



In the opinion of Bernstein Shur Sawyer & Nelson P.A., Augusta, Maine, Bond Counsel ("Bond Counsel"), and assuming compliance with certain tax covenants, under existing statutes, regulations and court decisions, interest on the Series A Bonds (as defined below) is excludable from the 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 the purpose of the federal alternative minimum tax imposed on individuals and corporations, although Bond Counsel observes that the federal alternative minimum tax on corporations is repealed for taxable years beginning on or after January 1, 2018 and therefore interest on the Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018. Such interest will, however, be taken into account in the computation of certain other taxes that may be imposed with respect to corporations, including, without limitation, the foreign branch profits 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 Series A Bonds and Series B Bonds is exempt from income tax within the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The Town will designate the Series A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The Town will not designate the Series B 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**
**\$2,875,000**
**2019 GENERAL OBLIGATION BONDS – SERIES A**
**Dated: Date of Delivery**
**Due: October 15, as shown below**

and

**\$1,225,000**
**2019 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)**
**Dated: Date of Delivery**
**Due: October 15, as shown below**

The Town of Bar Harbor, Maine 2019 General Obligation Bonds - Series A and 2019 General Obligation Bonds - Series B (when collectively, 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 minimum 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 October 15, 2019 and semi-annually on each April 15 and October 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 may be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it, except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapter 206 and former (now repealed) Chapter 207 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. Bonds issued for school improvements 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, are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended. Within the limits established by statute, the Town has the right to designate development districts pursuant to Title 30-A, Chapter 206 of the Maine Revised Statutes, as amended. Bond Counsel's opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, is 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, 2028 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on or after October 15, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after October 15, 2028 as more fully set forth herein. See "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein. Series B Bonds maturing October 15, 2023, October 15, 2028, October 15, 2033 and October 15, 2038 are subject to mandatory redemption, as more fully set forth herein (see "THE BONDS—MANDATORY REDEMPTION" 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 on or about April 4, 2019.

*For the Series A Bonds:*
**Roosevelt & Cross, Incorporated And Associates**
*For the Series B Bonds:*
**BAIRD**

**TOWN OF BAR HARBOR, MAINE**

**\$2,875,000**

**2019 GENERAL OBLIGATION BONDS – SERIES A**

**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>
2019	\$230,000	3.00%	1.50	2029	\$115,000	3.00%	2.15 <sup>(*)</sup>
2020	230,000	4.00	1.52	2030	115,000	3.00	2.25 <sup>(*)</sup>
2021	230,000	5.00	1.54	2031	115,000	3.00	2.35 <sup>(*)</sup>
2022	230,000	5.00	1.56	2032	115,000	3.00	2.45 <sup>(*)</sup>
2023	230,000	5.00	1.58	2033	115,000	3.00	2.55 <sup>(*)</sup>
2024	115,000	3.00	1.64	2034	115,000	3.00	2.65 <sup>(*)</sup>
2025	115,000	5.00	1.72	2035	115,000	3.00	2.70 <sup>(*)</sup>
2026	115,000	5.00	1.80	2036	115,000	3.00	2.80 <sup>(*)</sup>
2027	115,000	5.00	1.90	2037	115,000	3.00	2.90 <sup>(*)</sup>
2028	115,000	5.00	2.00	2038	115,000	3.00	100

**and**

**\$1,225,000**

**2019 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)**

**Dated: Date of Delivery**

\$185,000 5.00%Term Bonds, @109.969 to Yield 2.65; Due: October 15, 2023<sup>(†)</sup>

\$280,000 4.00%Term Bonds, @108.235 to Yield 3.00; Due: October 15, 2028<sup>(†)</sup>

\$345,000 3.30%Term Bonds, @100.000 to Yield 3.30; Due: October 15, 2033<sup>(†)</sup>

\$415,000 3.60%Term Bonds, @100.000 to Yield 3.60; Due: October 15, 2038<sup>(†)</sup>

NOTE: <sup>(\*)</sup>Priced at stated yield to the October 15, 2028 optional redemption date at a redemption price of 100% (see “THE BONDS - OPTIONAL REDEMPTION PRIOR TO MATURITY”)

<sup>(†)</sup>The Term Bonds are subject to mandatory redemption (see “THE BONDS - MANDATORY REDEMPTION” herein).

No dealer, broker, salesman or other person has been authorized by the City 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 City 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 City. 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 City since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, 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.

The CUSIP numbers set forth in this Official Statement have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Bonds. Neither the City nor the Underwriter makes any representation with respect to the accuracy of such CUSIP numbers set forth in this Official Statement or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The City is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as set forth in this Official Statement. The CUSIP number for a specific maturity of the Bonds is subject to change after the issuance of the Bonds and as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

## TABLE OF CONTENTS

<b>CERTIFICATE CONCERNING OFFICIAL STATEMENT</b>	i	<b>TOWN FINANCES (continued)</b>	
<b>THE BONDS</b>		Tax Levy and Collections	42
Description of the Bonds	1	Largest Taxpayers	42
Optional Redemption Prior to Maturity	2	Zoning	43
Mandatory Redemption	2	Tax Increment Financing Districts and Affordable Housing Districts	44
General Provisions Regarding Redemption of the Bonds	2	Revenues From the State	44
Record Date; Payment	3	<b>INDEBTEDNESS</b>	
Authorization and Purpose	3	Limitations and Exclusions	45
Source of Payment and Remedies	6	Debt Summary	46
Tax Matters	8	Projected Principal Payments, by Year of Issue	46
Book-Entry-Only System	11	Debt Ratios	47
Ratings	12	Debt Obligations, by Fund Type	47
Continuing Disclosure	13	Debt Ratios, by Fund Type	47
CUSIP Identification Numbers	14	Projected Debt Service Requirements	48
Municipal Advisor	14	Debt Service Component of Operating Expenses	48
Statutory References	14	Overlapping Debt	48
Conditions Precedent to Delivery	14	Contingent Debt	49
<b>TOWN OF BAR HARBOR</b>		Total General Obligation, Overlapping and Contingent Debt	49
General	15	Future Financing	49
Government	16	<b>RETIREMENT</b>	
Municipal Services	16	A. Defined Benefit Pension Plan	50
Public Education	21	B. Deferred Compensation Plan	52
Labor Relations	23	C. Social Security	53
Building Activity	24	D. Other Post-Employment Benefits	53
Former Ellsworth-Bar Harbor		<b>ENVIRONMENTAL MATTERS</b>	56
MSA	24	<b>LITIGATION</b>	56
Employment	24		
Retail Trade	25	<b>APPENDIX A:</b>	
Local Economy	26	<b>FINANCIAL STATEMENTS</b>	
Economic Characteristics	32	<b>APPENDIX B:</b>	
<b>TOWN FINANCES</b>		<b>PROPOSED FORM OF LEGAL         OPINIONS</b>	
Budgetary Process	33	<b>APPENDIX C:</b>	
Capital Improvement Plan	34	<b>PROPOSED FORM OF         CONTINUING DISCLOSURE         AGREEMENT</b>	
Property Tax Levy Limit	34		
Investment Policy	35		
Fund Balance Policy	35		
Debt Management Policy	36		
Post-issuance Compliance Policy	36		
Financial Statements	37		
Funds	37		
Comparative Balance Sheet	39		
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances	40		
Property Taxation	41		

**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 Municipal 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 the Municipal Advisor 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 Municipal 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 of the Town, 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, the Treasurer 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 Town 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  
\$2,875,000 2019 GENERAL OBLIGATION BONDS – SERIES A  
and**

**\$1,225,000 2019 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)**

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 2019 General Obligation Bonds - Series A (the “Series A Bonds”) and of its 2019 General Obligation Bonds – Series B (Federally Taxable) (the “Series B Bonds” and, if together with the Series A Bonds, the “Bonds”).

**THE BONDS**

**DESCRIPTION OF THE BONDS**

The Bonds will be issued only as fully-registered bonds 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 minimum denomination of \$5,000, or any integral multiple thereof. The Bonds will be dated on the date of delivery and will bear interest (accrued on the basis of a 360-day year with twelve 30-day months) payable on October 15, 2019, and semi-annually thereafter on April 15 and October 15 of each year until maturity, or redemption prior to maturity. It is expected that the Bonds will be available for delivery at DTC on about April 4, 2019. The Bonds will mature as follows:

**Series A Bonds**

<u>Amount</u>	<u>October 15,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>October 15,</u>	<u>CUSIP</u>
\$230,000	2019	066878KJ7	\$115,000	2029	066878KU2
230,000	2020	066878KK4	115,000	2030	066878KV0
230,000	2021	066878KL2	115,000	2031	066878KW8
230,000	2022	066878KM0	115,000	2032	066878KX6
230,000	2023	066878KN8	115,000	2033	066878KY4
115,000	2024	066878KP3	115,000	2034	066878KZ1
115,000	2025	066878KQ1	115,000	2035	066878LA5
115,000	2026	066878KR9	115,000	2036	066878LB3
115,000	2027	066878KS7	115,000	2037	066878LC1
115,000	2028	066878KT5	115,000	2038	066878LD9

**Series B Bonds**

\$185,000 Term Bonds Due: October 15, 2023<sup>(†)</sup>; CUSIP: 066878LF4  
 \$280,000 Term Bonds Due: October 15, 2028<sup>(†)</sup>; CUSIP: 066878LG2  
 \$345,000 Term Bonds Due: October 15, 2033<sup>(†)</sup>; CUSIP: 066878LH0  
 \$415,000 Term Bonds Due: October 15, 2038<sup>(†)</sup>; CUSIP: 066878LJ6

NOTE: <sup>(†)</sup> The Term Bonds are subject to mandatory redemption. See also “THE BONDS - MANDATORY REDEMPTION” herein.

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**

Series A Bonds and Series B maturing on and before October 15, 2028 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on or after October 15, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after October 15, 2028, 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.

**MANDATORY REDEMPTION**

The Series B Bonds maturing on October 15, 2023, October 15, 2028, October 15, 2033 and October 15, 2038, respectively, are also subject to mandatory redemption in the principal amounts set forth below, plus accrued interest to the date of redemption thereof, on October 15 in the years and amounts set forth below:

<u>Series B Term Bond due 2023</u>		<u>Series B Term Bond due 2028</u>		<u>Series B Term Bond due 2033</u>		<u>Series B Term Bond due 2038</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2020	\$45,000	2024	\$50,000	2029	\$65,000	2034	\$75,000
2021	45,000	2025	55,000	2030	65,000	2035	80,000
2022	45,000	2026	55,000	2031	70,000	2036	85,000
2023 <sup>(1)</sup>	50,000	2027	60,000	2032	70,000	2037	85,000
		2028 <sup>(1)</sup>	60,000	2033 <sup>(1)</sup>	75,000	2038 <sup>(1)</sup>	90,000

NOTE: <sup>(1)</sup> Year of final maturity.

**GENERAL PROVISIONS REGARDING REDEMPTION**

**Notice of Redemption**

In the case of every redemption of the Bonds, the Town shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at his or her address as the same shall last appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the Town to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner. Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed.

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

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

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given and funds deposited 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 and funds deposited), the Bonds to be redeemed shall not be deemed to be outstanding.

### **Cancellation**

All Bonds that 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 that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

### **AUTHORIZATION AND PURPOSE**

#### **The Bonds**

The Bonds to provide funds to finance the 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, held on June 12, 2018) and by Title 30-A, Section 5772 of the Maine Revised Statutes, as amended.

## The Ferry Terminal Project

Article 6 of the Town Meeting Warrant authorized the Town to acquire and to issue bonds, in an amount not to exceed \$3,500,000, to provide funds to finance the acquisition of the former Ferry Terminal property (the “Ferry Terminal Property”) at 121 Eden Street in the Town (the “Ferry Terminal Acquisition” or the “Ferry Terminal Project”) from the State of Maine, acting by and through its Department of Transportation (“Maine DOT”) (see TOWN OF BAR HARBOR – LOCAL ECONOMY – Ferry Terminal Acquisition” herein). The Town closed on the acquisition of the Ferry Terminal Property on January 31, 2019.

A portion of the proceeds of the Bonds, in the amount of \$3,500,000, will be used to refund, on a current basis, the outstanding portion of the Town’s 2019 General Obligation Bond Anticipation Note, dated January 30, 2019 and maturing on or before June 30, 2019, with the option to prepay, without penalty, at any time prior to maturity, to provide a portion of the funds to finance the Ferry Terminal Acquisition.

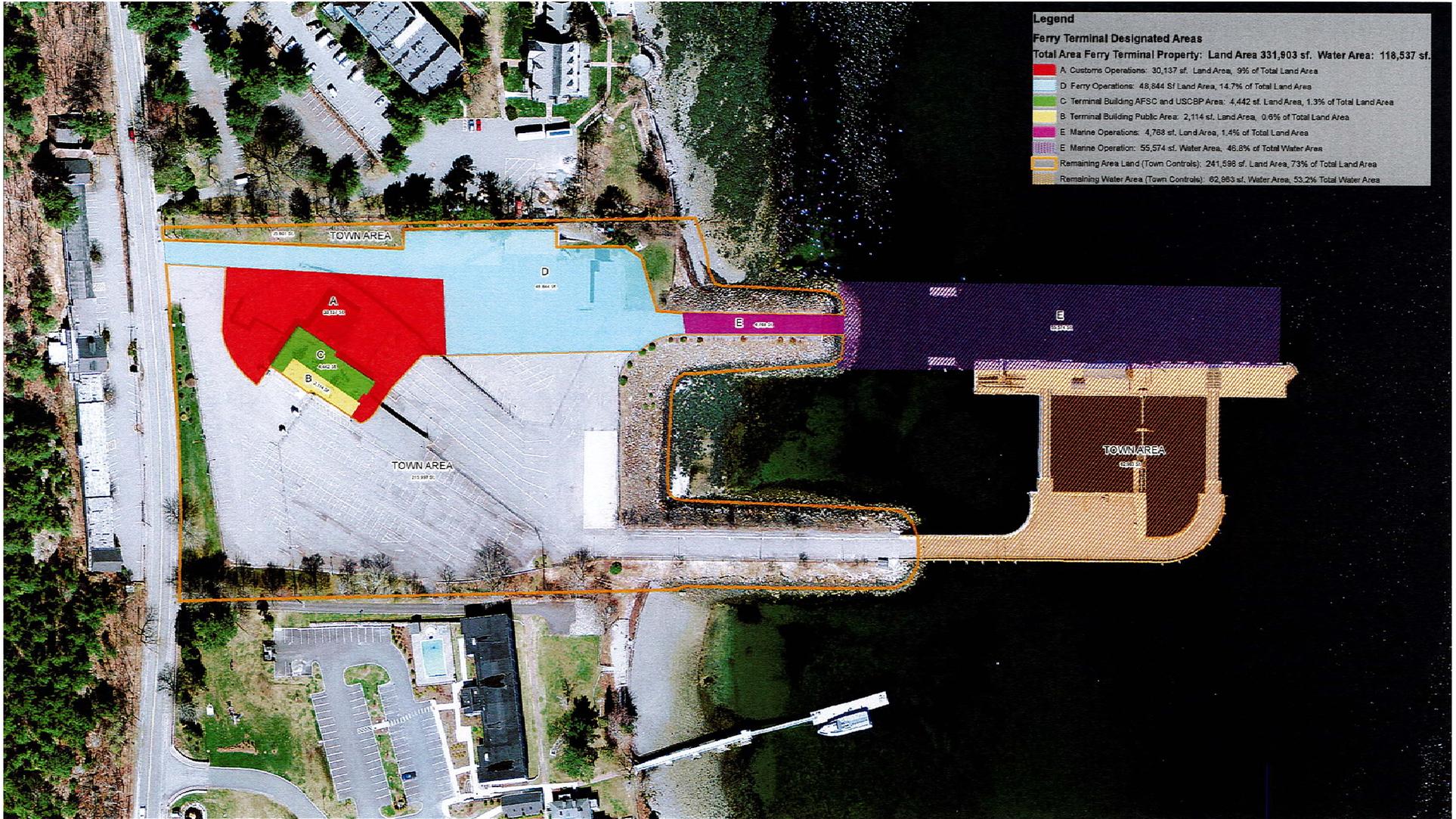
## The Parking Meters Project

Article 7 of the Town Meeting Warrant authorized the Town to issue bonds, in an amount not to exceed \$600,000, to provide funds to finance the purchase and installation of 330 electronic parking meters, including, but not limited to, parking meters, kiosks, accompanying software, handheld citation meters and other associated costs (the “Parking Meters Project”).

The Parking Meters are anticipated to generate at least \$500,000 per season (May through October) that will flow to the General Fund. Residual monies from this fund, after direct expenses, are to be used for downtown infrastructure improvements such as sidewalks, LED lighting, creation of satellite parking, shuttle service, upgrading streetscapes, and pedestrian and bike friendly projects.

## Amortizations of the Projects and the Bonds

<u>Year</u>	<u>FY</u>	<u>Due</u>	<u>Parking</u>	<u>Ferry</u>	<u>Total</u>	<u>Ferry</u>	<u>The</u>
		<u>Oct 15,</u>	<u>Meters</u>	<u>Terminal</u>	<u>Series A</u>	<u>Terminal</u>	<u>Bonds</u>
		2019		<u>Series A</u>		<u>Series B</u>	
1	2019 / 2020	2019	\$120,000	\$110,000	\$230,000	\$0	\$230,000
2	2020 / 2021	2020	120,000	110,000	230,000	45,000	275,000
3	2021 / 2022	2021	120,000	110,000	230,000	45,000	275,000
4	2022 / 2023	2022	120,000	110,000	230,000	45,000	275,000
5	2023 / 2024	2023	120,000	110,000	230,000	50,000	280,000
6	2024 / 2025	2024		115,000	115,000	50,000	165,000
7	2025 / 2026	2025		115,000	115,000	55,000	170,000
8	2026 / 2027	2026		115,000	115,000	55,000	170,000
9	2027 / 2028	2027		115,000	115,000	60,000	175,000
10	2028 / 2029	2028		115,000	115,000	60,000	175,000
11	2029 / 2030	2029		115,000	115,000	65,000	180,000
12	2030 / 2031	2030		115,000	115,000	65,000	180,000
13	2031 / 2032	2031		115,000	115,000	70,000	185,000
14	2032 / 2033	2032		115,000	115,000	70,000	185,000
15	2033 / 2034	2033		115,000	115,000	75,000	190,000
16	2034 / 2035	2034		115,000	115,000	75,000	190,000
17	2035 / 2036	2035		115,000	115,000	80,000	195,000
18	2036 / 2037	2036		115,000	115,000	85,000	200,000
19	2037 / 2038	2037		115,000	115,000	85,000	200,000
20	2038 / 2039	2038		115,000	115,000	90,000	205,000
			<u>\$600,000</u>	<u>\$2,275,000</u>	<u>\$2,875,000</u>	<u>\$1,225,000</u>	<u>\$4,100,000</u>



Ferry Terminal

Total Area: 450,440 sf.

Area Exclusively for Bay Ferries: 145,879 sf 32.3 % of Total Area  
 Area Retained by the Town: 304,561 sf. 67.7% of Total Area

1 inch = 50 feet

## **The Lease**

On February 19, 2019 the Town entered into a lease (the “Lease”) with a Tenant (defined below), for a portion of the Ferry Terminal property for exclusive, or priority, basis, for the operating of ferry service to and from the Town. Among other terms the Lease provides: (a) it’s being effective from February 19, 2019 to October 31, 2023, with an option to renew for a period of one year extending to October 31, 2024, if exercised; (b) for Total Annual Payments, with minimum annual payment to October 31, 2019 of \$168,500 and minimum annual rent of \$264,000 CDN, thereafter through the term of the Lease; (c) with a Providence of Nova Scotia guarantee up to \$1 million (US) against amounts otherwise payable by the Tenant. Not in the Lease, per se, is the expectation that Bay Ferries Ltd, through the financial assistance of the Province, would make additional investments at the facility. Due to its exclusive use by a non-governmental entity, the Series B Bonds will finance that portion of the Ferry Terminal Project to be used by the Tenant as non-tax exempt (i.e., federally taxable) obligations. Bay Ferries Ltd. announced that it is accepting reservations for service that will start on June 21, 2019.

## **The Tenant**

Bay Ferries, Ltd., a subsidiary of Northumberland Ferries Ltd. a ferry company operating in eastern Canada and headquartered in Charlottetown, Prince Edward Island, intends to operate an international ferry service with Atlantic Fleet Services Corp. an established, privately-held corporation located in Bar Harbor whereby Bay Ferries contracts with Atlantic Fleet Services Corporation to manage shore-side operations for its Maine ferry service. Atlantic Fleet Services Corporation will be the Tenant; Bay Ferries, Ltd. will be the operator; the Province of Nova Scotia (the “Province”) will be a financial contributor. The Province has committed to spend up to \$3,000,000 USD to finance capital improvements to the facility.

## **SOURCE OF PAYMENT AND REMEDIES**

### **General**

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 may 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 as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapter 206 and former (now repealed) Chapter 207 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). Bonds issued for school improvements 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, are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended. The Treasurer has certified that no tax base sharing agreement now exists. Within the limits established by statute, the Town has the right to designate development districts pursuant to Title 30-A, Chapter 206 of the Maine Revised Statutes, as amended. 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.

The Town is subject to suit on the Bonds. Title 14, Section 4951 of the Maine Revised Statutes, as amended, provides 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, Title 30-A, Section 5701 of the Maine Revised Statutes, as amended, provides that the personal property of the residents and the real estate within the boundaries of a municipality may be taken to pay any debt due from the municipality. There has been no judicial determination as to whether the statutory remedy of taking property of residents to satisfy debts of or judgments against, a municipality 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.

### **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. Therefore, in cases where the amount of the prior year's Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy, the Town may carry-forward that difference in establishing its future years' property tax levy. See "TOWN FINANCES - Property Tax Levy Limit" herein.

The growth limitation factor is the average personal income growth as defined by Title 5, Section 1531 of the Maine Revised Statutes, as amended, plus the property growth factor. The property growth factor is a percentage equivalent to a fraction established by a municipality whose denominator is the total valuation of the municipality, and whose numerator is the amount of increase in the assessed value of any real or personal property in the municipality that becomes subject to taxation for the first time, or taxes as a separate parcel for the first time for the most recent property tax year for which information is available, or that has had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or expansion of the property. For municipalities that qualify as a result of a relatively larger percentage of personal property, personal property can be incorporated into the property growth factor calculation. In addition, a municipality is required to lower its Property Tax Levy in any year by an amount equal to net new funds provided by the State for existing services funded in whole or in part by the property tax levy.

The Town may increase the property tax levy by a majority vote of the entire Town Council 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. The opportunity for the voters to petition for a referendum vote on the council's decision is not provided if the municipal charter "prohibits a petition and referendum process." However, the Town's Charter does not contain such a prohibition and thus, any vote to exceed the Property Tax Levy Limit is subject to override by initiative upon a petition as described above.

In lieu of increasing the Property Tax Levy Limit, the Town Council 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 Council 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 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 on school projects financed by 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 the Bonds.

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

## **TAX MATTERS**

### **The Series A Bonds**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Series A Bonds in order that interest on the Series A Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be rebated to the federal government. Failure of the Town to comply with such requirements may cause interest on the Series A Bonds to be included in the gross income of the holders thereof for purposes of federal income taxation retroactive to the date of issuance of the Series A Bonds, regardless of when such noncompliance occurs or is ascertained.

The Town will make certain representations with respect to the use of the proceeds of the Series A Bonds and the School Project and will covenant (i) to comply with the provisions and procedures of the Code applicable to the Series A Bonds and (ii) not to take any action or permit any action that would cause the interest paid on the Series A Bonds to be included in gross income for purposes of federal income taxation pursuant to section 103 of the Code.

In the opinion of Bond Counsel, under existing statutes, regulations and court decisions interest on the Series A Bonds is excludable from the gross income of the owners of the Series A Bonds for purposes of federal income taxation pursuant to Section 103 of the Code. Interest on the Series A Bonds is not an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals and

corporations, although Bond Counsel observes that the federal alternative minimum tax on corporations is repealed for taxable years beginning on or after January 1, 2018 and therefore interest on the Series A Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018. Such interest will, however, be taken into account in the computation of certain other taxes that may be imposed with respect to corporations, including, without limitation, the foreign branch profits tax. In rendering its opinion, Bond Counsel will rely upon the Town's representations made with respect to the use of the proceeds of the Series A Bonds, and the Projects and the Town's covenant that it will comply with the Code.

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

In the opinion of Bond Counsel, interest paid 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.

### **Designation as Qualified Tax-Exempt Obligations**

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

The Town *will not designate* the Series B Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

### **Original Issue Discount**

Certain maturities of the Series A 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 Series A 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**

Prospective purchasers of the Series A Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Series A 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 Series A 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 Series A Bonds will be audited. If an audit is commenced, under current IRS procedures holders of the Series A Bonds may not be permitted to participate in the audit process and the value and liquidity of the Series A Bonds may be adversely affected.

### **Changes in Federal Tax Law**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series A Bonds under federal or state law or otherwise prevent beneficial owners of the Series A Bonds from realizing the full current benefit of the tax-exempt status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series A Bonds. Prospective purchasers of the Series A Bonds should consult their tax and financial advisors regarding such matters.

### **Opinion of Bond Counsel**

The legal opinion of the firm of Bernstein Shur Sawyer & Nelson P.A., of Portland, Maine (see APPENDIX B) will be furnished to the original purchaser(s) of the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the original purchaser(s) of the Bonds.

### **Extent of Opinion**

Bond Counsel expresses no opinion regarding any tax consequences of holding the Series A Bonds other than its opinion with regard to (a) the exclusion of interest on the Series A Bonds from gross income pursuant to Section 103 of the Code, (b) interest on the Series A 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. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## **RATINGS**

The Bonds are rated "Aa2" by Moody's Investors Service ("Moody's") and "AAA" by S&P Global Ratings ("S&P"). The Town has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody's or S&P at the time such rating is assigned and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and 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 Agreement 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

### Undertaking and Obligation

In order to assist the underwriter of the Bonds in complying with the Securities Exchange Commission’s (“SEC”) 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, which material events are more specifically described in the Agreement. Pursuant to the Rule, such filings will be made with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”). The covenants will be contained in a “Continuing Disclosure Agreement” (the “Agreement”), the proposed form of which is provided in APPENDIX C. The Agreement will be executed by the Treasurer of the Town, and incorporated by reference in the Bonds. Except as discussed below, the Town has never failed to comply with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

Except for a one-day “late filing” and incomplete financial statements thereon, both for the fiscal year ended June 30, 2012<sup>(1)</sup>, 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 Operation Data filings, in a timely manner, in conformance with the Rule on a going forward basis. The following list summarizes recent financial filings by the Town:

<u>Financial Statements</u>	<u>Date Filed</u>	<u>Days after</u>
06/30/2018	12/26/2018	179
06/30/2017	12/26/2017	179
06/30/2016	01/24/2017	208
06/30/2015	01/13/2016	197
06/30/2014	01/07/2015	185
06/30/2013	01/15/2014 <sup>(2)</sup>	199

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> The 2013 financials were filed on Jan 15, 2014, within the 270 days, albeit without the Audit Opinion. On October 30, 2017 the Town filed a “Failure to File” event on EMMA, with the complete 2013 financials attached thereon.

## **CUSIP IDENTIFICATION NUMBERS**

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) 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.

## **MUNICIPAL ADVISOR**

Moors & Cabot, Inc. is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board and has acted as Municipal 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 official, 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 Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds in substantially the form attached to this Official Statement as APPENDIX B 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.

## 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.



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 Island 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 several variations of these two forms. Variations of the Direct form are: *Selectmen/Town Meeting* form of government, the most common in Maine currently used by 169 municipalities in the state; *Selectmen/Town Meeting/Manager*, the second most common form of local government in Maine currently used by 141 towns; *Council/Town Meeting/Manager* (18 towns) variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council and *Selectmen/Town Meeting Administrative Assistant* or *Administrator* (a combined 80 towns). Variations of the Representational form are: *Council/Mayor/Administrator* (three cities), *Council/Mayor/Manager* (18 cities) and *Council/Manager* (26 towns).

The Town operates under a charter originally adopted in 1927 as amended, most recently by the voters of the Town at its Annual Town Meeting held on June 8, 2010 and effective July 1, 2010 (the "Charter")<sup>(1)</sup>. 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 (see "TOWN OF BAR HARBOR – PUBLIC EDUCATION" herein).

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NOTE: <sup>(1)</sup> At a Special Town Meeting held on November 6, 2018, the voters of the Town authorized creation of a Charter Commission. Pursuant to Title 30-A, Section 2103(A)(1) of Maine Revised Statutes, as amended, a six-member Charter Commission was also elected at the Special Town Meeting. The Charter Commission is charged with revising the existing or establishing a new Municipal Charter. The process will include, but not be limited to, consideration of electronic voting at town meeting(s); streamlining the budget process, and the purpose, function and structure of the Warrant Committee.

## **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 as well as the municipal buildings, allowing the Police Department to monitor high traffic areas. Currently, Bar Harbor has installed laptops in the Police, Fire and Ambulance vehicles to enable Dispatchers to ‘send’ critical first responder information via a secure (encrypted) radio connection directly to Public Safety vehicles and recording video systems in Police vehicles. The Town has also expanded its use of GIS based data to post more information to its web site. By accessing the same database Town departments are now enabled to efficiently update activity to its core tax parcel and GASB asset database by attaching related maintenance work, surveys, correspondence and other material that the Town deems to be electronically archived.

## **Public Safety**

The Police and Dispatch Departments are staffed by 17 full-time employees which include a Police Chief, two Lieutenants, one Sergeant, nine Patrol Officers, four dispatchers and one administrative assistant; and maintains five 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 two towns may renew the agreement annually.

The Fire and Ambulance Departments are operated by a Fire Chief, one Assistant Chief, two Captains, four full-time firefighters, four paramedics and approximately 13 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-sustained through these 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, its harbor and now the ferry terminal lot. The Harbor Committee was expanded to 11 members to work on developing the Ferry Terminal property. Any recommendations will be made to the Town Council and, if accepted, will be entered into the budgetary process. 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 and Comfort Stations. The Highway Division has five large plow trucks and is housed in the Public Works facility, built in 2013.

### **Solid Waste Division**

#### ***Acceptance of Waste***

The transfer station was designed, built by July of 2018. It replaced a set up from the mid 1970's with a recycling station added in 1984. The new facility is located near the downtown on the same footprint as the old facility. The Town's *Task Force on Recycling* approved the final design on September 27, 2017 and the Town Council approved the final engineer design drawings on October 3, 2017. Source separated recycling at this facility has been eliminated. Instead, there are now two roll off compactor dumpsters for single sort materials and two lanes for household trash to drop into a covered hopper compactor. Commercial trucks utilize a separate bay entrance. Space has been set aside for scales used in a possible future fee based solid waste disposal system. A portion of the Town's 2017 Bonds, in the amount of \$2.6 million, paid for three new 48' trailers, a Skid Steer loader, offices for staff and generally, an operational layout that is much safer for the staff and the public.

#### ***Disposal of Waste***

Since January 1, 1988, the Town has transported solid waste collected from its residents and commercial facilities and transported said waste to the Penobscot Energy Recovery Company's ("PERC") waste-to-energy facility in Orrington, Maine. The Town currently pays a tipping fee for solid waste disposal of \$78.50 per ton, which is adjusted quarterly based on a formula set forth in the waste disposal agreement between the Town and PERC that is scheduled to terminate on March 31, 2018.

The Town is a member of the Municipal Review Committee, Inc. ("MRC"), which consists of 115 municipalities and public entities that oversee waste disposal challenges and comes up with collective solutions. The Town's Public Works Director serves on the MRC Board of Directors as the organization's President, which oversees its programs and activities.

Through its membership in the MRC the Town is scheduled to use an alternative single sort facility in place of PERC by April 1, 2019. The MRC helped to sponsor the development of a new waste processing solution under development at a site owned by the MRC in the Town of Hampden, Maine. The MRC entered into an agreement with Fiberight, LLC ("Fiberight"), a privately held company founded in 2007, that later contracted to construct and operate the new facility. The MRC has entered into a master-waste-supply-agreement to direct waste to the new facility; and has entered into a site lease with a special purpose entity, Coastal Resource of Maine, LLC ("Coastal") formed by Fiberight and its equity investors, to complete development, construction and operations of the facility. Coastal is also a party to the amended master-waste-supply-agreement.

In February 2016, Bar Harbor's Town Council voted to enter into a Joinder Agreement with the MRC, pursuant to which waste would be delivered to the new facility for processing in accordance with the master waste supply agreement and other associated agreements. The Joinder Agreement has an initial term of 15 years from the commercial operations date of the new facility, with provisions to extend the agreement term by five extension terms of five-year each. The initial tipping fee for waste disposal at the new facility would be \$70 per ton as of 2018, escalating each January 1 thereafter. The MRC has set aside cash reserve funds to provide a rebate back to the Town, and to other MRC members, that will bring the net tipping fee down to a value of \$65 per ton.

To date, Fiberight has almost completed its construction and will soon commence initial operations with the target to accept waste from all the participating communities for processing by April 2019, as required, to succeed the existing agreement between the Town and PERC. As of April 1, 2018, Coastal and Fiberight were nonetheless obligated to accept waste for processing to the extent of the facility’s capability and to transfer residual materials to the Crossroads Landfill in Norridgewock, Maine, pursuant to a back-up disposal agreement until the Fiberight facility is fully operational.

### **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, who shares 50% of his salary with the Water Division, 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 treatment facility with a designed capacity of 5.2 million gallons per day (“MGD”) and in the 2017 fiscal year the average flow treated at the Main Treatment Plant was 1.005 MGD with a max day of 4.014 MGD. The Hulls Cove Treatment Plant has a designed capacity of 0.15 MGD and in the 2017 fiscal year the average flow treated at the Hulls Cove Treatment Plant was 0.067 MGD with a max day of 0.332 MGD. The Degregoire Park Treatment Plant has a designed capacity of 0.012 MGD and in the 2017 fiscal year the average flow treated at the Degregoire Park Treatment Plant was 0.0043 MGD with a max day of 0.0164 MGD. The Town currently has removed all but the final 1% of its infiltration and inflow (“I&I”) problems and is actively pursuing ways to either remove or treat the remaining I&I occurring during heavy storms. In fiscal year 2019, the Division received a State grant to review and revise its Combined Sewer Overflow (“CSO”) master plan during fiscal year 2020. The main treatment plant was rebuilt in 1997 and part of any future capital construction planning and funding will involve replacing/upgrading certain equipment, but only after a thorough engineering review as new treatment options are investigated and coordinated with any related recommendations of the revised CSO plan.

<b><u>Largest Wastewater Customers</u></b>	<b><u>Type of Use</u></b>	<b><u>2017 Revenues</u></b>	<b><u>% of Total</u></b>
Jackson Laboratory	Genetic Research & Mice Prod	\$494,564	23.4%
Witham Family LTD Part	Hotels (seven)	183,915	8.7
Eden Street Trust	Hotel	51,669	2.4
West Street Properties LLC	Hotel	38,316	1.8
WS Atlantic LLC	Hotel	37,422	1.8
Town of Bar Harbor	Muni Bldgs, Schools, Comfort Stat’s	35,541	1.7
Mt Desert Hospital	Hospital	33,642	1.6
Golden Anchor, LC	Hotel	33,334	1.6
Bar Harbor Housing Authority	Low Income/Elderly Housing	31,452	1.5
College of the Atlantic	Educational Institution	23,941	<u>1.1</u>
			45.6%

### **Water Division**

The Water Division, formerly the Bar Harbor Water Company acquired by the Town in 2001, is established as an Enterprise Activity with 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, firefighting 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. The division has been actively investing in pipe replacement projects coordinating those projects with wastewater and road construction projects.

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, and for calendar year ended December 31, 2017 serves approximately 1,812 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 usable storage capacity estimated at 2,130,920 thousand gallons, an estimated “Dry Year” daily yield of 250 million gallons. The average daily draft of the watershed for this period was 941 thousand gallons per day (or 0.04% of storage capacity) with maximum daily draft of 2,872 gallons per day (or 0.13% of storage capacity).

<u>Largest Water Customers</u>	<u>Type of Use</u>	<u>2017 Revenues</u>	<u>% of Total</u>
Town of Bar Harbor	Parks, Bldgs, Schools & Hydrants	\$647,191	30.5%
Jackson Laboratory	Genetic Research & Mice Prod	200,830	9.5
Witham Family LTD Part	Hotels (7)	87,784	4.1
College of the Atlantic	College	29,348	1.4
Kebo Valley Club	Golf Course	24,041	1.1
Golden Anchor, LC	Hotel	22,775	1.1
Lafayette Bar Harbor, LLC	Hotel	23,091	1.1
Mount Desert Hospital	Hospital	19,559	0.9
Bar Harbor Housing Authority	Low Income/Elderly Housing	16,408	0.8
WS Atlantic LLC	Hotel	14,437	<u>0.7</u>
			51.2%

<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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	1,247	1,241	1,250	1,248	1,253
Commercial	490	491	515	516	516
Industrial (Jax Lab)	43	43	47	47	43
Governmental	52	51	56	57	60
<b>Total</b>	<b>1,832</b>	<b>1,826</b>	<b>1,868</b>	<b>1,868</b>	<b>1,872</b>

<u>Water Sales (per 1,000 gallons)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	65,318	59,766	55,761	58,242	55,574
Commercial	103,634	107,376	111,619	121,831	107,157
Industrial (Jax Lab)	60,116	56,251	60,628	57,027	54,702
Public Authorities	10,170	5,357	12,450	13,419	13,050
<b>Total Water Sales</b>	<b>239,238</b>	<b>228,750</b>	<b>240,458</b>	<b>250,519</b>	<b>230,483</b>

<b>Water Sales (Revenue)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Residential	\$484,620	\$482,859	\$469,232	\$565,386	\$553,026
Commercial	494,752	526,799	500,570	656,301	609,028
Industrial (Jax Lab)	138,761	136,958	139,336	156,378	159,184
Public Authorities	56,710	51,637	59,099	71,267	72,899
Public Fire Protection	480,468	480,468	480,468	585,604	585,604
Private Fire Protection	106,563	107,952	109,711	126,445	129,278
<b>Total Water Sales</b>	<b>\$1,761,874</b>	<b>\$1,786,673</b>	<b>\$1,758,416</b>	<b>\$2,161,381</b>	<b>\$2,109,019</b>

SOURCE: Annual MPUC Reports of the Bar Harbor Water Division. The above data is based upon calendar years.

## **PUBLIC EDUCATION**

### **Alternative Organizational Structures**

Pursuant to Maine Public Law 2007, Chapter 668 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* Regional School Units (“RSU”) are allowed to form an alternative organizational structure (“AOS”) instead of a RSU. An AOS may be formed in place of the standard RSU structure. While the structure of an AOS may maintain some characteristics of the former School Union structure (see footnote in this section), 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/CSD No. 7**

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) and provides for education for grades K through 8. Individually, each School Administrative Unit (“SAU”) is governed by the respective SAU for local purposes, but reports to the State as a single unit.

Alternatively, CSD No. 7 is comprised of the six communities of the former School Union #98 (see table, below) to attend Mount Desert Island High School (also “Mt Desert CSD”) and provides education for students in grades 9 through 12. The newly formed AOS 91, including CSD No. 7, became operational on July 1, 2009 as Mount Desert Island Regional School System (“MDI RSS”).

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

<u>Town</u>	<u>Population</u>	<u># Board Members</u>	<u>Votes per Member<sup>(1)</sup></u>	<u>Number of Students</u>	<u>% of Member Students</u>
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%

NOTE: <sup>(1)</sup> Only Bar Harbor, Mount Desert, Southwest Harbor and Tremont are voting members for Mt Desert CSD.

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 property previously held by each SAU remains the property of the respective community.

NOTE: *School Unions* in Maine were a combination of two or more municipalities joined together for administrative purposes only to better cost justify the employment of a superintendent of schools. A superintendent’s services and office expense are apportioned to each community on a pro rata share of the superintendent’s services. 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”) were a combination of 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.

### Composition of MDI RSS

<u>Former SAU</u>	<u>Community</u>	<u>School</u>	<u>Grade</u>	<u>Oct. 1, 2017 Enrollments</u>		
				<u>Resident</u>	<u>Attending</u>	<u>Total</u>
School Union #98 <sup>(†)</sup>	Bar Harbor	Conners-Emerson	K-8	342	17	359
School Union #98	Cranberry Isles	Islesford	K-8	11	0	11
School Union #98	Frenchboro	Frenchboro Elem	K-8	3	0	3
School Union #98 <sup>(†)</sup>	Mount Desert	Mt Desert Elem	K-8	167	11	178
School Union #98 <sup>(†)</sup>	Southwest Harbor	Pemetic Elem	K-8	132	3	135
School Union #98 <sup>(†)</sup>	Tremont	Tremont Consol	K-8	117	8	125
School Union #92	Trenton	Trenton Elem	K-8	119	1	120
MSAD No. 76	Swan’s Island	Swan’s Island Elem	K-8	34	0	34
C.S.D. No. 7	School Union #98	Mt Desert Island High	9-12	<u>390</u>	<u>149</u>	<u>539</u>
		Total Enrollment		1,315	189	1,504

NOTE: <sup>(†)</sup> These four communities comprise Mt Desert CSD.

**Bar Harbor Schools' Enrollment Trends (Grades K – 8)**

<u>Oct 1,</u>	<u>Resident<sup>(1)</sup> Enrollment</u>	<u>Attending<sup>(2)</sup> Enrollment</u>	<u>Total Enrollment</u>
2018	325	12	337
2017	342	17	359
2016	366	10	376
2015	359	7	366
2014	366	8	374

NOTE: <sup>(1)</sup> Bar Harbor residents attending Bar Harbor schools.

<sup>(2)</sup> Non-Bar Harbor residents attending Bar Harbor schools.

**Mt Desert CSD's Enrollment Trends (Grades 9 – 12)**

<u>Oct 1,</u>	<u>Bar Harbor</u>	<u>Resident Enrollment</u>		<u>Attending Enrollment</u>	<u>Total Enrollment</u>
		<u>All Other CSD</u>	<u>Total CSD</u>		
2018	207	197	404	147	551
2017	198	192	390	149	539
2016	204	201	405	126	531
2015	200	199	399	128	527
2014	201	211	412	115	527

NOTE: **Resident Enrollment** is based on where the students live. They are counts of students who reside in each school district and are educated at public expense. Public school district resident counts include: (1) resident students from the local school unit attending schools in the local school unit, plus (2) resident students from the local unit who are tuitioned to other public school units or private schools and who are paid for with public funds.

**Attending Enrollment** is an attending student count, or a head count of students, based on where the students are educated. Public school district attending counts include: (1) students from the local school district attending schools in the local school district, plus (2) students from outside the school district who are tuitioned from other school districts.

**LABOR RELATIONS**

The Town employs approximately 149 full-time personnel, approximately of whom 74 are employees of the Town including its utilities systems; and 75 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 44 full-time Town employees, not included in the table below, are not represented by unions.

<u>Union <sup>(1)</sup></u>	<u>Bargaining Unit</u>	<u>Date of Contract</u>	
		<u>Effective</u>	<u>Expiration</u>
Teamsters Local No. 340	Highway & Wastewater Unit	July 1, 2017	June 30, 2020
IAFF (AFL/CIO)	Fire Department Unit	July 1, 2017	June 30, 2020
BHSEA (MEA)	School Support Unit	July 1, 2018	June 30, 2021
BHTA (MEA)	Teachers Unit	Sept.1, 2018	Aug. 31, 2021

NOTE:<sup>(1)</sup> "Teamsters" indicates the International Brotherhood of Teamsters; "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.

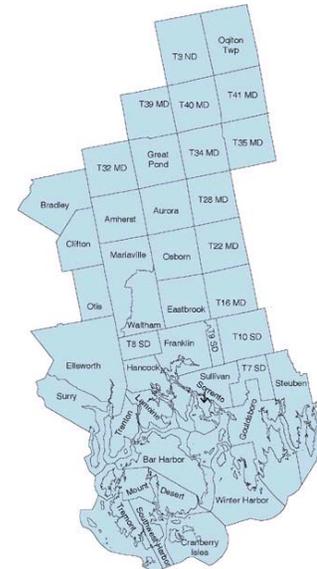
## BUILDING ACTIVITY

Calendar Year	Residential		Commercial		Total	
	# Permits	Est. Cost	# Permits	Est. Cost	# Permits	Est. Cost
2018	184	\$11,386,405	93	\$7,624,886	277	\$19,011,291
2017	202	12,145,602	84	7,374,025	286	19,519,627
2016	217	16,236,458	95	17,105,863	312	33,342,321
2015	230	14,767,390	94	9,099,114	324	23,866,504
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

## 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

Representative Employers	Type of Business	Approximate Number of Employees			
		Full-Time	Part-Time	Seasonal	Total
The Jackson Laboratory	Genetic Research	1,396	0	0	1,396
Mount Desert Island Hospital	Hospital	418	120	0	538
National Park Service	Acadia National Park	85	0	160	245
Town of Bar Harbor	Municipal/School	149	9	5	163
Hannaford’s Shop & Save	Grocery Store	33	43	60	136
College of the Atlantic	College	85	20	0	115
MDI Bio Laboratory	Medical Research	70	3	5	78
Sonogee Estates	Nursing Home	47	4	17	68
Bar Harbor Banking & Trust Co.	Bank	42	0	0	42

## Commuters

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>

## 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>
<b>2017</b>	NA	NA	15,681	4,126	29,926	NA	164,706	241,502
<b>2016</b>	2,039	21,189	15,648	4,625	29,218	5,480	159,837	238,036
<b>2015</b>	1,564	20,194	12,370	4,015	27,239	5,418	141,221	212,021
<b>2014</b>	1,801	18,475	11,663	4,196	25,461	4,856	127,899	194,350
<b>2013</b>	3,005	15,808	10,789	4,622	24,825	4,587	121,669	185,305
<b>2012</b>	5,278	14,085	10,408	3,932	25,887	4,154	113,119	176,862
<b>2011</b>	3,551	13,201	10,361	4,360	25,848	4,005	103,892	165,218
<b>2010</b>	3,032	13,122	10,782	4,503	25,841	3,711	102,863	163,854
<b>2009</b>	2,169	12,999	10,503	4,114	23,701	3,392	91,801	148,678
<b>2008</b>	2,265	14,057	10,477	3,919	25,226	3,520	97,468	156,932

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. Perhaps the shining example of fostering economic development through collaboration with the business community is the Town's Cruise Ship Committee, a 17-member group representing all the stakeholders interested in a sustainable cruise ship industry in Bar Harbor balanced with maintaining the "small town" atmosphere that the local residents enjoy.

### 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. Maine DOT previously owned the Ferry Terminal, located at the entrance to the Bar Harbor village but international ferry service has been suspended and its current use is undetermined at this time (see "THE BONDS – AUTHORIZATION AND PURPOSE - The Bonds" herein). The office of the Harbor Master is located on the Town Pier in a Port Security Building, built in 2013.

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 2017/2018 fiscal year Bar Harbor was the port-of-call for 148 passenger ships, of which 134 were "large" vessels, which disembarked approximately 212,000 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 to \$15 million annual economic impact on Mount Desert Island. 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 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 \$4.37 per passenger. For the fiscal year ended June 30, 2018, collected fees exceeded \$919,000. These fees are used to support operations on the waterfront that enhance the visitor experience, the chamber of commerce, associated debt service, if any, and portions transferred to the Town's capital improvement fund to finance infrastructure renovations, downtown parks 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. Over \$6 million in fees have been collected since the fiscal year ended June 30, 2010, when the initial \$4.00 per passenger fee was implemented.

## Ferry Terminal Acquisition

The Town signed a purchase option agreement in May of 2017 for the possible acquisition of the former Ferry Terminal located on 4.5 acres just outside the downtown at 121 Eden Street. This terminal was previously utilized by a corporate subsidiary of the Canadian Government to run a seasonal ferry service to Yarmouth, Nova Scotia. Two generations of “Bluenose” ferries were used until they were replaced by a catamaran type ferry service, (the “Cat”) that was in service until the Government discontinued its subsidies in 2008. The Maine “MEDOT purchased the property on February 16, 2017 with a goal to re-establish some type of maritime use with the property, but later decided the Town should own and develop it.

A purchase option agreement between the Maine DOT and the Town was signed on May 3, 2017 (the “Option”). The Option was in effect until November 30, 2017. Terms and conditions of the sale shall include certain uses of the property that are consistent with maritime transportation operations. The Town exercised its Option, consistent with the agreement, and the Option was extended until the Town’s annual Town Meeting in June 2018, to allow its voters to approve bond funding for the acquisition. The purchase amount highlighted in the agreement of \$3.5 million related to a “no Maine DOT strings” option.



The Town Council appointed a Ferry Terminal Property Advisory Committee which arrived at a consensus and recommendation to the Town Council for the most desired appropriate use(s) of the facility, the revenue projections versus bond costs and finally, what kind of control or oversight it wishes to take on. Parking, transportation hub and various recreational public uses of the property were advocated.

## 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.

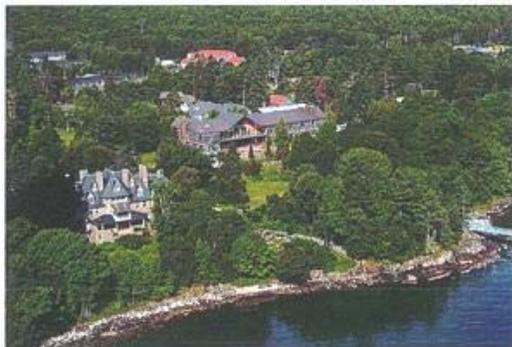


An extensive, well-maintained system of paved roads, including the historic 27-mile Park Loop Road, provides access to the shoreline and interior forests. The park also offers 120 miles of hiking trails and 45 miles of gravel carriage roads enhanced by 16 stone bridges. The National Park Service maintains 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 3.5 million visits per year with 75 percent of the visitation occurring between June and September.

### **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 600,000 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 2017, L.L. Bean committed to a renewable \$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 2017, the Island Explorer recorded its 7 millionth passenger riding on the line since shuttle service started in June of 1999.

### **College of the Atlantic**



College of the Atlantic (“COA”) is premised on the belief that education should go beyond understanding the world as it is to enabling students to actively shape the future. Founded in 1969, COA is a leader in experiential learning and environmental stewardship, and was named the #1 Green College in the U.S. by The Princeton Review in 2016, 2017 and 2018. Every COA student designs their own major in human ecology, which integrates knowledge from across academic disciplines and seeks to understand and improve the relationships between humans and their natural, built, social environments and sets their own path toward a degree. The intentionally small school of 350 students and 35 faculty members offers Bachelor of Arts and Master of Philosophy degree.

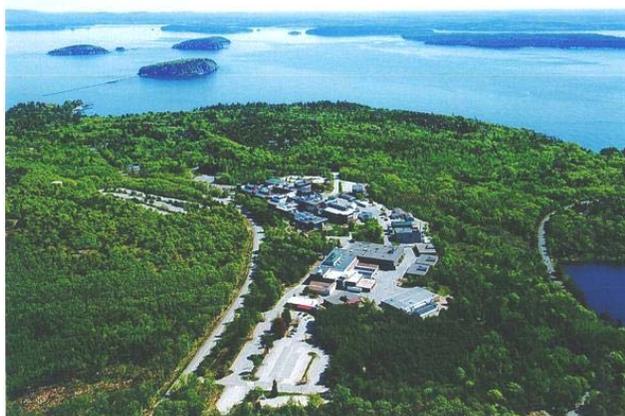
COA enjoys rich partnerships with nearby Acadia National Park, Schoodic Institute, and local bio-science organizations including MDI Biolab and The Jackson Laboratory. Beyond its 37-acre, waterfront campus in Bar Harbor, the school owns and utilizes two maritime research facilities: The Alice Eno Field Research Station, on Great Duck Island, and the Edward McC. Blair Marine Research Station, on Mount Desert Rock. COA also owns and operates two farms: the 125-acre Peggy Rockefeller Farms, in Bar Harbor, and the 86-acre Beech Hill Farm, in Mount Desert; and the Cox Protectorate, a 100-acre, forested preserve located in Bar Harbor.

## The Jackson Laboratory

The Jackson Laboratory is an independent, IRS Code 501(c)3, non-profit biomedical research institution and National Cancer Institute-designated Cancer Center with more than 2,000 employees in four locations. Headquartered in Bar Harbor, Maine, the institution has a facility in Sacramento, California, Farmington, Connecticut, and Ellsworth, Maine. 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.

As of December 31, 2018, JAX employed 1,396 employees at the Bar Harbor facilities, including 191 Ph.D.s, M.D.s and D.V.M.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 11,000 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.



JAX distributes about 3 million JAX<sup>®</sup> Mice to more than 1,900 organizations in 75 countries. As an international hub for scientific courses and conferences, JAX hosts more than 1,000 students, researchers and physicians for courses, conferences and workshops each year.

JAX is situated on an 80-acre main campus with 54 buildings. The institution owns a total of 67 buildings on 157 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 784,000 building square feet. In November 2012, JAX purchased the former Lowe's building in Ellsworth, Maine, and completed its initial development of the site in August 2018. Phase II of the development is under way and expected to be complete in the second quarter of 2020.

The Jackson Laboratory had an operating revenue of \$371 million in FY2017 with approximately \$257 million received from the mouse sales and service division. Government grants and support provided \$80 million, with the balance from private gifts, grants and other revenue. The Laboratory's endowment is approximately \$168 million as of December 31, 2017. JAX buildings, land and equipment in Bar Harbor cost approximately \$412 million. Net of accumulated depreciation, the assets have a net book value of \$154 million as of December 31, 2017.

## **Mount Desert Island Biological Laboratory**

The Mount Desert Island Biological Laboratory (the “MDI Biological Laboratory”), located in Salisbury Cove, is a vibrant biomedical research institution focused on extending healthy lifespan and enhancing our natural ability to repair the damage caused by age-related diseases. This research is supported in part by a \$13 million grant from the National Institutes of Health (NIH), which has recognized the institution as a Center of Biomedical Research Excellence.

The MDI Biological Laboratory is also a world-class science education institution. More than 30 biomedical courses are offered annually to hundreds of students at all levels from Maine and around the world. The Institution also leads the Maine IDeA Network of Biomedical Research Excellence (INBRE), a federally funded, statewide biomedical research and training network made up of 13 academic and research institutions. Since 2001, the institution has provided biomedical training through Maine INBRE to more than 2,200 Maine undergraduates. In 2014, the NIH awarded the institution a five-year, \$18 million grant in support of the INBRE program, bringing the total federal support for the program to \$68 million since it was founded in 2001. In 2017, the institution celebrated the completion of its new Maine Center for Biomedical Innovation, which provides innovation- and entrepreneurial-based training for Maine students with the goal of building a robust science and technology sector that will create jobs for Maine STEM (science, technology, engineering and math) graduates.

The MDI Biological Laboratory was founded in 1898 in South Harpswell, Maine as a summer school for Tufts College. The Laboratory relocated to Bar Harbor in the 1920s at the invitation of George B. Dorr, one of the founders of Acadia National Park. Today the institution employs over 70 full-time professional personnel and staff. The annual operating budget exceeds \$12 million.

## **Mount Desert Island Hospital Organization**

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, which serve both acute and “swing bed” patients, a “swing bed” allows the transfer of qualifying acute care patients into a skilled rehabilitation program within the hospital which is a benefit to a community member as they can rehabilitate closer to their home. 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, cardiac rehabilitation and integrated care coordination. MDI Hospital employs over 538 people (418 full time and 120-part time), and has an active medical staff of 32, that includes specialists in family practice, general surgery, obstetrics, internal medicine, ophthalmology, rehab medicine, 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 1,281 admissions, comprising a total of 4,281 patient days for acute, Swingbed, nursery, obstetrics and observations, with an average stay of approximately three days during the fiscal year that ended April 30, 2018. The hospital’s surgical team performed 1,333 surgeries, 11,514 radiology tests and 1,522 mammograms, and had 6,663 Emergency Room visits. MDI Hospital also owns or leases facilities in four communities whereby approximately 56,114 “health center visits” are recorded annually. MDI Hospital provides to its’ community over \$4 million dollars in free and uncompensated care. MDI Hospital owns and sponsors Birch Bay Retirement Village, a retirement community comprised of cottages and an Inn with 23 independent living apartments and 32 assisted living suites which experience occupancy of 98% in FY 2018, Birch Bay Retirement Village also support an adult

day center, The Straus Center, for the surrounding community as well has a secured Dementia and Alzheimer service in our Safe Harbor unit.

### **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 2018 the Town contributed \$112,500, or 25% of the Library’s operating funds. The Library’s collection includes approximately 40,000 books, DVDs, Audio books, subscriptions to about 60 periodicals, microfilm of the local weekly paper from 1881 through 2003, and many other historical resources. The Library offers six computers for public use at no charge and also provides free wi-fi service. Current circulation is about 50,000 items and, in 2018, more than 9,000 people attended 360 programs, to date, that it sponsored. The attendance for the adult programs is the second highest in the State, following only by the Portland Public Library. The Library is managed by a professional librarian as Director, and is also served by four additional full-time staff members and six part-time staff.

### **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 furthers the Town as a year-round destination for trips and tours. In 2013, the Abbe Museum was named Maine’s first *Smithsonian Affiliate*.

## ECONOMIC CHARACTERISTICS

Population	Change Since Prior Census			
	Town of Bar Harbor	Town	State	USA
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	Town of Bar Harbor	Hancock County	State of Maine	USA
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	Town of Bar Harbor	Hancock County	State of Maine	USA
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	Town of Bar Harbor	Hancock County	State of Maine	USA
% 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	Town of Bar Harbor	Hancock County	State of Maine	USA
2017	4.3%	3.8%	3.3%	4.4%
2016	5.5	4.7	3.9	4.9
2015	6.7	5.7	4.4	5.3
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

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,

	2015	2016	2017	2018	2019
<b>Revenues</b>					
Taxes	\$15,759,618	\$16,557,858	\$16,886,945	\$17,412,251	\$18,433,116
Inter-governmental	246,206	219,637	223,123	272,830	336,856
Departmental	1,081,216	1,032,901	1,039,580	1,050,809	1,052,125
Other local sources	535,264	534,465	549,174	637,764	648,846
<b>Total Revenues</b>	17,622,304	18,344,861	18,700,822	19,373,654	20,470,943
<b>Expenditures</b>					
General government	2,778,378	2,883,143	2,922,762	3,062,271	3,129,005
Public safety	2,608,008	2,795,896	2,912,896	3,104,172	3,213,377
Health & welfare	130,716	137,648	133,928	141,042	144,401
Parks & recreation	230,865	235,251	239,154	352,879	429,722
Roads & sanitation	1,746,798	1,810,053	1,829,810	1,899,222	1,962,695
Assessments	3,396,885	3,583,721	3,597,013	3,763,224	3,935,692
Transfers to school fund	5,176,423	5,223,669	5,265,115	5,400,763	5,430,046
Transfers to CIP	1,820,106	1,753,435	1,773,144	1,691,003	2,296,005
Other exp. & transfers	-	32,045	32,000	44,078	-
<b>Total Expenditures</b>	\$17,888,179	\$18,454,861	\$18,805,822	\$19,458,654	\$20,540,943
<b>Excess Exp. Over Revenues</b>	\$265,875	\$110,000	\$105,000	\$85,000	\$70,000
<b>Use of Fund Balance:</b>					
Transfer to CIP	200,000	110,000	105,000	85,000	70,000
One-time expenditures	65,875		0	0	0
Increase GF Bal	0		0	0	0
<b>Total Use of Fund Balance</b>	\$265,875	\$110,000	\$105,000	\$85,000	\$70,000

## 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,

	2019	2020	2021	2022	2023	Totals
<b>CIP</b>						
General Government	\$92,400	\$259,000	\$78,000	\$31,000	\$102,900	\$563,300
Ambulance/Fire Dept	15,000	61,000	196,500	0	0	272,500
Police Department	58,301	40,184	96,684	129,000	112,500	436,669
Public Safety Depart	15,000	15,000	10,000	30,000	60,000	130,000
Harbor Department	3,500,000	79,000	52,000	0	58,000	3,689,000
Parks, Rec & ComfrtS	8,000	173,728	8,000	8,000	38,000	235,728
Highway/Pub Works	1,380,000	554,800	868,000	900,503	698,300	4,401,603
All Debt Service	1,166,624	1,650,866	1,631,527	1,298,522	1,283,130	7,030,669
School CIP	448,515	92,715	111,808	117,615	80,715	851,368
<b>Annual Totals</b>	<b>\$6,683,840</b>	<b>\$2,926,293</b>	<b>\$3,052,519</b>	<b>\$2,514,640</b>	<b>\$2,433,545</b>	<b>\$17,610,837</b>
<b>Funding Sources</b>						
Current/Past Taxes	\$2,110,005	\$2,199,687	\$2,184,234	\$2,179,673	\$2,174,194	\$10,847,793
Bond Proceeds	4,100,000	0	0	0	0	4,100,000
CIP Rev’s/Transfers	473,835	726,606	868,285	334,967	259,351	2,663,044
<b>Total Funding Sources</b>	<b>\$6,683,840</b>	<b>\$2,926,293</b>	<b>\$3,052,519</b>	<b>\$2,514,640</b>	<b>\$2,433,545</b>	<b>\$17,610,837</b>

NOTE: Annual taxpayer funding for CIP is approximately \$1.8 million/year as is displayed on Transfers to CIP item in the Town’s Annual Budget. See the table in “TOWN FINANCES – BUDGETARY PROCESS” 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>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>
State Personal Income Factor:	1.09%	0.86%	2.67%	2.75%	2.61%
Town Prop Growth Factor:	<u>1.41%</u>	<u>0.70%</u>	<u>1.21%</u>	<u>1.97%</u>	<u>1.67%</u>
Growth Limitation Factor:	2.50%	1.56%	3.88%	4.72%	4.28%
Property Tax Levy Limit:	\$6,632,283	\$6,774,604	\$7,040,190	\$7,389,121	\$7,707,492
Property Tax Levy:	<u>6,199,868</u>	<u>6,731,982</u>	<u>6,897,817</u>	<u>7,201,186</u>	<u>8,052,378</u>
Over/(below) Prop Tax Levy Limit:	(\$432,415)	(\$42,622)	(\$142,373)	(\$187,935)	\$344,886

### 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**

	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Assigned and Unassigned General					
Fund Balance (exclude School FB)	\$2,977,482	\$2,796,140	\$3,050,679	\$3,357,037	\$3,652,000
Total Revenues (excl School Rev)	18,594,081	19,151,528	18,840,256	19,274,797	20,182,735
Fund Bal as % Revenues	16.0%	14.6%	16.2%	17.4%	18.1%

NOTE: 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 32.3%); at least 60% within ten years (currently being 64.5%); 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**

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 2018 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. The General Fund includes Cruise Ship Funds and Parking Funds.

***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,)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>					
Cash and equivalents	\$8,470,956	\$7,173,243	\$6,834,870	\$8,435,706	\$7,137,029
Investments	1,755,630	1,807,093	1,813,339	1,696,765	1,639,174
Receivables:					
Taxes	36,943	30,942	45,765	32,149	22,297
Tax liens	497,414	508,202	451,861	674,952	751,558
Accounts	126,750	133,619	92,059	57,871	51,403
Ambulance fees	178,634	139,872	140,381	122,896	104,043
Accrued interest	8,093	3,124	3,150	2,357	1,363
Prepaid expenses	0	871	250	0	23,495
Inventory	19,436	12,998	14,727	16,982	17,932
Due from other governments	89,606	45,912	25,340	78,084	78,436
Due from other funds	3,240	50,522	1,281,657	50,673	15,024
<b>TOTAL ASSETS</b>	<b>11,186,702</b>	<b>9,906,398</b>	<b>10,703,399</b>	<b>11,168,435</b>	<b>9,841,754</b>
<b>LIABILITIES</b>					
Accounts payable	316,029	200,490	171,310	243,354	242,025
Payroll taxes	16,005	6,011	19,076	12,984	13,238
Accrued salaries	634,812	648,523	579,233	568,140	578,002
Accrued compensated absences	276,178	280,930	260,655	252,568	221,269
Due to other funds	4,881,654	4,106,063	5,396,958	6,021,695	4,631,450
Due to students	4,271	4,617	3,829	0	0
Deposits payable	14,239	10,972	12,518	12,228	11,364
<b>TOTAL LIABILITIES</b>	<b>6,143,188</b>	<b>5,257,606</b>	<b>6,443,579</b>	<b>7,110,969</b>	<b>5,697,348</b>
<b>DEFERRED REVENUES</b>					
Prepaid taxes	150,160	32,075	31,782	42,063	35,247
Property tax	408,305	403,839	402,886	518,371	630,597
Acadia National Park PILOT	0	0	0	0	2,319
Unearned escrow	0	0	0	0	28,000
Other	3,874	2,070	4,198	2,607	0
Bond purchase premium	0	0	0	0	0
<b>TOTAL DEFERRED REVENUES</b>	<b>562,339</b>	<b>437,984</b>	<b>438,866</b>	<b>563,041</b>	<b>696,163</b>
<b>FUND EQUITY</b>					
Non-spendable	1,986	2,471	2,484	1,853	2,850
Restricted	827,189	851,300	767,791	696,432	131,154
Committed	0	0	0	0	0
Assigned	2,891,050	2,735,434	2,541,368	2,474,048	2,690,307
Unassigned	760,950	621,603	509,311	322,092	623,932
<b>TOTAL FUND EQUITY</b>	<b>4,481,175</b>	<b>4,210,808</b>	<b>3,820,954</b>	<b>3,494,425</b>	<b>3,448,243</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$8,470,956</b>	<b>\$7,173,243</b>	<b>\$10,703,399</b>	<b>\$11,168,435</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>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>REVENUES</b>					
Taxes	\$17,543,562	\$17,014,110	\$16,776,563	\$15,970,837	\$15,406,046
Intergovernmental revenue	1,317,452	1,147,417	1,083,240	1,190,913	232,227
Departmental revenue	2,000,752	1,719,113	1,495,853	1,705,696	2,693,826
Other local sources	451,585	400,034	423,999	284,082	261,982
<b>TOTAL REVENUES</b>	<b>21,313,351</b>	<b>20,280,674</b>	<b>19,779,655</b>	<b>19,151,528</b>	<b>18,594,081</b>
<b>EXPENDITURES</b>					
General government	3,027,155	2,803,118	2,721,559	2,667,383	2,693,245
Public safety	3,083,681	2,855,007	2,767,588	2,628,465	2,541,457
Health and welfare	144,450	135,176	139,640	130,008	132,017
Parks and recreation	352,720	236,375	242,210	229,730	228,873
Island Explorer	39,823	39,512	39,225	38,962	38,720
Roads and sanitation	1,927,802	1,823,451	1,700,702	1,916,540	1,804,295
Education	6,556,034	6,340,281	6,091,083	5,987,399	6,023,600
Assessments	3,763,224	3,597,013	3,564,623	3,396,884	3,160,004
Cruise ship	142,695	120,761	148,801	128,609	131,993
<b>TOTAL EXPENDITURES</b>	<b>19,037,584</b>	<b>17,950,694</b>	<b>17,415,431</b>	<b>17,123,980</b>	<b>16,754,204</b>
Excess of Revenue Over (Under) Expenditures	2,275,767	2,329,980	2,364,224	2,027,548	1,839,877
<b>OTHER FINANCING</b>					
<b>SOURCES</b>					
Lease/Bond proceeds	-	53,819	-	-	-
Transfers from Other Funds	481,922	397,262	5,609,127	268,907	284,259
Transfers to Other Funds	(2,487,322)	(2,391,207)	(7,646,822)	(2,250,273)	(2,334,223)
<b>TOTAL OTHER FINANCING</b>					
<b>SOURCES (USES)</b>	<b>(2,005,400)</b>	<b>(1,940,126)</b>	<b>(2,037,695)</b>	<b>(1,981,366)</b>	<b>(2,049,964)</b>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>	<b>270,367</b>	<b>389,854</b>	<b>326,529</b>	<b>46,182</b>	<b>(210,087)</b>
<b>FUND BALANCE - JULY 1</b>	<b>4,210,808</b>	<b>3,820,954</b>	<b>3,494,425</b>	<b>3,448,243</b>	<b>3,658,330</b>
<b>FUND BALANCE - JUNE 30</b>	<b>\$4,481,175</b>	<b>\$4,210,808</b>	<b>\$3,820,954</b>	<b>\$3,494,425</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 2018/2019 the tax due dates are September 28, 2018 and March 29, 2019. All taxes paid after the due dates are subject to interest, established under Title 36, Section 186 of the Maine Revised Statutes, as amended, currently at the maximum rate of 8.00% per annum.

### **Real Estate Tax**

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.

### **Personal Property Tax**

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; and certain energy and pollution control facilities.

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

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement would be 100% for the lost property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.
2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula any year in which the alternative reimbursement formula provides a higher level of reimbursement 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".

3. Municipal Retention TIF Districts – Certain TIF districts that were enacted prior to April 1, 2008 entitle a municipality to receive reimbursement at a rate of up to 100% for exempt business equipment that is TIF exempt business equipment as defined in Title 36, Section 691(1)(G) of the Maine Revised Statutes, as amended. The increased reimbursement percentage is based on the tax increment percentage allocated to the municipality, as provided in Title 36, Section 694(2)(C) of the Maine Revised Statutes, as amended.

For the purposes of identifying the municipality’s valuation for determining the local property tax rate, the value of all property made exempt by the BETE Act 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 other than property located in, and the assessed value of which is retained in, a tax increment financing district. The value of all property made exempt by this law in the Town will also be considered part of that municipality’s equalized State Valuation to the extent the Town is being reimbursed for its lost property taxes by the state with an additional adjustment for exempt property in a tax increment financing district effective prior to April 1, 2008. The legislation provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State’s General Fund, rather than as an annual General Fund appropriation.

**TAX LEVY AND COLLECTIONS**

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy	Collections (after Supplements and Abatements)		
					Year End	% of Levy	Pick-up
2019	\$1,633,550	\$1,506,757	\$11.56	\$17,418,116	----- In Process -----		
2018	1,577,200	1,497,194	10.96	16,409,251	\$16,020,406	97.64%	97.64%
2017	1,493,600	1,481,502	10.73	15,896,513	15,503,505	97.53	99.27
2016	1,428,800	1,471,964	10.59	15,588,095	15,239,884	97.76	99.98
2015	1,404,100	1,449,121	10.22	14,810,016	14,334,981	96.79	99.98
2014	1,390,700	1,435,775	10.01	14,372,104	13,918,708	96.86	99.98
2013	1,383,750	1,423,245	9.84	14,004,735	13,469,426	96.18	99.98
2012	1,389,150	1,407,891	9.60	13,515,751	12,998,547	96.17	99.99
2011	1,443,700	1,410,144	9.44	13,311,759	12,837,527	96.44	99.99
2010	1,486,550	1,437,197	8.88	12,762,312	12,288,901	96.29	99.99

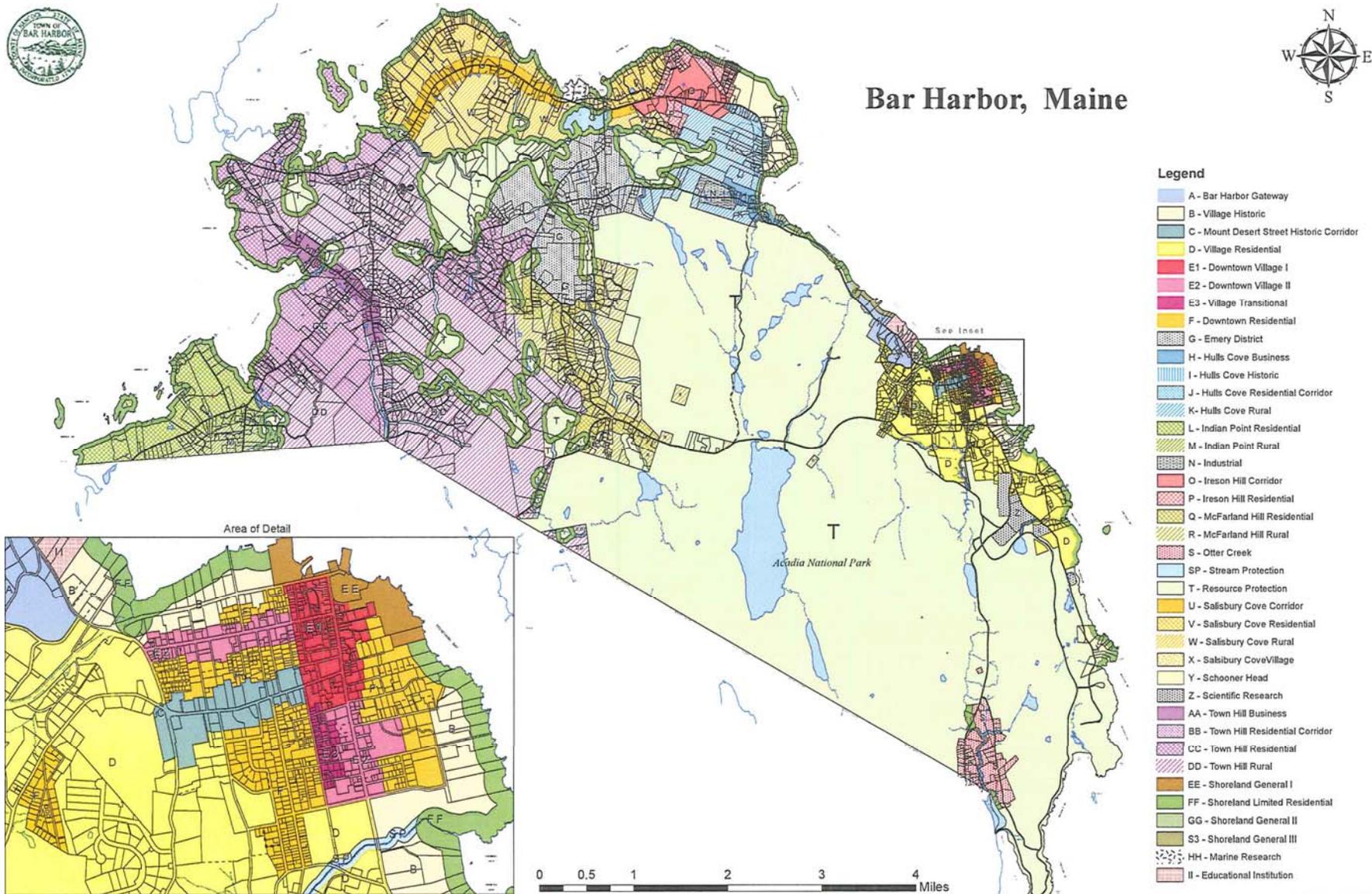
**LARGEST TAXPAYERS**

Taxpayer	As of April 1, 2018			
	Type of Business	Assessed Value	Tax	% of Levy
Golden Anchor, L C	Hotel	\$20,169,500	\$233,159	1.33%
Emera Maine	Utility	19,089,000	220,669	1.26%
Eden Street Trust	Hotel	17,585,900	203,293	1.16%
Witham Family LTD	Hotel	13,590,300	157,104	0.90%
West Street Properties, LLC	Hotel	13,206,800	152,671	0.87%
BHTC 111, LLC	Res/Club	10,434,400	120,622	0.69%
Witham Family LTD	Hotel	9,740,100	112,596	0.64%
WS Atlantic, LLC	Hotel	8,626,500	99,722	0.57%
Colket, Tristram C Jr	Residential	8,158,600	94,313	0.54%
Lafayette Bluenose, LLC	Hotel	6,763,300	<u>78,184</u>	<u>0.45%</u>
<b>Top Ten Taxpayers</b>			\$1,472,332	8.42%

# ZONING



## Bar Harbor, Maine



## **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 each 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 SAUs 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.

In fiscal year ended June 30, 2016, governmental revenues received by the Town were less than 3% of total revenues. The following displays revenues received by the Town from the State for the last five audited fiscal periods:

Fiscal Yr. End June 30,	State Revenue Sharing	Reimbursements		State School Subsidy <sup>(1)</sup>	Other State Aid <sup>(2)</sup>	Total From State
		Homestead Exemption	General Assistance			
2018	\$133,267	\$89,037	\$104	\$350,074	\$56,376	\$628,858
2017	128,200	64,565	1,253	290,474	60,631	545,143
2016	132,854	59,678	821	226,431	55,700	475,484
2015	124,871	35,399	1,028	257,349	55,132	473,779
2014	133,206	47,655	279	239,614	73,286	494,040

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, 2018 the Town’s equalized state valuation (“equalized State Valuation”) was \$1,577,200,000. The 15% debt limit is \$236,580,000. As of June 30, 2018 the Town’s long-term debt outstanding was \$18,648,777 or 1.19% 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	Final Maturity	Balance on June 30, 2018			Projected Balance on June 30, 2019	
				General	Proprietary	Total	(Payments)	Total
2002	Water (DRSRF)	750,000	10/1/2021		\$181,480	\$181,480	(\$43,588)	\$137,892
2004	School (MMBB)	805,000	11/1/2024	371,252		371,252	(45,419)	325,833
2010	Roads & Sidewalks	3,700,000	5/1/2030	2,220,000		2,220,000	(185,000)	2,035,000
2010	Water System	600,000	5/1/2030		360,000	360,000	(30,000)	330,000
2011	Sewer System	1,316,000	12/1/2031		976,761	976,761	(58,753)	918,008
2011	Water System	1,224,000	12/1/2031		933,238	933,238	(51,247)	881,991
2011	Water (Ref'd'd)	2,515,000	12/1/2021		980,000	980,000	(235,000)	745,000
2012	Water (DWSRF)	2,679,150	10/1/2032		2,046,046	2,046,046	(127,108)	1,918,938
2013	Pub Works Bldg	3,350,000	10/15/2033	2,830,000		2,830,000	(140,000)	2,690,000
2014	Municipal Bldg	2,442,000	10/15/2034	2,070,000		2,070,000	(125,000)	1,945,000
2015	Hulls Cove (Ref'd'd)	510,000	10/15/2027		440,000	440,000	(35,000)	405,000
2015	Park & Seawall	360,000	10/15/2024	280,000		280,000	(40,000)	240,000
2015	Pub Safety Bldg	400,000	10/15/2035	360,000		360,000	(20,000)	340,000
2015	Water Main	1,700,000	10/15/2035		1,530,000	1,530,000	(85,000)	1,445,000
2017	Ladder, Pub Safety, Trans	2,875,000	10/15/2037	2,875,000		2,875,000	(160,000)	2,910,000
	Sub-totals			\$11,201,252	\$7,447,525	\$18,648,777	(\$1,381,115)	\$17,267,662
2019	Parking Meters	600,000	10/15/2023					600,000
2019	Ferry Terminal - Sr A	2,275,000	10/15/2038					2,275,000
2019	Ferry Terminal - Sr B	1,225,000	10/15/2038					1,225,000
	<b>Totals</b>			<b>\$11,201,252</b>	<b>\$7,447,525</b>	<b>\$18,648,777</b>		<b>\$21,367,662</b>

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.

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

Fiscal Y/E June 30,	2002 DWSRF	2004 Issues	2010 Issues	2011 Issues	2012 DWSRF	2013 Issue	2014 Issue	2015 Issue	2017 Issue	2019 Sr A	2019 Sr B	Total Principal
2019	\$43,588	\$45,419	\$215,000	\$345,000	\$127,108	\$140,000	\$125,000	\$180,000	\$160,000	\$230,000	\$0	\$1,611,115
2020	44,755	47,749	215,000	360,000	128,379	140,000	125,000	185,000	160,000	230,000	45,000	1,680,883
2021	45,953	50,197	215,000	375,000	129,663	145,000	125,000	185,000	160,000	230,000	45,000	1,705,813
2022	47,184	52,772	215,000	380,000	130,960	150,000	125,000	185,000	160,000	230,000	45,000	1,720,916
2023		55,478	215,000	130,000	132,269	155,000	130,000	190,000	160,000	230,000	50,000	1,447,747
2024		58,323	215,000	135,000	133,592	160,000	130,000	190,000	160,000	115,000	50,000	1,346,915
2025		61,314	215,000	140,000	134,928	165,000	130,000	190,000	160,000	115,000	55,000	1,366,242
2026			215,000	145,000	136,277	170,000	130,000	155,000	160,000	115,000	55,000	1,281,277
2027			215,000	155,000	137,640	175,000	130,000	155,000	160,000	115,000	60,000	1,302,640
2028			215,000	135,000	139,016	180,000	130,000	155,000	160,000	115,000	60,000	1,289,016
2029			215,000	140,000	140,406	190,000	130,000	105,000	160,000	115,000	65,000	1,260,406
2030			215,000	145,000	141,811	195,000	110,000	105,000	160,000	115,000	65,000	1,251,811
2031				150,000	143,229	205,000	110,000	105,000	160,000	115,000	70,000	1,058,229
2032				155,000	144,660	210,000	110,000	105,000	160,000	115,000	70,000	1,069,660
2033					146,108	220,000	110,000	105,000	155,000	115,000	75,000	926,108
2034						230,000	110,000	105,000	135,000	115,000	75,000	770,000
2035							110,000	105,000	135,000	115,000	80,000	545,000
2036								105,000	135,000	115,000	85,000	440,000
2037									135,000	115,000	85,000	335,000
2038									135,000	115,000	90,000	340,000
	\$181,480	\$371,252	\$2,580,000	\$2,890,000	\$2,046,046	\$2,830,000	\$2,070,000	\$2,610,000	\$3,070,000	\$2,875,000	\$1,225,000	\$22,748,778

**DEBT RATIOS**

<b>Fiscal Yr. End June 30,</b>	<b>Population</b>	<b>Equalized State Val. (000)</b>	<b>Assessed Valuation (000)</b>	<b>Total Debt</b>	<b>Debt as % Eq. Val.</b>	<b>Per Capita Debt</b>
2018	5,235	\$1,577,200	\$1,497,194	\$18,648,777	1.18%	\$3,562
2017	5,235	1,493,600	1,481,502	17,240,252	1.16%	3,293
2016	5,235	1,428,800	1,471,964	18,879,769	1.28%	3,606
2015	5,235	1,404,100	1,449,121	18,285,088	1.30%	3,493
2014	5,235	1,390,700	1,435,775	17,196,067	1.24%	3,285
2013	5,235	1,383,750	1,423,245	18,501,308	1.34%	3,534
2012	5,235	1,389,150	1,407,891	13,653,474	0.98%	2,608
2011	5,235	1,443,700	1,410,144	12,335,113	0.85%	2,356
2010	5,235	1,486,550	1,437,197	13,563,739	0.91%	2,591
2009	4,820	1,474,600	1,395,468	10,285,180	0.70%	2,134

**DEBT OBLIGATIONS, BY FUND TYPE**

<b>FY June 30,</b>	<b>General Fund Debt</b>		<b>Enterprise Fund Debt</b>	<b>Total Debt</b>	<b>Ent. Debt as % Total Debt</b>
	<b>(Town)</b>	<b>(School)</b>			
2018	\$10,830,000	\$371,252	\$7,447,525	\$118,648,777	40.0%
2017	8,265,000	414,456	8,560,796	17,240,252	49.7%
2016	8,765,000	455,552	9,659,217	18,879,769	51.1%
2015	8,842,000	494,644	8,948,444	18,285,088	48.9%
2014	6,750,000	531,965	9,914,102	17,196,067	57.7%
2013	7,006,919	637,602	10,856,787	18,501,308	58.7%
2012	3,912,605	741,501	8,999,368	13,653,474	65.97%
2011	4,167,142	958,746	7,209,225	12,335,113	58.47%
2010	4,432,546	1,174,721	7,956,472	13,563,739	58.7%
2009	811,709	1,408,726	8,064,745	10,285,180	78.5%

**DEBT RATIOS, BY FUND TYPE**

<b>Fiscal Year End June 30,</b>	<b>Debt as % of Equalized. State Val.</b>				<b>Per Capita Debt</b>			
	<b>General Fund</b>		<b>Enterprise Fund</b>	<b>Total</b>	<b>General Fund</b>		<b>Enterprise Fund</b>	<b>Total</b>
	<b>Town</b>	<b>School</b>			<b>Town</b>	<b>School</b>		
2018	0.69%	0.02%	0.47%	1.18%	\$2,069	\$71	\$1,423	\$3,563
2017	0.56	0.03	0.57	1.16	1,579	79	1,635	3,293
2016	0.61	0.03	0.68	1.32	1,674	87	1,845	3,606
2015	0.63	0.04	0.63	1.30	1,689	95	1,709	3,493
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

**PROJECTED DEBT SERVICE REQUIREMENTS**

FY June 30,	Prior Debt			Projected Debt (This Issue)			Projected Total
	Principal	Interest	Total	Series A	Series B	Total	
2019	\$1,456,115	\$675,429	\$2,131,544	\$0	\$0	\$0	\$2,131,544
2020	1,485,883	579,616	2,065,499	341,508	48,204	389,713	2,455,211
2021	1,510,813	534,216	2,045,029	330,050	90,650	420,700	2,465,729
2022	1,525,916	486,562	2,012,479	319,700	88,400	408,100	2,420,579
2023	1,252,747	437,631	1,690,378	308,200	86,150	394,350	2,084,728
2024	1,266,915	393,231	1,660,146	296,700	88,775	385,475	2,045,621
2025	1,281,242	347,759	1,629,001	174,225	86,525	260,750	1,889,751
2026	1,161,277	303,808	1,465,085	169,625	89,425	259,050	1,724,135
2027	1,177,640	260,900	1,438,540	163,875	87,225	251,100	1,689,640
2028	1,164,016	220,194	1,384,210	158,125	89,925	248,050	1,632,260
2029	1,080,406	184,110	1,264,516	152,375	87,525	239,900	1,504,416
2030	1,071,811	150,137	1,221,948	147,775	90,253	238,028	1,459,976
2031	873,229	115,229	988,458	144,325	88,108	232,433	1,220,890
2032	884,660	88,328	972,988	140,875	90,880	231,755	1,204,743
2033	736,108	64,072	800,180	137,425	88,570	225,995	1,026,175
2034	580,000	36,063	616,063	133,975	91,178	225,153	841,215
2035	350,000	20,688	370,688	130,525	88,590	219,115	589,803
2036	240,000	11,700	251,700	127,075	90,800	217,875	469,575
2037	135,000	6,075	141,075	123,625	92,830	216,455	357,530
2038	135,000	2,025	137,025	120,175	89,770	209,945	346,970
2039				116,725	91,620	208,345	208,345
<b>TOTAL</b>	<b>\$19,368,778</b>	<b>\$4,917,773</b>	<b>\$24,286,551</b>	<b>\$3,736,883</b>	<b>\$1,745,402</b>	<b>\$5,482,285</b>	<b>\$29,768,836</b>

**DEBT SERVICE COMPONENT OF OPERATING EXPENSES**

	2014	2015	2016	2017	2018
Total Current Year Debt Service:	\$1,765,303	\$1,907,026	\$2,034,204	\$2,319,332	\$2,299,577
(less Enterprise Debt Service):	<u>(1,183,861)</u>	<u>(1,217,234)</u>	<u>(1,201,047)</u>	<u>(1,340,309)</u>	<u>(1,329,585)</u>
Tax Supported Debt Service:	\$581,442	\$689,792	\$833,157	\$979,023	\$969,992
Budgeted Operating Expense:	\$17,425,094	\$17,920,232	\$18,454,861	\$18,805,822	\$19,458,654
Debt Service as % Oper. Expense:	3.34%	3.85%	4.51%	5.21%	4.99%

**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, 2018 the Town's equalized State Valuation of \$1,577,200,000 is 12.20% of the County's equalized State Valuation of \$12,927,950,000. As of December 31, 2018 the County had \$0 long-term debt outstanding.

## AOS 91/CSD No. 7

As previously discussed, each SAU component of AOS 91 for grades K through 8 are obligations of the respective SAU, including any debt obligations. Therefore, AOS 91 has \$0 debt. However, the Town is responsible for its proportionate share of CSD No. 7's long term debt. The debt service is included in the annual assessment to the Town. As of June 30, 2018, CSD No. 7 had total bonded debt outstanding of \$1,368,700. For the 2018/2019 fiscal period, CSD No. 7 assesses the Town \$3,152,145 of the total CSD assessment of \$8,231,618, or 38.29% of the total assessment. The Town is, therefore, responsible for \$524,075 of CSD No. 7's current debt

## 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>	<u>Overlapping</u>	<u>Contingent</u>	<u>Total Debt</u>
Town of Bar Harbor (CIP)	\$10,830,000			\$10,830,000
Town of Bar Harbor (School)	371,252			371,252
Town of Bar Harbor (Enterprise)	7,447,525			7,447,525
C.S.D. No. 7		\$524,075		524,075
County of Hancock <sup>(1)</sup>		0		0
<b>Total A/O June 30, 2018</b>	<b>\$18,648,777</b>	<b>\$524,075</b>	<b>\$0</b>	<b>\$19,172,852</b>
Debt as % Eq State Valuation	1.18%	0.03%	0.00%	1.22%
Per Capita Debt	\$3,562.33	\$100.00	\$0	\$3,662.44

NOTE: <sup>(1)</sup> Projected as of December 31, 2018.

## 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.

Following the Bonds of this financing, the Town has no authorized but unissued debt.

## **RETIREMENT**

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

The Town is a “participating local district” of the Consolidated Plan for Participating Local Districts (“CPPLD”) (the “PLD Plan”) and teaching-certified employees of the Town are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (the “SET Plan”) and contributes to Maine Public Employees Retirement System’s (“MainePERS”), successor to the Maine State Retirement System (“MSRS”), a cost-sharing multiple-employer defined benefit pension plan. The 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 as successor to the Maine State Retirement System (“MSRS”). MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. The 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 MainePERS, PO Box 349, Augusta, ME 04333-0039 or by calling (800) 451-9800.

#### **Plan Descriptions**

The State is a non-employer contributing entity in that the State pays the unfunded actuarial liability (“UAL”) on behalf of the teachers, while the Town contributes the normal cost, which is actuarially calculated. Town employees are also provided with pensions through MainePERS as part of the CPPLD.

#### **Benefits Provided**

Benefit terms are established in Maine statute; in the case of the PLD, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. MainePERS retirement programs provide defined retirement benefits based on members’ average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years.) In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement or after normal retirement age. Normal retirement age for the SET Plan is age 60, 62 or 65. The normal retirement age is determined by whether a member has met certain creditable service requirements on specific dates, as established by statute. For employees covered through the PLD, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age. MainePERS also provides disability and death benefits by statute for the Town’s teachers and by contract for Town’s PLD Plan.

Upon termination of membership, accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights under either plan. The annual rate of interest credited to employee’s accounts is set by MainePERS’ Board of Trustees and is currently at 5%.

## Contributions

Retirement benefits are funded by contributions from participants and contributions from the Town, earnings on investments and in the SET Plan by contributions of the State. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Employer and employee normal cost contribution rates are defined by law or MainePERS board rule and depend on the terms of the plan under which an employee is covered. The Town's contributions are determined by actuarial valuation. For the year ended June 30, 2018, the SET Plan member contribution rate was 7.65% and the employer contribution rate was 3.97% of applicable member compensation. The employer (School portion) is also responsible for contributing 11.68% of all federally funded member compensation. The State of Maine, as a non-employer contributing entity, pays 11.08% of the applicable member compensation into MainePERS. For the year ended June 30, 2018, the PLD Plan member contribution rate was 8.0% for the Regular AC Plan and 9.0% for the Special 4C Plan-Public Safety. Employer contribution rates were 9.6% for the Regular AC Plan and 8.4% for the Special 4C Plan of applicable member compensation.

The required contribution paid to Maine PERS from the year ended June 30, 2018 and the previous two years are:

### SET Plan – School Only

For year ended <u>June 30,</u>	<u>Contributions from:</u>			<u>Applicable Compensation</u>	
	<u>Employee</u>	<u>Employer</u>	<u>State</u>	<u>Member</u>	<u>Mem. Federal</u>
2018	\$230,220	\$129,379	\$324,046	\$3,009,410	\$84,805
2017	233,126	111,546	296,672	3,047,399	86,602
2016	229,417	110,513	291,249	2,998,911	93,237

### PLD Plan – School Portion

For year ended <u>June 30,</u>	<u>Contributions from:</u>		<u>Applicable Compensation</u>
	<u>Employee</u>	<u>Employer</u>	
2018	\$14,080	\$16,896	\$176,002
2017	14,471	17,184	180,888
2016	11,108	13,181	148,102

### PLD Plan – Town Portion

For year ended <u>June 30,</u>	<u>Contributions from:</u>		<u>Applicable Compensation</u>
	<u>Employee</u>	<u>Employer</u>	
2018	\$225,123	\$241,823	\$2,671,400
2017	222,452	229,599	2,636,895
2016	184,650	192,895	2,356,080

At June 30, 2018, the Town reported a net pension liability of \$103,174 for the SET Plan and \$1,955,926 for the PLD Plan. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2017, the Town's proportionate share of the SET Plan was 0.07103% and for the PLD Plan was 0.477711% which was a decrease of 0.000726% and an increase of 0.018067%, respectively, from its proportion measured at June 30, 2016.

For the year ended June 30, 2018 the Town recognized pension expense of \$113,546 for the SET Plan and \$350,207 for the PLD plan, for a total of \$463,753. At June 30, 2018, the Town recorded deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SET Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	\$4,340	-
Changes of Assumptions:	-	\$1,612
Net difference between projected and actual earnings on pension investments:	28,784	30,301
Changes in proportion and differences between contributions and proportionate share of contributions:	1,241	7,009
Employer contributions made subsequent to measurement date:	129,379	-
Total:	\$163,744	\$38,922
	<u>PLD Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	-	\$96,968
Changes of Assumptions:	\$166,437	-
Net difference between projected and actual earnings on pension investments:	674,068	727,851
Changes in proportion and differences between contributions and proportionate share of contributions:	72,366	1,507
Employer contributions made subsequent to measurement date:	258,543	-
Total:	\$1,171,414	\$823,326
<b>Totals:</b>	<b>\$1,335,158</b>	<b>\$862,248</b>

Amounts reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date and will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>SET Plan</u>	<u>PLD Plan</u>
2018	(\$3,546)	(\$2,138)
2019	3,822	211,728
2020	690	13,122
2021	(5,523)	(133,167)

### **Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2017, methodology and assumptions are detailed in "APPENDIX A – TOWN OF BAR HARBOR, MAINE, FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018" Note 4D, pages 37 et seq, herein.

### **B. 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 \$18,000 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, 2016, 2017 and 2018 were \$68,956, \$72,612 and \$81,508, respectively.

### **C. 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.

### **D. 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.

#### **OPEB - MainePERS Group Life Insurance Plan**

##### **Description**

Qualifying personnel of the Town's School Department participate in the Group Life Insurance Plan for Retired State Employees and Teachers as provided by the MainePERS (SET Plan). The SET Plan is a multiple-employer, cost sharing plan with a special funding situation. As of June 30, 2017 there were 220 employers, including the State of Maine, participating in the plan. The State is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the SET Plan. The Group Life Insurance Plan for Retired Participating Local District (PLD Consolidated Plan) employees is a multiple-employer cost sharing plan. As of June 30, 2017, there were 138 employers participating in the plan.

##### **Benefits**

The Group Life Insurance Plans (the "Plans") provide basis group life insurance benefits during retirement to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10 year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at a rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

##### **Funding Policy**

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

level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

**Special Funding Situation – SET Plan**

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

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

As of June 30, 2018, the Town reported a net OPEB liability of \$43,594 for the PLD Plan. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation as of that date. The Town’s share of the collective net OPEB liability was equal to the collective net OPEB liability multiplied by the projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members. At June 30, 2017, the Town’s proportion of contributions was 0.260708% for the PLD Plan, which was a decrease of 0.026569% from its proportion measured at June 30, 2016.

For the fiscal year ended June 30, 2018, the Town recognized OPEB expense of \$44,168 for the PLD Plan. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources were:

	<u>PLD Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	-	-
Changes of Assumptions:	-	\$12,147
Net difference between projected and actual earnings on pension investments:	-	2,087
Changes in proportion and differences between employer premiums and proportionate share of premiums:	-	5,007
Total:	-	\$19,241

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

<u>Year ended June 30,</u>	<u>PLD Plan</u>
2018	(\$3,952)
2019	(3,952)
2020	(3,952)
2021	(3,430)

**Actuarial Methods and Assumptions**

The collective total pension liability for the Plans was determined by an actuarial valuation as of June 30, 2017, methodology and assumptions are detailed in “APPENDIX A – TOWN OF BAR HARBOR, MAINE, FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018” Note 4F, pages 41 et seq, herein.

## OPEB - Health Insurance Plan

The Town is a member of the Maine Municipal Employees Health Trust (the “Health Trust”). Qualifying personnel of the Town can participate in the Maine Municipal Employees Health Trust post-retirement benefit plan. The plan is a single employer OPEB plan.

### Benefits provided

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

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

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

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

*Dental:* Current retirees do not have access to dental benefits. Future new retirees who retire on and after the coverage and rates are set to mirror plan experience costs, no additional obligation is anticipated. Program experience will be monitored with future valuations and updated as with all benefit provisions and assumptions.

### Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefit payments:	0
Inactive employees entitled to but not yet receiving benefit payments:	0
Active employees:	50
Average age:	45.18
Average service:	9.61
Retirees:	3
Average Retiree age:	69.25

### Net OPEB Liability

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

### Actuarial assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using actuarial assumptions detailed in “APPENDIX A – TOWN OF BAR HARBOR, MAINE, FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018” Note 4G, pages 45 et seq, herein.

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.

### **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**

The Town recently received a Complaint for Declaratory Judgment (the "Complaint") related to a Land Use article (Article 12) that was passed by the voters of the Town at its annual Town Meeting held on June 13, 2017. The Complaint was filed on July 12, 2017 in the Hancock County Superior Court. It argues that the Land Use article is unlawful for various reasons highlighted in the Complaint. Article 12 basically created a new shore land district at the former location of the Ferry Terminal property that better defined as well as broadened its permitted maritime uses to facilitate the uses and structures necessary for a deep water port. In November, 2018, the Superior Court ruled in favor of the Town, dismissing Plaintiff's complaint. The case is currently on appeal to the Maine Supreme Judicial Court. To date, the Plaintiffs have not filed a brief. Once filed, the Town will respond; the Plaintiffs will reply; ostensibly oral arguments will be made and heard; after which the Law Court will make a ruling. The Town does not have reason to believe that the claims in the Complaint will have any material adverse effect on its financial position or ability to meet its future debt service obligations.

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

**APPENDIX A**

**TOWN OF BAR HARBOR, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED JUNE 30, 2018**

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

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*TOWN OF BAR HARBOR, MAINE*

*FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS*

*FOR THE FISCAL YEAR  
ENDED JUNE 30, 2018*

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

**TABLE OF CONTENTS**

**PAGE(S)**

<b>INDEPENDENT AUDITOR'S REPORT</b>		1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>		3 - 7
<b>BASIC FINANCIAL STATEMENTS:</b>		
<b>EXHIBIT</b>	<b>GOVERNMENTAL-WIDE FINANCIAL STATEMENTS</b>	
A	Statement of Net Position	8
B	Statement of Activities	9
<b>FUND FINANCIAL STATEMENTS</b>		
<b>Governmental Funds Financial Statements</b>		
C	Balance Sheet - Governmental Funds	10 - 11
D	Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds	12 - 13
<b>Proprietary Funds Financial Statements</b>		
E	Statement of Net Position	14
F	Statement of Revenues, Expenses, and Changes in Fund Net Position	15
G	Statement of Cash Flows	16
<b>Fiduciary Fund Financial Statements</b>		
H	Statement of Changes in Fiduciary Net Position	17
	<b>NOTES TO THE FINANCIAL STATEMENTS</b>	18 - 48
<b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</b>		
I	Statement of Revenues, Expenditures and Changes in Fund Balance - Unassigned Fund Balance	49
J	Pension Plan Schedules	50 - 52
	Notes to Historical Pension Information	53 - 54
K	Other Post Employment Benefits Schedules - Maine Municipal Employees Health Trust	55
	Notes to Other Post Employment Benefits Schedules - Maine Municipal Employees Health Trust	56
L	Other Post Employment Benefits Schedules - Maine Public Employees Retirement System	57
	Notes to Other Post Employment Benefits Schedules - Maine Public Employees Retirement System	58 - 59
<b>SUPPLEMENTARY INFORMATION</b>		
<b>GENERAL FUND</b>		
A-1	Statement of Estimated and Actual Revenues	60 - 61
A-2	Statement of Appropriations, Expenditures, and Encumbrances	62 - 63
A-3	Statement of Changes in Unassigned Fund Balance	64
A-4	Balance Sheet: General Reserves and Committed Funds	65
A-5	Statement of Revenues, Expenditures and Changes in Fund Balances: General Reserves and Committed Funds	66
A-6	Statement of Revenues, Expenditures and Changes in Fund Balances: School Department	67
A-7	Budgetary Comparison Schedule - Cruise Ship Fund	68
<b>SPECIAL REVENUE FUNDS</b>		
B-1	Balance Sheet	69
B-2	Statement of Revenues, Expenditures and Changes in Fund Balances	70
<b>CAPITAL PROJECT FUNDS</b>		
C-1	Schedule of Activity	71 - 73
<b>PERMANENT FUNDS</b>		
D-1	Balance Sheet	74
D-2	Statement of Revenues, Expenditures and Changes in Fund Balances	75
	<b>SUPPLEMENTARY OPERATING DATA</b>	76 - 81
<b>STATE OF MAINE REPORT</b>		
	Statement of Assurance and Determination	82
	<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	83

# 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*

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bar Harbor, Maine as of and for the year ended June 30, 2018, including 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 from 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bar Harbor, Maine, as of June 30, 2018, and the respective changes in financial position and,

where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension disclosure schedules on pages 3 through 7 and 49 - 59, respectively, 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bar Harbor, Maine's financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the State of Maine and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and the supplementary information are the responsibility of management and were derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Respectfully Submitted,

***James W. Wadman, C.P.A.***

James W. Wadman, C.P.A.  
November 9, 2018

**TOWN OF BAR HARBOR, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**

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, 2018. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

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

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

*Net Position* – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2018 by \$38,675,116 (presented as “net position”). Of this amount, \$9,956,311 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 \$1,376,186 (a 3.7% increase) for the fiscal year ended June 30, 2018. Net position of governmental activities increased by \$718,099 (a 3.2% increase), while net position of business-type activities showed an increase of \$658,087 (a 4.3% increase).

**Fund Highlights:**

*Governmental Funds – Fund Balances* – As of the close of the fiscal year ended June 30, 2018, the Town's governmental funds reported a combined ending fund balance of \$8,745,660 with \$760,950 being general unassigned fund balance. This unassigned fund balance represents approximately 4.1% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations increased by \$1,398,072 (8.1%) during the current fiscal year. Long-term debt obligations for governmental activities increased by \$2,511,343 (28.8%) while long-term debt obligations for business-type activities decreased by \$1,113,271 (13.0%). Existing debt obligations were retired according to schedule. A new bond was issued in the amount of \$3,070,000 for a new ladder truck and for the transfer station and public safety building renovations. Additional information on the Town's long-term debt can be found in Note 3d of this report on pages 30-32.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

The Government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables. The government-wide financial statements can be found on pages 8-9 of this report.

**Fund Financial Statements**

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these

funds are not available to support the Town’s own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach. The basic governmental fund financial statements can be found on pages 10-13 of this report. The basic proprietary fund financial statements can be found on pages 14-16 of this report. The basic fiduciary fund financial statements can be found on page 17 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 18-48 of this report.

**Required Supplementary Information**

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary). This section also includes the pension disclosure schedules as required by GASB Statement #68 and the OPEB schedules as required by GASB Statement #75. Required supplementary information can be found on pages 49-59 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

72.1% of the Town’s net position reflects its net investment in capital assets such as land, buildings, equipment and infrastructure (roads, parking lots 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.

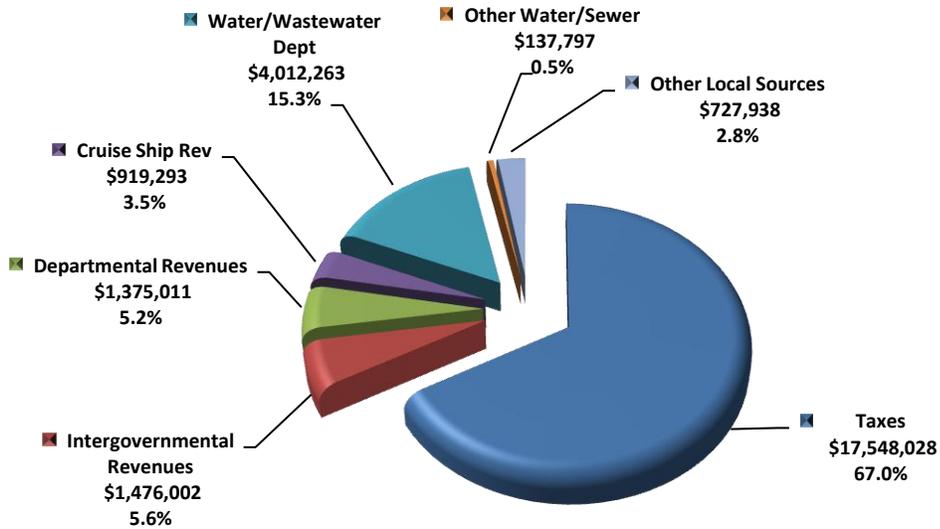
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total 2018</b>	<b>Total 2017</b>
Current Assets	11,202,002	4,726,871	15,928,873	15,026,234
Capital Assets	26,635,719	19,921,410	46,557,129	43,245,379
<b>Total Assets</b>	<b>37,837,721</b>	<b>24,648,281</b>	<b>62,486,002</b>	<b>58,271,613</b>
Deferred Rate Case Expense			-	1,943
Related to OPEB	68,506		68,506	
Related to Pensions	1,069,661	265,497	1,335,158	1,646,289
<b>Total Deferred Outflows of Resources</b>	<b>1,138,167</b>	<b>265,497</b>	<b>1,403,664</b>	<b>1,648,232</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>38,975,888</b>	<b>24,913,778</b>	<b>63,889,666</b>	<b>59,919,845</b>
Current Liabilities	2,671,683	1,688,616	4,360,299	3,542,621
Other Liabilities	12,592,369	7,230,233	19,822,602	18,427,504
<b>Total Liabilities</b>	<b>15,264,052</b>	<b>8,918,849</b>	<b>24,182,901</b>	<b>21,970,125</b>
Property Taxes Collected in Advance	150,160		150,160	32,075
Unamortized Premium on Debt			-	44,581
Related to OPEB	19,241		19,241	
Related to Pensions	673,497	188,751	862,248	574,134
<b>Total Deferred Inflows of Resources</b>	<b>842,898</b>	<b>188,751</b>	<b>1,031,649</b>	<b>650,790</b>
Net Investment in Capital Assets	15,401,260	12,476,613	27,877,873	25,964,918
Restricted	840,932		840,932	894,828
Unrestricted	6,626,746	3,329,565	9,956,311	10,439,184
<b>Total Net Position</b>	<b>22,868,938</b>	<b>15,806,178</b>	<b>38,675,116</b>	<b>37,298,930</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>38,975,888</b>	<b>24,913,778</b>	<b>63,889,666</b>	<b>59,919,845</b>

**Changes in Net Position**

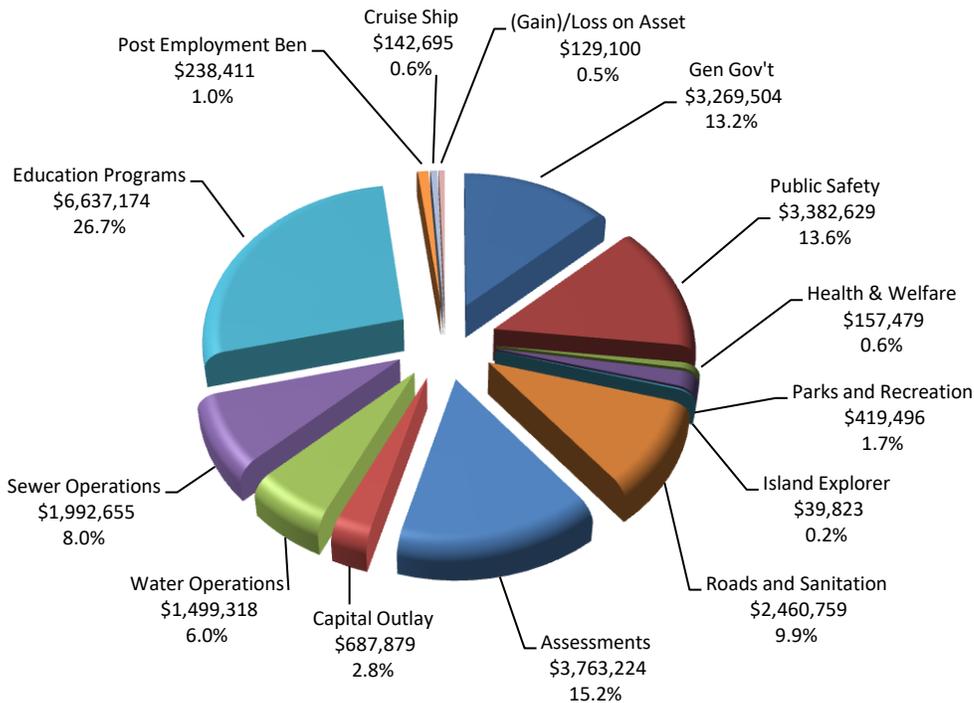
Approximately 67.0% of the Town's total revenue came from property and excise taxes, approximately 5.6% came from Federal and State subsidies and grants, and approximately 27.4% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-type activity assets represents \$2,051,704 of the total expenses for the fiscal year. Depreciation for governmental activities was \$1,226,819 while depreciation for business-type activities was \$824,885.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total 2018</b>	<b>Total 2017</b>
<b>Revenues:</b>				
Taxes	17,548,028		17,548,028	17,015,063
Intergovernmental Revenues	1,476,002		1,476,002	1,290,628
Departmental Revenues	1,375,011	4,012,263	5,387,274	5,263,222
Cruise Ship Revenues	919,293		919,293	765,883
Bond Premium Proceeds		44,581	44,581	55,675
Contributions in Aid of Construction		50,855	50,855	286,355
Other Local Sources	724,326	42,361	766,687	637,209
Transfer from Fiduciary	3,612		3,612	
<b>Total</b>	<b>22,046,272</b>	<b>4,150,060</b>	<b>26,196,332</b>	<b>25,314,035</b>
<b>Expenses:</b>				
General Government	3,269,504		3,269,504	2,936,065
Public Safety	3,382,629		3,382,629	3,016,498
Health & Welfare	157,479		157,479	148,205
Parks and Recreation	419,496		419,496	289,021
Island Explorer Shuttle Bus	39,823		39,823	39,512
Roads and Sanitation	2,460,759		2,460,759	2,355,009
Assessments	3,763,224		3,763,224	3,597,013
Capital Outlay	687,879		687,879	295,106
Water Operations		1,499,318	1,499,318	1,403,391
Sewer Operations		1,992,655	1,992,655	2,016,105
Education Programs	6,637,174		6,637,174	6,551,276
Cruise Ship	142,695		142,695	120,761
Post Employment Benefits	238,411		238,411	26,602
(Gain)/Loss on Disposal of Assets	129,100		129,100	40,902
<b>Total</b>	<b>21,328,173</b>	<b>3,491,973</b>	<b>24,820,146</b>	<b>22,835,466</b>
<b>Changes in Net Position</b>	<b>718,099</b>	<b>658,087</b>	<b>1,376,186</b>	<b>2,478,569</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 \$8,745,660, an increase of \$473,668 in comparison with the prior year. Approximately 8.7 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 revenues and expenditures and the final amended budget included the following:

#### **General Fund**

##### *Revenues:*

- \$66,500 negative variance in Ambulance Billings and Write Offs due to less runs to Bangor from a staffing shortage and more uncollectible write offs
- \$46,304 positive variance in Sale of Recyclable due to higher volume from a late start of single sort system which would eliminate sales of recyclables
- \$54,496 positive variance in Investment Interest due to higher yield rates
- \$125,352 positive variance in Vehicle Excise Tax paid due to higher values and more vehicles registered
- \$17,987 negative variance in Legal Expense due to one LUO lawsuit on the Ferry Terminal property that is ongoing

##### *Expenses:*

- \$35,009 positive variance in Planning due to planner vacancy
- \$33,469 negative variance in Workers Compensation premiums due to increased experience rating & a rate increase
- \$33,854 negative variance in Vacation Accruals due to less vacation time taken primarily from staff shortages in public safety areas
- \$44,217 positive variance in Cruise Ship Detail wages due to use of part time Patrol Officers & Mount Desert Officers covering the details and thus charged to other Police line item expenses

#### **Sewer Fund**

##### *Expenses:*

- \$38,656 negative variance in Magnesium Hydroxide expenses due to change of treatment protocol
- \$29,526 negative variance in Repairs and Maintenance sewer mains due to increase of main/service breaks
- \$192,729 negative variance in Jackson Lab revenues due to lower measured volume and a high budget. We believe a substantial portion of this variance is due to aging meter(s), so change out of meters has been done

#### **Water Fund**

##### *Expenses:*

- \$21,152 negative variance in Repairs and Maintenance Water Mains due to increase of main breaks
- \$21,764 negative variance in Repairs and Maintenance Water services due to increase in service breaks

## **CAPITAL ASSET ADMINISTRATION**

### **Capital Assets**

The Town's investment in capital assets for its governmental and business-like activities amounts to \$83,016,325, net of accumulated depreciation of \$36,459,196, leaving a net book value of \$46,557,129. Current year additions included Capital Improvements, Water and Sewer additions.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Bar Harbor, 93 Cottage Street, Bar Harbor, ME 04609.

**TOWN OF BAR HARBOR**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

*Exhibit A*

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>Assets:</b>			
Cash and Equivalents	8,472,974	3,893,756	12,366,730
Investments	1,768,912		1,768,912
Receivables:			
Taxes and Liens	534,357	18,516	552,873
User Fees, net		520,934	520,934
Accounts	126,750	64,230	190,980
Ambulance	178,634		178,634
Accrued Interest	8,093		8,093
Prepaid Expense	-	10,463	10,463
Inventory	19,436	216,244	235,680
Due from Other Governments	92,846		92,846
Bond Issuance Costs, Net		2,728	2,728
Capital Assets:			
Land	3,060,891	164,126	3,225,017
Construction Work in Progress	307,744	3,867	311,611
Other Capital Assets, Net of Depreciation	23,267,084	19,753,417	43,020,501
<b>Total Assets:</b>	<b>37,837,721</b>	<b>24,648,281</b>	<b>62,486,002</b>
<b>Deferred Outflows of Resources:</b>			
Related to Other Post Employment Benefits	68,506		68,506
Related to Pensions	1,069,661	265,497	1,335,158
<b>Total Deferred Outflows of Resources</b>	<b>1,138,167</b>	<b>265,497</b>	<b>1,403,664</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>38,975,888</b>	<b>24,913,778</b>	<b>63,889,666</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position:</b>			
<b>Liabilities:</b>			
Accounts Payable	822,495	945,326	1,767,821
Retainage Payable	95,403	-	95,403
Payroll Taxes Deductible	16,005		16,005
Due to Students	4,271		4,271
Accrued Salaries Payable	634,812	35,088	669,900
Accrued Compensated Absences	327,684	35,037	362,721
Accrued Interest Payable		38,069	38,069
Internal Balances	30,600	(30,600)	-
Deposits Payable	14,239		14,239
Debt Due Within One Year	726,174	665,696	1,391,870
Long-term Liabilities:			
Net Pension Liability	1,610,695	448,404	2,059,099
Net Post Employment Benefits Obligation	473,389		473,389
Debt Due in More Than One Year	10,508,285	6,781,829	17,290,114
<b>Total Liabilities</b>	<b>15,264,052</b>	<b>8,918,849</b>	<b>24,182,901</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes Collected in Advance	150,160		150,160
Related to Other Post Employment Benefits	19,241		19,241
Related to Pensions	673,497	188,751	862,248
<b>Total Deferred Inflows of Resources</b>	<b>842,898</b>	<b>188,751</b>	<b>1,031,649</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	15,401,260	12,476,613	27,877,873
Restricted	840,932		840,932
Unrestricted	6,626,746	3,329,565	9,956,311
<b>Total Net Position</b>	<b>22,868,938</b>	<b>15,806,178</b>	<b>38,675,116</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>38,975,888</b>	<b>24,913,778</b>	<b>63,889,666</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, 2018**

*Exhibit B*

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Primary Government</u>						
<u>Governmental Activities:</u>						
General Government	3,269,504	418,937		(2,850,567)		(2,850,567)
Public Safety	3,382,629	588,936	5,470	(2,788,223)		(2,788,223)
Health and Welfare	157,479			(157,479)		(157,479)
Parks & Recreation	419,496	800		(418,696)		(418,696)
Island Explorer Shuttle Bus	39,823			(39,823)		(39,823)
Roads and Sanitation	2,460,759	78,915		(2,381,844)		(2,381,844)
Assessments	3,763,224			(3,763,224)		(3,763,224)
Capital Outlay	687,879	293,552		(394,327)		(394,327)
Education	6,637,174	90,442	1,040,233	(5,506,499)		(5,506,499)
Post Employment Benefits	238,411			(238,411)		(238,411)
Cruise Ship	142,695	919,293		776,598		776,598
<u>Total Governmental Activities</u>	<u>21,199,073</u>	<u>2,390,875</u>	<u>1,045,703</u>	<u>(17,762,495)</u>		<u>(17,762,495)</u>
<u>Business-type Activities:</u>						
Wastewater	1,992,655	1,898,054			(94,601)	(94,601)
Water	1,499,318	2,114,209			614,891	614,891
<u>Total Business-type Activities</u>	<u>3,491,973</u>	<u>4,012,263</u>			<u>520,290</u>	<u>520,290</u>
<u>Total Primary Government</u>	<u>24,691,046</u>	<u>6,403,138</u>	<u>1,045,703</u>	<u>(17,762,495)</u>	<u>520,290</u>	<u>(17,242,205)</u>
<u>General Revenues:</u>						
Taxes						
Property				16,483,046		16,483,046
Auto and Boat Excise				1,064,982		1,064,982
Intergovernmental Revenues				430,299		430,299
Other Local Sources				627,755	42,361	670,116
Contributions in Aid of Construction					50,855	50,855
Transfer from Fiduciary Fund				3,612		3,612
Gain/(Loss) on Disposal of Assets				(129,100)	-	(129,100)
<u>Special Items</u>						
Bond Premium Proceeds					44,581	44,581
<u>Total Revenues, Special Items and Transfers</u>				<u>18,480,594</u>	<u>137,797</u>	<u>18,618,391</u>
<u>Changes in Net Position</u>				<u>718,099</u>	<u>658,087</u>	<u>1,376,186</u>
<u>Net Position - Beginning</u>				<u>22,150,839</u>	<u>15,148,091</u>	<u>37,298,930</u>
<u>Net Position - Ending</u>				<u>22,868,938</u>	<u>15,806,178</u>	<u>38,675,116</u>

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

**TOWN OF BAR HARBOR**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

*Exhibit C*  
*Page 1 of 2*

	<i>General Fund</i>	<i>CIP Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets</b>				
Cash and Equivalents	8,470,956		2,018	8,472,974
Investments	1,755,630		13,282	1,768,912
Receivables				
Taxes	36,943			36,943
Tax Liens	497,414			497,414
Accounts	126,750			126,750
Ambulance Fees	178,634			178,634
Accrued Interest	8,093			8,093
Inventory	19,436			19,436
Due from Other Governments	89,606		3,240	92,846
Due from Other Funds	3,240	4,851,054	-	4,854,294
<b>Total Assets</b>	<b>11,186,702</b>	<b>4,851,054</b>	<b>18,540</b>	<b>16,056,296</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	316,029	506,466		822,495
Retainage Payable		95,403		95,403
Payroll Taxes/Deductions	16,005			16,005
Accrued Salaries Payable	634,812			634,812
Accrued Compensated Absences	276,178			276,178
Due to Other Funds	4,881,654		3,240	4,884,894
Due to Students	4,271			4,271
Deposits Payable	14,239			14,239
<b>Total Liabilities</b>	<b>6,143,188</b>	<b>601,869</b>	<b>3,240</b>	<b>6,748,297</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes Collected in Advance	150,160			150,160
Unavailable Property Taxes	408,305			408,305
Unavailable Rental Income	3,874			3,874
<b>Total Deferred Inflows of Resources</b>	<b>562,339</b>	<b>-</b>	<b>-</b>	<b>562,339</b>
<b>Fund Balances</b>				
Nonspendable	1,986		11,757	13,743
Restricted	827,189		-	827,189
Committed		4,249,185		4,249,185
Assigned	2,891,050		3,543	2,894,593
Unassigned	760,950			760,950
<b>Total Fund Balances</b>	<b>4,481,175</b>	<b>4,249,185</b>	<b>15,300</b>	<b>8,745,660</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>11,186,702</b>	<b>4,851,054</b>	<b>18,540</b>	<b>16,056,296</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	8,745,660
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$21,930,713	26,635,719
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Unavailable Revenues	412,179
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(11,201,252)
School Leases Payable	(33,207)
Accrued Compensated Absences - School Department	(51,506)
Deferred Inflows/Outflows Related to Other Post Employment Benefits	49,265
Post Employment Benefits Obligations	(473,389)
Net Pension Liability	(1,610,695)
Deferred Inflows/Outflows Related to Pensions	396,164
	<u>(12,924,620)</u>
Net Position of Governmental Activities	<u><u>22,868,938</u></u>

**TOWN OF BAR HARBOR**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit D*  
*Page 1 of 2*

	<i>General Fund</i>	<i>CIP Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>				
Taxes	17,543,562			17,543,562
Intergovernmental Revenues	1,317,452	153,080	5,470	1,476,002
Departmental Revenues	2,000,752	293,552		2,294,304
Other Local Sources	451,585	270,767	170	722,522
<b>Total Revenues</b>	<b>21,313,351</b>	<b>717,399</b>	<b>5,640</b>	<b>22,036,390</b>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	3,027,155			3,027,155
Public Safety	3,083,681		6,784	3,090,465
Health and Welfare	144,450			144,450
Parks and Recreation	352,720			352,720
Island Explorer Shuttle Bus	39,823			39,823
Roads and Sanitation	1,927,802		-	1,927,802
Education	6,556,034			6,556,034
Assessments	3,763,224			3,763,224
Cruise Ship	142,695			142,695
Capital Outlay		5,562,666	29,300	5,591,966
<b>Total Expenditures</b>	<b>19,037,584</b>	<b>5,562,666</b>	<b>36,084</b>	<b>24,636,334</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	2,275,767	(4,845,267)	(30,444)	(2,599,944)
<b>Other Financing Sources (Uses)</b>				
Bond Proceeds		3,070,000		3,070,000
Transfers from Other Funds	481,922	2,007,757	1,314	2,490,993
Transfers to Other Funds	(2,487,322)	-	(59)	(2,487,381)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,005,400)</b>	<b>5,077,757</b>	<b>1,255</b>	<b>3,073,612</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>270,367</b>	<b>232,490</b>	<b>(29,189)</b>	<b>473,668</b>
<b>Fund Balance - July 1</b>	<b>4,210,808</b>	<b>4,016,695</b>	<b>44,489</b>	<b>8,271,992</b>
<b>Fund Balance - June 30</b>	<b>4,481,175</b>	<b>4,249,185</b>	<b>15,300</b>	<b>8,745,660</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, 2018**

**Exhibit D**  
**Page 2 of 2**

Net change in fund balances - total governmental funds	473,668
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	4,345,430
Gain/(Loss) on Disposal of Assets	(129,100)
Depreciation expense	(1,226,819)
	<u>2,989,511</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable Revenues	1,804
Unavailable Taxes	4,466
	<u>6,270</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:	
Bond Proceeds	(3,070,000)
Capital lease obligation principal payments	10,453
General obligation bond principal payments	548,204
	<u>(2,511,343)</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	2,993
Post Employment Benefits Cost	(189,146)
Pension Plans (Deferred Outflows, Net Pension Liability, Deferred Inflows)	(53,854)
	<u>(240,007)</u>
Change in net position of governmental activities	<u>718,099</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, 2018**

*Exhibit E*

<i>Assets</i>	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	<i>Total</i>
<b><i>Current Assets:</i></b>			
Cash and Equivalents	1,662,256	2,231,500	3,893,756
Receivables			
User Fees, net	440,491	80,443	520,934
Liens Receivable	18,516	-	18,516
Accounts	61,755	2,475	64,230
Due From Other Funds	21,391	9,209	30,600
Inventory	25,224	191,020	216,244
Prepaid Expenses		10,463	10,463
<b><i>Total Current Assets</i></b>	<b>2,229,633</b>	<b>2,525,110</b>	<b>4,754,743</b>
<b><i>Noncurrent Assets:</i></b>			
Capital Assets, net	9,873,326	10,048,084	19,921,410
Bond Issuance Costs, net	-	2,728	2,728
<b><i>Total Noncurrent Assets</i></b>	<b>9,873,326</b>	<b>10,050,812</b>	<b>19,924,138</b>
<b><i>Total Assets</i></b>	<b>12,102,959</b>	<b>12,575,922</b>	<b>24,678,881</b>
<b><i>Deferred Outflows of Resources:</i></b>			
Related to Pensions	173,911	91,586	265,497
<b><i>Total Deferred Outflows of Resources</i></b>	<b>173,911</b>	<b>91,586</b>	<b>265,497</b>
<b><i>Total Assets and Deferred Outflows of Resources</i></b>	<b>12,276,870</b>	<b>12,667,508</b>	<b>24,944,378</b>
<b><i>Liabilities and Net Position</i></b>			
<b><i>Liabilities</i></b>			
Accounts Payable	132,422	812,904	945,326
Accrued Salaries and Benefits	18,664	16,424	35,088
Accrued Interest Payable	5,863	32,206	38,069
Compensated Absences Payable	22,530	12,507	35,037
Bonds and Notes Payable	93,753	571,943	665,696
<b><i>Total Current Liabilities</i></b>	<b>273,232</b>	<b>1,445,984</b>	<b>1,719,216</b>
<b><i>Noncurrent Liabilities:</i></b>			
Net Pension Liability	299,921	148,483	448,404
Bonds and Notes Payable	1,323,008	5,458,821	6,781,829
<b><i>Total Noncurrent Liabilities</i></b>	<b>1,622,929</b>	<b>5,607,304</b>	<b>7,230,233</b>
<b><i>Total Liabilities</i></b>	<b>1,896,161</b>	<b>7,053,288</b>	<b>8,949,449</b>
<b><i>Deferred Inflows of Resources:</i></b>			
Related to Pensions	126,249	62,502	188,751
<b><i>Total Deferred Inflows of Resources</i></b>	<b>126,249</b>	<b>62,502</b>	<b>188,751</b>
<b><i>Net Position</i></b>			
Net Investment in Capital Assets	8,456,565	4,020,048	12,476,613
Retained Earnings			
Reserved	2,057,968	884,643	2,942,611
Unreserved	(260,073)	647,027	386,954
<b><i>Total Net Position</i></b>	<b>10,254,460</b>	<b>5,551,718</b>	<b>15,806,178</b>
<b><i>Total Liabilities, Deferred Inflows of Resources and Net Position</i></b>	<b>12,276,870</b>	<b>12,667,508</b>	<b>24,944,378</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, 2018**

*Exhibit F*

	<i>Proprietary Fund Types</i>		<i>Total</i>
	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	
Operating Revenues:			
Charges for Services	1,890,131	2,111,981	4,002,112
Interest - Late Penalties	7,923	2,228	10,151
<b>Total Operating Revenues:</b>	<b>1,898,054</b>	<b>2,114,209</b>	<b>4,012,263</b>
Operating Expenditures:			
Current:			
Salaries and Benefits	583,768	405,346	989,114
Contracted Services	218,954	237,721	456,675
Utilities & Commodities	231,015	61,291	292,306
Repairs & Maintenance	145,178	202,457	347,635
Equipment	12,934	8,138	21,072
Other Expenses	41,665	39,082	80,747
Depreciation and Amortization	521,741	303,868	825,609
Materials and Supplies	155,024	91,152	246,176
<b>Total Operating Expenditures</b>	<b>1,910,279</b>	<b>1,349,055</b>	<b>3,259,334</b>
Net Operating Income	(12,225)	765,154	752,929
Nonoperating Revenues (Expenses)			
Interest Revenue	16,052	17,719	33,771
Nonutility Income, net of expense	8,500	90	8,590
Bond Premium proceeds	-	44,581	44,581
Contributions in Aid of Construction	-	50,855	50,855
Related to Pensions	(26,146)	4,194	(21,952)
Interest Expense	(56,230)	(154,457)	(210,687)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(57,824)</b>	<b>(37,018)</b>	<b>(94,842)</b>
<b>Change in Net Position (net income)</b>	<b>(70,049)</b>	<b>728,136</b>	<b>658,087</b>
<b>Total Net Position - Beginning</b>	<b>10,324,509</b>	<b>4,823,582</b>	<b>15,148,091</b>
<b>Total Net Position - Ending</b>	<b>10,254,460</b>	<b>5,551,718</b>	<b>15,806,178</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, 2018**

**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	1,898,054	2,114,209	4,012,263
Payments to Suppliers	(763,105)	(600,759)	(1,363,864)
Payments to Employees	(583,768)	(405,346)	(989,114)
Other Receipts (Payments)	(33,165)	56,444	23,279
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>518,016</b>	<b>1,164,548</b>	<b>1,682,564</b>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>			
Purchases of Capital Assets	(155,697)	(991,427)	(1,147,124)
Principal Paid on Capital Debt	(548,723)	(564,548)	(1,113,271)
Interest Paid on Capital Debt	(56,230)	(154,457)	(210,687)
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b>(760,650)</b>	<b>(1,710,432)</b>	<b>(2,471,082)</b>
<b><i>Cash Flows from Investing Activities</i></b>			
(Purchase)/Sale of Investments	57,648	355,041	412,689
Interest and Dividends	16,052	17,719	33,771
<b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	<b>73,700</b>	<b>372,760</b>	<b>446,460</b>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>(168,934)</b>	<b>(173,124)</b>	<b>(342,058)</b>
<b><i>Balances - beginning of the year</i></b>	<b>1,831,190</b>	<b>2,404,624</b>	<b>4,235,814</b>
<b><i>Balances - end of the year</i></b>	<b>1,662,256</b>	<b>2,231,500</b>	<b>3,893,756</b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>			
Net Operating Income (Loss)	(12,225)	765,154	752,929
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	521,741	303,868	825,609
(Increase) Decrease in Accounts Receivable	29,329	(4,044)	25,285
(Increase) Decrease in Due To/From Other Funds	(61,728)	(317,911)	(379,639)
(Increase) Decrease in Inventory	(1,074)	19,755	18,681
(Increase) Decrease in Prepaid Expense		(7,449)	(7,449)
Increase (Decrease) in Accrued Wages Payable	(2,049)	4,475	2,426
Increase (Decrease) in Accrued Interest Payable	(3,762)	(1,865)	(5,627)
Increase (Decrease) in Compensated Absences Payable	(3,871)	(1,442)	(5,313)
Increase (Decrease) in Accounts Payable	51,655	404,007	455,662
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>518,016</b>	<b>1,164,548</b>	<b>1,682,564</b>

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

**TOWN OF BAR HARBOR**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit H*

	<i>MDI Skatepark Association</i>	<i>Total</i>
Revenues		
New Funds	3,422	3,422
Investment Income	3	3
	<u>3,425</u>	<u>3,425</u>
Expenditures		
Construction	3,846	3,846
Total Expenditures	<u>3,846</u>	<u>3,846</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	-	-
Transfers to Other Funds	(3,612)	(3,612)
Total Other Financing Sources (Uses)	<u>(3,612)</u>	<u>(3,612)</u>
Excess of Revenues Over (Under) Expenditures	(4,033)	(4,033)
Net Position - July 1	<u>4,033</u>	<u>4,033</u>
<b>Net Position - June 30</b>	<u><u>-</u></u>	<u><u>-</u></u>

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 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, 2018**

**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 recognized when transactions occurred 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, and 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 for in some other fund.

The CIP fund accounts for all the Town and School Department major capital projects and the servicing of general long-term debt (debt service fund).

The Town reports the following major enterprise funds:

The wastewater fund accounts for the activities of the wastewater department. The Town operates the wastewater collection system and related administrative costs, including debt service.

The water fund accounts for the activities of the water department. The Town operates the water collection system and related administrative costs, including debt service.

Additionally, the Town reports the fiduciary fund:

The MDI Skatepark Association agency fund accounts for the receipt and disbursement of funds for the skate park. The skate park was turned over to the town in the prior fiscal year but the money remaining in the agency fund was used to purchase items for the skate park. Remaining funds of \$3,612 were transferred to the capital improvement fund to be used for future skate park expenditures.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**D. Assets, Liabilities, and Net Position or Fund Equity**

**1. Deposits and Investments**

Governmental Accounting Standards Statement No. 3, as amended by 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 unavailable revenue. At June 30, \$408,305 has been so classified and reported on the general fund balance sheet.

Annual property taxes were levied on August 17, 2017, on property values assessed on April 1. Taxes were due in two installments without penalty, due on September 29 and March 30, with interest at 7.0% beginning September 30 and March 31. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

**3. Inventories**

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

**4. Capital Assets**

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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. Deferred Inflows/Outflows of Resources**

In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet will report a separate section for deferred outflows and/or inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and therefore will not be recognized as revenue until that time. The Town has items that qualify as deferred outflows of resources, and it has items that qualify as deferred inflows of resources. These items are related to pensions and other post employment benefits. These amounts are considered unavailable and will be recognized as an outflows of resources (expenditures) and inflows of resources (revenues) in the period that the amounts become available.

**6. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Employees Retirement System (System) and additions to/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred.

**7. Compensated Absences**

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave, 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. Accordingly, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

**8. Estimates**

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

**9. 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.

**10. Fund Balances/Net Position**

*Fund Balances*

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.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

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

Fund Balances (continued)

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.

The Town has identified June 30, 2018 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	1,986			1,986
Gurnee Principal			6,488	6,488
Cemetery Principal			5,269	5,269
	1,986	-	11,757	13,743
<u>Restricted</u>				
School Restricted Funds	827,189			827,189
	827,189	-	-	827,189
<u>Committed</u>				
Capital Improvement Programs		4,249,185		4,249,185
	-	4,249,185	-	4,249,185
<u>Assigned</u>				
Reserve for Working Capital	1,941,000			1,941,000
Designated for Insurance	500,000			500,000
General Fund Encumbrances	64,500			64,500
Cruise Ship Fund - Encumbrances	16,480			16,480
Cruise Ship Fund	369,070			369,070
Gurnee Scholarship			3,543	3,543
	2,891,050	-	3,543	2,894,593
<u>Unassigned</u>				
General Fund	760,950			760,950
<u>Total Fund Balance</u>	4,481,175	4,249,185	15,300	8,745,660

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

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

Net Position

Net position is 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, 2018**

**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**

**A. Deposits and Investments**

**Deposits/Investments**

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 requires 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).

The financial institutions holding the Town's cash accounts are participating in the Federal Deposit Insurance Corporation (FDIC) program. For interest and non-interest bearing cash accounts, the Town's cash deposits, including certificates of deposit, are insured up to \$250,000 each (interest bearing and non-interest bearing) by the FDIC.

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.

At year-end, the government's carrying amount of deposits was \$12,366,760 and the bank balance was \$12,692,434 plus \$268,833 cash included with the investment portfolio for a total of \$12,961,267. The Town has no uninsured or uncollateralized deposits as of June 30, 2018.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**A. Deposits and Investments (Continued)**

**Investments**

At June 30, 2018, the Town's investments, maturities and credit ratings are as follows:

Type	Fair Value	Maturities in Years				Credit Rating S&P
		Less Than 1	1-5	6-10	More than 10	
<b>General Town:</b>						
Corporate Bonds	99,630	99,630				AAA
US Government Obligations/Bonds	199,356		199,356			AAA
Corporate Bonds	107,977		107,977			AA+
Corporate Bonds	124,259		124,259			AA-
Corporate Bonds	98,810		98,810			A+
Corporate Bonds	98,526		98,526			A
Corporate Bonds	295,299		295,299			A-
Bank CD's	496,705	199,032	297,673			AAA
Bank CD's	248,350	248,350				AA+
Total	1,768,912	547,012	1,221,900	-	-	

**Summary of Deposits and Investment Balances**

Following is a reconciliation of the Town's deposit and investment balances as of June 30, 2018:

Deposits and Cash on Hand	\$ 12,097,897
Deposits at the Trust Department	\$ 268,833
Investments	\$ 1,768,912
	<u>\$ 14,135,642</u>

	Government-wide Statement of Net Position	Business-Type Statement of Net Position	Totals
Cash and Cash Equivalents	\$ 8,472,974	\$ 3,893,756	\$ 12,366,730
Investments	\$ 1,768,912	\$ -	\$ 1,768,912
	<u>\$ 10,241,886</u>	<u>\$ 3,893,756</u>	<u>\$ 14,135,642</u>

Generally, the Town's investing activity is managed under the custody of Bar Harbor Trust Services. Investing is performed in order to maximize safety, liquidity and yield.

*Custodial credit risk* - for an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment securities that are in the possession of an outside party. The investment funds are invested in securities, therefore, there are no uncollateralized investments and thus, no custodial credit risk exists.

*Interest rate risk* - As a means of limiting its exposure to fair value losses arising from rising interest rate, the investment funds through Bar Harbor Trust Services are managed by an investment manager to ensure that the funds are invested in less risky investments.

*Credit risk* - credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The treasurer selects appropriate investments and a trust department to fill each asset class allocation. The individual investment and trust department manager chosen shall be those determined to meet the objectives of the town investment policy in terms of safety, liquidity and yield.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**B. Property Taxes**

Property taxes were levied for the fiscal year as follows:

Assessed Value		1,497,194,400
Tax Rate (per \$1,000)		<u>10.96</u>
Commitment		<u>16,409,251</u>
Appropriations		24,621,625
Less:		
State Municipal Revenue Sharing	126,000	
Estimated Revenues	7,988,044	
BETE Reimbursement	4,074	
Homestead Reimbursement	<u>94,256</u>	
		<u>8,212,374</u>
Net Assessment for Commitment		<u>16,409,251</u>

Uncollected real estate taxes and personal property taxes at June 30 for the current year commitment totaled \$387,572, which represents tax collection of approximately 97.6% of the current year commitment, including supplemental taxes issued in the amount of \$14,715. The real estate portion of the total taxes due was placed on lien June 27, 2018. Unpaid prior year tax liens at June 30 totaled \$131,172.

**C. Interfund Receivables and Payables**

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

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	3,240	4,881,654
Capital Project Funds	4,851,054	
Distracted Driving Grant		3,240
Water Fund	9,209	
Wastewater Fund	<u>21,391</u>	
Totals	<u>4,884,894</u>	<u>4,884,894</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (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. They are classified as Due to/from Other Funds and are eliminated on the Statement of Net Position. At June 30, 2018, the balances above were due between funds. Monies are held in the general fund for ease of investing and disbursements. The balance for the water and wastewater fund of \$30,600 is expected to be repaid during the next year. The remaining balance will be retired upon use of the funds.

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

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

	<i><b>Beginning</b></i>			<i><b>Ending</b></i>
	<i><b>Balance</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Balance</b></i>
<i><b>Governmental Activities;</b></i>				
<i>Capital assets not being depreciated</i>				
Land	2,739,414	321,477		3,060,891
Construction Work in Progress	245,595	85,559	(23,410)	307,744
	<u>2,985,009</u>	<u>407,036</u>	<u>(23,410)</u>	<u>3,368,635</u>
<i>Capital assets being depreciated:</i>				
Buildings	13,957,732	1,882,849	(86,273)	15,754,308
Equipment	7,065,355	1,726,971	(984,324)	7,808,002
Infrastructure	21,263,853	408,981	(37,348)	21,635,486
	<u>42,286,940</u>	<u>4,018,801</u>	<u>(1,107,945)</u>	<u>45,197,796</u>
<i>Total capital assets being depreciated</i>				
<i>Less accumulated depreciation for:</i>				
Buildings	4,031,229	356,140	(63,084)	4,324,285
Equipment	4,468,778	456,757	(844,756)	4,080,779
Infrastructure	13,125,734	413,922	(14,008)	13,525,648
	<u>21,625,741</u>	<u>1,226,819</u>	<u>(921,848)</u>	<u>21,930,712</u>
<i>Total accumulated depreciation</i>				
	<u>20,661,199</u>	<u>2,791,982</u>	<u>(186,097)</u>	<u>23,267,084</u>
<i>Net capital assets being depreciated</i>				
<i>Governmental Activities</i>				
<i>Capital Assets, net</i>	<u>23,646,208</u>	<u>3,199,018</u>	<u>(209,507)</u>	<u>26,635,719</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**D. Capital Assets (Continued)**

	<i><b>Beginning Balance</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Ending Balance</b></i>
<b><i>Business-type Activities;</i></b>				
<i>Capital assets not being depreciated</i>				
Land	161,026			161,026
<i>Capital assets being depreciated:</i>				
Water Fund	12,796,106	991,427	(36,697)	13,750,836
Wastewater Fund	20,419,987	155,697	(37,653)	20,538,031
<i>Total capital assets being depreciated</i>	<u>33,216,093</u>	<u>1,147,124</u>	<u>(74,350)</u>	<u>34,288,867</u>
<i>Less accumulated depreciation for:</i>				
Water Fund	3,573,080	303,144	(36,697)	3,839,527
Wastewater Fund	10,204,868	521,741	(37,653)	10,688,956
<i>Total accumulated depreciation</i>	<u>13,777,948</u>	<u>824,885</u>	<u>(74,350)</u>	<u>14,528,483</u>
<i>Net capital assets being depreciated</i>	<u>19,438,145</u>	<u>322,239</u>	<u>-</u>	<u>19,760,384</u>
<b><i>Business-type Activities Capital Assets, net</i></b>	<u>19,599,171</u>	<u>322,239</u>	<u>-</u>	<u>19,921,410</u>

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

Governmental Activities:

General Government	197,737
Public Safety	283,335
Health and Welfare	13,029
Parks and Recreation	66,776
Roads and Sanitation, including infrastructure	532,957
Education	132,985
 Total Depreciation Expense - Governmental Activities	 <u>1,226,819</u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**E. Long-Term Debt**

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

<i>Purpose</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
<b>General Obligation:</b>			
2004 School Heating System	11/1/2024	4.45%	371,252
2010 Capital Construction, Roads, etc.	5/1/2030	2.0-4.0%	2,220,000
2013 Public Works Complex	4/15/2034	2.0-4.0%	2,830,000
2014 Town Hall & Signage	10/15/2034	2.5-4.0%	2,070,000
2015 Refinanced Agamont Park and Seawall	10/15/2024	4-4.25%	280,000
2015 Public Safety Building	4/15/2036	2-5%	360,000
2018 Ladder Truck, Public Safety Building and Transfer Station Renovations	10/15/2037	3.0 - 5.0%	<u>3,070,000</u>
			<u><u>11,201,252</u></u>
	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
<b>Proprietary:</b>			
1997 Wastewater Plant Upgrade	10/1/2017	3.00%	-
2002 Water Tank Purchase	10/1/2021	2.673%	181,480
2010 Water Mains	5/1/2030	2.0 - 4.0%	360,000
2011 Wastewater Mains Replacement and Scada System	12/1/2031	2.0 - 3.5%	976,761
2011 Water Refinance Mains Replacement and Duck Brook Pump Station	12/1/2031	2.0 - 3.5%	1,913,238
2012 Safe Drinking Revolving Water Loan	10/1/2032	1.000%	2,046,046
2015 Refinanced Hulls Cove Wastewater Plant	10/15/2027	4-4.38%	440,000
2015 Route 3 Water Main Project	4/15/2036	2-5%	<u>1,530,000</u>
			<u><u>7,447,525</u></u>
Total Debt			<u><u>18,648,777</u></u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

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

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$4,716,747 (including fees) are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	715,419	451,205	1,166,624
2020	717,749	373,285	1,091,034
2021	725,197	346,498	1,071,695
2022	732,772	319,487	1,052,259
2023	745,478	291,387	1,036,865
2024-2028	3,524,637	1,032,907	4,557,544
2029-2033	2,855,000	426,980	3,281,980
2034-2038	1,185,000	65,075	1,250,075
Total	11,201,252	3,306,824	14,508,076

<i>Year Ended June 30,</i>	<i>Proprietary Debt</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	665,696	188,708	854,404
2020	688,134	174,285	862,419
2021	705,616	159,111	864,727
2022	713,144	141,800	854,944
2023	422,269	124,517	546,786
2024-2028	2,206,453	440,553	2,647,006
2029-2033	1,791,213	169,474	1,960,687
2034-2038	255,000	11,475	266,475
Total	7,447,525	1,409,923	8,857,448

<b>Totals</b>	<b>18,648,777</b>	<b>4,716,747</b>	<b>23,365,524</b>
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**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, 2018:

	<i>General Obligation</i>		
	<i>Debt</i>	<i>Proprietary</i>	<i>Total</i>
<i>Long-term Debt payable July 1, 2017</i>	8,679,456	8,560,797	17,240,253
Debt Issued	3,070,000	-	3,070,000
Debt Retired	(548,204)	(1,113,272)	(1,661,476)
<i>Long-term Debt payable June 30, 2018</i>	11,201,252	7,447,525	18,648,777

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

**3. Authorized, Unissued Debt**

The Town approved the following general obligation securities at the 6/12/18 annual town meeting:

- 1) \$600,000 for a parking meter system
- 2) \$3,500,000 for the Ferry Terminal purchase

The borrowings are authorized but unissued at 6/30/18.

**F. Capital Leases**

The town is obligated under certain leases accounted for as capital leases. The following is a schedule of the future minimum lease payments under these School capital leases, and the present value of the net minimum lease payments at June 30:

<i>Year-ended June 30,</i>	<i>Minimum Lease Payment</i>
2019	11,715
2020	11,715
2021	<u>11,715</u>
Total Minimum Lease Payments	35,145
Less: Amount Representing Interest	<u>(1,938)</u>
Present Value of Future Minimum Lease Payments	<u><u>33,207</u></u>

**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.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**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	<u>6,488</u>	<u>3,543</u>
Total	<u><u>11,757</u></u>	<u><u>3,543</u></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.

**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, 2016, 2017 and 2018 were \$68,956, \$72,612 and \$81,508 respectively.

**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. Defined Benefit Employee Pension Plan**

**Plan Description**

Qualifying personnel of the Town of Bar Harbor participate in the Maine Public Employees Retirement System (System) State Employee and Teacher (SET) Plan and the Participating Local Districts (PLD) Consolidated Retirement Plan. Both plans are a multiple-employer, cost-sharing pension plan with a special funding situation for the SET Plan. The State of Maine is a non-employer contributing entity for the SET Plan in that the State pays

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

***D. Defined Benefit Employee Pension Plan (Continued)***

***Plan Description (Continued)***

the initial unfunded actuarial liability on behalf of teachers, while school systems contribute the normal cost, calculated actuarially, for the teacher members. 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.

***Pension Benefits***

SET benefit terms are established in Maine Statute. The PLD Consolidated Plan has an advisory group, also established by statute, who review the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occur upon the earning of five years of service credit for State employees and teachers. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employees and teacher members.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual interest credited to members' accounts is set by the System's Board of Trustees.

***Member and Employer Contributions***

Retirement benefits are funded by contributions from members, employers, State contributions and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the Plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. For the year ended June 30, 2018, the SET Plan member contribution rate was 7.65% and the employer contribution rate was 3.97% of applicable member compensation. The employer (School portion) is also responsible for contributing 11.68% of all federally funded member compensation. The State of Maine, as a non-employer contributing entity, pays 11.08% of the applicable member compensation into the System. For the year ended June 30, 2018, the PLD Plan member contribution rate was 8.0% for the Regular AC Plan and 9.0% for the Special 4C Plan-Public Safety. Employer contribution rates were 9.6% for the Regular AC Plan and 8.4% for the Special 4C Plan of applicable member compensation.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**D. Defined Benefit Employee Pension Plan (Continued)**

**Member and Employer Contributions (Continued)**

The required contributions paid into the System for the year ended June 30, 2018 and the previous two years are as follows:

**SET Plan - SCHOOL ONLY:**

For the year ended June 30,	Employee Contributions	Employer Contributions	State of Maine Contributions	Applicable Member Compensation	Applicable Member Federal Compensation
2018	\$ 230,220	\$ 129,379	\$ 324,046	\$ 3,009,410	\$ 84,805
2017	\$ 233,126	\$ 111,546	\$ 296,672	\$ 3,047,399	\$ 86,602
2016	\$ 229,417	\$ 110,513	\$ 291,249	\$ 2,998,911	\$ 92,237

**PLD Plan - SCHOOL PORTION:**

For the year ended June 30,	Employee Contributions	Employer Contributions	Applicable Member Compensation
2018	\$ 14,080	\$ 16,896	\$ 176,002
2017	\$ 14,471	\$ 17,184	\$ 180,888
2016	\$ 11,108	\$ 13,181	\$ 148,102

**PLD Plan - TOWN PORTION:**

For the year ended June 30,	Employee Contributions	Employer Contributions	Applicable Member Compensation
2018	\$ 225,123	\$ 241,823	\$ 2,671,400
2017	\$ 222,452	\$ 229,599	\$ 2,636,895
2016	\$ 184,650	\$ 192,895	\$ 2,356,080

**Revenue Recognition**

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred. For the teacher group, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by the local school systems on behalf of their employees. These leave contributions toward the unfunded liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those School Systems contributing towards the unfunded liability of the plan using grant funding.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**D. Defined Benefit Employee Pension Plan (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

As of June 30, 2018, the Town of Bar Harbor reported a net pension liability of \$103,174 for the SET Plan and \$1,955,926 for the PLD Plan. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Town of Bar Harbor's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2017, the Town of Bar Harbor's proportion of contributions was .007103% for the SET Plan and .477711% for the PLD Plan, which was a decrease of .000726% and an increase of .018067% respectively from its proportion measured at June 30, 2016.

For the fiscal year ended June 30, 2018, the Town of Bar Harbor recognized pension expense of \$113,546 for the SET Plan and \$350,207 for the PLD plan for a total of \$463,753. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>SET Plan:</i>	
	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Differences between expected and actual experience	4,340	-
Changes in Assumption		1,612
Net Difference between projected and actual earnings on pension plan investments	28,784	30,301
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,241	7,009
Employer contributions made subsequent to measurement date	129,379	
	<u>163,744</u>	<u>38,922</u>
	 <i>PLD Plan:</i>	
	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Differences between expected and actual experience	-	93,968
Changes in Assumption	166,437	-
Net Difference between projected and actual earnings on pension plan investments	674,068	727,851
Changes in proportion and differences between employer contributions and proportionate share of contributions	72,366	1,507
Employer contributions made subsequent to measurement date	258,543	
	<u>1,171,414</u>	<u>823,326</u>
<b>Totals</b>	<u><b>1,335,158</b></u>	<u><b>862,248</b></u>

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**D. Defined Benefit Employee Pension Plan (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year Ended June 30,</i>	<i>SET Plan</i>	<i>PLD Plan</i>
2018	(3,546)	(2,138)
2019	3,822	211,728
2020	690	13,122
2021	(5,523)	(133,167)

***Actuarial Assumptions***

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

	<u><i>SET Plan</i></u>	<u><i>PLD Plan</i></u>
Inflation	2.75%	2.75%
Investment Rate of Return:	6.875% net of both administrative and pension plan investment expense	6.875% net of both administrative and pension plan investment expense
Rates of Salary Increase	2.75 - 14.50% per year at selected years of service	2.75% to 9.0% per year depending on years of service interval
Cost of Living Benefit Increases	2.20%	2.20%

For Town and School Department employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Table for males and females for both the SET Plan and PLD Plan.

The actuarial assumptions used in the June 30, 2017 valuation were based on the Entry Age Normal actuarial funding method. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of their expected future salary. The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**D. Defined Benefit Employee Pension Plan (Continued)**

**Actuarial Assumptions (continued)**

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.875% for the SET Plan and 6.875% for the PLD Plan. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.875% for the SET Plan and 6.875% for the PLD Plan as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**D. Defined Benefit Employee Pension Plan (Continued)**

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (continued)***

<b>SET Plan:</b>	<u>1% Decrease</u> █ (5.875%)	<u>Current Discount</u> Rate (6.875%)	<u>1% Increase</u> █ (7.875%)
Proportionate Share of the Net Pension Liability	\$ 181,039	\$ 103,174	\$ 38,885
<b>PLD Plan:</b>	<u>1% Decrease</u> █ (5.875%)	<u>Current Discount</u> Rate (6.875%)	<u>1% Increase</u> █ (7.875%)
Proportionate Share of the Net Pension Liability	\$ 3,924,188	\$ 1,955,926	\$ 474,129

***Pension Plan Financial and Actuarial Information***

Additional financial information and actuarial information can be found in the Maine PERS' Actuarial Valuation Reports available online at [www.mainebers.org](http://www.mainebers.org) or contacting the System at (207) 512-3100.

**E. Risk Management**

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

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

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

Based on the coverage provided by the pools described above, the town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2018.

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

***Plan Description***

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

**Plan Description (continued)**

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

**Benefits**

The Group Life Insurance Plans (the Plans) provide basis group life insurance benefits during retirement to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10 year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at a rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

**Funding Policy**

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

**Special Funding Situation – SET Plan**

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

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

As of June 30, 2018, the Town of Bar Harbor reported a net OPEB liability of \$43,594 for the PLD Plan. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation as of that date. The Town of Bar Harbor's share of the collective net OPEB liability was equal to the collective net OPEB liability multiplied by the projection of the Town of Bar Harbor's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members. At June 30, 2017, the Town of Bar Harbor's proportion of contributions was .260708% for the PLD Plan, which was a decrease of .026569% from its proportion measured at June 30, 2016.

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)***

For the fiscal year ended June 30, 2018, the Town of Bar Harbor recognized OPEB expense of \$44,168 for the PLD Plan. At June 30, 2018, the Town of Bar Harbor's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources were:

	<i>PLD Plan:</i>	
	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	-	-
Changes of Assumptions	-	12,147
Difference between projected and actual Investment		
Earnings on OPEB Plan Investments	-	2,087
Changes in proportion and differences between employer premiums and proportionate share of premiums	-	5,007
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>
	-	19,241

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

<u>Year Ended June 30,</u>	<u>PLD Plan</u>
2018	(3,952)
2019	(3,952)
2020	(3,952)
2021	(3,952)
2022	(3,430)

***Actuarial Methods and Assumptions***

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

**Actuarial Cost Method**

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

method based on a level percentage of payroll. Experience gains and losses, i.e., actual decreases or increases in the liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

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

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

**Actuarial Methods and Assumptions (continued)**

Amortization

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 20 years remaining in the amortization schedule for the SET Plan and 13 years remaining for the PLD Plan. The actuarial assumptions used in the June 30, 2017 actuarial valuation was based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Significant Actuarial Assumptions

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

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

**Actuarial Methods and Assumptions (continued)**

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

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

*Discount Rate*

The discount rate used to measure the collective total OPEB liability was 6.875% for 2017 for the SET Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on SET Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

**Actuarial Methods and Assumptions (continued)**

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

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

*PLD Plan:*

	<i>1% Decrease</i> <i>(4.410%)</i>	<i>Current Discount</i> <i>Rate (5.410%)</i>	<i>1% Increase</i> <i>(6.410%)</i>
Proportionate Share of the Net OPEB Liability	\$ 58,506	\$ 43,594	\$ 31,822

**On-Behalf Payments**

As mentioned above, contributions are made by the System for participating retired teachers. The summary below provides the School Department's allocation of these contributions as well as the proportionate share of the Net OPEB liability. The Net OPEB Liability is not recorded on the Town financial statements since it is a liability of the State of Maine and not a liability of the School Department.

	<i>Allocation of:</i>		
	<i>On-Behalf</i> <i>Payments</i>	<i>Benefits</i> <i>Expense</i>	<i>Net OPEB</i> <i>Liability</i>
2017	\$9,066	\$11,129	\$100,035

**G. Other Postemployment Benefits (OPEB)-Maine Municipal Employees Health Trust (MMEHT)**

**Plan description**

Qualifying personnel of the Town can participate in the Maine Municipal Employees Health Trust postretirement benefit plan. The plan is a single employer Other Post Employment Benefit (OPEB) plan.

**Benefits provided**

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**G. Other Postemployment Benefits (OPEB)-MMEHT (continued)**

**Benefits provided (continued)**

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

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

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

*Dental:* Current retirees do not have access to dental benefits. Future new retirees who retire on and after the coverage and rates are set to mirror plan experience costs, no additional obligation is anticipated. Program experience will be monitored with future valuations and updated as with all benefit provisions and assumptions.

**Employees covered by benefit terms:**

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

Inactive employees or beneficiaries currently receiving benefit payments	0
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	50
Average age	45.18
Average service	9.61
Retirees	3
Average Retiree Age	69.25

**Net OPEB Liability**

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

**Actuarial assumptions**

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

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**G. Other Postemployment Benefits (OPEB)-MMEHT (continued)**

**Actuarial assumptions (continued)**

Healthcare cost trend rates:

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

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

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

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

Rates of mortality are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC 2015 model, with an ultimate rate of .85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120, and convergence to the ultimate rate in the year 2020. As prescribed by the Trust mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016.

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

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

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

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

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**G. Other Postemployment Benefits (OPEB)-MMEHT (continued)**

**Changes in the Net OPEB Liability**

	<b>Increase (Decrease)</b>		
	Total OPEB Liability	Plan	
		Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
<b>Balances at 1/1/17</b>	234,978	-	234,978
<b>Changes for the year:</b>			-
Service Cost	11,534		11,534
Interest	12,926		12,926
Changes of benefits	-		-
Differences between expected and actual experience	23,326		23,326
Changes of assumptions	151,326		151,326
Contributions - employer			-
Contributions - member			-
Net investment income			-
Benefit payments	(4,295)		(4,295)
Administrative expense			-
<b>Net Change</b>	194,817	-	194,817
<b>Balances at 1/1/18</b>	429,795	-	429,795

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.**

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

	<i>1% Decrease</i> <i>(2.44%)</i>	<i>Current Discount</i> <i>Rate (3.44%)</i>	<i>1% Increase</i> <i>(4.44%)</i>
Net OPEB liability (asset)	\$ 503,609	\$ 429,795	\$ 370,298

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.**

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (14.6% lower NOL) or 1 percentage point higher (18.5% higher NOL) than the current healthcare cost trend rates:

	<i>1% Decrease</i>	<i>Current Discount</i>	<i>1% Increase</i>
Net OPEB liability (asset)	\$ 367,118	\$ 429,795	\$ 509,409

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**G. Other Postemployment Benefits (OPEB)-MMEHT (continued)**

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

The impact of experience gains or losses and assumption changes on the TOL are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the Plan. As of the beginning of the measurement period, the average was 9 years.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next five years, and thereafter.

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	20,734	
Changes in Assumption	47,772	-
Net Difference between projected between projected and actual earnings on pension plan investments	-	
	<u>68,506</u>	<u>-</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	8,564
2020	8,564
2021	8,564
2022	8,564
2023	8,564
Thereafter	25,686

**TOWN OF BAR HARBOR**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNASSIGNED FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL UNASSIGNED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit I*

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	17,412,251	17,412,251	17,543,562	131,311
Intergovernmental Revenues	272,830	272,830	277,219	4,389
Departmental Revenues	1,050,809	1,051,809	1,081,459	29,650
Other Local Sources	277,375	282,375	355,014	72,639
<b>Total Revenues</b>	<b>19,013,265</b>	<b>19,019,265</b>	<b>19,257,254</b>	<b>237,989</b>
<b>Expenditures</b>				
General Government	3,022,448	3,027,448	3,027,722	(274)
Public Safety	3,104,172	3,105,597	3,082,514	23,083
Health and Welfare	141,042	140,617	144,450	(3,833)
Parks and Recreation	352,879	352,879	351,198	1,681
Island Explorer Shuttle Bus	39,823	39,823	39,823	-
Roads and Sanitation	1,899,221	1,956,221	1,940,347	15,874
Assessments	3,807,303	3,807,303	3,763,224	44,079
<b>Total Expenditures</b>	<b>12,366,888</b>	<b>12,429,888</b>	<b>12,349,278</b>	<b>80,610</b>
<b>Excess Revenues Over Expenditures</b>	<b>6,646,377</b>	<b>6,589,377</b>	<b>6,907,976</b>	<b>318,599</b>
<b>Other Financing Sources</b>				
Transfers In	360,389	360,389	360,451	62
Transfers Out	(7,091,766)	(7,091,766)	(7,093,080)	(1,314)
<b>Total Other Financing Sources</b>	<b>(6,731,377)</b>	<b>(6,731,377)</b>	<b>(6,732,629)</b>	<b>(1,252)</b>
<b>Net Change in Fund Balance</b>	<b>(85,000)</b>	<b>(142,000)</b>	<b>175,347</b>	<b>317,347</b>
<b>Beginning Fund Balance - Unassigned</b>			<b>621,603</b>	
(Increase) Decrease in Assigned Fund Balances			<b>(36,000)</b>	
<b>Ending Fund Balance - Unassigned</b>			<b>760,950</b>	

**TOWN OF BAR HARBOR**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<b>Town Portion:</b>			
	<b>Participating Local Districts Plan</b>			
	<i>For the Fiscal Year Ended June 30, 2018</i>	<i>For the Fiscal Year Ended June 30, 2017</i>	<i>For the Fiscal Year Ended June 30, 2016</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Proportion of net pension liability	0.477711%	0.459644%	0.445634%	0.443395%
Proportionate share of net pension liability	\$1,830,356	\$2,297,894	\$1,339,178	\$633,175
Covered employee payroll	\$2,671,400	\$2,636,895	\$2,356,080	\$2,364,202
Proportionate share of the net pension liability as a percentage of its covered employee payroll	68.52%	87.14%	56.84%	26.78%
Plan Total Pension Liability	\$3,016,660,721	\$2,889,740,634	\$2,720,936,009	\$2,609,657,845
Plan Fiduciary Net Position	<u>\$2,607,223,644</u>	<u>\$2,358,409,925</u>	<u>\$2,401,889,308</u>	<u>\$2,455,776,671</u>
Plan Net Pension Liability	<u>\$409,437,077</u>	<u>\$531,330,709</u>	<u>\$319,046,701</u>	<u>\$153,881,174</u>
Plan Fiduciary Net Position as a % Of the Total Pension Liability	86.427%	81.613%	88.274%	94.103%
Plan Covered Employee Payroll	\$542,572,528	\$521,870,235	\$497,616,846	\$460,029,637
Plan Net Pension Liability as a % Of the Covered Employee Payroll	75.462%	101.813%	64.115%	33.450%

\* Amounts presented for each fiscal year were determined as of June 30.  
A full year schedule will be displayed as it becomes available.

Schedule 2 - Schedule of Contributions:

	<b>Town Portion:</b>			
	<b>Participating Local Districts Plan</b>			
	<i>For the Fiscal Year Ended June 30, 2018</i>	<i>For the Fiscal Year Ended June 30, 2017</i>	<i>For the Fiscal Year Ended June 30, 2016</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Contractually required contribution	\$241,823	\$229,599	\$192,895	\$176,184
Contribution in relation to the contractually required contribution	<u>(\$241,823)</u>	<u>(\$229,599)</u>	<u>(\$192,895)</u>	<u>(\$176,184)</u>
Contribution deficiency	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered employee payroll	\$2,671,400	\$2,636,895	\$2,356,080	\$2,364,202
Contributions as a percentage of covered employee payroll	9.05%	8.71%	8.19%	7.45%

\* Amounts presented for each fiscal year were determined as of June 30.  
A full year schedule will be displayed as it becomes available.

**TOWN OF BAR HARBOR**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<b>School Portion:</b>			
	<b>For the Fiscal</b>	<b>For the Fiscal</b>	<b>For the Fiscal</b>	<b>For the Fiscal</b>
	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Proportion of net pension liability	0.477711%	0.459644%	0.445634%	0.443395%
Proportionate share of net pension liability	\$125,570	\$144,336	\$82,606	\$49,126
Covered employee payroll	\$176,002	\$180,888	\$148,102	\$145,894
Proportionate share of the net pension liability as a percentage of its covered employee payroll	71.35%	79.79%	55.78%	33.67%
Plan Total Pension Liability	\$3,016,660,721	\$2,889,740,634	\$2,720,936,009	\$2,609,657,845
Plan Fiduciary Net Position	<u>\$2,607,223,644</u>	<u>\$2,358,409,925</u>	<u>\$2,401,889,308</u>	<u>\$2,455,776,671</u>
Plan Net Pension Liability	<u>\$409,437,077</u>	<u>\$531,330,709</u>	<u>\$319,046,701</u>	<u>\$153,881,174</u>
Plan Fiduciary Net Position as a % Of the Total Pension Liability	86.427%	81.613%	88.274%	94.103%
Plan Covered Employee Payroll	\$542,572,528	\$521,870,235	\$497,616,846	\$460,029,637
Plan Net Pension Liability as a % Of the Covered Employee Payroll	75.462%	101.813%	64.115%	33.450%

\* Amounts presented for each fiscal year were determined as of June 30.  
A full year schedule will be displayed as it becomes available.

Schedule 2 - Schedule of Contributions:

	<b>School Portion:</b>			
	<b>For the Fiscal</b>	<b>For the Fiscal</b>	<b>For the Fiscal</b>	<b>For the Fiscal</b>
	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Contractually required contribution	\$16,896	\$17,184	\$13,181	\$11,380
Contribution in relation to the contractually required contribution	<u>(\$16,896)</u>	<u>(\$17,184)</u>	<u>(\$13,181)</u>	<u>(\$11,380)</u>
Contribution deficiency	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered employee payroll	\$176,002	\$180,888	\$148,102	\$145,894
Contributions as a percentage of covered employee payroll	9.60%	9.50%	8.90%	7.80%

\* Amounts presented for each fiscal year were determined as of June 30.  
A full year schedule will be displayed as it becomes available.

**TOWN OF BAR HARBOR**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<b>School Portion:</b>			
	<b>For the Fiscal Year Ended June 30, 2018</b>	<b>For the Fiscal Year Ended June 30, 2017</b>	<b>For the Fiscal Year Ended June 30, 2016</b>	<b>For the Fiscal Year Ended June 30, 2015</b>
Proportion of net pension liability	0.007103%	0.007829%	0.007559%	0.00647%
Proportionate share of net pension liability	\$103,174	\$138,312	\$102,069	\$69,897
Covered employee payroll	\$3,009,410	\$3,047,399	\$2,998,911	\$2,939,456
Proportionate share of the net pension liability as a percentage of its covered employee payroll	3.43%	4.54%	3.40%	2.38%
Plan Total Pension Liability	\$13,484,886,512	\$13,069,954,948	\$12,616,287,054	\$12,320,158,783
Plan Fiduciary Net Position	<u>\$10,893,291,864</u>	<u>\$9,960,335,390</u>	<u>\$10,242,097,022</u>	<u>\$10,337,615,927</u>
Plan Net Pension Liability	<u>\$2,591,594,648</u>	<u>\$3,109,619,558</u>	<u>\$2,374,190,032</u>	<u>\$1,982,542,856</u>
Plan Fiduciary Net Position as a % Of the Total Pension Liability	80.781%	76.208%	81.182%	83.908%
Plan Covered Employee Payroll	\$1,860,230,663	\$1,816,435,084	\$1,699,160,889	\$1,676,857,294
Plan Net Pension Liability as a % Of the Covered Employee Payroll	139.316%	171.194%	139.727%	118.230%

\* Amounts presented for each fiscal year were determined as of June 30.  
A full year schedule will be displayed as it becomes available.

Schedule 2 - Schedule of Contributions:

	<b>School Portion:</b>			
	<b>For the Fiscal Year Ended June 30, 2018</b>	<b>For the Fiscal Year Ended June 30, 2017</b>	<b>For the Fiscal Year Ended June 30, 2016</b>	<b>For the Fiscal Year Ended June 30, 2015</b>
Contractually required contribution	\$129,379	\$111,547	\$110,512	\$90,466
Contribution in relation to the contractually required contribution	<u>(\$129,379)</u>	<u>(\$111,547)</u>	<u>(\$110,512)</u>	<u>(\$90,466)</u>
Contribution deficiency	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered employee payroll	\$3,009,410	\$3,047,399	\$2,998,911	\$2,939,456
Contributions as a percentage of covered employee payroll	4.30%	3.66%	3.69%	3.08%

\* Amounts presented for each fiscal year were determined as of June 30.  
A full year schedule will be displayed as it becomes available.

**TOWN OF BAR HARBOR**  
**NOTES TO HISTORICAL PENSION INFORMATION**  
**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 - Actuarial Methods and Assumptions**

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date June 30, 2017, is as follows:

**A. Actuarial Cost Method**

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of their expected future salary. The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

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

**B. Asset Valuation Method**

The actuarial value of assets is used for determining employer contributions. The use of an actuarial value of assets for this purpose helps mitigate volatility in contribution rates that might otherwise occur due to fluctuations in market conditions. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actual assumption for investment return.

**C. Amortization**

The net pension liability is amortized on a level percentage of payrolls over the amortization period then in effect in statutory and constitutional requirements. The statutory and constitutional requirements include an amendment to the Maine Constitution approved in November 1995 that requires the State of Maine to fund the unfunded actuarial liability existing on June 30, 1996, over a period not to exceed 31 years beginning on July 1, 1997, and not later than June 30, 2028. The amendment prohibits the creation of new unfunded liabilities in the Plan except those arising from experience losses, which must be funded over a period of not more than ten years. In addition, the amendment requires the use of actuarially sound current cost accounting, reinforcing existing statutory requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 are as follows:

Inflation	2.75%
Salary Increases	2.75% - 14.50% Teachers 2.75% - 9.00% PLD Plan members
Investment Rate of Return	6.875%, per annum, compounded annually
Cost of Living Benefit Increases	2.20%

**TOWN OF BAR HARBOR**  
**NOTES TO HISTORICAL PENSION INFORMATION**  
**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

For School Department and Town employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2012 to June 30, 2015. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no changes in assumptions for the fiscal year ended June 30, 2017.

**TOWN OF BAR HARBOR**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OPEB SCHEDULES - LAST 10 FISCAL YEARS - MAINE MUNICIPAL EMPLOYEES HEALTH TRUST**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Exhibit K**

Schedule 1 - MMEHT Schedule of Changes in Net OPEB Liability and Related Ratios

	<i>For the Fiscal Year Ended 6/30/2018</i>
<b><u>Total OPEB Liability</u></b>	
Service Cost (BOY)	11,534
Interest (includes interest on service cost)	12,926
Changes of benefit terms	-
Differences between expected and actual experience	23,326
Changes in assumptions	151,326
Benefit payments, including refunds of member contributions	(4,295)
<b>Net Change in total OPEB liability</b>	<b>194,817</b>
<b>Total OPEB liability - beginning</b>	<b>234,978</b>
<b>Total OPEB liability - ending</b>	<b>429,795</b>
<b><u>Plan fiduciary net position</u></b>	
Contributions - employer	4,295
Contributions - member	
Net investment income	
Benefit payments, including refunds of member contributions	(4,295)
Administrative expense	
<b>Net change in plan fiduciary net position</b>	<b>-</b>
<b>Plan fiduciary net position - beginning</b>	<b>-</b>
<b>Plan fiduciary net position - ending</b>	<b>-</b>
<b>Net OPEB liability - ending</b>	<b>429,795</b>
Plan Fiduciary Net Position as a % Of the Total OPEB Liability	0.0%
Covered Employee Payroll	2,464,237
Net OPEB Liability as a % Of the Covered Employee Payroll	17.4%

\* Amounts presented for each fiscal year were determined as of January 1. A full year schedule will be displayed as it becomes available.

Schedule 2 - Schedule of Contributions:

	<i>For the Fiscal Year Ended 6/30/2018</i>
Contractually required contribution	4,295
Contribution in relation to the contractually required contribution	(4,295)
Contribution deficiency	-

\* Amounts presented for each fiscal year were determined as of January 1. A full year schedule will be displayed as it becomes available.

**TOWN OF BAR HARBOR  
NOTES TO OPEB LIABILITY AND CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Note 1 – Actuarial Methods and Assumptions-Maine Municipal Employees Health Trust OPEB**

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

**Benefit Changes**

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

**Changes of Assumptions**

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

**Net OPEB Liability**

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

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

**Healthcare cost trend rates:**

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

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

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

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

Rates of mortality are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC 2015 model, with an ultimate rate of .85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120, and convergence to the ultimate rate in the year 2020. As prescribed by the Trust mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016.

**TOWN OF BAR HARBOR**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OPEB SCHEDULES - LAST 10 FISCAL YEARS - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Exhibit L**

Schedule 1 - MPERS PLD Schedule of Changes in the Town's Net OPEB Liability and Related Ratios

	<i>For the Fiscal Year Ended 6/30/2018</i>
<b><u>Total OPEB Liability</u></b>	
Service Cost (BOY)	1,616
Interest (includes interest on service cost)	4,214
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(14,577)
Benefit payments, including refunds of member contributions	(3,636)
<b>Net Change in total OPEB liability</b>	<b>(12,383)</b>
<b>Total OPEB liability - beginning</b>	<b>95,300</b>
<b>Total OPEB liability - ending</b>	<b>82,917</b>
<b><u>Plan fiduciary net position</u></b>	
Contributions - employer	2,704
Contributions - member	-
Net investment income	4,533
Benefit payments, including refunds of member contributions	(3,636)
Administrative expense	(623)
<b>Net change in plan fiduciary net position</b>	<b>2,979</b>
<b>Plan fiduciary net position - beginning</b>	<b>36,344</b>
<b>Plan fiduciary net position - ending</b>	<b>39,322</b>
<b>Net OPEB liability - ending</b>	<b>43,594</b>
Plan Fiduciary Net Position as a % Of the Total OPEB Liability	47.42%
Covered Employee Payroll	679,282
Net OPEB Liability as a % Of the Covered Employee Payroll	6.42%

\* This information will be presented each year until 10 years of such information is available.

Schedule 2 - Schedule of Employer Contributions:

	<i>For the Fiscal Year Ended 6/30/2018</i>
Contractually required contribution	2,989
Contribution in relation to the contractually required contribution	(2,704)
Contribution deficiency	285
Covered employee payroll	679,282
Contributions as a percentage of covered employee payroll	0.40%

\* This information will be presented each year until 10 years of such information is available.

**TOWN OF BAR HARBOR**  
**NOTES TO OPEB LIABILITY AND CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 1 – Actuarial Methods and Assumptions-Maine Public Employees Retirement System OPEB**

***Actuarial Methods and Assumptions***

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

*Actuarial Cost Method*

Projections of benefits for financial reporting purposes are based on the provisions of the Plans in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the funding methodologies. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Experience gains and losses, i.e., actual decreases or increases in the liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

*Asset Valuation Method*

Investments are reported at fair value.

*Amortization*

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 20 years remaining in the amortization schedule for the SET Plan and 13 years remaining for the PLD Plan. The actuarial assumptions used in the June 30, 2017 actuarial valuation was based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

*Changes in Assumptions*

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 actuarial valuation was based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2017, the amortization period was seven years for the State Employee portion of the SET Plan and nine years for the Teacher portion. The amortization period for the PLD Plan was six years for 2017. For the fiscal year ended June 30, 2017, there were no changes in assumptions with the exception of the use of a blended discount rate for the PLD Plan. Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pensions Plans, requires the use of a blended discount rate for determining the total OPEB liability when it is projected that plan assets are not sufficient to meet benefit obligations in the future. In years where assets are projected to be sufficient to pay benefits, the Plan's assumed rate of return is used; in years where assets are not projected to be sufficient to pay benefits, the use of a municipal bond rate is required. The result is a single blended discount rate.

*Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions*

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the

**TOWN OF BAR HARBOR**  
**NOTES TO OPEB LIABILITY AND CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2017.

**TOWN OF BAR HARBOR**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under)</i> <i>Budget</i>
Taxes			
Property	16,409,251	16,419,499	10,248
Auto Excise	925,000	1,050,352	125,352
Boat Excise	13,000	14,630	1,630
Interest/Fees on Taxes	65,000	59,081	(5,919)
	<hr/> 17,412,251	<hr/> 17,543,562	<hr/> 131,311
Intergovernmental Revenues			
State of Maine			
Municipal Revenue Sharing	126,000	133,267	7,267
General Assistance	400	104	(296)
Tree Growth	4,000	4,899	899
Veterans Reimbursement	2,100	1,866	(234)
Homestead Reimbursement	94,256	89,037	(5,219)
BETE Reimbursement	4,074	4,138	64
Federal			
Acadia National Park - PILT	42,000	43,908	1,908
	<hr/> 272,830	<hr/> 277,219	<hr/> 4,389
Departmental Revenues			
Ambulance/Fire			
Ambulance Service	388,100	322,118	(65,982)
Police			
Police Detail	8,500	12,000	3,500
Parking Tickets	36,000	22,885	(13,115)
Mutual Aid Reimbursement	2,500	4,580	2,080
All Other	117,869	160,068	42,199
Planning / Code			
Building Permits	101,000	107,757	6,757
Plumbing Permits	25,000	25,827	827
Electrical Inspections	25,000	21,979	(3,021)
Vacation Rental Permits	900	2,800	1,900
Septic Permit	-	419	419
Plan Board/Subdivision & Rezoning	4,500	1,045	(3,455)
Site Plan Review	8,500	9,578	1,078
All Other	4,650	3,958	(692)
Harbor Fees			
Docking	35,000	42,824	7,824
Moorings	5,600	2,937	(2,663)
All Other	14,350	15,395	1,045
Solid Waste			
Sale of Recyclables	21,000	67,304	46,304
All Other	300	285	(15)
Public Works			
All Other	9,960	11,326	1,366
Parks and Recreation			
Park and Recreation Fees	700	800	100
Fire Department	-	-	-

**TOWN OF BAR HARBOR**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under)</i> <i>Budget</i>
Departmental Revenues (Continued)			
Finance			
Administrative Services	166,510	166,510	-
Auto Registrations	16,000	16,159	159
Boat/RV Registrations/Snowmobile Fees	1,570	1,381	(189)
Municipal Building Leases	32,000	36,267	4,267
Town Clerk			
Clerk's Fees	16,500	15,971	(529)
All Other	9,800	9,286	(514)
	<u>1,051,809</u>	<u>1,081,459</u>	<u>29,650</u>
Other Local Sources			
Interest on Investments	23,000	77,496	54,496
Kids Corner Lease	5,750	6,250	500
Island Explorer Lease	20,823	20,823	-
Other Rentals	2,915	5,973	3,058
Jackson Laboratory - PILT	88,510	91,165	2,655
Housing Authority - PILT	27,777	30,932	3,155
Other - PILT	15,100	19,379	4,279
Cable TV Franchise	85,000	82,116	(2,884)
Insurance Dividends	8,000	7,799	(201)
AARP Grant	5,000	5,000	-
All Other	500	8,081	7,581
	<u>282,375</u>	<u>355,014</u>	<u>72,639</u>
Operating Transfers In			
Cemetery Income	25	59	34
Cruise Ship Fund	354,264	354,263	(1)
Dog Control Reserve	2,900	3,208	308
Shellfish Conservation	3,200	2,921	(279)
	<u>360,389</u>	<u>360,451</u>	<u>62</u>
Total Revenues, Operating Transfers and Other Financing Sources	19,379,654	<u>19,617,705</u>	<u>238,051</u>
Beginning Fund Balance Used	<u>142,000</u>		
<b>Total</b>	<u><u>19,521,654</u></u>		

**TOWN OF BAR HARBOR**  
**GENERAL FUND**  
**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

	<i>Encumbered From 6/30/17</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/19</i>	<i>(Over) Under Budget</i>
General Government					
Town Council		38,937	33,603		5,334
Town Manager		126,515	122,487		4,028
Town Clerk	2,645	126,055	114,360	6,730	7,610
Finance		342,660	336,097	1,280	5,283
Legal Counsel		19,950	39,788		(19,838)
Elections		14,118	11,311		2,807
Technology	18,000	172,528	177,599	11,805	1,124
Municipal Building		77,823	74,682	2,250	891
Town Offices		37,816	38,898		(1,082)
Employee Benefits		1,516,316	1,573,455		(57,139)
Insurance		91,500	86,586		4,914
Assessing	1,000	138,215	132,787	2,930	3,498
Code Enforcement		76,136	75,499		637
Planning	9,920	160,513	123,272	15,837	31,324
27th Pay Period		14,000	11,031		2,969
Vacation Accruals		18,000	51,855		(33,855)
Contingency	13,700	43,366	8,060	5,000	44,006
Abatements/Discount on Taxes		13,000	15,785		(2,785)
	45,265	3,027,448	3,027,155	45,832	(274)
Public Safety					
Fire Department	1,015	855,158	839,570	3,123	13,480
Public Fire Protection - Hydrants		585,602	585,604		(2)
Police Department	1,275	1,213,223	1,209,540		4,958
Public Safety Building		41,848	41,768		80
Street Lights		71,575	64,160		7,415
Dispatch		219,986	223,539		(3,553)
Harbor Division	2,000	118,205	119,500		705
	4,290	3,105,597	3,083,681	3,123	23,083
Health and Welfare					
General Assistance		1,197	419		778
Cooperating Agencies		45,092	45,092		-
Comfort Station		94,328	98,939		(4,611)
	-	140,617	144,450	-	(3,833)

**TOWN OF BAR HARBOR**  
**GENERAL FUND**  
**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<i>Encumbered From 6/30/17</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/19</i>	<i>(Over) Under Budget</i>
Parks and Recreation					
Parks & Recreation	1,522	352,879	352,720		1,681
Island Explorer Shuttle Bus	-	39,823	39,823	-	-
Roads and Sanitation					
Public Works		149,609	140,345		9,264
Highway Division	3,000	1,106,339	1,076,031	14,426	18,882
Solid Waste		700,273	711,426	1,119	(12,272)
	3,000	1,956,221	1,927,802	15,545	15,874
Total Appropriations, Expenditures and Encumbrances	54,077	8,622,585	8,575,631	64,500	36,531
Assessments					
Regional School District		3,122,142	3,122,142		-
County Tax		641,082	641,082		-
Overlay		44,079	-		44,079
	-	3,807,303	3,763,224	-	44,079
Operating Transfers Out					
Elementary School		5,400,763	5,400,763		-
			1,164		(1,164)
			150		(150)
Capital Improvements Program		1,691,003	1,691,003		-
	-	7,091,766	7,093,080	-	(1,314)
<b>Totals</b>	<b>54,077</b>	<b>19,521,654</b>	<b>19,431,935</b>	<b>64,500</b>	<b>79,296</b>

**TOWN OF BAR HARBOR**  
**GENERAL FUND**  
**STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit A-3*

Unassigned Fund Balance, July 1	621,603	
Unassigned Fund Balance, June 30	<u>760,950</u>	
<b>Increase (Decrease)</b>		<b><u><u>139,347</u></u></b>
 <i>Analysis of Change:</i>		
Budget Summary:		
Revenue Surplus	238,051	
Unexpended Balance of Appropriations	36,531	
Unexpended Balance (Overdraft) of Assessments and Operating Transfers	<u>42,765</u>	317,347
(Increase) Decrease in Assigned Fund Balances:		
Assigned for Working Capital		(36,000)
Fund Balance Used to Fund Appropriations		<u>(142,000)</u>
<b>Increase (Decrease)</b>		<b><u><u>139,347</u></u></b>

**TOWN OF BAR HARBOR**  
**GENERAL RESERVES, COMMITTED FUNDS & SCHOOL DEPARTMENT**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2018**

*Exhibit A-4*

<i>Assets</i>	<i>Cruise Ship Fund</i>	<i>School Department</i>	<i>Total</i>
Accounts Receivable	94,901	8,424	103,325
Due from Other Governments		89,606	89,606
Inventory		1,986	1,986
Due from Other School Funds		75,056	75,056
Due from Other Funds	291,385	1,277,075	1,568,460
<b>Total Assets</b>	<b>386,286</b>	<b>1,452,147</b>	<b>1,838,433</b>
 <i>Liabilities &amp; Fund Balances</i>			
<i>Liabilities</i>			
Accrued Salaries Payable		460,758	460,758
Due to Students		4,271	4,271
Accounts Payable	736	82,887	83,623
Due to Other School Funds		75,056	75,056
Due to Other Funds	-		-
<b>Total Liabilities</b>	<b>736</b>	<b>622,972</b>	<b>623,708</b>
 <i>Fund Balances</i>			
Non-Spendable		1,986	1,986
Restricted		827,189	827,189
Assigned - Encumbrances	16,480		16,480
Assigned	369,070		369,070
<b>Total Fund Balances</b>	<b>385,550</b>	<b>829,175</b>	<b>1,214,725</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>386,286</b>	<b>1,452,147</b>	<b>1,838,433</b>

**TOWN OF BAR HARBOR**  
**GENERAL RESERVES, COMMITTED FUNDS & SCHOOL DEPARTMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit A-5*

	<i><b>Dog Control Reserve</b></i>	<i><b>Shellfish Conservation Reserve</b></i>	<i><b>Cruise Ship Fund</b></i>	<i><b>School Department</b></i>	<i><b>Total</b></i>
Revenues					
Intergovernmental Revenues				1,040,233	1,040,233
Local Sources				90,442	90,442
Dog Fees	3,208				3,208
Shellfish Fees/Fines		2,921			2,921
Port Fees			423,950		423,950
Cruise Ship Passenger Fees			495,343		495,343
<b>Total Revenues</b>	<b>3,208</b>	<b>2,921</b>	<b>919,293</b>	<b>1,130,675</b>	<b>2,056,097</b>
Expenditures					
Education				6,556,034	6,556,034
Cruise Ship Operating			142,695		142,695
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>142,695</b>	<b>6,556,034</b>	<b>6,698,729</b>
Excess of Revenues Over (Under) Expenditures	3,208	2,921	776,598	(5,425,359)	(4,642,632)
Other Financing Sources (Uses)					
Transfers In				5,522,234	5,522,234
Transfers Out	(3,208)	(2,921)	(667,405)	(121,471)	(795,005)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,208)</b>	<b>(2,921)</b>	<b>(667,405)</b>	<b>5,400,763</b>	<b>4,727,229</b>
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	-	-	109,193	(24,596)	84,597
Fund Balance - July 1	-	-	276,357	853,771	1,130,128
<b>Fund Balance - June 30</b>	<b>-</b>	<b>-</b>	<b>385,550</b>	<b>829,175</b>	<b>1,214,725</b>

**TOWN OF BAR HARBOR  
SCHOOL DEPARTMENT**

*Exhibit A-6*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues			
Intergovernmental Revenues	683,186	357,047	1,040,233
Local Sources	31,401	3,400	34,801
Lunch and Milk Sales		55,641	55,641
<b>Total Revenues</b>	<b>714,587</b>	<b>416,088</b>	<b>1,130,675</b>
Expenditures			
Regular Instruction	2,419,340		2,419,340
Student & Staff Support:			
Guidance	76,603		76,603
Health Services	73,112		73,112
Improvement of Instruction	18,611		18,611
Library and Audio Visual	121,917		121,917
Technology	127,394		127,394
Assessment for Administration-Student Support	102,616		102,616
Special Education	1,315,391		1,315,391
Co-Curricular Instruction	70,344		70,344
System Administration:			
School Committee	10,676		10,676
Assessment for Administration	120,226		120,226
Office of Principal	346,415		346,415
Operation/Maintenance-Plant	641,669		641,669
Student Transportation	275,480		275,480
Retirement Contribution	333,112		333,112
Food Services		168,888	168,888
Federal/State Programs		315,026	315,026
Reserves/Grants	15,745	3,469	19,214
<b>Total Expenditures</b>	<b>6,068,651</b>	<b>487,383</b>	<b>6,556,034</b>
Excess of Revenues Over (Under) Expenditures	(5,354,064)	(71,295)	(5,425,359)
Other Financing Sources (Uses)			
Transfers In	5,407,234	115,000	5,522,234
Transfers Out	(121,471)	-	(121,471)
<b>Total Other Financing Sources (Uses)</b>	<b>5,285,763</b>	<b>115,000</b>	<b>5,400,763</b>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures	(68,301)	43,705	(24,596)
Fund Balance - July 1	824,705	29,066	853,771
<b>Fund Balance - June 30</b>	<b>756,404</b>	<b>72,771</b>	<b>829,175</b>

**TOWN OF BAR HARBOR**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - CRUISE SHIP FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit A-7*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Port Fees	407,644	407,644	423,950	16,306
Cruise Ship Passenger Fees	<u>477,212</u>	<u>477,212</u>	<u>495,343</u>	<u>18,131</u>
Total Revenues	<u>884,856</u>	<u>884,856</u>	<u>919,293</u>	<u>34,437</u>
Expenditures				
Cruise Ship Direct Expenses	<u>139,603</u>	<u>139,603</u>	<u>142,695</u>	<u>(3,092)</u>
Total Expenditures	<u>139,603</u>	<u>139,603</u>	<u>142,695</u>	<u>(3,092)</u>
Excess of Revenues Over (Under) Expenditures	<u>745,253</u>	<u>745,253</u>	<u>776,598</u>	<u>31,345</u>
Other Financing Sources (Uses)				
Replenish Fund Balance	(77,848)	(77,848)		77,848
Transfers from Other Funds				-
Transfers to Other Funds	<u>(667,405)</u>	<u>(667,405)</u>	<u>(667,405)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(745,253)</u>	<u>(745,253)</u>	<u>(667,405)</u>	<u>77,848</u>
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	<u>-</u>	<u>-</u>	109,193	<u>109,193</u>
Fund Balance - July 1			<u>276,357</u>	
<b>Fund Balance - June 30</b>			<u><b>385,550</b></u>	

**TOWN OF BAR HARBOR  
 ALL SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2018**

*Exhibit B-1*

<i>Assets</i>	<i>Distracted Driving Grant</i>	<i>Total</i>
Due from Other Funds		-
Due from Other Governments	3,240	3,240
<b>Total Assets</b>	<b>3,240</b>	<b>3,240</b>
 <i>Liabilities &amp; Fund Balances</i>		
Liabilities		
Due to Other Funds	3,240	3,240
Total Liabilities	3,240	3,240
 Fund Balances		
Restricted		-
Total Fund Balances	-	-
<b>Total Liabilities &amp; Fund Balances</b>	<b>3,240</b>	<b>3,240</b>

**TOWN OF BAR HARBOR**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**SPECIAL REVENUES/GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit B-2*

	<i>Pump Out System Grant</i>	<i>Evidence Based Impaired Driving Grant</i>	<i>Distracted Driving Grant</i>	<i>Total</i>
Revenues				
Local Revenues				-
Intergovernmental		2,230	3,240	5,470
Total Revenues	-	2,230	3,240	5,470
Expenditures				
Public Safety		3,394	3,390	6,784
Capital Expenditures	29,300			29,300
Total Expenditures	29,300	3,394	3,390	36,084
Excess of Revenues Over (Under) Expenditures	(29,300)	(1,164)	(150)	(30,614)
Other Financing Sources (Uses)				
Transfers from Other Funds		1,164	150	1,314
Transfers to Other Funds				-
Total Other Financing Sources (Uses)	-	1,164	150	1,314
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(29,300)	-	-	(29,300)
Fund Balance - July 1	29,300	-	-	29,300
<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, 2018**

*Exhibit C-1  
Page 1 of 3*

	<i>Balance July 1</i>	<i>Budget</i>	<i>Revenues and Transfers</i>	<i>Expenditures/ Transfers</i>	<i>Balance (Over) Under</i>	<i>Transfers From (To) Unassigned</i>	<i>Balance June 30</i>
<i>Town Projects</i>							
Technology							
Copier Equipment	4,421	3,067		(3,859)	3,629		3,629
Fiber Engineering Study	-	25,000			25,000		25,000
Fire Protection System-Server Room	3,432	1,716			5,148		5,148
WAN & Cable TV System	23,263	5,979			29,242		29,242
Computer Servers	23,082	23,333		(21,890)	24,525		24,525
Website Improvements	2,917	2,917			5,834		5,834
Town Wide Phone System	12,200	6,200			18,400		18,400
Security camera System	24,576	2,357			26,933		26,933
Municipal Building							
Building Renovation	-	16,622			16,622		16,622
Code Enforcement							
Pickup Inspection Truck	18,088	2,800			20,888		20,888
Assessing							
GIS Wide Format Scanner	13,022	2,414		(7,240)	8,196		8,196
Property Tax Revaluation	16,666	15,000			31,666		31,666
Vehicle Purchase	5,920	2,300			8,220		8,220
Aerial Photography	24,045	3,667			27,712		27,712
Planning							
Lower Main Street Engineering		25,000			25,000		25,000
Cottage Street Streetscapes		10,000			10,000		10,000
Ambulance							
Ambulance Reserve	2,325	45,095		(14,712)	32,708		32,708
Defibrillators	2,102	7,000			9,102		9,102
Fire Department							
Turnout Gear	2,500	3,500			6,000		6,000
Hose & Couplings	-	3,500			3,500		3,500
Rescue Tools	10,688	1,120		(8,060)	3,748		3,748
Fire Engine #2	121,635	54,000			175,635		175,635
Fire Engine #4	498,689	233,000	24,805	(715,863)	40,631		40,631
Fire Engine #5	171,916	95,000			266,916		266,916
Fire Pickup Trucks and Trailer	30,806	10,158		(1,025)	39,939		39,939
Thermal Imaging Camera	1,939	1,600			3,539		3,539
SCBA's & Cascade System	38,224	8,941			47,165		47,165
Police Department							
Cruiser Equipment	2,053	15,500		(11,440)	6,113		6,113
Port Security Boat	43,303	10,870		(5,755)	48,418		48,418
Cruiser Replacement	30,423	46,000		(49,560)	26,863		26,863
Records Management System - Spillman	8,000	5,889		(5,801)	8,088		8,088
Portable Radios	-	2,500			2,500		2,500
Tasers	928	3,900			4,828		4,828
Radio Base Station & Console	9,396	10,161		(14,457)	5,100		5,100
Firearms	2,500	5,400			7,900		7,900
Speed Trailer & Monitor	4,816	1,000			5,816		5,816
Dispatch							
Voice Recorder System		2,320			2,320		2,320
Radio Command Console		3,000			3,000		3,000
Ireson Hill Building & Generator		500			500		500

**TOWN OF BAR HARBOR  
CAPITAL IMPROVEMENTS PROGRAM  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit C-1  
Page 2 of 3*

	<i>Balance July 1</i>	<i>Budget</i>	<i>Revenues and Transfers</i>	<i>Expenditures/ Transfers</i>	<i>Balance (Over) Under</i>	<i>Transfers From (To) Unassigned</i>	<i>Balance June 30</i>
<i>Town Projects (Continued)</i>							
Public Safety Building							
Public Safety Bldg. Generator	19,395	3,892			23,287		23,287
Building Renovations	24,236	24,870		(6,648)	42,458		42,458
Building Envelope Repairs	23,304	150,000	12,403	(150,358)	35,349		35,349
Harbor Department							
Harbor Master Boat & Trailer	14,544	15,000			29,544		29,544
Float Replacement	-	9,666			9,666		9,666
Gangway Replacement	22,399	1,732			24,131		24,131
Fishermen's Hoist(s)	1,797	2,167			3,964		3,964
Ferry Terminal Improvements	84,100	14,000		(97,357)	743		743
Port Security Office	2,500	5,000			7,500		7,500
Pier Renovations	16,250	12,894		(2,601)	26,543		26,543
Parks & Recreation							
Museum in the Streets	5,443	20,000		(7,060)	18,383		18,383
Benches, Lights, Pergola, etc.	1,600	15,000			16,600		16,600
Albert Meadow-Grant's Park	235,565	(13,148)		(222,417)	-		-
Tree Planting	8,211	8,000		(11,810)	4,401		4,401
Park Irrigations Systems	2,400	2,400			4,800		4,800
Skate Park Reserve	-	3,612			3,612		3,612
Mt. Desert Cemetery	60,728				60,728		60,728
Park Equipment	23,689	136,904		(160,610)	(17)	17	-
Launch Ramp-Hadley Point	2,274	2,700			4,974		4,974
Tennis and Basketball Courts	7,500	3,750			11,250		11,250
Village Green Bandstand	7,866	1,467			9,333		9,333
Glen Mary Renovations	14,195	8,720		(9,842)	13,073		13,073
Harborview Park	12,563	57,437			70,000		70,000
Downtown Signage Reserve	8,541	10,000		(4,055)	14,486		14,486
Comfort Stations							
Restroom Renovation Reserve	26,890	13,870			40,760		40,760
Public Works / Highway							
Air Compressor	13,950	3,800		(4,841)	12,909		12,909
Backhoe Reserve (Cat & Deere)	103,367	11,917			115,284		115,284
Brush Chipper	27,577	8,800			36,377		36,377
Grader Reserve	51,894	4,600			56,494		56,494
Hydraulic Lifts	11,495	5,600			17,095		17,095
Front End Loader Reserve	24,941	15,000			39,941		39,941
Excavator	15,896	9,167			25,063		25,063
Snowblower	-	4,300			4,300		4,300
Road Improvement Program	384,127	290,000		(124,545)	549,582		549,582
Fuel Pump System	7,000	3,500		(10,500)	-		-
Sidewalk Plow	56,888	15,200			72,088		72,088
Sidewalk Reconstruction Program	348,817	65,711		(37,613)	376,915		376,915
Washer, Steam Pressure	12,604	1,100			13,704		13,704
Route #3 Construction	321,875				321,875		321,875
Street Sweeper (Vacuum)	139,413	21,000		(160,413)	-		-
Public Works Complex	33,898	11,000		(8,066)	36,832		36,832
Tag Trailer	15,019	840			15,859		15,859
Water Truck	7,697	900			8,597		8,597
Street Lights-Main Street	12,715	7,917			20,632		20,632
Light Truck Purchase	81,208	43,298		(67,217)	57,289		57,289
Plow Truck Reserve	194,501	64,229			258,730		258,730
Bobcat Loader	1,855	6,200		(7,415)	640		640
Roller, Vibratory	38,660	1,427			40,087		40,087

**TOWN OF BAR HARBOR  
CAPITAL IMPROVEMENTS PROGRAM  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit C-1  
Page 3 of 3*

	<i>Balance July 1</i>	<i>Budget</i>	<i>Revenues and Transfers</i>	<i>Expenditures/ Transfers</i>	<i>Balance (Over) Under</i>	<i>Transfers From (To) Unassigned</i>	<i>Balance June 30</i>
<b>Town Projects (Continued)</b>							
Solid Waste Division							
Waste Oil Furnace	1,003	883			1,886		1,886
Recycling Facility Reserve	3,624	10,000			13,624		13,624
Transfer Station Reserve	816	2,600,000	256,344	(2,458,413)	398,747		398,747
Storage	6,426	457			6,883		6,883
Bailers	7,147	(7,147)			-		-
Forklifts	19,499	(19,499)			-		-
Debt Service							
Debt Service - Agamont Park	-	50,600		(50,600)	-		-
Debt Service - Municipal Building	-	175,725		(175,725)	-		-
Public Works - FY 13	-	234,338		(234,338)	-		-
Downtown Signs	-	22,400		(22,400)	-		-
Public Works - FY 10	-	269,175		(269,175)	-		-
Public Safety Building	-	32,600		(32,600)	-		-
<b>Town Total</b>	<b>3,723,777</b>	<b>5,193,297</b>	<b>293,552</b>	<b>(5,196,281)</b>	<b>4,014,345</b>	<b>17</b>	<b>4,014,362</b>
<b>School Projects</b>							
Building Assessment/Repairs	-	174,643		(174,644)	(1)	1	-
ADA Act Renovations	19,598	(15,858)		(1,455)	2,285	(1)	2,284
Capital Outlay Reserve	28,278	(23,870)			4,408		4,408
Asbestos Removal	7,410	2,000			9,410		9,410
Furniture & Equipment	1,041	5,000		(220)	5,821		5,821
Computers & Technology	36,659	42,500		(64,878)	14,281		14,281
Copier Lease/Purchase	-	11,715		(11,715)	-		-
Connors Hallway Flooring	4,150	(4,150)			-		-
Flooring	4,019	(4,019)			-		-
Repaving	37,500	(37,500)			-		-
Pickup Truck Replacement	15,932	5,986			21,918		21,918
Playground Equipment	12,386	(10,386)			2,000		2,000
Roof Repairs	12,613	4,000			16,613		16,613
Storage Units	3,000	(3,000)			-		-
Technology Infrastructure	1,713	(1,713)			-		-
Kitchen Equipment	4,000	(2,050)		(1,950)	-		-
Connors Windows	2,351	(2,351)			-		-
Emerson Entry Doors	6,900	(6,900)			-		-
Safety & Access Control	19,731	15,747		(35,478)	-		-
Upgrade Connors Entrance	6,893	(6,893)			-		-
Boiler Replacement	10,000	(10,000)			-		-
Tractor Plow Reserve	5,000				5,000		5,000
Security Panel	-	26,800		(15,891)	10,909		10,909
Debt Service - 2004 Heating System	-	60,154		(60,154)	-		-
<b>School Total</b>	<b>239,174</b>	<b>219,855</b>	<b>-</b>	<b>(366,385)</b>	<b>92,644</b>	<b>-</b>	<b>92,644</b>
<b>Subtotal</b>	<b>3,962,951</b>	<b>5,413,152</b>	<b>293,552</b>	<b>(5,562,666)</b>	<b>4,106,989</b>	<b>17</b>	<b>4,107,006</b>
Unassigned Balance	53,744	(5,413,152)	5,501,604		142,196	(17)	142,179
<b>Totals</b>	<b>4,016,695</b>	<b>-</b>	<b>5,795,156</b>	<b>(5,562,666)</b>	<b>4,249,185</b>	<b>-</b>	<b>4,249,185</b>

**TOWN OF BAR HARBOR**  
**COMBINING BALANCE SHEET**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit D-1*

<i>Assets</i>	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Cash and Equivalents	1,323	695	2,018
Investments	8,708	4,574	13,282
<b>Total Assets</b>	<b>10,031</b>	<b>5,269</b>	<b>15,300</b>
<i>Liabilities &amp; Fund Balances</i>			
Liabilities			
Due to Other Funds			-
Total Liabilities	-	-	-
Fund Balances			
Nonspendable	6,488	5,269	11,757
Assigned	3,543	-	3,543
Total Fund Balances	10,031	5,269	15,300
<b>Total Liabilities &amp; Fund Balances</b>	<b>10,031</b>	<b>5,269</b>	<b>15,300</b>

**TOWN OF BAR HARBOR**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Exhibit D-2*

	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
New Funds			-
Investment Income	111	59	170
	111	59	170
Expenditures			
Scholarships			-
	-	-	-
Excess of Revenues Over Expenditures	111	59	170
Other Financing Sources (Uses)			
Transfers to Other Funds		(59)	(59)
Total Other Financing Sources (Uses)	-	(59)	(59)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	111	-	111
Fund Balance - July 1	9,920	5,269	15,189
<b>Fund Balance - June 30</b>	<b>10,031</b>	<b>5,269</b>	<b>15,300</b>

**TOWN OF BAR HARBOR, MAINE**  
**Operating Data**  
**For the Fiscal Year Ended June 30, 2018**

**MUNICIPAL SERVICES**

**Public Works**

**Wastewater Division**

<b><u>Largest Wastewater Customers</u></b>	<b><u>Type of Use</u></b>	<b><u>CY2017 Revenues</u></b>	<b><u>% of Total</u></b>
Jackson Laboratory	Genetic Research & Mice Prod	\$494,564	23.4%
Witham Family LTD Part	Hotels (7)	183,915	8.7%
Eden Street Trust	Hotel	51,669	2.4%
West Street Properties LLC	Hotel	38,316	1.8%
WS Atlantic LLC	Hotel	37,422	1.8%
Town of Bar Harbor	Muni Bldgs, Schools, Comfort Stat's	35,541	1.7%
Mt Desert Island Hospital	Hospital	33,642	1.6%
Golden Anchor LC	Hotel	33,334	1.6%
Bar Harbor Housing Authority	Low Income/Elderly Housing	31,452	1.5%
College Of The Atlantic	Educational Institution	23,941	<u>1.1%</u>
			45.6%

**Water Division**

<b><u>Largest Water Customers</u></b>	<b><u>Type of Use</u></b>	<b><u>CY2017 Revenues</u></b>	<b><u>% of Total</u></b>
Town of Bar Harbor	Parks, Bldgs, Schools & Hydrants	\$647,191	30.5%
Jackson Laboratory	Genetic Research & Mice Prod	200,830	9.5%
Witham Family LTD Part	Hotels (7)	87,784	4.1%
College of the Atlantic	College	29,348	1.4%
Kebo Valley Club	Golf Course	24,041	1.1%
Golden Anchor, LC	Hotel	22,775	1.1%
Lafayette Bar Harbor, LLC	Hotel	23,091	1.1%
Mount Desert Hospital	Hospital	19,559	0.9%
Bar Harbor Housing Authority	Low Income/Elderly Housing	16,408	0.8%
WS Atlantic LLC	Hotel	14,437	<u>0.7%</u>
			51.2%

<b><u>Number of Water System Customers</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Residential	1,247	1,241	1,250	1,248	1,253
Commercial	490	491	515	516	516
Industrial (Jax Lab)	43	43	47	47	43
Governmental	52	51	56	57	60
<b>Total</b>	1832	1826	1,868	1,868	1,872

<b><u>Water Sales (per 1,000 gallons)</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Residential	65,318	59,766	55,761	58,242	55,574
Commercial	103,634	107,376	111,619	121,831	107,157
Industrial (Jax Lab)	60,116	56,251	60,628	57,027	54,702
Public Authorities	10,170	5,357	12,450	13,419	13,050
<b>Total Water Sales</b>	239,238	228,750	240,458	250,519	230,483

<b>Water Sales (Revenue)</b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Residential	\$484,620	\$482,859	\$469,232	\$565,386	\$553,026
Commercial	494,752	526,799	500,570	656,301	609,028
Industrial (Jax Lab)	138,761	136,958	139,336	156,378	159,184
Public Authorities	56,710	51,637	59,099	71,267	72,899
Public Fire Protection	480,468	480,468	480,468	585,604	585,604
Private Fire Protection	106,563	107,952	109,711	126,445	129,278
<b>Total Water Sales</b>	<b>\$1,761,874</b>	<b>\$1,786,673</b>	<b>\$1,758,416</b>	<b>\$2,161,381</b>	<b>\$2,109,019</b>

**PUBLIC EDUCATION**

**Composition of MDI RSS**

<i>Former Administrative Unit</i>	<i>Community</i>	<i>School</i>	<i>Grade</i>	<b>Enrollment (as of Oct. 1, 2017)</b>
School Union #98	Bar Harbor	Connors-Emerson School	K-8	354
School Union #98	Cranberry Isles	Islesford School	K-8	11
School Union #98	Frenchboro	Frenchboro Elementary	K-8	3
School Union #98	Mount Desert	Mt Desert Elementary	K-8	181
School Union #98	Southwest Harbor	Pemetic Elementary	K-8	136
School Union #98	Tremont	Tremont Consolidated	K-8	125
School Union #92	Trenton	Trenton Elementary	K-8	123
MSAD No. 76	Swan's Island	Swan's Island Elementary	K-8	34
C.S.D. No. 7	Members of Union #98	Mt Desert Island High	9-12	<u>543</u>
		Total Enrollment		1,510
		(less Tuition Students)		<u>(78)</u>
		Total Member Enrollment		1,432

**LABOR RELATIONS**

The Town employs approximately 149 full-time personnel, approximately of whom 74 are employees of the Town including its utilities systems; and 75 of whom are employed by the School Department; and various part-time employees. Approximately 44 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>	<i>Expiration</i>
Teamsters Local No. 340	Highway & Wastewater Unit	July 1, 2017	June 30, 2020
IAFF (AFL/CIO)	Fire Department Unit	July 1, 2017	June 30, 2020
BHSEA (MEA)	School Support Unit	July 1, 2018	June 30, 2021
BHTA (MEA)	Teachers Unit	Sept.1, 2018	Aug. 31, 2021

**BUILDING ACTIVITY**

Calendar Year	Residential		Commercial		Total	
	# Permits	Est. Cost	# Permits	Est. Cost	# Permits	Est. Cost
2017	202	\$12,145,602	84	\$7,374,025	286	\$19,519,627
2016	217	16,236,458	95	17,105,863	312	33,342,321
2015	230	14,767,390	94	9,099,114	324	23,866,504
2014	186	10,730,656	93	4,289,181	379	15,019,837
2013	195	11,067,509	112	21,401,296	307	32,468,805

**TOWN FINANCES**

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

	2015	2016	2017	2018	2019
<b>Revenues</b>					
Taxes	\$15,796,457	\$16,557,858	\$16,886,945	\$17,412,251	\$18,433,116
Intergovernmental	241,420	219,637	223,123	272,830	336,856
Departmental	1,081,216	1,032,901	1,039,580	1,050,809	1,052,125
Other local sources	535,264	534,465	549,174	637,764	648,846
<b>Total Revenues</b>	<b>17,654,357</b>	<b>18,344,861</b>	<b>18,700,822</b>	<b>19,373,654</b>	<b>20,470,943</b>
<b>Expenditures</b>					
General government	2,778,378	2,883,143	2,992,762	3,062,271	3,129,005
Public safety	2,608,008	2,795,896	2,912,896	3,104,172	3,213,377
Health & welfare	130,716	137,648	133,928	141,042	144,401
Parks & recreation	230,865	235,251	239,154	352,879	429,722
Roads & sanitation	1,746,798	1,810,053	1,829,810	1,899,222	1,962,695
Assessments & Overlay	3,428,938	3,615,766	3,629,013	3,807,302	3,935,692
Transfers to school fund	5,176,423	5,223,669	5,265,115	5,400,763	5,430,046
Transfers to CIP	1,820,106	1,753,435	1,773,144	1,691,003	2,296,005
<b>Total Expenditures</b>	<b>\$17,920,232</b>	<b>\$18,454,861</b>	<b>\$18,805,822</b>	<b>\$19,458,654</b>	<b>\$20,540,943</b>
<b>Excess Exp. Over Revenues</b>	<b>\$265,875</b>	<b>\$110,000</b>	<b>\$105,000</b>	<b>\$85,000</b>	<b>\$70,000</b>
<b>Use of Fund Balance:</b>					
Transfer to CIP	200,000	110,000	105,000	85,000	70,000
One-time expenditures	65,875	0	0	0	0
<b>Total Use of Fund Balance</b>	<b>\$265,875</b>	<b>\$110,000</b>	<b>\$105,000</b>	<b>\$85,000</b>	<b>\$70,000</b>

**Property Tax Levy Limit**

Fiscal year:	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>
State Personal Income Factor:	1.09%	0.86%	2.67%	2.75%	2.61%
Town Prop Growth Factor:	<u>1.41%</u>	<u>0.70%</u>	<u>1.21%</u>	<u>1.97%</u>	<u>1.67%</u>
Growth Limitation Factor:	2.50%	1.56%	3.88%	4.72%	4.28%
Property Tax Levy Limit:	\$6,632,283	\$6,774,604	\$7,040,190	\$7,389,121	\$7,707,492
Property Tax Levy:	<u>6,199,868</u>	<u>6,731,982</u>	<u>6,897,817</u>	<u>7,201,186</u>	<u>8,052,378</u>
Over/(below) Prop Tax Levy Limit:	(\$432,415)	(\$42,622)	(\$142,373)	(\$187,935)	\$344,886

**General Fund Balance as % Revenues**

	Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
Assigned and Unassigned General Fund					
Balance (exclude School FB)	\$3,223,582	\$2,977,482	\$2,796,140	\$3,050,679	\$3,357,037
Total Revenues (excl School Rev)	18,135,145	18,594,081	19,151,528	18,840,256	19,274,797
Fund Bal as % Revenues	17.8%	16.0%	14.6%	16.2%	17.4%

**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 6/30/18
2018	1,577,200	\$1,497,194	\$10.96	\$16,409,251	\$16,020,406	97.64%	97.64%
2017	1,493,600	1,481,606	10.73	15,896,513	15,503,505	97.53	99.27
2016	1,428,800	1,471,964	10.59	15,588,095	15,239,884	97.76	99.98
2015	1,404,100	1,449,121	10.22	14,810,016	14,334,981	96.79	99.98
2014	1,390,700	1,435,775	10.01	14,372,104	13,918,708	96.86	99.98

**Largest Taxpayers**

Taxpayer	As of April 1, 2017			
	Type of Business	Assessed Value	Tax	% of Levy
Golden Anchor, L C	Hotel-Harborside	\$20,169,500	\$221,058	1.34%
Emera Maine	Electric Utility	18,026,500	197,570	1.20%
Eden Street Trust	Hotel-Regency	17,585,900	192,741	1.17%
Witham Family LTD	Hotel-BH Inn	13,588,400	148,928	0.91%
West Street Properties, LLC	Hotel-West St.	13,206,800	144,747	0.88%
BHTC 111, LLC	Rest/Club	10,434,400	114,361	0.70%
Witham Family LTD	Hotel-Oceanside	9,740,100	106,752	0.66%
WS Atlantic, LLC	Hotel-Hampton	8,626,500	94,546	0.58%
Colket, Tristram C Jr	Residential	7,177,900	78,670	0.48%
Lafayette Bluenose, LLC	Hotel-Bluenose	6,763,300	74,126	0.45%
	<b>Top ten taxpayers</b>		<b>\$1,373,499</b>	<b>8.36%</b>

**Revenues from the State**

<b>Fiscal Yr. End June 30,</b>	<b>State Revenue Sharing</b>	<b>Homestead Exemption</b>	<b>General Assistance</b>	<b>State School Subsidy*</b>	<b>Other State Aid**</b>	<b>Total From State</b>
2017	\$128,220	\$64,565	\$1,253	\$290,474	\$60,631	\$545,143
2016	132,854	59,678	821	226,431	55,700	475,484
2015	124,871	35,399	1,028	257,349	55,132	473,779
2014	133,206	47,655	279	239,614	73,286	494,040
2013	203,535	47,474	0	194,414	75,886	521,309

-----\* School subsidy paid directly to AOS 91

-----\*\*Local Roads Assistance Program (LRAP), BETE & Veterans programs

**DEBT - PRINCIPAL**

<b>Year Issued</b>	<b>Purpose</b>	<b>Amount Issued</b>	<b>Final Maturity</b>	<b>Balance on June 30, 2017</b>			<b>Balance on June 30, 2018</b>	
				<b>General</b>	<b>Proprietary</b>	<b>Total</b>	<b>(Payments)</b>	<b>Total</b>
1997	Sewer Plant (SRF)	7,300,000	10/01/17		\$454,970	\$454,970	(\$454,970)	\$0
2002	Water Tank (SRF)	750,000	10/01/21		223,930	223,930	(42,451)	181,479
2004	School (MMBB)	805,000	11/01/24	\$414,456		414,456	(43,204)	371,252
2005	Beach Wall	800,000	10/15/24	320,000		320,000	(40,000)	280,000
2005	Sewer/Hulls Cove	800,000	10/15/27		475,000	475,000	(35,000)	440,000
2010	Roads & Sidewalks	3,700,000	05/01/30	2,405,000		2,405,000	(185,000)	2,220,000
2010	Water System	600,000	05/01/30		390,000	390,000	(30,000)	360,000
2011	Sewer System	1,316,000	12/01/31		1,035,514	1,035,514	(58,753)	976,761
2011	Water System	1,224,000	12/01/31		939,486	939,486	(76,247)	863,239
2011	Ref'd'g Water-01	2,515,000	12/01/21		1,255,000	1,255,000	(205,000)	1,050,000
2012	Water (SRF)	2,679,150	10/01/32		2,171,896	2,171,896	(125,850)	2,046,046
2013	Public Works Bldg	3,350,000	10/15/33	2,965,000		2,965,000	(135,000)	2,830,000
2014	Municipal Bldg	2,442,000	10/15/34	2,195,000		2,195,000	(125,000)	2,070,000
2015	PubSftyBldg/Wtr	2,100,000	10/15/35	380,000	1,615,000	1,995,000	(105,000)	1,890,000
2017	Transfer Station	3,070,000	10/15/36					3,070,000
				8,679,456	8,560,796	17,240,252	(1,661,475)	18,648,777

**Debt Ratios**

<b>Fiscal Yr. End June 30,</b>	<b>Population</b>	<b>Equalized State Val. (000)</b>	<b>Assessed Valuation (000)</b>	<b>Total G.O. Debt</b>	<b>Debt as % Eq. Val.</b>	<b>Per Capita Debt</b>
2018	5,235	\$1,577,200	\$1,497,194	\$18,648,777	1.18%	\$3,562
2017	5,235	1,493,600	1,481,606	17,240,252	1.16%	3,293
2016	5,235	1,428,800	1,471,964	18,879,769	1.28%	3,606
2015	5,235	1,404,100	1,449,121	18,285,088	1.30%	3,493
2014	5,235	1,390,700	1,435,775	17,196,067	1.24%	3,285

Debt Obligations, by Fund Type

FY June 30,	General Fund Debt		Enterprise Fund Debt	Total Debt	Ent. Debt as % Total Debt
	(Town)	(School)			
2018	\$10,830,000	\$371,252	\$7,447,525	\$18,648,777	40.0%
2017	8,265,000	414,456	8,560,796	17,240,252	49.7%
2016	8,765,000	455,552	9,659,217	18,879,769	51.1%
2015	8,842,000	494,644	8,948,444	18,285,088	48.9%
2014	6,750,000	531,965	9,914,102	17,196,067	57.7%

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		
2018	0.69%	0.02%	0.47%	1.18%	\$2,069	\$71	\$1,423	\$3,563
2017	0.56	0.03	0.57	1.16	1,579	79	1,635	3,293
2016	0.61	0.03	0.68	1.32	1,674	87	1,845	3,606
2015	0.63	0.04	0.63	1.30	1,689	95	1,709	3,493
2014	0.49	0.04	0.71	1.24	1,286	102	1,894	3,285

Debt Service Component of Operating Expenses

	2014	2015	2016	2017	2018
Total Current Year Debt Service:	\$1,765,303	\$1,907,026	\$2,034,204	\$2,319,332	\$2,299,577
(less Enterprise Debt Service:)	(1,183,861)	(1,217,234)	(1,201,047)	(1,340,309)	(1,329,585)
Tax Supported Debt Service	\$581,442	\$689,792	\$833,157	\$979,023	\$969,992
Budgeted Operating Expense:	17,476,383	\$17,920,232	\$18,454,861	\$18,805,822	\$19,458,654
Debt Service as % Oper. Expense:	3.34%	3.85%	4.51%	5.21%	4.99%

Total General Obligation, Overlapping and Contingent Debt

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Bar Harbor (CIP)	\$10,830,000			\$10,830,000
Town of Bar Harbor (School)	371,252			371,252
Town of Bar Harbor (Enterprise)	7,447,525			7,447,525
MDI Reg. School District (38.3%)		\$849,588		849,588
County of Hancock (12.0%)		35,910		35,910
<b>Total A/O June 30, 2018</b>	<b>\$18,648,777</b>	<b>\$885,498</b>	<b>\$0</b>	<b>\$19,534,275</b>
Debt as % Eq State Valuation	1.18%	0.06%	0.00%	1.24%
Per Capita Debt	\$3,563	\$169	\$0.00	\$3,732

# 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.

Members of the School Committee  
Bar Harbor School Department  
Bar Harbor, Maine 04649

We have audited the financial statements of the Bar Harbor School Department for the year ended June 30, 2018.

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 Essential Programs and Services Funding 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 articles, except for operations and maintenance.

Respectfully submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA  
November 9, 2018

**TOWN OF BAR HARBOR**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
<b>U.S. Department of Education:</b>				
Rural School Achievement Program	84.358		-	8,827
<i>Passed Through State Department of Education and Cultural Services:</i>				
<b>Special Education Cluster (IDEA):</b>				
Title VI, Part B - Local Entitlement	84.027	013-05A-3046-12	-	102,656
Title VI, Part B - Local Entitlement Preschool	84.027	013-05A-3009-10	-	487
<b>Sub-total Special Education Cluster (IDEA):</b>			-	<u>103,143</u>
NCLB Title 1A - Basic Compensatory Education	84.010	013-05A-3057-13	98,323	121,403
Title VI, Part A, SSAE Program	84.424	013-05A-3345-66-6306-3345SSG-F2018	11,523	41,384
NCLB Title IIA - Improving Teacher Quality	84.367	013-05A-3042-11	-	40,269
<b>Total U.S. Department of Education</b>			<u>109,846</u>	<u>315,026</u>
<b>U.S. Department of Agriculture:</b>				
<i>Passed Through State Department of Education and Cultural Services:</i>				
Food Distribution	10.560	NONE	-	5,263
<b>Child Nutrition Cluster:</b>				
National School Lunch Program	10.555	013-05A-7128-05	-	28,418
Federal Performance Based Lunch	10.555	013-05A-7142-05	-	1,469
School Breakfast Program	10.553	013-05A-7127-05	-	5,168
<b>Sub-total Child Nutrition Cluster</b>			-	<u>35,055</u>
<b>Total U.S. Department of Agriculture</b>			-	<u>40,318</u>
<b>U.S. Department of Transportation:</b>				
2018 Distracted Driving Enforcement Grant	20.616	013 16A FLXE 012 6401 DD4518	-	3,240
2018 Evidence Based Impaired Driving HVE	20.616	013 16A 405D 012 6401 ID067	-	2,230
<b>Total U.S. Department of Transportation</b>			-	<u>5,470</u>
<b>Total</b>			-	<u><b>360,814</b></u>

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**APPENDIX B**

**PROPOSED FORM  
OF  
LEGAL OPINIONS**

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**Bernstein, Shur,  
Sawyer & Nelson, P.A.**  
100 Middle Street  
PO Box 9729  
Portland, ME 04104-5029

T (207) 774 - 1200  
F (207) 774 - 1127

April 4, 2019

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

**Re: Town of Bar Harbor, Maine  
\$2,875,000 2019 General Obligation Bonds, Series A**

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$2,875,000 aggregate principal amount of the Series A 2019 General Obligation Bonds (the "Series A Bonds" or the "Bonds") of the Town of Bar Harbor, Maine (the "Issuer"), a public municipal corporation in the State of Maine organized and existing under and pursuant to the laws of the State of Maine and the Charter of the Town of Bar Harbor, Maine (the "Charter").

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 Charter and the provisions of Title 30-A, Section 5772 of the Maine Revised Statutes, as amended.

The Bonds are dated April 4, 2019. Principal of the Bonds will be payable on October 15 of the years in which the Bonds mature and in the principal amounts as set forth below. The Bonds will bear interest from their date, payable semi-annually on April 15 and October 15 in each year, commencing on October 15, 2019, at the respective rates per annum, as follows:

**Series A Bonds**

**Dated: Date of Delivery**

**Due: October 15, as shown below**

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2019	\$230,000	%	2029	\$115,000	%
2020	230,000	%	2030	115,000	%
2021	230,000	%	2031	115,000	%
2022	230,000	%	2032	115,000	%
2023	230,000	%	2033	115,000	%
2024	115,000	%	2034	115,000	%
2025	115,000	%	2035	115,000	%
2026	115,000	%	2036	115,000	%
2027	115,000	%	2037	115,000	%
2028	115,000	%	2038	115,000	%

Series A Bonds maturing on and before October 15, 2028 are not subject to redemption prior to their stated dates of maturity. Series A Bonds maturing on or after October 15, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Issuer, on and after October 15, 2028, as a whole or in part at any time, in such order of maturity as the Issuer, 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 Bonds will be issued in fully registered form without coupons and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company (“DTC”), an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be made in book-entry form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. The Bonds are lettered R and shall be numbered from one (1) upwards.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Series A 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 Series A Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Series A Bonds, regardless of when such noncompliance occurs. The Issuer, in executing its Arbitrage and Use of Proceeds Certificate, Certificate of Treasurer and Certificate Regarding Bank Qualified and Designated Status (collectively, the “Tax Certificates”), 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 Series A 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 Tax Certificates.

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 public municipal corporation under and pursuant to the laws of the State of Maine.
2. The Issuer is duly authorized to issue the Bonds which have been duly and validly authorized and issued in accordance with law and constitute valid general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied, subject to certain procedural limitations under Section 5721-A of the Maine Revised Statutes as amended and supplemented to date, without limit as to rate or amount upon all the property located within the territorial limits of the Issuer and taxable by it, except to any 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 any portion of its assessed valuation with another municipality and except to the extent that the Issuer may establish municipal development districts or affordable housing districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the tax increment revenues on retained captured assessed values of which may not be available for payment of debt service on the Bonds.
3. Under existing statutes and court decisions interest on the Series A Bonds is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, although bond counsel observes that the federal alternative minimum tax on corporations is repealed for taxable years beginning on or after January 1, 2018 and therefore interest on the Series A Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018. Such interest will, however, be taken into account in the computation of certain other taxes that may be imposed with respect to corporations, including, without limitation, the foreign branch profits tax. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the Series A Bonds.

Town of Bar Harbor  
April 4, 2019  
Page 4

4. The Series A Bonds are exempt from taxation within the State of Maine under existing Maine law.

5. The Series A Bonds will constitute “qualified tax-exempt obligations” under Section 265(b) of the Code.

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

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

Very truly yours,

Bernstein Shur Sawyer & Nelson



**Bernstein, Shur,  
Sawyer & Nelson, P.A.**  
100 Middle Street  
PO Box 9729  
Portland, ME 04104-5029

T (207) 774 - 1200  
F (207) 774 - 1127

April 4, 2019

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

**Re: Town of Bar Harbor, Maine  
\$1,225,000 2019 General Obligation Bonds, Series B (Federally Taxable)**

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$1,225,000 aggregate principal amount of the 2019 General Obligation Bonds – Series B (Federally Taxable) (the “Series B Bonds” or the “Bonds”) of the Town of Bar Harbor, Maine (the “Issuer”), a public municipal corporation in the State of Maine organized and existing under and pursuant to the laws of the State of Maine and the Charter of the Town of Bar Harbor, Maine (the “Charter”).

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 Charter and the provisions of Title 30-A, Section 5772 of the Maine Revised Statutes, as amended.

The Bonds are dated April 4, 2019. Principal of the Bonds will be payable on October 15 of the years in which the Bonds mature and in the principal amounts as set forth below. The Bonds will bear interest from their date, payable semi-annually on April 15 and October 15 in each year, commencing on October 15, 2019, at the respective rates per annum, as follows:

**Series B Bonds**

\$185,000 Bonds, due October 15, 2023, Interest Rate \_\_\_ %  
 \$280,000 Bonds, due October 15, 2028, Interest Rate \_\_\_ %  
 \$345,000 Bonds, due October 15, 2033, Interest Rate \_\_\_ %  
 \$415,000 Bonds, due October 15, 2038, Interest Rate \_\_\_ %

Series B Bonds maturing on and before October 15, 2028 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on or after October 15, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after October 15, 2028 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 the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any.

Series B Bonds maturing on October 15, 2023, October 15, 2028, October 15, 2033 and October 15, 2038, respectively, are also subject to mandatory redemption in the principal amounts set forth below, plus accrued interest to the date of redemption thereof, on October 15 in the years and amounts set forth below:

<b><u>Series B Term Bond due 2023</u></b>		<b><u>Series B Term Bond due 2028</u></b>		<b><u>Series B Term Bond due 2033</u></b>		<b><u>Series B Term Bond due 2038</u></b>	
<b><u>Year</u></b>	<b><u>Amount</u></b>	<b><u>Year</u></b>	<b><u>Amount</u></b>	<b><u>Year</u></b>	<b><u>Amount</u></b>	<b><u>Year</u></b>	<b><u>Amount</u></b>
2020	\$45,000	2024	\$50,000	2029	\$65,000	2034	\$75,000
2021	45,000	2025	55,000	2030	65,000	2035	80,000
2022	45,000	2026	55,000	2031	70,000	2036	85,000
2023 <sup>(1)</sup>	50,000	2027	60,000	2032	70,000	2037	85,000
		2028 <sup>(1)</sup>	60,000	2033 <sup>(1)</sup>	75,000	2038 <sup>(1)</sup>	90,000

NOTE: <sup>(1)</sup> Year of final maturity.

The Bonds will be issued in fully registered form without coupons and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company (“DTC”), an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be made in book-entry form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. The Bonds are lettered R and shall be numbered from one (1) upwards.

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 public municipal corporation under and pursuant to the laws of the State of Maine.

2. The Issuer is duly authorized to issue the Bonds which have been duly and validly authorized and issued in accordance with law and constitute valid general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied, subject to certain procedural limitations under Section 5721-A of the Maine Revised Statutes as amended and supplemented to date, without limit as to rate or amount upon all the property located within the territorial limits of the Issuer and taxable by it, except to any 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 any portion of its assessed valuation with another municipality and except to the extent that the Issuer may establish municipal development districts or affordable housing districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the tax increment revenues on retained captured assessed values of which may not be available for payment of debt service on the Bonds.

3. The Series B Bonds are exempt from taxation within the State of Maine under existing Maine law.

4. The Series B Bonds will **not** constitute “qualified tax-exempt obligations” under Section 265(b) of the Code.

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

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

Very truly yours,

Bernstein Shur Sawyer & Nelson

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**APPENDIX C**

**PROPOSED FORM  
OF  
CONTINUING DISCLOSURE AGREEMENT**

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

In connection with the issuance by the Town of Bar Harbor, Maine (the “Issuer”) of its \$2,875,000 2019 General Obligation Bonds– Series A, dated as of April 4, 2019 and \$1,225,000 2019 General Obligation Bonds – Series B (Federally Taxable), dated as of April 4, 2019, (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 under this Continuing Disclosure Agreement (the “Agreement”) 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. Under the Agreement, the Issuer is obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto (the “MSRB”). This information will be available from the MSRB via its Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org). The Issuer incorporates by reference its Official Statement dated March 19, 2019 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 MSRB: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2019, certain updated 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 under the headings “TOWN FINANCES,” “INDEBTEDNESS,” “RETIREMENT” and in APPENDIX A to the Official Statement and such other financial information and operating data as may be required to comply with the Rule; and (b) the updated information discussed in clause (a) above will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide audited financial statements when and if such audited financial statements become available. Such filings, if not completed by the required time in clause (a) above, but if filed when available, will not be deemed to be a “late filing”. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A to the Official Statement or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

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 through EMMA (in an electronic format as prescribed by the MSRB) notice of the occurrence of any of the following events with respect to the Bonds.
  - (a) Certain events whether material or not material:
    - (1) Principal and interest payment delinquencies;
    - (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
    - (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
    - (4) Substitution of credit or liquidity providers, or their failure to perform;
    - (5) 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;

- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes;
- (9) Bankruptcy, insolvency, receivership or similar event of the Issuer (Note: For the purposes of the event identified in paragraph 1, 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 United States 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.);or
- (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties

(b) Certain events if material:

- (1) Non-payment related defaults;
- (2) Modifications to the rights of holders of the Bonds;
- (3) Bond calls;
- (4) The release, substitution, or sale of property securing repayment of the Bonds;
- (5) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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;
- (6) Appointment of a successor or additional trustee or the change of name of a trustee; and
- (7) Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, 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, 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 Agreement is to provide on a continuing basis the information described in the Rule. The provisions of the Agreement 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 ("SEC") 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, the Issuer's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment of in full of all of the Bonds or 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 Agreement, 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 SEC 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. Except as disclosed in its Official Statement, the Issuer 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.
7. 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: \_\_\_\_\_, 2019

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

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