

INDEPENDENT AUDITOR'S REPORT

November 9, 2012

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bar Harbor, Maine as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bar Harbor, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

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

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.

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

Management of the Town of Bar Harbor, Maine provides this *Management's Discussion and Analysis* of the Town's financial performance for readers of the Town's financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

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

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net Assets – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2012 by \$31,658,897 (presented as “net assets”). Of this amount, \$10,980,895 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets – The Town's total net assets increased by \$1,842,323 (a 6.2% increase) for the fiscal year ended June 30, 2012. Net assets of governmental activities increased by \$1,154,433 (a 5.9% increase), while net assets of business-type activities showed an increase of \$687,890 (a 6.6% increase).

Fund Highlights:

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

Long-term Debt:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

Notes to the Financial Statements

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

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

63.5% of the Town’s net assets reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town’s investment in its capital assets is reported net of accumulated depreciation and net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

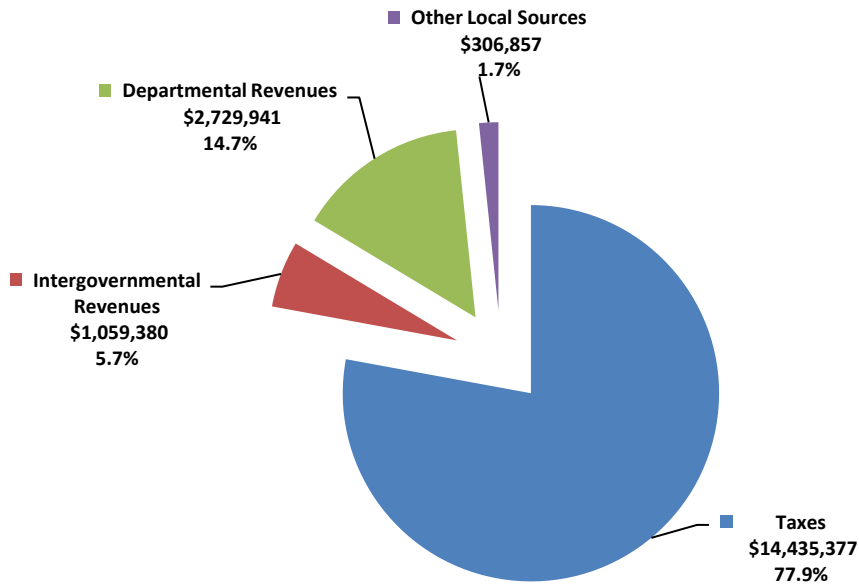
	Governmental Activities	Business-like Activities	Total 2012	Total 2011
Current Assets	9,790,024	3,534,313	13,324,337	10,992,257
Capital Assets	16,158,858	17,596,859	33,755,717	33,979,990
Total Assets	25,948,882	21,131,172	47,080,054	44,972,247
Current Liabilities	1,010,887	1,879,744	2,890,631	4,008,522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

Changes in Net Assets

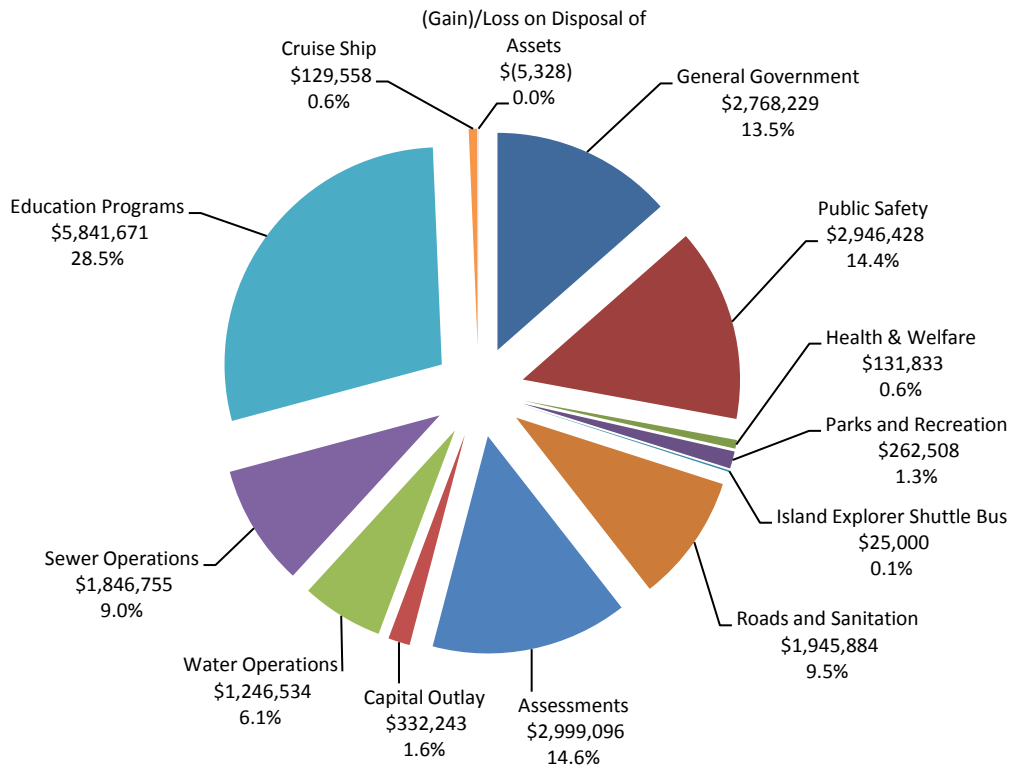
Approximately 64.7% of the Town’s total revenue came from property and excise taxes, approximately 4.7% came from Federal and State subsidies and grants, and approximately 1.6% came from services, investment earnings and other sources. Depreciation expense on the Town’s governmental and business-like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

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

Revenues By Source - Governmental and Business-Type



Expenditures by Source - Governmental and Business-Type



FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

Governmental Funds

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

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

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

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

Proprietary Funds

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

CAPITAL ASSET ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-like activities amounts to \$62,646,151, net of accumulated depreciation of \$28,890,434, leaving a net book value of \$33,755,717. Current year additions included Capital Improvements, Water and Sewer additions.

REQUESTS FOR INFORMATION

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

TOWN OF BAR HARBOR
STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit A

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

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

TOWN OF BAR HARBOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit B

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

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

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

Exhibit C
Page 1 of 2

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

(Continued)

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

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

Exhibit C
Page 2 of 2

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

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

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

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

Exhibit D
Page 1 of 2

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

(Continued)

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

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

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds	571,046
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	1,046,805
Disposal of Assets	5,328
Depreciation expense	(952,190)
	<u>99,943</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues	(448)
Deferred Taxes	68,582
	<u>68,134</u>
Bond proceeds 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	14,414
Lease Proceeds	(69,760)
General obligation bond principal payments	471,782
	<u>416,436</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued compensated absences	(1,126)
Change in net assets of governmental activities	<u><u>1,154,433</u></u>

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

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

Exhibit E

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

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

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

Exhibit F

	<i>Proprietary Fund Types</i>		<i>Total</i>
	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	
Operating Revenues:			
Charges for Services	1,462,176	1,504,526	2,966,702
Capital Charge	745,149		745,149
Interest - Late Penalties	12,018	1,948	13,966
Total Operating Revenues:	2,219,343	1,506,474	3,725,817
Operating Expenditures:			
Salaries and Benefits	557,233	426,714	983,947
Contracted Services	203,823	175,882	379,705
Utilities & Commodities	208,945	59,559	268,504
Repairs & Maintenance	78,160	136,465	214,625
Equipment	7,868	9,892	17,760
Other Expenses	38,387	25,507	63,894
Depreciation and Amortization	521,779	211,109	732,888
Materials and Supplies	94,092	76,812	170,904
Total Operating Expenditures	1,710,287	1,121,940	2,832,227
Net Operating Income	509,056	384,534	893,590
Nonoperating Revenues (Expenses)			
Interest Revenue	7,595	6,380	13,975
Nonutility Income, net of expense		4,921	4,921
Contributions in Aid of Construction		36,466	36,466
Interest Expense	(136,468)	(124,594)	(261,062)
Total Nonoperating Revenue (Expenses)	(128,873)	(76,827)	(205,700)
Change in Net Assets (net income)	380,183	307,707	687,890
Total Net Assets - Beginning	8,880,792	1,488,915	10,369,707
Total Net Assets - Ending	9,260,975	1,796,622	11,057,597

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

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

Exhibit G

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

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

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

Exhibit H

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

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

Exhibit A-1
Page 1 of 2

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

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

Exhibit A-1
Page 2 of 2

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

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

Exhibit A-2
Page 1 of 2

	<i>Encumbered</i> <i>From 6/30/11</i>	<i>Appropriations</i>	<i>Expenditures</i> <i>Net of Refund</i>	<i>Encumbered</i> <i>to 6/30/13</i>	<i>(Over)</i> <i>Under</i> <i>Budget</i>
General Government					
Town Council	3,816	36,836	38,382		2,270
Town Manager		115,878	113,028		2,850
Town Clerk		110,388	97,836		12,552
Finance		292,406	288,042		4,364
Legal Counsel		23,968	18,297		5,671
Elections		14,150	10,175		3,975
Technology	1,558	124,232	123,143		2,647
Municipal Building		89,872	77,920		11,952
Town Offices		33,424	31,767		1,657
Employee Benefits		1,280,632	1,155,880		124,752
Insurance		83,339	76,752		6,587
Assessing		145,406	144,321		1,085
Code Enforcement		92,495	71,185		21,310
Planning	19,561	271,183	228,607	19,087	43,050
Economic Development		547	-		547
27th Pay Period		12,744	574		12,170
Vacation Accruals		11,394	30,011		(18,617)
Contingency		53,366	-		53,366
Abatements/Discount on Taxes		74,139	77,397		(3,258)
	24,935	2,866,399	2,583,317	19,087	288,930
Public Safety					
Ambulance		381,355	382,178		(823)
Fire Department		707,093	701,345		5,748
Police Department	2,250	719,289	713,290		8,249
Public Safety Building		37,013	42,231		(5,218)
Street Lights		76,868	68,823		8,045
Dispatch		190,705	190,019		686
Harbor Division		117,696	96,835	6,200	14,661
	2,250	2,230,019	2,194,721	6,200	31,348
Health and Welfare					
General Assistance		4,806	1,326		3,480
Cooperating Agencies		35,358	35,358		-
Emergency Management		1,508	-		1,508
Comfort Station		75,533	81,212		(5,679)
	-	117,205	117,896	-	(691)

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

Exhibit A-2
Page 2 of 2

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

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

Exhibit A-3

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

Analysis of Change

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

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

Exhibit A-4

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

GENERAL RESERVES AND COMMITTED FUNDS

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

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

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

Exhibit B-1

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

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

Exhibit B-2

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

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

*Exhibit C-1
Page 1 of 3*

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

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

Exhibit C-1
Page 2 of 3

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

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

Exhibit C-1
Page 3 of 3

	<u>Balance</u> <u>July 1</u>	<u>Budget</u>	<u>Revenues and</u> <u>Transfers</u>	<u>Expenditures/</u> <u>Transfers</u>	<u>Balance</u> <u>(Over) Under</u>	<u>Transfers</u> <u>From (To)</u> <u>Unreserved</u>	<u>Balance</u> <u>June 30</u>
Town Projects (Continued)							
Solid Waste Division							
Storage	6,125	375		(4,133)	2,367		2,367
Bailers	7,220	2,280		(10,645)	(1,145)	1,145	-
Glass Crusher	3,584				3,584		3,584
Forklifts	22,411	7,589		(21,385)	8,615		8,615
Transfer Station Reserve	2,168				2,168		2,168
Recycling Facility Reserve	645				645		645
Debt Service							
Building Renovation Bond Payment	-	32,539		(32,539)	-		-
Debt Service - Agamont Park	-	61,780		(61,780)	-		-
Public Works	47,845	247,750		(295,537)	58	(58)	-
Town Total	4,317,896	1,452,424	-	(1,495,568)	4,274,752	1,128	4,275,880
School Projects							
Building Addition Payments	-	122,475		(122,656)	(181)	181	-
2004 Heating System Payment	-	70,000		(70,000)	-		-
2004 Heating System Payment	-	60,550		(60,053)	497	(497)	-
ADA Act Renovations	12,728	15,000			27,728		27,728
Capital Outlay Reserve	11,421	67			11,488	(14,021)	(2,533)
Furniture & Equipment	854	5,000		(5,921)	(67)	67	-
Computers & Technology	15,476	55,000		(63,281)	7,195		7,195
Copier Lease/Purchase	165	9,300		(14,993)	(5,528)	5,528	-
Flooring	20,991	1,500			22,491		22,491
Repaving	7,500	7,500			15,000		15,000
Asbestos Removal	8,810				8,810		8,810
Pickup Truck Replacement	5,530	5,641			11,171		11,171
Playground Equipment	1,886	2,500			4,386		4,386
Roof Repairs	20,668	5,000			25,668		25,668
Connors Windows	12,065				12,065		12,065
Elevator Drainage Pit	-	(5,000)			(5,000)	5,000	-
Gym Floor Resurface	-	2,000			2,000		2,000
Boiler Lead-Lag System	9,000	9,500		(2,525)	15,975		15,975
Tractor Plow Reserve		2,500			2,500		2,500
Kitchen Floor		15,000		(10,430)	4,570		4,570
Bleacher Buddy	2,000				2,000		2,000
Emerson Entry Doors		10,000		(13,742)	(3,742)	3,742	-
Roof Fascia & Drainage	16,430	(15,600)			830		830
Sewer Lines	6,064				6,064		6,064
Safety & Access Control	11,858	7,600			19,458		19,458
Indoor Pipe Replacement	32,450	5,000			37,450		37,450
School Total	195,896	390,533	-	(363,601)	222,828	-	222,828
Subtotal	4,513,792	1,842,957	-	(1,859,169)	4,497,580	1,128	4,498,708
Unreserved - Undesignated Balance	41,721	(1,842,957)	1,819,381	-	18,145	(1,128)	17,017
Totals	4,555,513	-	1,819,381	(1,859,169)	4,515,725	-	4,515,725

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

Exhibit D-1

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

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

Exhibit D-2

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

TOWN OF BAR HARBOR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE III

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-through Number</i>	<i>Program or Award Amount</i>	<i>Accrued or (Deferred) Revenue at July 1</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Accrued or (Deferred) Revenue at June 30</i>
U.S. Department of Education Rural School Achievement Program	84.358		25,829		24,062	(24,062)	-
Passed Through State Department of Educational and Cultural Services NCLB Title 1A - Basic Compensatory Education	84.010	013-05A-3057-13	88,213	-	88,213	(88,213)	-
NCLB Title IIA - Improving Teacher Quality	84.367	013-05A-3042-11	55,705	-	55,117	(55,117)	-
Education Jobs Bill	*84.410	013-05A-3009-10	76,000	-	76,000	(76,000)	-
Total U.S. Department of Education			245,747	-	243,392	(243,392)	-
U.S. Department of Agriculture Passed Through State Department of Educational and Cultural Services National School Lunch Program	10.555	013-05A-7128-05	27,658	-	27,658	(27,658)	-
School Breakfast Program	10.553	013-05A-7127-05	5,650	-	5,650	(5,650)	-
Food Distribution	10.550	NONE	8,531	1,361	8,531	(7,483)	2,409
Total U.S. Department of Agriculture			41,839	1,361	41,839	(40,791)	2,409
Passed Through State Department of Transportation Safe Routes To School	20.610	State PIN #017527.00	174,000	-	153,036	(153,036)	-
Total U.S. Department of Transportation			174,000	-	153,036	(153,036)	-
U.S. Department of Homeland Security ARRA Port Security Grant Program	*97.116	NONE	880,234	3,475	418,744	(373,992)	48,227
Total U.S. Department of Homeland Security			880,234	3,475	418,744	(373,992)	48,227
Total			1,341,820	4,836	857,011	(811,211)	50,636

* Major Program

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Deposits and Investments

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

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

2. Receivables and Payables

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

Property taxes receivable not expected to be collected within 60 days from year end are classified as deferred revenue. At June 30, \$691,818 has been so classified and reported on the general fund balance sheet.

Annual property taxes were levied on July 26, 2011, on property values assessed on April 1. Taxes were due in two installments without penalty, due on September 30 and March 30, with interest at 7.0% beginning October 1 and March 31. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

3. Inventories

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

4. Capital Assets

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

4. Capital Assets (Continued)

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

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

5. Compensated Absences

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

6. Long-term Obligations

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Assets

Fund Balances

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

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Assets (Continued)

Fund Balances

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Assets (Continued)

Net Assets

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

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits

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

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

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

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

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

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

A. Deposits and Investments (Continued)

Deposits (Continued)

At year-end, the government's carrying amount of deposits was \$9,898,269 and the bank balance was \$10,507,872. The bank balance is categorized according to credit risk as follows:

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

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

Category 3 - Uninsured and uncollateralized.

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

Investments

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

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

Summary of Deposits and Investment Balances

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

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

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

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

B. Property Taxes

Property taxes were levied for the fiscal year as follows:

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

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

C. Interfund Receivables and Payables

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

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

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

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

C. Interfund Receivables and Payables (Continued)

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. \$966,583 of the above balance is expected to be repaid during the next year. The remainder represents appropriations for future projects and will be repaid upon need of the funds for those projects.

D. Capital Assets (Includes School)

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

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

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

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

D. Capital Assets (Continued)

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	164,793			164,793
<i>Capital assets being depreciated:</i>				
Water Fund	8,704,778	259,306	(40,343)	8,923,741
Wastewater Fund	18,988,661	137,810	-	19,126,471
<i>Total capital assets being depreciated</i>	<u>27,693,439</u>	<u>397,116</u>	<u>(40,343)</u>	<u>28,050,212</u>
<i>Less accumulated depreciation for:</i>				
Water Fund	2,660,950	189,658	(41,148)	2,809,460
Wastewater Fund	7,293,218	515,470	-	7,808,688
<i>Total accumulated depreciation</i>	<u>9,954,168</u>	<u>705,128</u>	<u>(41,148)</u>	<u>10,618,148</u>
<i>Net capital assets being depreciated</i>	<u>17,739,271</u>	<u>(308,012)</u>	<u>805</u>	<u>17,432,064</u>
<i>Business-type Activities Capital Assets, net</i>	<u>17,904,064</u>	<u>(308,012)</u>	<u>805</u>	<u>17,596,857</u>

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

Governmental Activities:

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

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

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

E. Capital Leases

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

<i>Year-ended</i> <u>June 30,</u>	<i>Minimum Lease Payment</i>
2013	14,993
2014	14,994
2015	14,993
2016	14,992
Total Minimum Lease Payments	59,972
Less: Amount Representing Interest	(4,626)
Present Value of Future Minimum Lease Payments	<u>55,346</u>

F. Long-Term Debt

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

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

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

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

F. Long-Term Debt (Continued)

1. General Obligation Bonds and Notes (Continued)

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

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

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

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

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

F. Long-Term Debt (Continued)

2. Changes in Long-Term Liabilities

The following summary of long-term debt transactions of the Town of Bar Harbor for the fiscal year ended June 30, 2012:

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

3. Debt Authorized - Unissued

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

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

As of June 30, 2012, this remained unissued.

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

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

G. Contributed Capital

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

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

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

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

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

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

B. Permanent Funds

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

<u>Purpose</u>	<u>Nonspendable</u>	<u>Assigned</u>
Cemetery Care	3,332	-
Scholarships	<u>6,488</u>	<u>3,215</u>
Total	<u><u>9,820</u></u>	<u><u>3,215</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, 2012

NOTE 4 - OTHER INFORMATION (Continued)

C. Pension Plans

Plan Description (Continued)

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

Funding Policy

Under the ICMA plan, covered employees contribute a percentage of their salary to the plan with the Town contributing 6.5% to 9.5%. The Town's costs for the fiscal years ended June 30 2010, 2011 and 2012 were \$105,143, \$101,711 and \$100,842 respectively.

Maine Public Employees Retirement System Consolidated Plan members are required to contribute 6.5% to 7.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 4.4% to 5.5% of annual covered payroll, plus a monthly contribution of \$889 and \$483 to fund the IUUAL, or the Initial Unpooled Unfunded Actuarial Liability. The IUUAL liability stands at \$47,073 as of July 1, 2011. The IUUAL is being amortized over 3 years beginning July 1, 2011. Funding for subsequent fiscal year 2013 will be at 5.3% to 6.6% respectively. The contribution requirements of plan members and the Town are established by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Consolidated Plan for all four funds for the years ended June 30, 2010, 2011 and 2012, were \$66,022, \$80,352 and \$104,296 respectively, which were paid in full each year.

Consolidated Plan members are required to contribute 6.5% of their annual covered salary and the School Department is required to contribute an actuarially determined rate. The current rate is 3.5% of annual covered payroll, plus a monthly payment for all covered employees of \$88. The contribution requirements of plan members and the School Department are established by the Maine Public Employees Retirement System Board of Trustees. The School Department's contributions to the Consolidated Plan for the years ended June 30, 2010, 2011 and 2012 were \$5,820, \$4,969 and \$5,563 respectively, which were paid in full each year.

Teachers and other qualified employees are required to contribute 7.65% of their compensation to the Teacher Plan. The State Department of Education is required to contribute the employer contribution, which amounted to 14.32% of the annual covered salary for fiscal year 2012. The State's cost for 2012 was approximately \$388,425. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 14.32% of their compensation. This cost amounted to \$20,134 for 2012 and is chargeable to the applicable grants.

D. Bar Harbor Water Company Pension Plan

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

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

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

NOTE 4 - OTHER INFORMATION (Continued)

D. Bar Harbor Water Company Pension Plan (Continued)

Based on the latest actuarial valuation as of January 1, 2012, the accrued liability of the plan was \$319,680. The value of assets available for funding totaled \$153,175, leaving an unfunded liability of \$166,505. The total unfunded liability has been recorded as a liability at June 30, 2012 of the Bar Harbor Water Division enterprise fund.

E. Risk Management

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

Workers' Compensation - MMA's workers' compensation self-insured trust retains \$1,000,000 of risk and purchases excess insurance for claims which exceed \$1,000,000 up to a maximum coverage of \$2,000,000. All participants are jointly and severally liable; therefore, if collected claims exceed collective contributions the trust has a right to assess additional contributions to its members.

Property and Casualty - MMA's Self-Funded Risk Management Pool (Pool) was created to establish and administer a risk management service and to bring about prevention or lessening of casualty and property losses to member towns. The town pays an annual premium to the Pool for various coverage and services.

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

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

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

Based on the coverage provided by the pools described above, the town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2012.

F. Other Postemployment Benefits

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

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

NOTE 4 - OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (Continued)

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

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

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

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

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

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

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

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

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

NOTE 4 - OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (Continued)

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

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

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

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

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

November 9, 2012

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

We have audited the financial statements of the Town of Bar Harbor School Department for the year ended June 30, 2012.

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

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