

*TOWN OF BAR HARBOR, MAINE*

*FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR  
ENDED JUNE 30, 2010*

**TOWN OF BAR HARBOR  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2010**

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***INDEPENDENT AUDITOR'S REPORT***

December 27, 2010

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, 2010, 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, 2010, 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 33, 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, 2010**

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, 2010. 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, 2010 by \$28,552,807 (presented as “net assets”). Of this amount, \$8,334,044 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 \$1,363,165 (a 5.01% increase) for the fiscal year ended June 30, 2010. Net assets of governmental activities increased by \$839,401 (a 4.71% increase), while net assets of business-type activities showed an increase of \$523,764 (a 5.6% increase).

**Fund Highlights:**

*Governmental Funds – Fund Balances* – As of the close of the fiscal year ended June 30, 2010, the Town's governmental funds reported a combined ending fund balance of \$7,750,171 with \$696,033 being general undesignated fund balance. This undesignated fund balance represents approximately 7.19% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations increased by \$3,278,559 (31.9%) during the current fiscal year. The Town issued a new bond for \$4,300,000 for capital improvements and water construction that was approved by the Town June 2, 2009. The total amount approved was \$5,140,947 leaving \$840,947 remaining in capital construction unissued at June 30, 2010. Existing debt obligations were retired according to schedule.

**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 16-32 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 33 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

55.56% of the Town's net assets reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>Total 2010</b>	<b>Total 2009</b>
Current Assets	9,669,184	1,417,550	11,086,734	7,570,379
Capital Assets	16,004,274	17,555,633	33,559,907	32,656,245
<b>Total Assets</b>	<b>25,673,458</b>	<b>18,973,183</b>	<b>44,646,641</b>	<b>40,226,624</b>
Current Liabilities	1,859,616	1,991,600	3,851,216	3,748,228
Other Liabilities	5,142,899	7,099,719	12,242,618	9,288,754
<b>Total Liabilities</b>	<b>7,002,515</b>	<b>9,091,319</b>	<b>16,093,834</b>	<b>13,036,982</b>
<b>Net Assets:</b>				
Held for Postemployment Benefits	88,714		88,714	53,532
Invested in Capital Assets	10,371,992	9,676,211	20,048,203	22,418,977
Restricted	81,846		81,846	57,280
Unrestricted	8,128,391	205,653	8,334,044	4,659,853
<b>Total Net Assets</b>	<b>18,670,943</b>	<b>9,881,864</b>	<b>28,552,807</b>	<b>27,189,642</b>
<b>Total Liabilities and Net Assets</b>	<b>25,673,458</b>	<b>18,973,183</b>	<b>44,646,641</b>	<b>40,226,624</b>

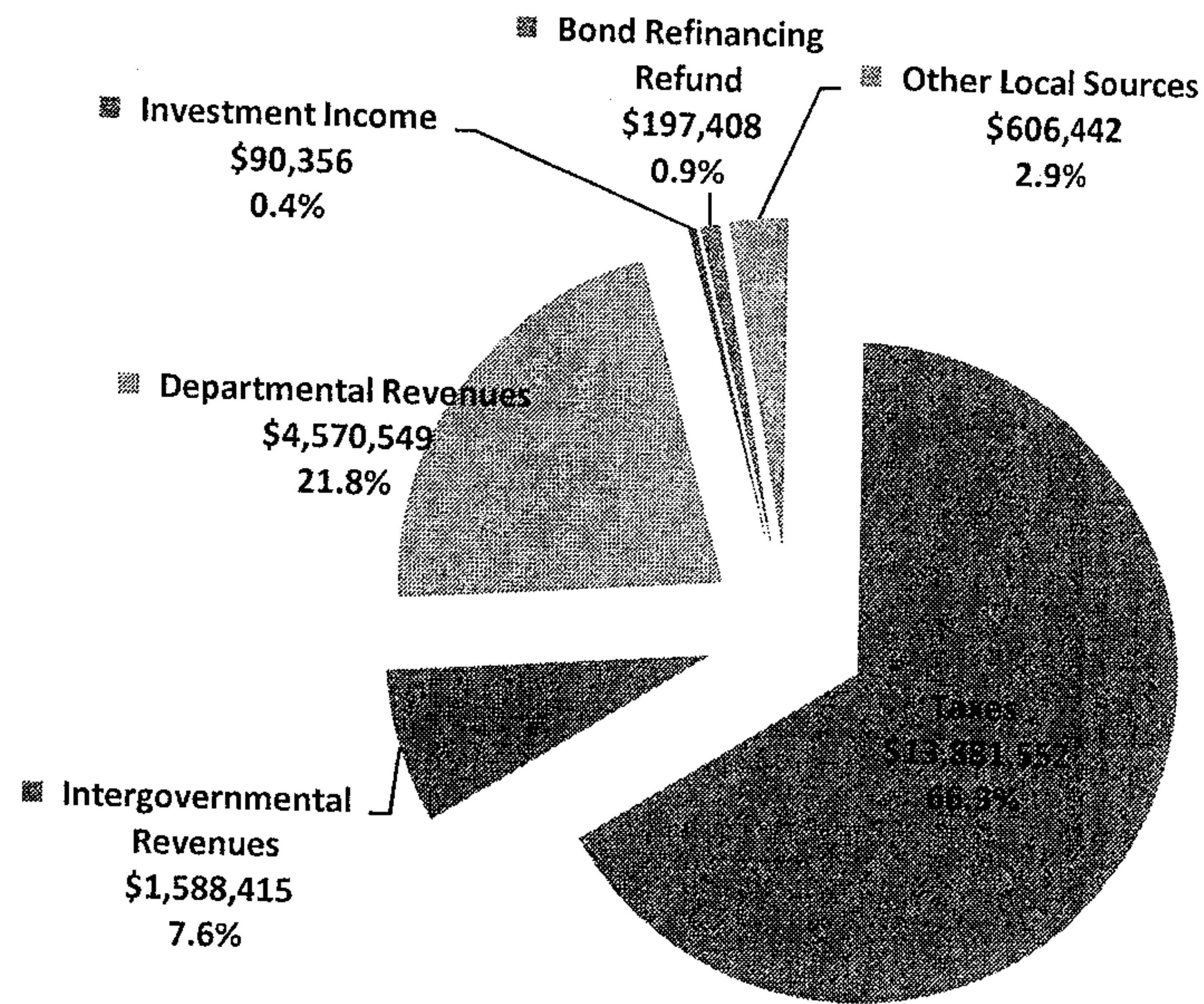


**Changes in Net Assets**

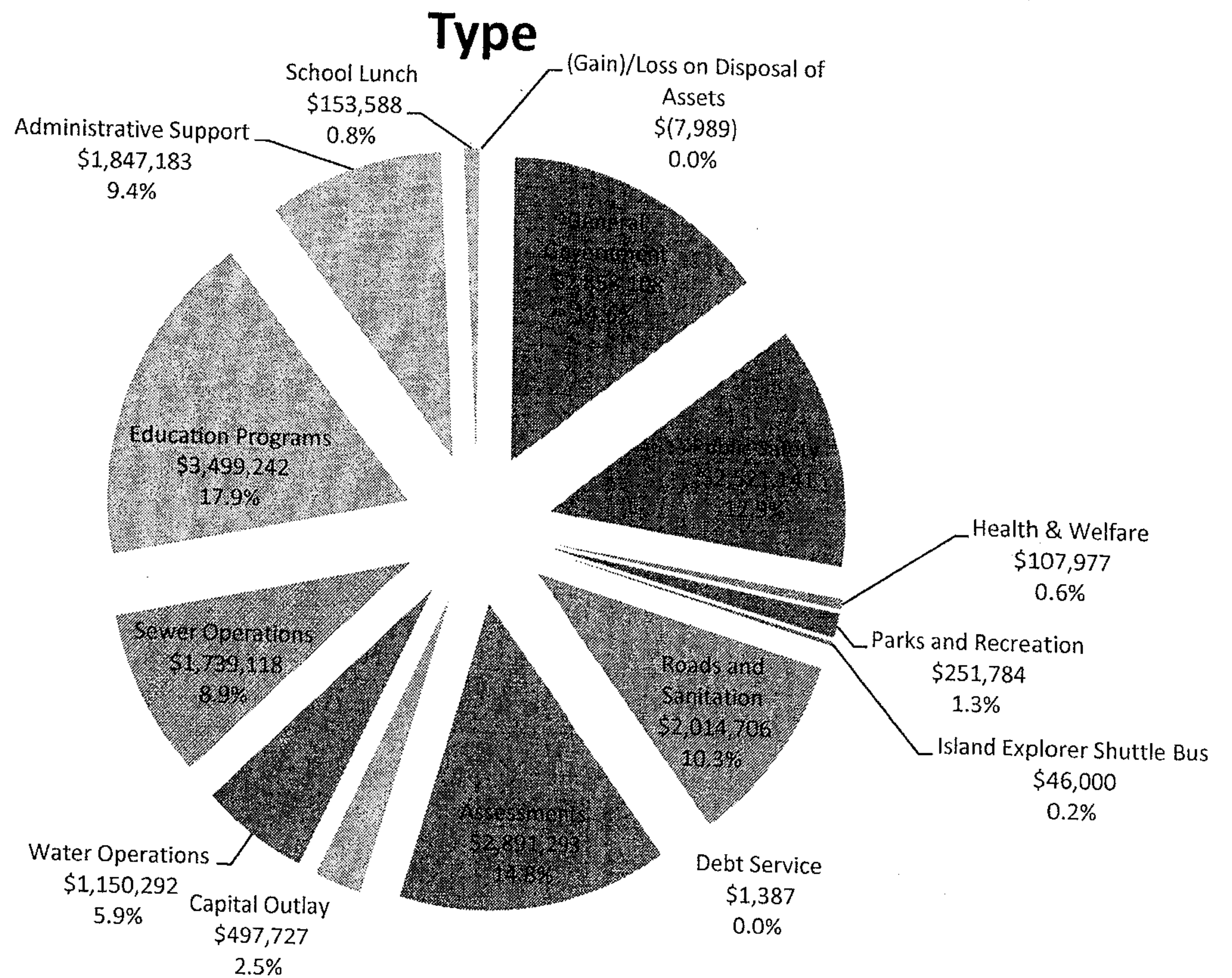
Approximately 66.3% of the Town's total revenue came from property and excise taxes, approximately 7.6% came from State subsidies and grants, and approximately 26.1% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,842,736 of the total expenses for the fiscal year.

	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>Total 2010</b>	<b>Total 2009</b>
<b>Revenues:</b>				
Taxes	13,881,552		13,881,552	13,315,984
Intergovernmental Revenues	1,588,415		1,588,415	1,764,674
Departmental Revenues	1,383,136	3,187,413	4,570,549	4,247,843
Investment Income	82,303	8,053	90,356	119,744
Bond Refinancing Refund		197,408	197,408	-
Other Local Sources	591,406	15,036	606,442	492,697
<b>Total</b>	<b>17,526,812</b>	<b>3,407,910</b>	<b>20,934,722</b>	<b>19,940,942</b>
<b>Expenses:</b>				
General Government	2,858,108		2,858,108	2,708,618
Public Safety	2,521,141		2,521,141	2,360,785
Health & Welfare	107,977		107,977	107,879
Parks and Recreation	251,784		251,784	159,348
Island Explorer Shuttle Bus	46,000		46,000	33,100
Roads and Sanitation	2,014,706		2,014,706	2,168,063
Debt Service	1,387		1,387	3,276
Assessments	2,891,293		2,891,293	2,741,261
Capital Outlay	497,727		497,727	245,544
Water Operations		1,150,292	1,150,292	1,266,135
Sewer Operations		1,739,118	1,739,118	1,770,825
Education Programs	3,499,242		3,499,242	3,413,855
Administrative Support	1,847,183		1,847,183	1,915,164
School Lunch	153,588		153,588	156,952
(Gain)/Loss on Disposal of Assets	(2,725)	(5,264)	(7,989)	24,429
<b>Total</b>	<b>16,687,411</b>	<b>2,884,146</b>	<b>19,571,557</b>	<b>19,075,234</b>
<b>Changes in Net Assets</b>	<b>839,401</b>	<b>523,764</b>	<b>1,363,165</b>	<b>865,708</b>

## Revenues By Source - Governmental and Business-Type



## Expenditures by Source - Governmental and Business-Type





## **FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS**

### **Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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 \$7,750,171, an increase of \$3,358,042 in comparison with the prior year. The majority of the increase in fund balance was due to the unexpended portion of the bond proceeds. Approximately 11.55 percent of this total amount constitutes undesignated fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

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

- \$133,922 positive variance in property tax. Supplemental taxes of \$215,574 less a deferred property tax adjustment of (\$81,653).
- \$(42,588) negative variance in auto excise. There is a down trend in registrations and fewer new vehicles.
- \$41,206 positive variance in building permits. New Jackson Lab and Bio Lab construction.
- \$(35,153) negative variance in interest on investment. Due to high budget and lower rates by the banks.
- \$20,661 positive variance in employee benefits. Due to ICMA deferred compensation, fewer participants.
- \$(45,447) negative variance in abatements/discount on taxes due to oceanfront & two subdivision adjustments.
- \$96,727 positive variance in highway division due to less storms resulting in less winter salt and patch expenditures.
- \$93,987 positive variance in solid waste due to less volume and less hauling costs.
- \$(26,058) negative variance in transfers due to council order to set up a new fund for cruise fund.

### **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 \$59,773,055, net of accumulated depreciation of \$26,213,148, leaving a net book value of \$33,559,907. Current year additions included Capital Improvements, Water and Sewer additions.

## **REQUESTS FOR INFORMATION**

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



**TOWN OF BAR HARBOR**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

*Exhibit A*

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	6,997,318	713,680	7,710,998
Investments	1,380,374		1,380,374
Receivables			
Taxes and Liens	660,366	34,352	694,718
User Fees, net		402,154	402,154
Accounts	33,985	14,920	48,905
Ambulance	61,584		61,584
Accrued Interest	16,780	2,232	19,012
Prepaid Expense	19,125	74,178	93,303
Inventory	15,744	98,984	114,728
Due from Other Governments	483,908		483,908
Bond Issuance Costs, Net		77,050	77,050
Capital Assets:			
Land	1,899,514	164,793	2,064,307
Construction Work in Progress	55,502	72,232	127,734
Other Capital Assets, Net of Depreciation	14,049,258	17,318,608	31,367,866
<b>Total Assets</b>	<b>25,673,458</b>	<b>18,973,183</b>	<b>44,646,641</b>
 <i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	339,189	52,875	392,064
Retainage Payable	55,594	1,263	56,857
Payroll Taxes Deductible	12,432		12,432
Due to Other Governments	316	470,371	470,687
Accrued Salaries Payable	607,531	38,160	645,691
Accrued Compensated Absences	286,330	32,756	319,086
Accrued Interest Payable		48,493	48,493
Deferred Bond Premium	9,259	18,607	27,866
Accrued Pension Costs		214,335	214,335
Accrued Standpipe Costs		92,987	92,987
Prepaid Taxes	37,316		37,316
Construction Advances		165,000	165,000
Deposits Payable	22,266		22,266
Long-term Liabilities:			
Due Within One Year	489,383	856,753	1,346,136
Due in More Than One Year	5,142,899	7,099,719	12,242,618
<b>Total Liabilities</b>	<b>7,002,515</b>	<b>9,091,319</b>	<b>16,093,834</b>
Net Assets			
Held for Postemployment Benefits	88,714		88,714
Investment in Capital Assets, net of Related Debt	10,371,992	9,676,211	20,048,203
Restricted	81,846		81,846
Unrestricted	8,128,391	205,653	8,334,044
<b>Total Net Assets</b>	<b>18,670,943</b>	<b>9,881,864</b>	<b>28,552,807</b>
<b>Total Liabilities and Net Assets</b>	<b>25,673,458</b>	<b>18,973,183</b>	<b>44,646,641</b>

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

**TOWN OF BAR HARBOR**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit B*

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
<u>Governmental Activities:</u>						
General Government	2,858,108	400,584		(2,457,524)		(2,457,524)
Public Safety	2,521,141	909,512	284,807	(1,326,822)		(1,326,822)
Health and Welfare	107,977			(107,977)		(107,977)
Parks & Recreation	251,784	400		(251,384)		(251,384)
Island Explorer Shuttle Bus	46,000			(46,000)		(46,000)
Roads and Sanitation	2,014,706	77,237		(1,937,469)		(1,937,469)
Debt Service - Interest	1,387			(1,387)		(1,387)
Assessments	2,891,293			(2,891,293)		(2,891,293)
Capital Outlay	497,727		32,120	(465,607)		(465,607)
Education Programs	3,499,242		120,595	(3,378,647)		(3,378,647)
Administrative Support	1,847,183			(1,847,183)		(1,847,183)
School Lunch	153,588	62,032	32,147	(59,409)		(59,409)
<u>Total Governmental Activities</u>	<u>16,690,136</u>	<u>1,449,765</u>	<u>469,669</u>	<u>(14,770,702)</u>		<u>(14,770,702)</u>
<u>Business-type Activities:</u>						
Wastewater	(1,739,118)	1,921,200			182,082	182,082
Water	(1,150,292)	1,266,213			115,921	115,921
<u>Total Business-type Activities</u>	<u>(2,889,410)</u>	<u>3,187,413</u>			<u>298,003</u>	<u>298,003</u>
<u>Total Primary Government</u>	<u>13,800,726</u>	<u>4,637,178</u>	<u>469,669</u>	<u>(14,770,702)</u>	<u>298,003</u>	<u>(14,472,699)</u>
<u>General Revenues:</u>						
Taxes						
Property				13,057,296		13,057,296
Auto and Boat Excise				824,256		824,256
Intergovernmental Revenues				1,118,746		1,118,746
Other Local Sources				607,080	23,089	630,169
Bond Refinancing Refund					197,408	197,408
Gain/(Loss) on Disposal of Assets				2,725	5,264	7,989
<u>Total Revenues, Special Items and Transfers</u>				<u>15,610,103</u>	<u>225,761</u>	<u>15,835,864</u>
<u>Changes in Net Assets</u>				<u>839,401</u>	<u>523,764</u>	<u>1,363,165</u>
<u>Net Assets - Beginning</u>				<u>17,831,542</u>	<u>9,358,100</u>	<u>27,189,642</u>
<u>Net Assets - Ending</u>				<u>18,670,943</u>	<u>9,881,864</u>	<u>28,552,807</u>

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



**TOWN OF BAR HARBOR**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

*Exhibit C*  
*Page 1 of 2*

<i>Assets</i>	<i>General Fund</i>	<i>CIP Fund</i>	<i>School Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	6,993,917			3,401	6,997,318
Investments	1,372,250			8,124	1,380,374
Receivables					
Taxes	19,721				19,721
Tax Liens	640,645				640,645
Accounts	19,619	6,846	7,520		33,985
Ambulance Fees	61,584				61,584
Accrued Interest	16,780				16,780
Prepaid Expense	19,125				19,125
Inventory	12,843		2,901		15,744
Due from Other Governments	470,945		6,352	6,611	483,908
Due from Other Funds	6,611	4,898,139	1,266,357	122,315	6,293,422
<b>Total Assets</b>	<b>9,634,040</b>	<b>4,904,985</b>	<b>1,283,130</b>	<b>140,451</b>	<b>15,962,606</b>
 <i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Accounts Payable	256,301	31,113	51,775	-	339,189
Retainage Payable		55,594			55,594
Payroll Taxes/Deductions	12,432				12,432
Accrued Salaries Payable	182,412		412,777	12,342	607,531
Accrued Compensated Absences	237,524				237,524
Deferred Revenue					
Property Tax	546,723				546,723
Acadia Nat'l Park Payment in Lieu of Taxes	16,391				16,391
Other	34,472				34,472
Prepaid Taxes	37,316				37,316
Bond Purchase Premium	9,259				9,259
Due to Other Funds	5,947,275		339,536	6,611	6,293,422
Due to Other Governments	316				316
Deposits Payable	22,266				22,266
<b>Total Liabilities</b>	<b>7,302,687</b>	<b>86,707</b>	<b>804,088</b>	<b>18,953</b>	<b>8,212,435</b>
 <i>Fund Balances</i>					
<i>Reserved For:</i>					
Encumbrances	70,320				70,320
Endowments				8,625	8,625
Inventory			2,901		2,901
<i>Unreserved</i>					
Designated for Working Capital	1,508,000				1,508,000
Designated for Subsequent Years' Expenditures	57,000	4,760,099	335,347	112,873	5,265,319
Undesignated	696,033	58,179	140,794		895,006
<b>Total Fund Balances</b>	<b>2,331,353</b>	<b>4,818,278</b>	<b>479,042</b>	<b>121,498</b>	<b>7,750,171</b>
<b>Total Liabilities and Fund Balances</b>	<b>9,634,040</b>	<b>4,904,985</b>	<b>1,283,130</b>	<b>140,451</b>	<b>15,962,606</b>

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

**TOWN OF BAR HARBOR**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

*Exhibit C*  
*Page 2 of 2*

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

Total Fund Balance	7,750,171
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$16,822,080	16,004,274
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Revenues	597,586
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(5,607,267)
Accrued Compensated Absences - School Department	(48,806)
Capital Leases Payable	(25,015)
	<u>(5,681,088)</u>
Net Assets of Governmental Activities	<u><u>18,670,943</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, 2010**

*Exhibit D*  
*Page 1 of 2*

	<i>General Fund</i>	<i>CIP Fund</i>	<i>School Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>					
Taxes	13,799,899				13,799,899
Intergovernmental Revenues	428,401	32,120	843,028	284,807	1,588,356
Departmental Revenues	1,383,136				1,383,136
Other Local Sources	275,835	285,692	72,656	5,054	639,237
<b>Total Revenues</b>	<b>15,887,271</b>	<b>317,812</b>	<b>915,684</b>	<b>289,861</b>	<b>17,410,628</b>
<b>Expenditures</b>					
General Government	2,694,696				2,694,696
Public Safety	2,153,583			324,901	2,478,484
Health and Welfare	102,260				102,260
Parks and Recreation	207,151				207,151
Island Explorer Shuttle Bus	46,000				46,000
Roads and Sanitation	1,577,818				1,577,818
Debt	13,045				13,045
Assessments	2,891,293				2,891,293
Capital Outlay		2,359,654			2,359,654
Education Programs			3,499,345		3,499,345
Administrative Support			1,729,252		1,729,252
School Lunch			153,588		153,588
<b>Total Expenditures</b>	<b>9,685,846</b>	<b>2,359,654</b>	<b>5,382,185</b>	<b>324,901</b>	<b>17,752,586</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>6,201,425</b>	<b>(2,041,842)</b>	<b>(4,466,501)</b>	<b>(35,040)</b>	<b>(341,958)</b>
<b>Other Financing Sources (Uses)</b>					
Bond Proceeds		3,700,000			3,700,000
Transfers from Other Funds	3,857	1,187,821	4,506,151	146,906	5,844,735
Transfers to Other Funds	(5,645,111)	(120,266)	(73,664)	(5,694)	(5,844,735)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,641,254)</b>	<b>4,767,555</b>	<b>4,432,487</b>	<b>141,212</b>	<b>3,700,000</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>560,171</b>	<b>2,725,713</b>	<b>(34,014)</b>	<b>106,172</b>	<b>3,358,042</b>
<b>Fund Balance - July 1</b>	<b>1,771,182</b>	<b>2,092,565</b>	<b>513,056</b>	<b>15,326</b>	<b>4,392,129</b>
<b>Fund Balance - June 30</b>	<b>2,331,353</b>	<b>4,818,278</b>	<b>479,042</b>	<b>121,498</b>	<b>7,750,171</b>

(Continued)

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

**TOWN OF BAR HARBOR**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit D*  
*Page 2 of 2*

Net change in fund balances - total governmental funds	3,358,042
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	1,742,105
Disposal of Assets	2,725
Depreciation expense	(1,000,884)
	<u>743,946</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues	34,531
Deferred Taxes	81,653
	<u>116,184</u>
Bond proceeds proved 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	13,018
Bond Proceeds	(3,700,000)
General obligation bond principal payments	313,168
	<u>(3,373,814)</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	(4,957)
	<u>(4,957)</u>
Change in net assets of governmental activities	<u><u>839,401</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, 2010**

*Exhibit E*

<i>Assets</i>	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	<i>Total</i>
<b><i>Current Assets:</i></b>			
Cash and Equivalents	706,386	7,294	713,680
Receivables			
User Fees, net	392,999	9,155	402,154
Liens Receivable	34,352		34,352
Accounts	6,131	8,789	14,920
Accrued Interest	2,232		2,232
Inventory	16,338	82,646	98,984
Due From Other Funds	52		52
Prepaid Expenses		74,178	74,178
<b><i>Total Current Assets</i></b>	<b>1,158,490</b>	<b>182,062</b>	<b>1,340,552</b>
<b><i>Noncurrent Assets:</i></b>			
Capital Assets, net	11,706,838	5,848,795	17,555,633
Bond Issuance Costs, net	47,318	29,732	77,050
<b><i>Total Noncurrent Assets</i></b>	<b>11,754,156</b>	<b>5,878,527</b>	<b>17,632,683</b>
<b><i>Total Assets</i></b>	<b>12,912,646</b>	<b>6,060,589</b>	<b>18,973,235</b>
<b><i>Liabilities and Fund Equity</i></b>			
<b><i>Liabilities</i></b>			
Accounts Payable	28,235	24,640	52,875
Retainage Payable	1,263		1,263
Accrued Salaries and Benefits	22,511	15,649	38,160
Accrued Interest Payable	32,093	16,400	48,493
Due to Other Governments	42,355	428,016	470,371
Due to Other Funds		52	52
Compensated Absences Payable	21,170	11,586	32,756
Bonds and Notes Payable	506,966	349,787	856,753
<b><i>Total Current Liabilities</i></b>	<b>654,593</b>	<b>846,130</b>	<b>1,500,723</b>
<b><i>Noncurrent Liabilities:</i></b>			
Deferred Bond Premium		18,607	18,607
Construction Advances		165,000	165,000
Accrued Pension Costs		214,335	214,335
Accrued Standpipe Costs		92,987	92,987
Bonds and Notes Payable	3,667,856	3,431,863	7,099,719
<b><i>Total Noncurrent Liabilities</i></b>	<b>3,667,856</b>	<b>3,922,792</b>	<b>7,590,648</b>
<b><i>Total Liabilities</i></b>	<b>4,322,449</b>	<b>4,768,922</b>	<b>9,091,371</b>
<b><i>Net Assets</i></b>			
Invested in Capital Assets, net of related debt	7,579,334	2,096,877	9,676,211
Retained Earnings			
Reserved	860,006	349,787	1,209,793
Unreserved - Undesignated	150,857	(1,154,997)	(1,004,140)
<b><i>Total Net Assets</i></b>	<b>8,590,197</b>	<b>1,291,667</b>	<b>9,881,864</b>
<b><i>Total Liabilities and Net Assets</i></b>	<b>12,912,646</b>	<b>6,060,589</b>	<b>18,973,235</b>

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

**TOWN OF BAR HARBOR**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit F*

	<u>Proprietary Fund Types</u>		<u>Total</u>
	<u>Wastewater Enterprise</u>	<u>Water Enterprise</u>	
Operating Revenues:			
Charges for Services	1,168,577	1,264,449	2,433,026
Capital Charge	737,642		737,642
Interest - Late Penalties	14,981	1,764	16,745
<b>Total Operating Revenues:</b>	<b>1,921,200</b>	<b>1,266,213</b>	<b>3,187,413</b>
Operating Expenditures:			
Salaries and Benefits	510,573	368,837	879,410
Contracted Services	169,454	133,213	302,667
Utilities & Commodities	200,053	50,699	250,752
Repairs & Maintenance	69,746	125,577	195,323
Equipment	9,691	8,695	18,386
Other Expenses	38,824	29,444	68,268
Depreciation and Amortization	501,032	193,887	694,919
Materials and Supplies	98,577	90,933	189,510
<b>Total Operating Expenditures</b>	<b>1,597,950</b>	<b>1,001,285</b>	<b>2,599,235</b>
<b>Net Operating Income</b>	<b>323,250</b>	<b>264,928</b>	<b>588,178</b>
Nonoperating Revenues (Expenses)			
Interest Revenue	7,610	443	8,053
Nonutility Income, net of expense		11,605	11,605
Gain/(Loss) on Disposal of Asset	5,300	(36)	5,264
Contributions in Aid of Construction		3,431	3,431
Bond Refinancing Refund	197,408		197,408
Interest Expense	(141,168)	(149,007)	(290,175)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>69,150</b>	<b>(133,564)</b>	<b>(64,414)</b>
<b>Change in Net Assets</b>	<b>392,400</b>	<b>131,364</b>	<b>523,764</b>
<b>Total Net Assets - Beginning</b>	<b>8,197,797</b>	<b>1,160,303</b>	<b>9,358,100</b>
<b>Total Net Assets - Ending</b>	<b>8,590,197</b>	<b>1,291,667</b>	<b>9,881,864</b>

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



**TOWN OF BAR HARBOR**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit G*

	<i>Proprietary Fund Types</i>		<i>Total</i>
	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	
<b><i>Cash Flows from Operating Activities</i></b>			
Received from Customers	1,921,200	1,266,213	3,187,413
Payments to Suppliers	(547,521)	(409,117)	(956,638)
Payments to Employees	(510,573)	(368,837)	(879,410)
Other Receipts (Payments)	(38,824)	(17,875)	(56,699)
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>824,282</b>	<b>470,384</b>	<b>1,294,666</b>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>			
Purchases of Capital Assets	(434,794)	(429,231)	(864,025)
Capital Contributions	123,518	52	123,570
Principal Paid on Capital Debt	(508,913)	(199,361)	(708,274)
Principal Received on New Debt Issued		600,000	600,000
Interest Paid on Capital Debt	(144,932)	(149,007)	(293,939)
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b>(965,121)</b>	<b>(177,547)</b>	<b>(1,142,668)</b>
<b><i>Cash Flows from Investing Activities</i></b>			
Purchase of Investments	292,548	(289,941)	2,607
Interest and Dividends	7,610	443	8,053
<b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	<b>300,158</b>	<b>(289,498)</b>	<b>10,660</b>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>159,319</b>	<b>3,339</b>	<b>162,658</b>
<b><i>Balances - beginning of the year</i></b>	<b>547,067</b>	<b>3,955</b>	<b>551,022</b>
<b><i>Balances - end of the year</i></b>	<b>706,386</b>	<b>7,294</b>	<b>713,680</b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>			
Net Operating Income (Loss)	323,250	264,928	588,178
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	16,778	301,001	317,779
Depreciation and Amortization	501,032	193,887	694,919
(Increase) Decrease in Accounts Receivable	18,821	920	19,741
(Increase) Decrease in Due To/From Other Funds	(7)	7	-
(Increase) Decrease in Inventory	3,632	(6,613)	(2,981)
(Increase) Decrease in Prepaid Expense		(67,708)	(67,708)
Increase (Decrease) in Accrued Wages Payable	(1,892)	1,863	(29)
Increase (Decrease) in Accrued Interest Payable	(3,764)	1,504	(2,260)
Increase (Decrease) in Deferred Revenue		(1,617)	(1,617)
Increase (Decrease) in Accrued Standpipe Costs		15,000	15,000
Increase (Decrease) in Accrued Pension Costs		(59,582)	(59,582)
Increase (Decrease) in Compensated Absences Payable	317	1,225	1,542
Increase (Decrease) in Due to Other Governments	(16,145)	(163,825)	(179,970)
Increase (Decrease) in Accounts Payable	(16,477)	(10,606)	(27,083)
Increase (Decrease) in Retainage Payable	(1,263)	-	(1,263)
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>824,282</b>	<b>470,384</b>	<b>1,294,666</b>

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

**TOWN OF BAR HARBOR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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.



