

James W. Wadman

CERTIFIED PUBLIC ACCOUNTANT

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

Communications with Those Charged with Governance

December 20, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bar Harbor, Maine (the Town) as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 20, 2011. Professional standards required that we provide you with the following information related to our audit.

Our Responsibilities under U. S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 15, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Town of Bar Harbor, Maine. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Bar Harbor, Maine's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 15, 2011.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Bar Harbor, Maine are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriated level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. The material adjustments noted represented reclassification of school capital improvement expenditures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2011.

Other Audit Matters or Recommendations

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

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

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.

TOWN OF BAR HARBOR, MAINE

*FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES*

*FOR THE FISCAL YEAR
ENDED JUNE 30, 2011*

JAMES W. WADMAN
CERTIFIED PUBLIC ACCOUNTANT
295 MAIN STREET - P.O. BOX 889
ELLSWORTH, ME 04605

(207) 667-6500

**TOWN OF BAR HARBOR
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS		PAGE(S)
	INDEPENDENT AUDITOR'S REPORT	1
	MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 6
	BASIC FINANCIAL STATEMENTS	
EXHIBIT	GOVERNMENTAL-WIDE FINANCIAL STATEMENTS	
A	Statement of Net Assets	7
B	Statement of Activities	8
	FUND FINANCIAL STATEMENTS	
	<i>Governmental Funds Financial Statements</i>	
C	Balance Sheet - Governmental Funds	9 - 10
D	Combined Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds	11 - 12
	<i>Proprietary Funds Financial Statements</i>	
E	Statement of Net Assets	13
F	Statement of Revenues, Expenses, and Changes in Fund Net Assets	14
G	Statement of Cash Flows	15
	NOTES TO THE FINANCIAL STATEMENTS	16 - 33
	REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS	
H	Budgetary Comparison Schedule	34
	OTHER SUPPLEMENTARY INFORMATION	
	GENERAL FUND	
A-1	Statement of Estimated and Actual Revenues	35 - 36
A-2	Statement of Appropriations, Expenditures, and Encumbrances	37 - 38
A-3	Statement of Changes in Unreserved - Unassigned Fund Balance	39
A-4	Balance Sheet: General Reserves and Committed Funds	40
A-5	Statement of Revenues, Expenditures and Changes in Fund Balances: General Reserves and Committed Funds	41
	SPECIAL REVENUE FUNDS	
B-1	Balance Sheet	42
B-2	Statement of Revenues, Expenditures and Changes in Fund Balances	43
	CAPITAL PROJECT FUNDS	
C-1	Schedule of Activity	44 - 46
	PERMANENT FUNDS	
D-1	Balance Sheet	47
D-2	Statement of Revenues, Expenditures and Changes in Fund Balances	48
	STATE OF MAINE REPORT	
	STATEMENT OF ASSURANCE AND DETERMINATION	49

INDEPENDENT AUDITOR'S REPORT

December 20, 2011

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bar Harbor, Maine as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bar Harbor, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bar Harbor, Maine as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2-6 and 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bar Harbor, Maine's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

TOWN OF BAR HARBOR, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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, 2011. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

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

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net Assets – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2011 by \$29,816,574 (presented as “net assets”). Of this amount, \$5,625,574 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets – The Town's total net assets increased by \$1,263,767 (a 4.4% increase) for the fiscal year ended June 30, 2011. Net assets of governmental activities increased by \$775,924 (a 4.2% increase), while net assets of business-type activities showed an increase of \$487,843 (a 4.9% increase).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2011, the Town's governmental funds reported a combined ending fund balance of \$7,910,384 with \$850,243 being general unassigned fund balance. This unassigned fund balance represents approximately 5.5% of the total general fund expenditures for the year.

Long-term Debt:

The Town's total long-term debt obligations decreased by \$1,228,626 (9.1%) during the current fiscal year. Existing debt obligations were retired according to schedule. The Town approved a new bond in the amount of \$5,055,000 at the annual town meeting on 6/7/11 for water and sewer projects in the amount of \$2,540,000 and to refinance the 2001 water purchase in the amount of \$2,515,000. This bond is unissued at 6/30/11 but was later issued on 9/15/11.

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 7-8 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 9-12 of this report.

The basic proprietary fund financial statements can be found on pages 13-15 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 16-33 of this report.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

Required supplementary information can be found on page 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

72.8% of the Town's net assets reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

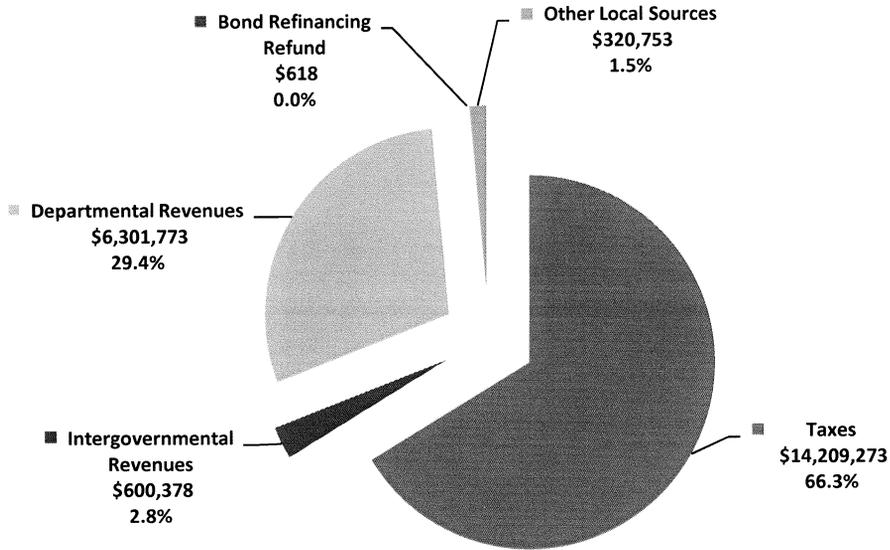
	Governmental Activities	Business-like Activities	Total 2011	Total 2010
Current Assets	9,811,181	1,181,076	10,992,257	11,086,734
Capital Assets	16,075,926	17,904,064	33,979,990	33,559,907
Total Assets	25,887,107	19,085,140	44,972,247	44,646,641
Current Liabilities	1,777,457	2,231,065	4,008,522	3,851,216
Other Liabilities	4,662,783	6,484,368	11,147,151	12,242,618
Total Liabilities	6,440,240	8,715,433	15,155,673	16,093,834
Net Assets:				
Held for Postemployment Benefits	53,154		53,154	88,714
Invested in Capital Assets	12,902,454	10,762,995	23,665,449	20,048,203
Restricted	472,397		472,397	81,846
Unrestricted	6,018,862	(393,288)	5,625,574	8,334,044
Total Net Assets	19,446,867	10,369,707	29,816,574	28,552,807
Total Liabilities and Net Assets	25,887,107	19,085,140	44,972,247	44,646,641

Changes in Net Assets

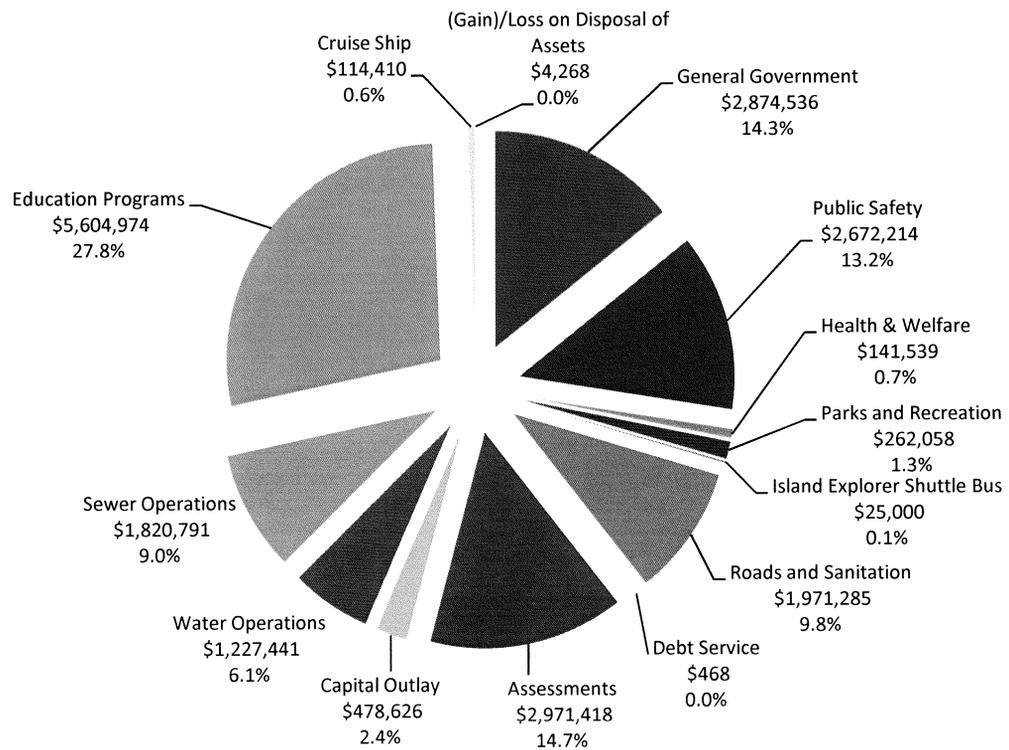
Approximately 66.3% of the Town's total revenue came from property and excise taxes, approximately 2.8% came from State subsidies and grants, and approximately 30.9% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,607,709 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	Total 2011	Total 2010
Revenues:				
Taxes	14,209,273		14,209,273	13,881,552
Intergovernmental Revenues	600,378		600,378	1,588,415
Departmental Revenues	2,775,438	3,526,335	6,301,773	4,570,549
Bond Refinancing Refund		618	618	197,408
Other Local Sources	311,631	9,122	320,753	696,798
Total	17,896,720	3,536,075	21,432,795	20,934,722
Expenses:				
General Government	2,874,536		2,874,536	2,858,108
Public Safety	2,672,214		2,672,214	2,521,141
Health & Welfare	141,539		141,539	107,977
Parks and Recreation	262,058		262,058	251,784
Island Explorer Shuttle Bus	25,000		25,000	46,000
Roads and Sanitation	1,971,285		1,971,285	2,014,706
Debt Service	468		468	1,387
Assessments	2,971,418		2,971,418	2,891,293
Capital Outlay	491,237		491,237	497,727
Water Operations		1,227,441	1,227,441	1,150,292
Sewer Operations		1,820,791	1,820,791	1,739,118
Education Programs	5,592,363		5,592,363	5,500,013
Cruise Ship	114,410		114,410	-
(Gain)/Loss on Disposal of Assets	4,268		4,268	(7,989)
Total	17,120,796	3,048,232	20,169,028	19,571,557
Changes in Net Assets	775,924	487,843	1,263,767	1,363,165

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, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$7,910,384, an increase of \$160,213 in comparison with the prior year. Approximately 10.7 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 General Fund revenues and expenditures and the final amended budget included the following:

- \$(69,672) negative variance in property taxes due to the adjustment of deferred property taxes and supplemental taxes. Deferred property taxes increased by \$76,513 and supplemental taxes were issued in the amount of \$6,841.
- \$(15,949) negative variance in auto excise. The volume of vehicles registered remained flat, while the average per unit cost decreased.
- \$80,897 positive variance in building permits due to a 40% increase in the actual receipts while budgeting 30% less in revenues due to the gloomy economic perception during the budget process.
- \$40,300 positive variance in sale of recyclables due to the price remaining high and a lower budget based on the prior year actual and a lower expectation for the current year.
- \$66,374 positive variance in employee benefits primarily due to employees who changed to the Opt Out program and savings in workers compensation.
- \$(16,467) negative variance in vacation accruals due to less vacation time taken by the end of the year which increased the accrual for compensated absences.
- \$28,288 positive variance in police department due primarily to wages and benefits covered by federal grants.
- \$36,898 positive variance in highway division due to lower storm related expenses such as salt, sand and related vehicle repairs and supplies.

Proprietary Funds

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

CAPITAL ASSET ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-like activities amounts to \$61,516,287, net of accumulated depreciation of \$27,536,297, leaving a net book value of \$33,979,990. Current year additions included Capital Improvements, Water and Sewer additions.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Bar Harbor, 93 Cottage Street – Suite 1, Bar Harbor, ME 04609.

TOWN OF BAR HARBOR
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	6,627,318	429,179	7,056,497
Investments	1,308,037		1,308,037
Receivables			
Taxes and Liens	738,918	30,647	769,565
User Fees, net		449,087	449,087
Accounts	66,311	36,560	102,871
Ambulance	95,269		95,269
Accrued Interest	5,118		5,118
Prepaid Expense	20,022	59,232	79,254
Inventory	23,712	108,215	131,927
Due from Other Governments	123,108		123,108
Due to/(from) Other Funds	803,368	(803,368)	-
Bond Issuance Costs, Net		68,156	68,156
Capital Assets:			
Land	1,899,514	164,793	2,064,307
Construction Work in Progress	148,413	194,719	343,132
Other Capital Assets, Net of Depreciation	14,027,999	17,544,552	31,572,551
Total Assets	25,887,107	18,281,772	44,168,879
 <i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	231,009	199,418	430,427
Retainage Payable	42,517	3,008	45,525
Payroll Taxes Deductible	6,287		6,287
Accrued Salaries Payable	633,484	41,099	674,583
Accrued Compensated Absences	291,799	35,209	327,008
Accrued Interest Payable		44,750	44,750
Deferred Bond Premium	3,579	16,989	20,568
Accrued Pension Costs		192,563	192,563
Accrued Standpipe Costs		4,804	4,804
Prepaid Taxes	35,111		35,111
Construction Advances		165,000	165,000
Deposits Payable	53,555		53,555
Long-term Liabilities:			
Due Within One Year	480,116	724,857	1,204,973
Due in More Than One Year	4,662,783	6,484,368	11,147,151
Total Liabilities	6,440,240	7,912,065	14,352,305
Net Assets			
Held for Postemployment Benefits	53,154		53,154
Investment in Capital Assets, net of Related Debt	12,902,454	10,762,995	23,665,449
Restricted	472,397		472,397
Unrestricted	6,018,862	(393,288)	5,625,574
Total Net Assets	19,446,867	10,369,707	29,816,574
Total Liabilities and Net Assets	25,887,107	18,281,772	44,168,879

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, 2011**

Exhibit B

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Operating Grants	Governmental Activities	Business-like Activities
<u>Functions/Programs</u>				
<u>Primary Government</u>				
<u>Governmental Activities:</u>				
General Government	2,874,536	464,540	(2,409,996)	(2,409,996)
Public Safety	2,672,214	520,987	(1,934,747)	(1,934,747)
Health and Welfare	141,539	720	(141,539)	(141,539)
Parks & Recreation	262,058		(261,338)	(261,338)
Island Explorer Shuttle Bus	25,000		(25,000)	(25,000)
Roads and Sanitation	1,971,285	94,682	(1,866,053)	(1,866,053)
Debt Service - Interest	468		(468)	(468)
Assessments	2,971,418		(2,971,418)	(2,971,418)
Capital Outlay	478,626		(478,626)	(478,626)
Education	5,604,974	948,336	(4,656,638)	(4,656,638)
Cruise Ship	114,410	751,467	637,057	637,057
<u>Total Governmental Activities</u>	<u>17,116,528</u>	<u>2,780,732</u>	<u>(14,108,766)</u>	<u>(14,108,766)</u>
<u>Business-type Activities:</u>				
Wastewater	1,820,791	2,105,648		284,857
Water	1,227,441	1,420,687		193,246
<u>Total Business-type Activities</u>	<u>3,048,232</u>	<u>3,526,335</u>		<u>478,103</u>
<u>Total Primary Government</u>	<u>20,164,760</u>	<u>6,307,067</u>	<u>(14,108,766)</u>	<u>(13,630,663)</u>
<u>General Revenues:</u>				
Taxes				
Property			13,388,490	13,388,490
Auto and Boat Excise			820,782	820,782
Intergovernmental Revenues			373,348	373,348
Other Local Sources			306,338	315,460
Bond Refinancing Refund				618
Gain/(Loss) on Disposal of Assets			(4,268)	(4,268)
<u>Total Revenues, Special Items and Transfers</u>			<u>14,884,690</u>	<u>14,894,430</u>
<u>Changes in Net Assets</u>			<u>775,924</u>	<u>1,263,767</u>
<u>Net Assets - Beginning</u>			<u>18,670,943</u>	<u>28,552,807</u>
<u>Net Assets - Ending</u>			<u>19,446,867</u>	<u>29,816,574</u>

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

TOWN OF BAR HARBOR
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>CIP Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	6,623,300		4,018	6,627,318
Investments	1,300,271		7,766	1,308,037
Receivables				
Taxes	490,854			490,854
Tax Liens	248,064			248,064
Accounts	66,311			66,311
Ambulance Fees	95,269			95,269
Accrued Interest	5,118			5,118
Prepaid Expense	20,022			20,022
Inventory	23,712			23,712
Due from Other Governments	107,887		15,221	123,108
Due from Other Funds	1,683,063	4,633,408	159,038	6,475,509
Total Assets	10,663,871	4,633,408	186,043	15,483,322
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Accounts Payable	193,412	35,378	2,219	231,009
Retainage Payable		42,517		42,517
Payroll Taxes/Deductions	6,287			6,287
Accrued Salaries Payable	625,665		7,819	633,484
Accrued Compensated Absences	246,666		8,938	255,604
Deferred Revenue				
Property Tax	623,236			623,236
Acadia Nat'l Park Payment in Lieu of Taxes	16,415			16,415
Prepaid Taxes	35,111			35,111
Bond Purchase Premium	3,579			3,579
Due to Other Funds	5,659,052		13,089	5,672,141
Deposits Payable	53,555			53,555
Total Liabilities	7,462,978	77,895	32,065	7,572,938
 Fund Balances				
Nonspendable	2,298		8,625	10,923
Restricted	319,280		142,194	461,474
Committed		4,555,513		4,555,513
Assigned	2,029,072		3,159	2,032,231
Unassigned	850,243			850,243
Total Fund Balances	3,200,893	4,555,513	153,978	7,910,384
Total Liabilities and Fund Balances	10,663,871	4,633,408	186,043	15,483,322

(Continued)

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

*TOWN OF BAR HARBOR
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011*

*Exhibit C
Page 2 of 2*

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

Total Fund Balance	7,910,384
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$17,582,129	16,075,926
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds: Deferred Revenues	639,651
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds: Bonds Payable Accrued Compensated Absences - School Department Capital Leases Payable	(5,125,888) (36,195) (17,011) <u>(5,179,094)</u>
Net Assets of Governmental Activities	<u><u>19,446,867</u></u>

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

TOWN OF BAR HARBOR
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit D
Page 1 of 2

	<i>General Fund</i>	<i>CIP Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues				
Taxes	14,132,760			14,132,760
Intergovernmental Revenues	373,324		227,030	600,354
Departmental Revenues	2,775,438			2,775,438
Other Local Sources	266,817	78,969	317	346,103
Total Revenues	17,548,339	78,969	227,347	17,854,655
Expenditures				
General Government	2,699,779			2,699,779
Public Safety	2,161,603		267,512	2,429,115
Health and Welfare	127,602			127,602
Parks and Recreation	210,025			210,025
Island Explorer Shuttle Bus	25,000			25,000
Roads and Sanitation	1,637,836		10,550	1,648,386
Debt	12,388			12,388
Education	5,490,012			5,490,012
Assessments	2,971,418			2,971,418
Cruise Ship	114,410			114,410
Capital Outlay		1,966,307		1,966,307
Total Expenditures	15,450,073	1,966,307	278,062	17,694,442
Excess of Revenues Over (Under) Expenditures	2,098,266	(1,887,338)	(50,715)	160,213
Other Financing Sources (Uses)				
Transfers from Other Funds	271,035	1,775,110	150,537	2,196,682
Transfers to Other Funds	(2,046,087)	(150,537)	(58)	(2,196,682)
Total Other Financing Sources (Uses)	(1,775,052)	1,624,573	150,479	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	323,214	(262,765)	99,764	160,213
Fund Balance - July 1	2,877,679	4,818,278	54,214	7,750,171
Fund Balance - June 30	3,200,893	4,555,513	153,978	7,910,384

(Continued)

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

TOWN OF BAR HARBOR
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	160,213
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	997,607
Disposal of Assets	(4,268)
Depreciation expense	(921,687)
	<u>71,652</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues	(34,448)
Deferred Taxes	76,513
	<u>42,065</u>
Bond proceeds provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital lease obligation principal payments	8,004
Bond Proceeds	-
General obligation bond principal payments	481,379
	<u>489,383</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	12,611
	<u>12,611</u>
Change in net assets of governmental activities	<u><u>775,924</u></u>

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

TOWN OF BAR HARBOR
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011

Exhibit E

<i>Assets</i>	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	<i>Total</i>
<i>Current Assets:</i>			
Cash and Equivalents	424,671	4,508	429,179
Receivables			
User Fees, net	439,319	9,768	449,087
Liens Receivable	30,629	18	30,647
Accounts	30,313	6,247	36,560
Inventory	20,870	87,345	108,215
Due From Other Funds		338	338
Prepaid Expenses		59,232	59,232
<i>Total Current Assets</i>	945,802	167,456	1,113,258
<i>Noncurrent Assets:</i>			
Capital Assets, net	11,719,694	6,184,370	17,904,064
Bond Issuance Costs, net	41,009	27,147	68,156
<i>Total Noncurrent Assets</i>	11,760,703	6,211,517	17,972,220
<i>Total Assets</i>	12,706,505	6,378,973	19,085,478
<i>Liabilities and Net Assets</i>			
<i>Liabilities</i>			
Accounts Payable	52,319	147,099	199,418
Retainage Payable	3,008		3,008
Accrued Salaries and Benefits	23,959	17,140	41,099
Accrued Interest Payable	28,325	16,425	44,750
Due to Other Funds	26,588	777,118	803,706
Compensated Absences Payable	23,658	11,551	35,209
Bonds and Notes Payable	478,631	246,226	724,857
<i>Total Current Liabilities</i>	636,488	1,215,559	1,852,047
<i>Noncurrent Liabilities:</i>			
Deferred Bond Premium		16,989	16,989
Construction Advances		165,000	165,000
Accrued Pension Costs		192,563	192,563
Accrued Standpipe Costs		4,804	4,804
Bonds and Notes Payable	3,189,225	3,295,143	6,484,368
<i>Total Noncurrent Liabilities</i>	3,189,225	3,674,499	6,863,724
<i>Total Liabilities</i>	3,825,713	4,890,058	8,715,771
<i>Net Assets</i>			
Invested in Capital Assets, net of related debt	8,092,847	2,670,148	10,762,995
Retained Earnings			
Reserved	860,006	396,223	1,256,229
Unreserved - Undesignated	(72,061)	(1,577,456)	(1,649,517)
<i>Total Net Assets</i>	8,880,792	1,488,915	10,369,707
<i>Total Liabilities and Net Assets</i>	12,706,505	6,378,973	19,085,478

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

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

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<i>Proprietary Fund Types</i>		<i>Total</i>
	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	
Operating Revenues:			
Charges for Services	1,377,226	1,419,012	2,796,238
Capital Charge	716,780		716,780
Interest - Late Penalties	11,642	1,675	13,317
Total Operating Revenues:	2,105,648	1,420,687	3,526,335
Operating Expenditures:			
Salaries and Benefits	550,175	417,290	967,465
Contracted Services	181,054	159,285	340,339
Utilities & Commodities	215,427	53,469	268,896
Repairs & Maintenance	103,252	108,209	211,461
Equipment	11,557	7,400	18,957
Other Expenses	35,317	31,086	66,403
Depreciation and Amortization	507,324	208,308	715,632
Materials and Supplies	93,097	82,987	176,084
Total Operating Expenditures	1,697,203	1,068,034	2,765,237
Net Operating Income	408,445	352,653	761,098
Nonoperating Revenues (Expenses)			
Interest Revenue	5,120	437	5,557
Nonutility Income, net of expense		2,651	2,651
Contributions in Aid of Construction		914	914
Grants	618		618
Interest Expense	(123,588)	(159,407)	(282,995)
Total Nonoperating Revenue (Expenses)	(117,850)	(155,405)	(273,255)
Change in Net Assets (net income)	290,595	197,248	487,843
Total Net Assets - Beginning	8,590,197	1,291,667	9,881,864
Total Net Assets - Ending	8,880,792	1,488,915	10,369,707

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

TOWN OF BAR HARBOR
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit G

	<i>Proprietary Fund Types</i>		<i>Total</i>
	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	
<i>Cash Flows from Operating Activities</i>			
Received from Customers	2,105,648	1,420,687	3,526,335
Payments to Suppliers	(604,387)	(411,350)	(1,015,737)
Payments to Employees	(550,175)	(417,290)	(967,465)
Other Receipts (Payments)	(35,317)	(28,435)	(63,752)
<i>Net Cash Provided by (Used in) Operating Activities</i>	915,769	563,612	1,479,381
<i>Cash Flows from Capital and Related Financing Activities</i>			
Purchases of Capital Assets	(513,871)	(392,056)	(905,927)
Capital Contributions	123,518	914	124,432
Principal Paid on Capital Debt	(506,966)	(240,281)	(747,247)
Interest Paid on Capital Debt	(123,588)	(159,407)	(282,995)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(1,020,907)	(790,830)	(1,811,737)
<i>Cash Flows from Investing Activities</i>			
Purchase of Investments	(181,697)	223,995	42,298
Interest and Dividends	5,120	437	5,557
<i>Net Cash Provided by (Used in) Investing Activities</i>	(176,577)	224,432	47,855
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(281,715)	(2,786)	(284,501)
<i>Balances - beginning of the year</i>	706,386	7,294	713,680
<i>Balances - end of the year</i>	424,671	4,508	429,179
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>			
Net Operating Income (Loss)	408,445	352,653	761,098
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	58,797	(370,586)	(311,789)
Depreciation and Amortization	507,324	208,308	715,632
(Increase) Decrease in Accounts Receivable	(64,547)	1,911	(62,636)
(Increase) Decrease in Due To/From Other Funds	390	(390)	-
(Increase) Decrease in Inventory	(4,532)	(4,699)	(9,231)
(Increase) Decrease in Prepaid Expense		14,946	14,946
Increase (Decrease) in Accrued Wages Payable	1,448	1,491	2,939
Increase (Decrease) in Accrued Interest Payable	(3,768)	25	(3,743)
Increase (Decrease) in Deferred Revenue		(1,618)	(1,618)
Increase (Decrease) in Accrued Standpipe Costs		(88,183)	(88,183)
Increase (Decrease) in Accrued Pension Costs		(21,772)	(21,772)
Increase (Decrease) in Compensated Absences Payable	2,488	(35)	2,453
Increase (Decrease) in Due to Other Governments	(16,105)	349,102	332,997
Increase (Decrease) in Accounts Payable	24,084	122,459	146,543
Increase (Decrease) in Retainage Payable	1,745	-	1,745
<i>Net Cash Provided by (Used in) Operating Activities</i>	915,769	563,612	1,479,381

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The Town of Bar Harbor operates under an elected Town Council and Town Manager form of government. The Town's Elementary School Department operates under an elected School Committee. The School Department is administered by AOS #91. The Town's major operations include public works, water, wastewater, harbor facilities, public safety, fire protection, education, and general administrative services.

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

B. Government-wide and Fund Financial Statements

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

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

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

Permanent funds account for monies held in trust by the Town, the investment earnings from which may only be used for the operation of the program.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Deposits and Investments

Governmental Accounting Standards Statement No. 40 requires the disclosure of interest rate risk, credit risk, and custodial risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town invests in short term repurchase obligations and short term investments held by a local banking institution. As a means of limiting its exposure credit risk, the Town limits its investments to those authorized by Maine State Statutes, which authorize the Town to make deposits/investments in insured commercial banks, insured credit unions, and direct debt securities of the United States Government unless such an investment is expressly prohibited by law. For an investment, custodial risk is the risk that in the event of the failure of the counter party the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As a means of limiting its exposure to custodial risk, the Town requires that, at the time funds are invested, collateral for repurchase agreements be held in the Town's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

2. Receivables and Payables

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

Property taxes receivable not expected to be collected within 60 days from year end are classified as deferred revenue. At June 30, \$623,236 has been so classified and reported on the general fund balance sheet.

Annual property taxes were levied on August 17, 2010 on property values assessed on April 1. Taxes were due in two installments without penalty, due on September 30 and March 31, with interest at 7.0% beginning October 1 and April 1. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

3. Inventories

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

4. Capital Assets

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

4. Capital Assets(Continued)

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

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

5. Compensated Absences

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

6. Long-term Obligations

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

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

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Assets

Fund Balances

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

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

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

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

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

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

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

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Assets (Continued)

Fund Balances

The Town has identified June 30, 2011 fund balances on the balance sheet as follows:

	<i>General Fund</i>	<i>Capital Improvement Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
<u>Nonspendable</u>				
School Lunch Inventory	2,298			2,298
Gurnee Principal			6,488	6,488
Cemetery Principal			2,137	2,137
	2,298	-	8,625	10,923
<u>Restricted</u>				
Dog Control Reserve	2,040			2,040
School Reserves	317,240			317,240
Homeland Security Grant - 2009			69,688	69,688
Homeland Security Grant - 2008			69,031	69,031
ARRA Port Security Grant			3,475	3,475
	319,280	-	142,194	461,474
<u>Committed</u>				
Capital Improvement Programs		4,555,513		4,555,513
	-	4,555,513	-	4,555,513
<u>Assigned</u>				
Reserve for Working Capital	1,589,000			1,589,000
Designated Paid Off	57,000			57,000
General Fund Encumbrances	27,185			27,185
Education Assigned Funds	193,307			193,307
Cruise Ship Fund	162,580			162,580
Gurnee Scholarship			3,159	3,159
	2,029,072	-	3,159	2,032,231
<u>Unassigned</u>				
General Fund	850,243			850,243
<u>Total Fund Balance</u>	<u>3,200,893</u>	<u>4,555,513</u>	<u>153,978</u>	<u>7,910,384</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Assets (Continued)

Net Assets

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

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

All agencies of the government submit requests for appropriations to the government’s manager commencing 6 weeks before the manager is required to submit the budget to the government’s council. The manager compiles the data and submits the total budget to the council on or before the third Tuesday in January each year. The council holds public hearings, adopts the budget, and recommends it to the warrant committee on or before February 22. No later than seven days following adoption, the manager submits the budget to the warrant committee, which reviews the budget and submits its recommendation to the council at least four weeks prior to the Town Meeting. The council submits the budget to the Town Meeting along with the recommendation of the warrant committee. The Town Meeting adopts the final budget.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits

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

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

One or more of the financial institutions holding the Town's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program, all noninterest bearing checking accounts include demand deposit accounts and any transaction account that has unlimited withdrawals and cannot earn interest are fully guaranteed by the FDIC for the entire amount. Also through December 31, 2011, IOLTA accounts and NOW accounts that do not earn more than .25% interest are fully guaranteed by the FDIC for the entire amount as long as the depository institution participates in the Transaction Account Guarantee (TAG) program. For interest bearing accounts, the Town's cash deposits, including certificates of deposits, are insured up to \$250,000 per custodian by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the Town and thus no custodial risk exists.

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

A. Deposits and Investments (Continued)

Deposits (Continued)

At year-end, the government's carrying amount of deposits was \$7,056,497 and the bank balance was \$7,382,819. The bank balance is categorized according to credit risk as follows:

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

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

Category 3 - Uninsured and uncollateralized.

	Bank Balance	Category		
		1	2	3
Cash and Equivalents	<u>7,382,819</u>	<u>7,382,819</u>	-	-

Investments

At June 30, 2011, the Town's investments, maturities and credit ratings are as follows:

Type	June 30, 2011						
	Fair Value	Maturities in Years				Credit Rating	
		Less Than 1	1-5	6-10	More than 10	S&P	Moody's
General City:							
Bank of Nova Scotia	307,107		307,107			-	Aa3
Mutual Funds	<u>1,000,930</u>	<u>1,000,930</u>				not rated	not rated
Total	<u>1,308,037</u>	<u>1,000,930</u>	<u>-</u>	<u>-</u>	<u>-</u>		

Summary of Deposits and Investment Balances

Following is a reconciliation of the Town's deposit and investment balances as of June 30, 2011:

Deposits and Cash on Hand	\$ 7,056,497
Investments	<u>\$ 1,308,037</u>
	<u>\$ 8,364,534</u>

	Government-wide Statement of Net Assets	Business-Type Statement of Net Assets	Totals
Cash and Cash Equivalents	\$ 6,627,318	\$ 429,179	\$ 7,056,497
Investments	<u>\$ 1,308,037</u>	<u>\$ -</u>	<u>\$ 1,308,037</u>
	<u>\$ 7,935,355</u>	<u>\$ 429,179</u>	<u>\$ 8,364,534</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

C. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value		1,410,143,780
Tax Rate (per \$1,000)		<u>9.44</u>
Commitment		<u><u>13,311,757</u></u>
Appropriations		17,323,106
Less:		
State Municipal Revenue Sharing	185,115	
Estimated Revenues	3,775,596	
BETE Reimbursement	5,987	
Homestead Reimbursement	<u>44,651</u>	
		<u>4,011,349</u>
Net Assessment for Commitment		<u><u>13,311,757</u></u>

Uncollected real estate taxes at June 30 for the current year commitment totaled \$474,203, which represents tax collection of approximately 96.44% of the current year commitment. \$463,800 of the current year's taxes had tax liens placed on those properties as of June 30, 2011. Unpaid prior tax liens at June 30 totaled \$257,171.

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2011 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	879,695	5,659,052
Special Revenue Funds		
Homeland Security Grant-2009	69,688	
Homeland Security Grant-2008	69,031	
Energy Grant	87	
ARRA Port Security Grant	20,232	
Scenic Byways Grant		3,289
Safe Routes to School Grant		9,800
Capital Project Funds	<u>4,633,408</u>	
Totals	<u><u>5,672,141</u></u>	<u><u>5,672,141</u></u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

D. Interfund Receivables and Payables (Continued)

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. \$355,127 of the above balance is expected to be repaid during the next year. The remainder represents appropriations for future projects and will be repaid upon need of the funds for those projects.

E. Capital Assets (Includes School)

Capital asset activity for the year ended June 30, 2011 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental Activities;				
<i>Capital assets not being depreciated</i>				
Land	1,899,514			1,899,514
<i>Capital assets being depreciated:</i>				
Buildings	7,985,092	45,822	(3,000)	8,027,914
Equipment	5,564,032	153,271	(133,751)	5,583,552
Infrastructure	17,322,215	705,602	(29,155)	17,998,662
Construction Work in Progress	55,502	102,160	(9,249)	148,413
<i>Total capital assets being depreciated</i>	30,926,841	1,006,855	(175,155)	31,758,541
<i>Less accumulated depreciation for:</i>				
Buildings	2,717,900	188,648	(2,010)	2,904,538
Equipment	2,961,314	446,128	(133,751)	3,273,691
Infrastructure	11,142,867	286,910	(25,877)	11,403,900
<i>Total accumulated depreciation</i>	16,822,081	921,686	(161,638)	17,582,129
<i>Net capital assets being depreciated</i>	14,104,760	85,169	(13,517)	14,176,412
Governmental Activities				
Capital Assets, net	16,004,274	85,169	(13,517)	16,075,926

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

E. Capital Assets

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	164,793			164,793
<i>Capital assets being depreciated:</i>				
Water Fund	8,261,450	524,996	(81,668)	8,704,778
Wastewater Fund	18,520,457	513,871	(45,667)	18,988,661
<i>Total capital assets being depreciated</i>	<u>26,781,907</u>	<u>1,038,867</u>	<u>(127,335)</u>	<u>27,693,439</u>
<i>Less accumulated depreciation for:</i>				
Water Fund	2,553,198	185,006	(77,254)	2,660,950
Wastewater Fund	6,837,869	501,016	(45,667)	7,293,218
<i>Total accumulated depreciation</i>	<u>9,391,067</u>	<u>686,022</u>	<u>(122,921)</u>	<u>9,954,168</u>
<i>Net capital assets being depreciated</i>	<u>17,390,840</u>	<u>352,845</u>	<u>(4,414)</u>	<u>17,739,271</u>
<i>Business-type Activities Capital Assets, net</i>	<u><u>17,555,633</u></u>	<u><u>352,845</u></u>	<u><u>(4,414)</u></u>	<u><u>17,904,064</u></u>

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

Governmental Activities:

General Government	174,757
Public Safety	243,099
Health and Welfare	13,937
Parks and Recreation	52,033
Roads and Sanitation, including infrastructure	322,899
Education	114,962
Total Depreciation Expense - Governmental Activities	<u><u>921,687</u></u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

F. Capital Leases

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

<i>Year-ended</i> <u><i>June 30,</i></u>	<i>Minimum</i> <i>Lease</i> <i>Payment</i>
2012	9,035
2013	9,034
Total Minimum Lease Payments	18,069
Less: Amount Representing Interest	<u>(1,058)</u>
Present Value of Future Minimum Lease Payments	<u><u>17,011</u></u>

G. Long-Term Debt

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

<i>Purpose</i>	<i>Maturity</i> <i>Date</i>	<i>Interest</i> <i>Rate</i>	<i>Amount</i>
General Obligation			
1992 School Project Bonds	6/1/2012	5.7-6.5%	115,000
2004 Municipal Renovations	11/1/2013	3.62%	92,142
2004 School Heating System	11/1/2024	4.45%	633,746
2004 School Heating System	11/1/2013	0.00%	210,000
2005 Agamont Park and Seawall	10/15/2027	3.75 - 4.25%	560,000
2010 Capital Construction, Roads, etc.	5/1/2030	2.0-4.0%	3,515,000
			<u><u>5,125,888</u></u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

G. Long-Term Debt (Continued)

1. General Obligation Bonds and Notes. (Continued)

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
<i>Proprietary</i>			
1992 Wastewater Project Bonds	6/1/2012	5.7-6.50%	60,000
1997 Wastewater Plant	10/1/2017	3.00%	2,942,856
2005 Hulls Cove Wastewater Plant	10/15/2027	3.0 - 4.38%	665,000
2001 Water Acquisition Bond	12/1/2021	4.540%	2,515,000
2002 Water Tank Purchase	10/1/2021	2.673%	456,369
2010 Water Mains	5/1/2030	2.0 - 4.0%	<u>570,000</u>
			<u>7,209,225</u>
Total Debt			<u>12,335,113</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$3,188,880 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary</i>	<i>Total</i>
2012	642,384	975,603	1,617,987
2013	513,965	912,051	1,426,016
2014	509,184	911,679	1,420,863
2015	400,004	905,555	1,305,559
2016	394,114	908,715	1,302,829
2017-2021	1,873,498	3,128,571	5,002,069
2022-2026	1,594,291	804,010	2,398,301
2027-2030	814,000	236,369	1,050,369
Total	<u>6,741,440</u>	<u>8,782,553</u>	<u>15,523,993</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

G. Long-Term Debt (Continued)

2. Changes in Long-Term Liabilities

The following summary of long-term debt transactions of the Town of Bar Harbor for the fiscal year ended June 30, 2011:

	<i>General</i>		
	<i>Obligation</i>		
	<i>Debt</i>	<i>Proprietary</i>	<i>Total</i>
<i>Long-term Debt payable July 1, 2010</i>	5,607,267	7,956,472	13,563,739
Debt Issued	-	-	-
Debt Retired	(481,379)	(747,247)	(1,228,626)
<i>Long-term Debt payable June 30, 2011</i>	<u>5,125,888</u>	<u>7,209,225</u>	<u>12,335,113</u>

3. Debt Authorized - Unissued

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

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

As of June 30, 2011, the town has issued \$4,300,000 of this bond, leaving \$840,947 unissued. Of the \$840,947, only \$708,339 for roads and sidewalks will be issued in the future. The remaining balance of \$132,608 for the comfort station came in under budget.

<i>Per Referendum Vote of:</i>	<i>Purpose</i>	<i>Unissued Amount:</i>
June 7, 2011	Refinance 2001 Water Purchase and for Water and Sewer Projects	\$5,055,000

As of June 30, 2011, the town has approved \$5,055,000 for water and sewer projects (\$2,540,000) and to refinance the 2001 water purchase bond in the amount of \$2,515,000; however this remains unissued until 9/15/2011.

H. Contributed Capital

Changes in net contributed capital for the year-ended June 30, 2011 for the government's Proprietary Funds were as follows:

	<u>Wastewater</u>	<u>Water</u>
Balance - Beginning of Year	2,794,524	145,000
Additions:		914
Deductions:		
Retirements		
Depreciation Provided by Contributed Capital	<u>(123,519)</u>	<u>(8,349)</u>
Balance - End of Year	<u>2,671,005</u>	<u>137,565</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

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

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

B. Permanent Funds

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

<u>Purpose</u>	<u>Nonspendable</u>	<u>Assigned</u>
Cemetery Care	2,137	-
Scholarships	<u>6,488</u>	<u>3,159</u>
Total	<u><u>8,625</u></u>	<u><u>3,159</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.

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - OTHER INFORMATION (Continued)

C. Pension Plans

Plan Description (Continued)

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

Funding Policy

Under the ICMA plan, covered employees contribute a percentage of their salary to the plan with the Town contributing 6.5% to 9.5%. The Town's costs for the fiscal years ended June 30 2009, 2010 and 2011 were \$107,582, \$105,143 and \$101,711 respectively.

Maine Public Employees Retirement System Consolidated Plan members are required to contribute 6.5% to 7.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 3.5% to 4.4% of annual covered payroll, plus a monthly contribution of \$977 and \$483 to fund the IUUAL, or the Initial Unpooled Unfunded Actuarial Liability. The IUUAL liability stands at \$60,563 as of July 1, 2010. The IUUAL is being amortized over 4 years beginning July 1, 2010. Funding for subsequent fiscal years 2012 and 2013 will be at 4.4% to 5.3% and 5.5% to 6.6% respectively. The contribution requirements of plan members and the Town are established by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Consolidated Plan for all four funds for the years ended June 30, 2009, 2010 and 2011, were \$62,162, \$66,022 and \$80,352 respectively, which were paid in full each year.

Consolidated Plan members are required to contribute 6.5% of their annual covered salary and the School Department is required to contribute an actuarially determined rate. The current rate is 3.5% of annual covered payroll, plus a monthly payment for all covered employees of \$127. The contribution requirements of plan members and the School Department are established by the Maine Public Employees Retirement System Board of Trustees. The School Department's contributions to the Consolidated Plan for the years ended June 30, 2009, 2010 and 2011 were \$6,144, \$5,820 and \$4,969 respectively, which were paid in full each year.

Teachers and other qualified employees are required to contribute 7.65% of their compensation to the Teacher Plan. The State Department of Education is required to contribute the employer contribution, which amounted to 17.76% of the annual covered salary for fiscal year 2011. The State's cost for 2011 was approximately \$497,133. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 17.76% of their compensation. This cost amounted to \$12,030 for 2011 and is chargeable to the applicable grants.

D. Bar Harbor Water Company Pension Plan

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

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - OTHER INFORMATION (Continued)

D. Bar Harbor Water Company Pension Plan (Continued)

Based on the latest actuarial valuation as of January 1, 2011, the accrued liability of the plan was \$346,728. The value of assets available for funding totaled \$154,165, leaving an unfunded liability of \$192,563. The total unfunded liability has been recorded as a liability at June 30, 2011 of the Bar Harbor Water Division enterprise fund.

E. Risk Management

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

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

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

Based on the coverage provided by the pools described above, the town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2011.

F. Postemployment Benefits

The Town participates in the Maine Municipal Employees Health Trust for purposes of employee health benefits. Premiums paid for active employees contain an imputed subsidy for the benefit of retired employees. In accordance with Governmental Accounting Standards Board (GASB) Statement number 45, the Town is required to disclose the Actuarial accrued liability and Annual Required Contribution (ARC) for the fiscal year ended June 30, 2011. These amounts are actuarially determined in accordance with the parameters of GASB Statement number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is recorded as an expense on the government-wide financial statements. The Actuarial accrued liability at June 30, 2011 is as follows:

Active Employees	\$262,216
Retirees and Spouses	<u>\$318,461</u>
Total	<u>\$582,677</u>

TOWN OF BAR HARBOR
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit H

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	14,199,621	14,199,621	14,132,760	(66,861)
Intergovernmental Revenues	368,725	368,725	373,324	4,599
Departmental Revenues	1,921,672	1,921,672	2,023,971	102,299
Other Local Sources	288,929	288,929	261,523	(27,406)
Total Revenues	16,778,947	16,778,947	16,791,578	12,631
Expenditures				
General Government	2,776,422	2,733,437	2,661,599	71,838
Public Safety	2,149,970	2,204,818	2,163,645	41,173
Health and Welfare	127,546	127,546	127,602	(56)
Parks and Recreation	216,897	216,897	207,205	9,692
Island Explorer Shuttle Bus	25,000	25,000	25,000	-
Roads and Sanitation	1,666,787	1,666,787	1,633,561	33,226
Debt	12,888	12,888	12,388	500
Education	5,523,815	5,523,815	5,523,815	-
Assessments	3,037,216	3,037,216	2,971,418	65,798
Total Expenditures	15,536,541	15,548,404	15,326,233	222,171
Excess Revenues Over Expenditures	1,242,406	1,230,543	1,465,345	234,802
Other Financing Sources				
Transfers from Other Funds	258,764	270,627	271,035	408
Transfers to Other Funds	(1,501,170)	(1,501,170)	(1,501,170)	-
Total Other Financing Sources	(1,242,406)	(1,230,543)	(1,230,135)	408
Net Change in Fund Balance	-	-	235,210	235,210
Beginning Fund Balances - Budgetary Basis			2,261,033	
Ending Fund Balances - Budgetary Basis			2,496,243	
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			540,030	
Ending Fund Balances - GAAP Basis			3,036,273	

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A-1
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under)</i> <i>Budget</i>
Taxes			
Property	13,311,757	13,242,085	(69,672)
Auto Excise	823,766	807,817	(15,949)
Boat Excise	10,265	12,965	2,700
Interest/Fees on Taxes	53,833	69,893	16,060
	<hr/> 14,199,621	<hr/> 14,132,760	<hr/> (66,861)
Intergovernmental Revenues			
State of Maine			
Municipal Revenue Sharing	185,115	192,549	7,434
General Assistance	3,774	4,334	560
Urban Rural Initiative Program	66,664	68,955	2,291
Tree Growth	1,687	2,217	530
Veterans Reimbursement	1,944	1,881	(63)
Homestead Reimbursement	44,651	20,935	(23,716)
BETE Reimbursement	5,987	6,037	50
State MEMA Grant	1	-	(1)
Other Grants	1	-	(1)
Federal			
Other Grants	1	10,781	10,780
Acadia National Park - PILT	58,900	65,635	6,735
	<hr/> 368,725	<hr/> 373,324	<hr/> 4,599
Departmental Revenues			
Ambulance/Fire			
Ambulance Service	444,874	403,715	(41,159)
Police			
Police Detail	16,569	14,663	(1,906)
Parking Tickets	38,272	41,719	3,447
All Other	10,216	7,476	(2,740)
Planning / Code			
Building Permits	80,170	161,067	80,897
Plumbing Permits	16,554	20,764	4,210
Electrical Inspections	12,336	29,956	17,620
Vacation Rental Permits	8,376	8,675	299
Plan Board/Subdivision & Rezoning	811	2,932	2,121
Site Plan Review	8,729	15,299	6,570
All Other	7,163	8,905	1,742
Harbor Fees			
Docking	47,438	35,187	(12,251)
Moorings	4,979	2,690	(2,289)
All Other	9,626	10,243	617
Solid Waste			
Sale of Recyclables	45,247	85,547	40,300
All Other	1,100	735	(365)
Public Works			
All Other	8,333	8,400	67
Parks and Recreation			
Park and Recreation Fees	680	720	40

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A-1
Page 2 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under)</i> <i>Budget</i>
Departmental Revenues (Continued)			
Finance			
Administrative Services	136,569	136,569	-
Auto Registrations	16,734	16,175	(559)
Boat/RV Registrations/Snowmobile Fees	1,612	1,521	(91)
Municipal Building Leases	32,388	34,604	2,216
Town Clerk			
Clerk's Fees	17,502	19,753	2,251
All Other	7,058	8,320	1,262
Elementary School	948,336	948,336	-
	<u>1,921,672</u>	<u>2,023,971</u>	<u>102,299</u>
Other Local Sources			
Interest on Investments	99,000	59,658	(39,342)
Kids Corner Lease	4,200	4,250	50
Other Rentals	2,449	2,935	486
Jackson Laboratory - PILT	61,800	67,474	5,674
Housing Authority - PILT	21,974	26,577	4,603
Other - PILT	12,024	13,075	1,051
Cable TV Franchise	68,450	79,087	10,637
Insurance Dividends	16,930	7,307	(9,623)
All Other	2,102	1,160	(942)
	<u>288,929</u>	<u>261,523</u>	<u>(27,406)</u>
Operating Transfers In			
Cemetery Income	123	58	(65)
Cruise Ship Fund	266,011	266,011	-
Dog Control Reserve	2,620	2,800	180
Shellfish Conservation	1,873	2,166	293
	<u>270,627</u>	<u>271,035</u>	<u>408</u>
Total Revenues and Operating Transfers	17,049,574	<u><u>17,062,613</u></u>	<u><u>13,039</u></u>
Beginning Fund Balance Used	<u>-</u>		
Total	<u><u>17,049,574</u></u>		

**TOWN OF BAR HARBOR
GENERAL FUND**

**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit A-2
Page 1 of 2

	Encumbered From 6/30/10	Appropriations	Expenditures Net of Refund	Encumbered to 6/30/12	(Over) Under Budget
General Government					
Town Council		37,436	30,188	3,816	3,432
Town Manager	3,000	112,718	119,158		(3,440)
Town Clerk	6,558	111,380	113,944		3,994
Finance	2,500	290,943	293,684		(241)
Legal Counsel		35,196	35,304		(108)
Elections		13,729	9,199		4,530
Technology	3,665	111,082	112,572	1,558	617
Municipal Building	4,642	90,360	82,070		12,932
Town Offices		33,407	32,277		1,130
Employee Benefits		1,234,036	1,167,662		66,374
Insurance		79,610	83,694		(4,084)
Assessing		143,537	139,790		3,747
Code Enforcement		79,458	77,031		2,427
Planning	42,750	250,276	285,063	19,561	(11,598)
Economic Development		309	983		(674)
27th Pay Period		12,617	9,622		2,995
Vacation Accruals		11,282	27,749		(16,467)
Abatements/Discount on Taxes		86,061	79,789		6,272
	63,115	2,733,437	2,699,779	24,935	71,838
Public Safety					
Ambulance		383,621	382,025		1,596
Fire Department		685,221	679,474		5,747
Police Department		726,582	696,044	2,250	28,288
Public Safety Building		36,537	38,059		(1,522)
Street Lights		70,764	63,650		7,114
Dispatch		191,952	187,665		4,287
Harbor Division	110	110,141	114,588		(4,337)
	110	2,204,818	2,161,505	2,250	41,173
Health and Welfare					
General Assistance		7,549	1,925		5,624
Cooperating Agencies		38,229	38,229		-
Emergency Management		1,504	-		1,504
Comfort Station		80,264	87,448		(7,184)
	-	127,546	127,602	-	(56)
Parks and Recreation					
Parks & Recreation	2,820	193,503	189,679		6,644
Glen Mary Park		23,394	20,346		3,048
	2,820	216,897	210,025	-	9,692

**TOWN OF BAR HARBOR
GENERAL FUND**

*Exhibit A-2
Page 2 of 2*

**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	Encumbered From 6/30/10	Appropriations	Expenditures Net of Refund	Encumbered to 6/30/12	(Over) Under Budget
Island Explorer Shuttle Bus	-	25,000	25,000	-	-
Roads and Sanitation					
Public Works		141,449	139,449		2,000
Highway Division	4,275	1,016,781	984,158		36,898
Solid Waste		508,557	514,229		(5,672)
Debt Service	4,275	1,666,787	1,637,836	-	33,226
Principal		11,920	11,920		-
Interest		968	468		500
Education	-	12,888	12,388	-	500
Elementary School	479,042	5,523,815	5,490,012	512,845	-
Total Appropriations, Expenditures and Encumbrances	549,362	12,511,188	12,364,147	540,030	156,373
Assessments					
Regional School District		2,422,622	2,422,622		-
County Tax Overlay		548,796	548,796		-
		65,798			65,798
Operating Transfers Out	-	3,037,216	2,971,418	-	65,798
Capital Improvements Program		1,501,170	1,501,170		-
	-	1,501,170	1,501,170	-	-
Totals	549,362	17,049,574	16,836,735	540,030	222,171

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A-3

Unassigned Fund Balance, July 1	696,033	
Unassigned Fund Balance, June 30	<u>850,243</u>	
Increase (Decrease)		<u><u>154,210</u></u>

Analysis of Change

Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	13,039	
Unexpended Balance of Appropriations (Exhibit A-2)	156,373	
Unexpended Balance (Overdraft) of Assessments and Operating Transfers (Exhibit A-2)	65,798	
(Increase) Decrease in Designated for Working Capital	<u>(81,000)</u>	
Budget Surplus		154,210
Deductions		
Fund Balance Used to Fund Appropriations		<u>-</u>
Increase (Decrease)		<u><u>154,210</u></u>

TOWN OF BAR HARBOR
GENERAL RESERVES AND COMMITTED FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

Exhibit A-4

<i>Assets</i>	<i>Dog Control Reserve</i>	<i>Cruise Ship Fund</i>	<i>Total</i>
Accounts Receivable		53,958	53,958
Due from Other Funds	2,040	122,552	124,592
Total Assets	2,040	176,510	178,550
 <i>Liabilities & Fund Balances</i>			
<i>Liabilities</i>			
Due to Other Funds			-
Accounts Payable		13,930	13,930
Total Liabilities	-	13,930	13,930
 <i>Fund Balances</i>			
Restricted	2,040		2,040
Assigned		162,580	162,580
Total Fund Balances	2,040	162,580	164,620
Total Liabilities & Fund Balances	2,040	176,510	178,550

TOWN OF BAR HARBOR

Exhibit A-5

GENERAL RESERVES AND COMMITTED FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	<i>Dog Control Reserve</i>	<i>Shellfish Conservation Reserve</i>	<i>Cruise Ship Fund</i>	<i>Total</i>
Revenues				
Dog Fees	3,128			3,128
Shellfish Fees		2,166		2,166
Port Fees			274,722	274,722
Cruise Ship Passenger Fees			476,745	476,745
Total Revenues	3,128	2,166	751,467	756,761
Expenditures				
Public Safety	98			98
Cruise Ship Operating			114,410	114,410
Total Expenditures	98	-	114,410	114,508
Excess of Revenues Over (Under) Expenditures	3,030	2,166	637,057	642,253
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds	(2,800)	(2,166)	(539,951)	(544,917)
Total Other Financing Sources (Uses)	(2,800)	(2,166)	(539,951)	(544,917)
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	230	-	97,106	97,336
Fund Balance - July 1	1,810	-	65,474	67,284
Fund Balance - June 30	2,040	-	162,580	164,620

**TOWN OF BAR HARBOR
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

Exhibit B-1

Assets	Scenic Byways Grant	Homeland Security Grant - 2009	Homeland Security Grant - 2008	ARRA Port Security Grant	Safe Routes To School	Energy Grant	Total
Due from Other Funds							
Due from Other Governments	3,321	69,688	69,031	20,232	11,900	87	159,038
Total Assets	3,321	69,688	69,031	20,232	11,900	87	174,259
Liabilities & Fund Balances							
Liabilities							
Due to Other Funds	3,289				9,800		13,089
Accounts Payable	32				2,100	87	2,219
Accrued Compensated Absences				8,938			8,938
Accrued Salaries				7,819			7,819
Total Liabilities	3,321	-	-	16,757	11,900	87	32,065
Fund Balances							
Restricted		69,688	69,031	3,475			142,194
Total Fund Balances	-	69,688	69,031	3,475	-	-	142,194
Total Liabilities & Fund Balances	3,321	69,688	69,031	20,232	11,900	87	174,259

**TOWN OF BAR HARBOR
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES
 SPECIAL REVENUES/GRANTS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Scenic Byways Grant	Homeland Security Grant - 2009	Homeland Security Grant - 2008	ARRA Port Security Grant	Safe Routes To School	Energy Grant	ARRA Justice Grant	Total
Revenues								
Intergovernmental	550			185,734	11,900	10,000	18,846	227,030
Total Revenues	550	-	-	185,734	11,900	10,000	18,846	227,030
Expenditures								
Public Works	550		54,507	182,259	11,900	10,000	18,846	10,550
Public Safety								267,512
Total Expenditures	550	-	54,507	182,259	11,900	10,000	18,846	278,062
Excess of Revenues Over (Under) Expenditures	-	-	(54,507)	3,475	-	-	-	(51,032)
Other Financing Sources (Uses)								
Transfers from Other Funds		69,688	80,849					150,537
Transfers to Other Funds								-
Total Other Financing Sources (Uses)	-	69,688	80,849	-	-	-	-	150,537
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	69,688	26,342	3,475	-	-	-	99,505
Fund Balance - July 1	-	-	42,689	-	-	-	-	42,689
Fund Balance (Deficit) - June 30	-	69,688	69,031	3,475	-	-	-	142,194

**TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit C-1
Page 1 of 3

Town Projects	Balance July 1	Budget	Revenues and Transfers	Expenditures/ Transfers	Balance (Over) Under	Transfers From (To) Unreserved	Balance June 30
Town Clerk	8,326				8,326		8,326
Computerized Voting Equipment							
Finance	3,224	4,000			7,224		7,224
Computer Hardware		17,500		(7,500)	10,000		10,000
Computer Software							
Technology	2,268	2,010		(3,635)	643		643
Copier Equipment	3,000				3,000		3,000
Wide Format Scanner & GIS Equipment	205	468			673		673
GPS Unit	6,500	2,500		(9,209)	(209)	209	-
Map Plotter	11,629	5,943			17,572		17,572
WAN & Cable TV System	305	305			610		610
Audio Visual Equipment	7,159	10,207		(2,670)	14,696		14,696
Document Imaging System	4,865	4,238		(5,667)	3,436		3,436
Computer Servers	7,419	1,364		(4,207)	8,783		8,783
Town Office Phone System	-	11,327			7,120		7,120
Asset Management System							
Municipal Building							
Building Renovation	195,124		(48,031)		147,093		147,093
Code Enforcement							
Pickup Inspection Truck	4,188	2,667			6,855		6,855
Assessing							
Property Tax Maps & Revaluation	22,454	(5,000)			17,454		17,454
Assessing Software	-	5,000			5,000		5,000
Vehicle Purchase	-	2,400			2,400		2,400
Planning							
Aerial Photography Update	7,659	7,114			14,773		14,773
Downtown Streetscapes	35,040				35,040		35,040
Information Kiosks	2,813		(4,349)		(1,536)	1,536	-
Ambulance							
Ambulance Reserve	46,267	25,711			71,978		71,978
Defibrillators	21,220				21,220		21,220
Jaws of Life	8,488				8,488		8,488
Computer Billing Module	-	17,000		(16,726)	274	(274)	-
Fire Department							
Fire Engine #2	45,261	8,267			53,528		53,528
Fire Engine #3 Reserve	8,041	8,041			16,082		16,082
Fire Engine #4	91,347	16,667			108,014		108,014
Fire Engine #5	64,203	8,267			72,470		72,470
Pickup Truck Replacement	15,046	1,639			16,685		16,685
Thermal Imaging Camera	13,283				13,283		13,283
SCBA's & Cascade System	6,025				6,025		6,025
Police Department							
Computers & Software	6,964	36			7,000		7,000
Radio Base Station & Console	31,993				31,993		31,993
Speed Trailer & Monitor	2,948				2,948		2,948
Cruiser Replacement	-	26,667	4,929	(29,929)	1,667		1,667
Port Security Grant Match - 2009	-	69,688		(69,688)	-		-
Port Security Grant Match - 2008	-	80,849		(80,849)	-		-

**TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit C-1
Page 2 of 3**

	Balance July 1	Budget	Revenues and Transfers	Expenditures/ Transfers	Balance (Over) Under	Transfers From (To) Unreserved	Balance June 30
Town Projects (Continued)							
Public Safety Building	6,284	970			7,254		7,254
Phone System Replacement	4,941	667			5,608		5,608
Public Safety Bldg. Generator	-	667			667		667
School Shelter Generator	28,000	21,600		(29,581)	20,019		20,019
Building Renovations							
Harbor Department	12,444				12,444		12,444
Harbor Master Boat & Trailer	34,993				34,993		34,993
New Floats	8,280				8,280		8,280
Gangway Replacement	18,327	18,000		(724)	35,603		35,603
Harbor Master's Office	1,000				1,000		1,000
Pier Renovations	860				860		860
Security Camera System							
Parks & Recreation		26,136		(6,532)	19,604		19,604
Museum in the Streets	5,000				5,000		5,000
Albert Meadow-Grant's Park	70,126	9,537		(82,061)	(2,398)	2,398	-
Barker Common	60,728				60,728		60,728
Mt. Desert Cemetery	1,837				1,837		1,837
Park Equipment	12,652				12,652		12,652
Glenn Mary Renovations	46,867				46,867		46,867
Harborview Park							
Comfort Stations	56,100			(6,225)	49,875		49,875
New Restrooms Construction							
Public Works / Highway	25,000				25,000		25,000
Land Acquisition & Development	2,200	1,000			3,200		3,200
Air Compressor	27,501	19,692			47,193		47,193
Backhoe Reserve (Cat & Deere)	13,324	3,832			17,156		17,156
Brush Chipper	3,563				3,563		3,563
Bikeway Construction	90,329	13,240			103,569		103,569
Grader Reserve	1,000				1,000		1,000
Hydraulic Lifts	81,181	9,267			90,448		90,448
Front End Loader Reserve	2,603,237	304,441		(639,869)	2,267,809		2,267,809
Road Improvement Program	51,200	7,604			58,804		58,804
Sidewalk Plow	296,950	178,269		(285,396)	189,823		189,823
Sidewalk Reconstruction Program	10,480				10,480		10,480
Washer, Steam Pressure	33,960	7,733			41,693		41,693
Street Sweeper (Broom)	111,033				111,033		111,033
Street Sweeper (Vacuum)	6,859	1,133			7,992		7,992
Tag Trailer	17,963				17,963		17,963
Water Truck	17,155	25,558		(27,300)	15,413		15,413
Light Truck Purchase	80,211	23,645			103,856		103,856
Plow Truck Reserve	8,858	7,608			16,466		16,466
Bobcat Loader	24,786	1,379			26,165		26,165
Roller, Vibratory	3,270	632			3,902		3,902
Waste Oil Furnace							

**TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit C-1
Page 3 of 3

	Balance July 1	Budget	Revenues and Transfers	Expenditures/ Transfers	Balance (Over) Under	Transfers From (To) Unreserved	Balance June 30
Town Projects (Continued)							
Solid Waste Division							
Storage	5,750	375			6,125		6,125
Bailers	6,313	907			7,220		7,220
Glass Crusher	3,584				3,584		3,584
Forklifts	19,454	2,957			22,411		22,411
Transfer Station Reserve	2,168				2,168		2,168
Recycling Facility Reserve	645				645		645
Debt Service							
Building Renovation Bond Payment	-	32,549	(32,549)		-		-
Debt Service - Agamont Park	-	63,230	(63,230)		-		-
Septic Dump Payment	-				-		-
Public Works	-	347,025	(292,173)		54,852	(7,007)	47,845
Town Total	4,599,677	1,464,528	4,929	(1,748,100)	4,321,034	(3,138)	4,317,896
School Projects							
Building Addition Payments	-	129,950	(131,253)		(1,303)	1,303	-
2004 Heating System Payment	-	70,000	(70,000)		-		-
2004 Heating System Payment	-	61,260	(57,085)		4,175	(4,175)	-
ADA Act Renovations	12,649	1,000	(921)		12,728		12,728
Capital Outlay Reserve	11,231	1,278			12,509	(1,088)	11,421
Furniture & Equipment	-	5,000	(4,146)		854		854
Computers & Technology	-	45,000	(29,524)		15,476		15,476
Copier Lease/Purchase	-	9,200	(9,035)		165		165
Flooring	17,591	5,000	(1,600)		20,991		20,991
Repaving	-	7,500			7,500		7,500
Asbestos Removal	7,810	1,000			8,810		8,810
Pickup Truck Replacement	-	5,530			5,530		5,530
Playground Equipment	-	2,500	(614)		1,886		1,886
Roof Repairs	15,668	5,000			20,668		20,668
Connors Windows	12,065				12,065		12,065
Elevator Drainage Pit	5,000	35,000	(43,960)		(3,960)	3,960	-
Boiler Lead-Lag System	6,000	3,000			9,000		9,000
Bleacher Buddy	-	2,000			2,000		2,000
Roof Fascia & Drainage	23,100		(6,670)		16,430		16,430
Sewer Lines	15,000	5,000	(13,936)		6,064		6,064
Safety & Access Control	6,858	5,000			11,858		11,858
Indoor Pipe Replacement	27,450	5,000			32,450		32,450
School Total	160,422	404,218	-	(368,744)	195,896	-	195,896
Subtotal	4,760,099	1,868,746	4,929	(2,116,844)	4,516,930	(3,138)	4,513,792
Unreserved - Undesignated Balance	58,179	(1,868,746)	1,849,150	-	38,583	3,138	41,721
Totals	4,818,278	-	1,854,079	(2,116,844)	4,555,513	-	4,555,513

TOWN OF BAR HARBOR
COMBINING BALANCE SHEET
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit D-1

<i>Assets</i>	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Cash and Equivalents	3,289	729	4,018
Investments	6,358	1,408	7,766
Total Assets	9,647	2,137	11,784
<i>Liabilities & Fund Balances</i>			
Liabilities			
Due to Other Funds			-
Total Liabilities	-	-	-
Fund Balances			
Nonspendable	6,488	2,137	8,625
Assigned	3,159	-	3,159
Total Fund Balances	9,647	2,137	11,784
Total Liabilities & Fund Balances	9,647	2,137	11,784

TOWN OF BAR HARBOR
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit D-2

	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
Investment Income	258	59	317
Expenditures			
Scholarships			-
	-	-	-
Excess of Revenues Over Expenditures	258	59	317
Other Financing Sources (Uses)			
Transfers to Other Funds		(58)	(58)
Total Other Financing Sources (Uses)	-	(58)	(58)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	258	1	259
Fund Balance - July 1	9,389	2,136	11,525
Fund Balance - June 30	9,647	2,137	11,784

James W. Wadman

Certified Public Accountant

Telephone 207-667-6500

Facsimile 207-667-3636

wadmancpa.com

December 20, 2011

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

We have audited the financial statements of the Bar Harbor School Department for the year ended June 30, 2011.

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

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

Respectfully submitted,

James W. Wadman, CPA

James W. Wadman, CPA