417,315)</b>	<b>(1,469,315)</b>	<b>(1,468,583)</b>	<b>732</b>
<b>Net Change in Fund Balance</b>	<b>(226,859)</b>	<b>(288,859)</b>	<b>(207,147)</b>	<b>81,712</b>
<b>Beginning Fund Balances - Budgetary Basis</b>			<b>3,114,079</b>	
<b>Ending Fund Balances - Budgetary Basis</b>			<b>2,906,932</b>	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<b>490,307</b>	
<b>Ending Fund Balances - GAAP Basis</b>			<b>3,397,239</b>	

**TOWN OF BAR HARBOR**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under) Budget</i>
Taxes			
Property	14,372,104	14,431,823	59,719
Auto Excise	838,491	889,241	50,750
Boat Excise	14,089	11,455	(2,634)
Interest/Fees on Taxes	85,414	73,527	(11,887)
	<u>15,310,098</u>	<u>15,406,046</u>	<u>95,948</u>
Intergovernmental Revenues			
State of Maine			
Municipal Revenue Sharing	188,604	133,206	(55,398)
General Assistance	839	279	(560)
Tree Growth	3,717	4,249	532
Veterans Reimbursement	2,029	2,055	26
Homestead Reimbursement	47,497	47,655	158
BETE Reimbursement	3,001	3,020	19
State Grants	2	-	(2)
Other Grants	1	-	(1)
Federal			
Acadia National Park - PILT	63,420	41,763	(21,657)
	<u>309,110</u>	<u>232,227</u>	<u>(76,883)</u>
Departmental Revenues			
Ambulance/Fire			
Ambulance Service	395,412	333,574	(61,838)
Police			
Police Detail	6,066	7,750	1,684
Parking Tickets	55,878	50,111	(5,767)
All Other	6,610	8,229	1,619
Planning / Code			
Building Permits	144,862	169,011	24,149
Plumbing Permits	31,932	28,826	(3,106)
Electrical Inspections	26,203	25,130	(1,073)
Vacation Rental Permits	2,666	1,050	(1,616)
Plan Board/Subdivision & Rezoning	3,835	6,930	3,095
Site Plan Review	10,096	13,420	3,324
All Other	6,744	4,207	(2,537)
Harbor Fees			
Docking	32,971	31,235	(1,736)
Mooring	3,919	4,900	981
All Other	11,292	11,932	640
Solid Waste			
Sale of Recyclables	91,001	71,806	(19,195)
All Other	600	175	(425)
Public Works			
All Other	9,349	10,181	832
Parks and Recreation			
Park and Recreation Fees	1,000	800	(200)
Fire Department	1	-	(1)

**TOWN OF BAR HARBOR**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

*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	170,019	170,019	-
Auto Registrations	16,670	15,780	(890)
Boat/RV Registrations/Snowmobile Fees	1,612	1,642	30
Municipal Building Leases	24,071	33,867	9,796
Town Clerk			
Clerk's Fees	17,046	19,238	2,192
All Other	8,665	10,535	1,870
Elementary School	979,635	979,635	-
	<u>2,058,155</u>	<u>2,009,983</u>	<u>(48,172)</u>
Other Local Sources			
Interest on Investments	30,000	13,442	(16,558)
Kids Corner Lease	5,100	5,150	50
Island Explorer Lease	18,462	17,720	(742)
Other Rentals	3,525	2,701	(824)
Jackson Laboratory - PILT	72,785	77,116	4,331
Housing Authority - PILT	25,259	25,986	727
Other - PILT	13,325	15,175	1,850
Cable TV Franchise	88,017	84,763	(3,254)
Insurance Dividends	10,644	14,350	3,706
Sale of Fixed Assets	1	-	(1)
All Other	1,151	195	(956)
	<u>268,269</u>	<u>256,598</u>	<u>(11,671)</u>
Operating Transfers In			
Cemetery Income	39	20	(19)
Cruise Ship Fund	277,983	277,983	-
Dog Control Reserve	3,079	2,745	(334)
Shellfish Conservation	2,426	3,511	1,085
	<u>283,527</u>	<u>284,259</u>	<u>732</u>
Total Revenues, Operating Transfers and Other Financing Sources	<u>18,229,159</u>	<u>18,189,113</u>	<u>(40,046)</u>
Beginning Fund Balance Used	<u>288,859</u>		
<b>Total</b>	<u><u>18,518,018</u></u>		

**TOWN OF BAR HARBOR**  
**GENERAL FUND**  
**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

	<i>Encumbered From 6/30/13</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/15</i>	<i>(Over) Under Budget</i>
General Government					
Town Council		39,174	32,920		6,254
Town Manager	8,000	136,623	131,036		3,587
Town Clerk		123,153	119,475	3,600	78
Finance	3,391	315,481	316,215		2,657
Legal Counsel		66,685	67,420	1,194	(1,929)
Elections		14,750	10,361		4,389
Technology	1,000	122,639	121,486		2,203
Municipal Building		81,129	80,273		856
Town Offices		33,789	37,566		(3,777)
Employee Benefits	250	1,346,398	1,345,347		1,301
Insurance		80,867	77,194		3,673
Assessing	1,920	130,901	115,497	3,900	13,424
Code Enforcement	1,625	69,813	69,142		2,296
Planning	9,990	105,210	104,722	1,200	9,278
27th Pay Period		13,427	(3,240)		16,667
Vacation Accruals		42,005	47,475		(5,470)
Abatements/Discount on Taxes		21,836	20,356		1,480
	26,176	2,733,930	2,693,245	9,894	56,967
Public Safety					
Ambulance		403,887	391,936		11,951
Fire Department	1,000	796,560	796,575		985
Police Department	3,500	922,513	919,922	5,431	660
Public Safety Building		42,738	45,807		(3,069)
Street Lights		69,635	63,278		6,357
Dispatch		203,104	201,945		1,159
Harbor Division		112,938	121,891		(8,953)
	4,500	2,551,375	2,541,354	5,431	9,090
Health and Welfare					
General Assistance		1,678	1,445		233
Cooperating Agencies		39,843	39,843		-
Emergency Management		423	-		423
Comfort Station	3,977	85,876	90,729		(876)
	3,977	127,820	132,017	-	(220)

TOWN OF BAR HARBOR  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit A-2  
Page 2 of 2

	<i>Encumbered From 6/30/13</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/15</i>	<i>(Over) Under Budget</i>
Parks and Recreation					
Parks & Recreation		230,478	228,873		1,605
	-	230,478	228,873	-	1,605
Island Explorer Shuttle Bus	-	38,720	38,720	-	-
Roads and Sanitation					
Public Works		142,190	143,623		(1,433)
Highway Division	1,600	1,068,551	1,059,443	5,250	5,458
Solid Waste		600,228	601,229		(1,001)
	1,600	1,810,969	1,804,295	5,250	3,024
Education					
Elementary School	432,744	6,060,588	6,023,600	469,732	-
Total Appropriations, Expenditures and Encumbrances	468,997	13,553,880	13,462,104	490,307	70,466
Assessments					
Regional School District		2,606,151	2,606,151		-
County Tax		553,853	553,853		-
Overlay		51,292			51,292
	-	3,211,296	3,160,004	-	51,292
Operating Transfers Out					
Maine Forestry Grant		14,000	14,000		-
Capital Improvements Program		1,738,842	1,738,842		-
	-	1,752,842	1,752,842	-	-
<b>Totals</b>	<b>468,997</b>	<b>18,518,018</b>	<b>18,374,950</b>	<b>490,307</b>	<b>121,758</b>



**TOWN OF BAR HARBOR**  
**GENERAL RESERVES AND COMMITTED FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2014**

*Exhibit A-4*

<i>Assets</i>	<i>Dog Control Reserve</i>	<i>Cruise Ship Fund</i>	<i>Total</i>
Accounts Receivable		10,464	10,464
Due from Other Funds	1,029	45,447	46,476
<b>Total Assets</b>	<b>1,029</b>	<b>55,911</b>	<b>56,940</b>
 <i>Liabilities &amp; Fund Balances</i>			
<i>Liabilities</i>			
Unearned Revenue			-
Accounts Payable		5,936	5,936
<b>Total Liabilities</b>	<b>-</b>	<b>5,936</b>	<b>5,936</b>
 <i>Fund Balances</i>			
Restricted	1,029		1,029
Assigned - Encumbrances		16,413	16,413
Assigned		33,562	33,562
<b>Total Fund Balances</b>	<b>1,029</b>	<b>49,975</b>	<b>51,004</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>1,029</b>	<b>55,911</b>	<b>56,940</b>

## GENERAL RESERVES AND COMMITTED FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

	<i>Dog Control Reserve</i>	<i>Shellfish Conservation Reserve</i>	<i>Cruise Ship Fund</i>	<i>Total</i>
Revenues				
Dog Fees	1,873			1,873
Shellfish Fees		3,511		3,511
Port Fees			284,490	284,490
Cruise Ship Passenger Fees			399,353	399,353
<b>Total Revenues</b>	<b>1,873</b>	<b>3,511</b>	<b>683,843</b>	<b>689,227</b>
Expenditures				
Public Safety	103			103
Cruise Ship Operating			131,993	131,993
<b>Total Expenditures</b>	<b>103</b>	<b>-</b>	<b>131,993</b>	<b>132,096</b>
Excess of Revenues Over (Under) Expenditures	1,770	3,511	551,850	557,131
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds	(2,745)	(3,511)	(575,125)	(581,381)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,745)</b>	<b>(3,511)</b>	<b>(575,125)</b>	<b>(581,381)</b>
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	(975)	-	(23,275)	(24,250)
Fund Balance - July 1	2,004	-	73,250	75,254
<b>Fund Balance - June 30</b>	<b>1,029</b>	<b>-</b>	<b>49,975</b>	<b>51,004</b>

**TOWN OF BAR HARBOR  
 ALL SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2014**

*Exhibit B-1*

<i>Assets</i>	<i>Maine Forestry Grant</i>	<i>Total</i>
Due from Other Funds		-
Due from Other Governments	11,000	11,000
<b>Total Assets</b>	<b>11,000</b>	<b>11,000</b>
 <i>Liabilities &amp; Fund Balances</i>		
Liabilities		
Due to Other Funds	11,000	11,000
Total Liabilities	11,000	11,000
 Fund Balances		
Restricted		-
Total Fund Balances	-	-
<b>Total Liabilities &amp; Fund Balances</b>	<b>11,000</b>	<b>11,000</b>

**TOWN OF BAR HARBOR**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**SPECIAL REVENUES/GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

*Exhibit B-2*

	<i>ARRA Port Security Grant</i>	<i>Healthy Maine Streets Grant</i>	<i>Maine Forestry Grant</i>	<i>Total</i>
Revenues				
Local Revenues				-
Intergovernmental		15,000		15,000
Total Revenues	-	15,000	-	15,000
Expenditures				
General Government		19,895		19,895
Parks & Recreation			21,667	21,667
Public Works				-
Public Safety	14,169			14,169
Total Expenditures	14,169	19,895	21,667	55,731
Excess of Revenues Over (Under) Expenditures	(14,169)	(4,895)	(21,667)	(40,731)
Other Financing Sources (Uses)				
Transfers from Other Funds			14,000	14,000
Transfers to Other Funds				-
Total Other Financing Sources (Uses)	-	-	14,000	14,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(14,169)	(4,895)	(7,667)	(26,731)
Fund Balance - July 1	14,169	4,895	7,667	26,731
<b>Fund Balance (Deficit) - June 30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

TOWN OF BAR HARBOR  
 CAPITAL IMPROVEMENTS PROGRAM  
 SCHEDULE OF ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C-1  
 Page 1 of 3

Town Projects	Balance July 1	Budget	Revenues and Transfers	Expenditures/ Transfers	Balance (Over) Under	Transfers From (To) Unassigned	Balance June 30
Town Clerk							
Computerized Voting Equipment	15,400	(15,400)			-		-
Finance							
Computer Hardware	2,889	(2,889)			-		-
Technology							
Copier Equipment	1,670	6,530		(8,400)	(200)	200	-
Wide Format Scanner & GIS Equipment	14,351	7,129			21,480		21,480
WAN & Cable TV System	21,553	10,640		(3,600)	28,593		28,593
Audio Visual Equipment	915	305			1,220		1,220
Document Imaging System	3,019	2,000			5,019		5,019
Computer Servers	12,320	12,884		(14,777)	10,427		10,427
Website Improvements	1,798	10,000		(10,702)	1,096		1,096
PA Hearing Loop System	5,000	(5,000)			-		-
Town Office Phone System	6,128	2,521		(8,649)	-		-
Aerial Photography Update	29,644			(10,500)	19,144		19,144
Municipal Building							
Building Renovation	32,797			(32,640)	157		157
Code Enforcement							
Pickup Inspection Truck	12,189	2,032			14,221		14,221
Assessing							
Property Tax Maps & Revaluation	6,187	(6,187)			-		-
Vehicle Purchase	86	2,667			2,753		2,753
Planning							
Backyard Parking	26,000	38,000		(26,000)	38,000		38,000
Ambulance							
Ambulance Reserve	2,101	33,115			35,216		35,216
Defibrillators	24,220	3,000			27,220		27,220
Jaws of Life	8,488				8,488		8,488
Fire Department							
Fire Engine #2	70,062	8,366			78,428		78,428
Fire Engine #3 Reserve	32,164	8,138			40,302		40,302
Fire Engine #4	122,913	16,867			139,780		139,780
Fire Engine #5	89,004	8,366			97,370		97,370
Fire Truck - Crew's	-	2,728			2,728		2,728
Fire Pickup Truck Reserve	144	3,833			3,977		3,977
Thermal Imaging Camera	15,698				15,698		15,698
SCBA's & Cascade System	12,050	2,708			14,758		14,758
Police Department							
Computers & Software	10,906	5,724		(16,630)	-		-
Radio Base Station & Console	16,738	16,554			33,292		33,292
Speed Trailer & Monitor	3,667	412			4,079		4,079
Cruiser Replacement	2,887	30,078		(25,700)	7,265		7,265
Cruiser Equipment	6,569	4,100		(1,685)	8,986		8,986
Security camera System	3,440	15,601			19,041		19,041
Night Vision Units	2,720	7,639			10,359		10,359
Port Security Boat	8,819	8,819			17,638		17,638

TOWN OF HAR HARBOR  
 CAPITAL IMPROVEMENTS PROGRAM  
 SCHEDULE OF ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C-1  
 Page 2 of 3

	<u>Balance</u> <u>July 1</u>	<u>Budget</u>	<u>Revenues and</u> <u>Transfers</u>	<u>Expenditures/</u> <u>Transfers</u>	<u>Balance</u> <u>(Over) Under</u>	<u>Transfers</u> <u>From (To)</u> <u>Unassigned</u>	<u>Balance</u> <u>June 30</u>
<b>Town Projects (Continued)</b>							
Public Safety Building							
Public Safety Bldg. Generator	6,942	667			7,609		7,609
School Shelter Generator	2,001	667			2,668		2,668
Building Renovations	26,225	21,600		(16,913)	30,912		30,912
<b>Harbor Department</b>							
Harbor Mastor Boat & Trailer	14,544				14,544		14,544
New Floats	6,148	8,405			14,553		14,553
Gangway Replacement	12,363	3,117			15,480		15,480
Pier Renovations	156,366	12,861		(169,227)	-		-
Security Camera System	1,721	7,155		(8,877)	(1)	1	-
<b>Parks &amp; Recreation</b>							
Museum in the Streets	583	530			1,113		1,113
Albert Meadow-Grant's Park	5,464	5,601			11,065		11,065
Tree Planting	-	8,000		(580)	7,420		7,420
Mt. Desert Cemetery	60,728				60,728		60,728
Park Equipment	6,837	2,000			8,837		8,837
Launch Ramp-Hadley Point	1,496	1,496			2,992		2,992
Village Green Bandstand	2,466	1,233			3,699		3,699
Glen Mary Renovations	18,081	6,152			24,233		24,233
Harborview Park	62,691	125,676		(2,500)	185,867		185,867
<b>Comfort Stations</b>							
New Restrooms Construction	68,081	20,000			88,081		88,081
<b>Public Works / Highway</b>							
Air Compressor	4,950	750			5,700		5,700
Backhoe Reserve (Cat & Deere)	105,495	23,630		(105,233)	23,892		23,892
Brush Chipper	22,005	1,350			23,355		23,355
Grader Reserve	120,935	3,400			124,335		124,335
Hydraulic Lifts	2,095	1,000			3,095		3,095
Front End Loader Reserve	108,982	16,602			125,584		125,584
Road Improvement Program	1,473,223	498,101		(721,481)	1,249,843		1,249,843
Sidewalk Plow	-	13,244			13,244		13,244
Sidewalk Reconstruction Program	427,283	131,799		(215,672)	343,410		343,410
Washer, Steam Pressure	10,611				10,611		10,611
Street Sweeper (Broom)	59,576	10,404			69,980		69,980
Street Sweeper (Vacuum)	-	15,204			15,204		15,204
Public Works Complex	3,111,607			(2,923,455)	188,152		188,152
Tag Trailer	11,399	1,025			12,424		12,424
Water Truck	1,000	1,000			2,000		2,000
Route #3 Construction	117,160	211,420			328,580		328,580
Light Truck Purchase	88,026	54,533		(38,110)	104,449		104,449
Plow Truck Reserve	64,836	66,857			131,693		131,693
Bobcat Loader	24,913	2,666			27,579		27,579
Roller, Vibratory	30,244	1,379			31,623		31,623
Waste Oil Furnace	1,413	1,164			2,577		2,577

TOWN OF BAR HARBOR  
 CAPITAL IMPROVEMENTS PROGRAM  
 SCHEDULE OF ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C-1  
 Page 3 of 3

	Balance July 1	Budget	Revenues and Transfers	Expenditures/ Transfers	Balance (Over) Under	Transfers From (To) Unassigned	Balance June 30
<i>Town Projects (Continued)</i>							
Solid Waste Division							
Storage	5,000	257			5,257		5,257
Bailers		1,249			1,249		1,249
Glass Crusher	3,584	807			4,391		4,391
Forklifts	8,615	2,379			10,994		10,994
Transfer Station Reserve	2,168	5,332			7,500		7,500
Recycling Facility Reserve	645	2,500			3,145		3,145
Debt Service							
Building Renovation Bond Payment	-	32,542		(32,541)	1	(1)	-
Debt Service - Agamont Park	-	58,680		(58,680)	-		-
Public Works - FY 10	-	288,138		(288,137)	1	(1)	-
Public Works - FY 13	126,859	(58,817)		(68,043)	(1)	1	-
<b>Town Total</b>	<b>7,009,897</b>	<b>1,855,055</b>	<b>-</b>	<b>(4,808,730)</b>	<b>4,056,202</b>	<b>200</b>	<b>4,056,402</b>
<i>School Projects</i>							
2004 Heating System Payment	-	70,000		(70,000)	-		-
2004 Heating System Payment	-	61,222		(59,826)	1,396	(1,396)	-
ADA Act Renovations	13,898				13,898		13,898
Capital Outlay Reserve	6,848	28,406			35,254	1,396	36,650
Furniture & Equipment	5,000	5,000		(4,671)	5,329		5,329
Computers & Technology	11,462	57,000		(46,074)	22,388		22,388
Copier Lease/Purchase	-	14,993		(14,993)	-		-
Flooring	24,991	5,000			29,991		29,991
Repaving	17,500				17,500		17,500
Asbestos Removal	10,310				10,310		10,310
Pickup Truck Replacement	16,894	5,868		(21,072)	1,690		1,690
Playground Equipment	6,886	500			7,386		7,386
Emerson Bathroom	7,500	(7,500)			-		-
Roof Repairs	30,668	5,000			35,668		35,668
Storage Units	3,000				3,000		3,000
Technology Infrastructure	-	20,000		(18,287)	1,713		1,713
Connors Windows	12,065				12,065		12,065
Bleacher Upgrade	7,500	(7,500)			-		-
Boiler Lead-Lag System	18,475	10,000			28,475		28,475
Tractor Plow Reserve	5,000				5,000		5,000
Bleacher Buddy	4,000	(4,000)			-		-
Emerson Entry Doors	-	7,500			7,500		7,500
Roof Fascia & Drainage	830	(830)			-		-
Sewer Lines	6,064	(6,064)			-		-
Floor Machine	-	6,506		(6,506)	-		-
Safety & Access Control	21,958			(18,107)	3,851		3,851
Indoor Pipe Replacement	40,450	5,000		(4,864)	40,586		40,586
<b>School Total</b>	<b>271,299</b>	<b>276,101</b>	<b>-</b>	<b>(264,400)</b>	<b>283,000</b>	<b>-</b>	<b>283,000</b>
<b>Subtotal</b>	<b>7,281,196</b>	<b>2,131,136</b>	<b>-</b>	<b>(5,073,130)</b>	<b>4,339,202</b>	<b>200</b>	<b>4,339,402</b>
Unassigned Balance	17,459	(2,131,136)	2,181,413	-	67,736	(200)	67,536
<b>Totals</b>	<b>7,298,655</b>	<b>-</b>	<b>2,181,413</b>	<b>(5,073,130)</b>	<b>4,406,938</b>	<b>-</b>	<b>4,406,938</b>

**TOWN OF BAR HARBOR  
 COMBINING BALANCE SHEET  
 ALL PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014**

*Exhibit D-1*

<i>Assets</i>	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Cash and Equivalents	1,752	944	2,696
Investments	8,028	4,325	12,353
<b>Total Assets</b>	<b>9,780</b>	<b>5,269</b>	<b>15,049</b>
<i>Liabilities &amp; Fund Balances</i>			
Liabilities			
Due to Other Funds			-
<b>Total Liabilities</b>	-	-	-
Fund Balances			
Nonspendable	6,488	5,269	11,757
Assigned	3,292	-	3,292
<b>Total Fund Balances</b>	<b>9,780</b>	<b>5,269</b>	<b>15,049</b>
 <b>Total Liabilities &amp; Fund Balances</b>	 <b>9,780</b>	 <b>5,269</b>	 <b>15,049</b>

**TOWN OF BAR HARBOR**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

*Exhibit D-2*

	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
New Funds			-
Investment Income	38	19	57
	38	19	57
Expenditures			
Scholarships			-
	-	-	-
Excess of Revenues Over Expenditures	38	19	57
Other Financing Sources (Uses)			
Transfers to Other Funds		(20)	(20)
Total Other Financing Sources (Uses)	-	(20)	(20)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	38	(1)	37
Fund Balance - July 1	9,742	5,270	15,012
<b>Fund Balance - June 30</b>	<b>9,780</b>	<b>5,269</b>	<b>15,049</b>

# James W. Wadman

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**CERTIFIED PUBLIC ACCOUNTANT**

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

December 9, 2014

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

We have audited the financial statements of the Bar Harbor School Department for the year ended June 30, 2014.

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

1. The audit has been conducted in accordance with applicable State and Federal laws relating to financial and compliance audits.
2. Budgetary controls are in place.
3. The corrected annual financial report submitted to the Department of Education and Cultural Services is materially correct.
4. The Bar Harbor School Department has complied with the applicable provisions of the Maine School Finance Act.
5. The Bar Harbor School Department has complied with the transfer limitations between budget cost centers.
6. The Bar Harbor School Department has complied with the statutory budget content requirements.
7. The Bar Harbor School Department has not exceeded its authority to expend funds as provided with the total budget summary article.

Respectfully submitted,

**James W. Wadman, CPA**

James W. Wadman, CPA

**APPENDIX B**

**PROPOSED FORM  
OF  
LEGAL OPINION**

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

## **BERNSTEIN SHUR**

**COUNSELORS AT LAW**

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

September 10, 2015

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 \$2,970,000 General Obligation Bonds dated September 10, 2015 (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 multiple thereof. The Bonds are dated September 10, 2015 and bear interest payable on April 15, 2016 and semi-annually thereafter on October 15 and April 15 of each year until maturity or redemption prior to maturity.

The Bonds are lettered R-1 through R-20, and mature annually as follows:

<u>Oct 15,</u>	<u>Amount</u>	<u>CUSIP</u>	<u>Oct 15,</u>	<u>Amount</u>	<u>CUSIP</u>
2016	\$180,000	066878	2026	\$155,000	066878
2017	180,000	066878	2027	155,000	066878
2018	180,000	066878	2028	105,000	066878
2019	185,000	066878	2029	105,000	066878

<u>Oct 15,</u>	<u>Amount</u>	<u>CUSIP</u>	<u>Oct 15,</u>	<u>Amount</u>	<u>CUSIP</u>
2020	185,000	066878	2030	105,000	066878
2021	185,000	066878	2031	105,000	066878
2022	190,000	066878	2032	105,000	066878
2023	190,000	066878	2033	105,000	066878
2024	190,000	066878	2034	105,000	066878
2025	155,000	066878	2035	105,000	066878

The Bonds maturing on and before October 15, 2025 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing after October 15, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after October 15, 2025 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.

Town of Bar Harbor  
September 10, 2015  
Page 4 of 4

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,

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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 \$2,970,000 2015 General Obligation Bonds, dated as of September 10, 2010 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated August 25, 2015 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, 2016, 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 and incomplete financial statements thereon, both for fiscal year 2012, and failure to file Operating Data "for the preceding fiscal year of the type presented in the Town's Official Statements prepared in connection with the sale of its Bonds" for the fiscal years June 30,

2009 through 2013. The Town recognizes its obligation in this undertaking and (a) has filed a material event Notice of Failure to File and (b) has incorporated procedures to ensure Operation Data filings, in a timely manner, in conformance with the Rule on a going forward basis. Otherwise, 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: \_\_\_\_\_, 2015

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

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