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Bar Harbor Maine Audited Annual Financial Report 2013

Bar Harbor, Me.

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INDEPENDENT AUDITOR'S REPORT

December 18, 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bar Harbor, Maine as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bar Harbor, Maine's basic financial statements. 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 basic financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bar Harbor, Maine's internal control over financial reporting and compliance.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

TOWN OF BAR HARBOR, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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, 2013. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

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

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net Position – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2013 by \$33,007,629 (presented as “net position”). Of this amount, \$13,657,680 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Position – The Town's total net position increased by \$1,348,732 (a 4.3% increase) for the fiscal year ended June 30, 2013. Net position of governmental activities increased by \$764,991 (a 3.7% increase), while net position of business-type activities showed an increase of \$583,741 (a 5.3% increase).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2013, the Town's governmental funds reported a combined ending fund balance of \$10,998,728 with \$840,746 being general unassigned fund balance. This unassigned fund balance represents approximately 5.2% of the total general fund expenditures for the year.

Long-term Debt:

The Town's total long-term debt obligations increased by \$4,834,662 (35.3%) during the current fiscal year. Existing debt obligations were retired according to schedule. The Town issued a new bond in the amount of \$3,350,000 that was approved at the annual town meeting on 6/5/12 for a new public works complex. The Town also issued a new bond in the amount of \$2,662,957 for the Duck Brook pump station upgrade.

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 Position

57.8% of the Town's net position reflects its net investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that are still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of accumulated depreciation and net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

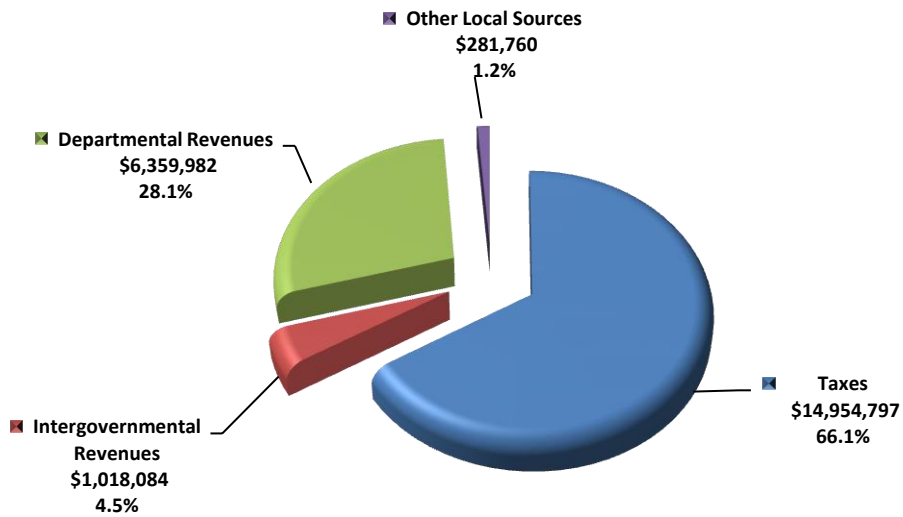
	Governmental Activities	Business-like Activities	Total 2013	Total 2012
Current Assets	12,802,930	3,328,152	16,131,082	13,324,337
Capital Assets	17,402,976	20,225,953	37,628,929	33,755,717
Total Assets	30,205,906	23,554,105	53,760,011	47,080,054
Current Liabilities	1,490,296	1,998,665	3,488,961	2,890,631
Other Liabilities	7,310,533	9,914,102	17,224,635	12,530,526
Total Liabilities	8,800,829	11,912,767	20,713,596	15,421,157
Deferred Inflows of Resources				
Prepaid Property Taxes	38,786		38,786	-
Net Position:				
Held for Postemployment Benefits	51,152		51,152	52,563
Net Investment in Capital Assets	9,716,281	9,375,617	19,091,898	20,088,807
Restricted	206,899		206,899	536,632
Unrestricted	11,391,959	2,265,721	13,657,680	10,980,895
Total Net Position	21,366,291	11,641,338	33,007,629	31,658,897
Total Liabilities, Deferred Inflows of Resources and Net Position	30,205,906	23,554,105	53,760,011	47,080,054

Changes in Net Position

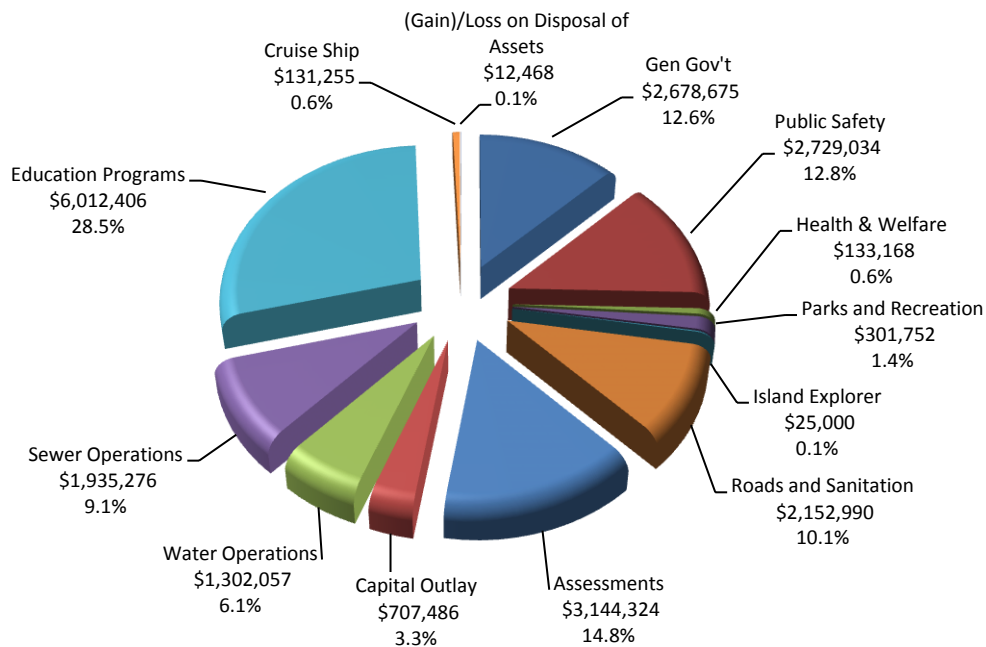
Approximately 66.1% of the Town's total revenue came from property and excise taxes, approximately 4.5% came from Federal and State subsidies and grants, and approximately 29.4% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,666,644 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	Total 2013	Total 2012
Revenues:				
Taxes	14,954,797		14,954,797	14,435,377
Intergovernmental Revenues	1,018,084		1,018,084	1,059,380
Departmental Revenues	2,569,836	3,790,146	6,359,982	6,455,758
Other Local Sources	266,806	14,954	281,760	362,219
Total	18,809,523	3,805,100	22,614,623	22,312,734
Expenses:				
General Government	2,678,675		2,678,675	2,768,229
Public Safety	2,729,034		2,729,034	2,946,428
Health & Welfare	133,168		133,168	131,833
Parks and Recreation	301,752		301,752	262,508
Island Explorer Shuttle Bus	25,000		25,000	25,000
Roads and Sanitation	2,152,990		2,152,990	1,945,884
Assessments	3,144,324		3,144,324	2,999,096
Capital Outlay	707,486		707,486	332,243
Water Operations		1,302,057	1,302,057	1,246,534
Sewer Operations		1,935,276	1,935,276	1,846,755
Education Programs	6,012,406		6,012,406	5,841,671
Cruise Ship	131,255		131,255	129,558
Internal Transfers	15,974	(15,974)	-	
(Gain)/Loss on Disposal of Assets	12,468		12,468	(5,328)
Total	18,044,532	3,221,359	21,265,891	20,470,411
Changes in Net Position	764,991	583,741	1,348,732	1,842,323

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 \$10,998,728, an increase of \$2,517,298 in comparison with the prior year. Approximately 7.6 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:

- \$31,508 positive variance in auto excise due to newer/higher vehicles being registered.
- \$(63,131) negative variance in ambulance revenues due to fewer Bangor runs due to being short staffed, increased write offs due to more patients without insurance and decreased Medicare/Medicaid payment schedules.
- \$16,756 positive variance in site plan review revenues due to an increase in new plans coming before the planning board due to improved business climate.
- \$(47,332) negative variance in investment income due to decreasing yields while budgeting for increasing yields.
- \$103,094 positive variance in employee benefits due to lower than budgeted health insurance premiums and health insurance opt out costs.
- \$23,259 positive variance in police department due to wages that were covered by the ARRA police officer grant.
- \$70,507 positive variance in the highway division due to lower winter storm related costs.

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 \$67,756,339, net of accumulated depreciation of \$30,146,217, leaving a net book value of \$37,610,122. Current year additions included Capital Improvements, Water and Sewer additions.

REQUESTS FOR INFORMATION

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

TOWN OF BAR HARBOR
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	6,640,274	2,116,732	8,757,006
Investments	1,639,437		1,639,437
Receivables			
Taxes and Liens	846,639	38,393	885,032
User Fees, net		478,342	478,342
Accounts	66,046	17,087	83,133
Ambulance	109,170		109,170
Bonds	3,350,000	394,839	3,744,839
Accrued Interest	1,142		1,142
Prepaid Expense	22,376	100,784	123,160
Inventory	18,960	175,524	194,484
Due from Other Governments	108,886		108,886
Bond Issuance Costs, Net		6,451	6,451
Capital Assets:			
Land	1,899,514	164,793	2,064,307
Construction Work in Progress	356,067	2,946,792	3,302,859
Other Capital Assets, Net of Depreciation	15,147,395	17,114,368	32,261,763
Total Assets	30,205,906	23,554,105	53,760,011
<i>Liabilities, Deferred Inflows of Resources and Net Position</i>			
Liabilities			
Accounts Payable	599,334	150,208	749,542
Retainage Payable	44,183	48,569	92,752
Payroll Taxes Deductible	8,041		8,041
Accrued Salaries Payable	562,606	16,263	578,869
Accrued Compensated Absences	303,573	41,034	344,607
Accrued Interest Payable		46,061	46,061
Accrued Pension Costs		177,233	177,233
Internal Balances	(409,476)	409,476	-
Construction Advances		165,000	165,000
Deposits Payable	5,873	2,136	8,009
Long-term Liabilities:			
Due Within One Year	376,162	942,685	1,318,847
Due in More Than One Year	7,310,533	9,914,102	17,224,635
Total Liabilities	8,800,829	11,912,767	20,713,596
Deferred Inflows of Resources			
Prepaid Taxes	38,786		38,786
Net Position			
Held for Postemployment Benefits	51,152		51,152
Net Investment in Capital Assets	9,716,281	9,375,617	19,091,898
Restricted	206,899		206,899
Unrestricted	11,391,959	2,265,721	13,657,680
Total Net Position	21,366,291	11,641,338	33,007,629
Total Liabilities, Deferred Inflows of Resources and Net Position	30,205,906	23,554,105	53,760,011

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, 2013

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-like Activities</u>
<u>Primary Government</u>					<u>Total</u>
<u>Governmental Activities:</u>					
General Government	2,678,675	416,381	5,000	(2,257,294)	(2,257,294)
Public Safety	2,729,034	505,813	588,112	(1,635,109)	(1,635,109)
Health and Welfare	133,168			(133,168)	(133,168)
Parks & Recreation	301,752	650	11,000	(290,102)	(290,102)
Island Explorer Shuttle Bus	25,000			(25,000)	(25,000)
Roads and Sanitation	2,152,990	81,221	40,000	(2,031,769)	(2,031,769)
Assessments	3,144,324			(3,144,324)	(3,144,324)
Capital Outlay	707,486			(707,486)	(707,486)
Education	6,012,406	1,002,130		(5,010,276)	(5,010,276)
Cruise Ship	131,255	580,993		449,738	449,738
<u>Total Governmental Activities</u>	18,016,090	2,587,188	644,112	(14,784,790)	(14,784,790)
<u>Business-type Activities:</u>					
Wastewater	1,935,276	2,145,011			209,735
Water	1,302,057	1,645,135			343,078
<u>Total Business-type Activities</u>	3,237,333	3,790,146			552,813
<u>Total Primary Government</u>	21,253,423	6,377,334	644,112	(14,784,790)	(14,231,977)
<u>General Revenues:</u>					
Taxes					
Property				14,099,936	14,099,936
Auto and Boat Excise				854,861	854,861
Intergovernmental Revenues				373,972	373,972
Other Local Sources				249,454	14,954
Internal Transfers				(15,974)	15,974
Gain/(Loss) on Disposal of Assets				(12,468)	(12,468)
<u>Total Revenues, Special Items and Transfers</u>				15,549,781	30,928
<u>Changes in Net Position</u>				764,991	583,741
<u>Net Position - Beginning</u>				20,601,300	11,057,597
<u>Net Position - Ending</u>				21,366,291	11,641,338

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

TOWN OF BAR HARBOR
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>CIP Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	6,637,614		2,660	6,640,274
Investments	1,627,085		12,352	1,639,437
Receivables				
Taxes	18,042			18,042
Tax Liens	828,597			828,597
Accounts	66,046			66,046
Bonds		3,350,000		3,350,000
Ambulance Fees	109,170			109,170
Accrued Interest	1,142			1,142
Prepaid Expense	22,376			22,376
Inventory	18,960			18,960
Due from Other Governments	97,886		11,000	108,886
Due from Other Funds	443,054	4,243,657	19,064	4,705,775
Total Assets	9,869,972	7,593,657	45,076	17,508,705
<i>Liabilities, Deferred Inflows of Resources and Fund Balances</i>				
Liabilities				
Accounts Payable	348,515	250,819		599,334
Retainage Payable		44,183		44,183
Payroll Taxes/Deductions	8,041			8,041
Accrued Salaries Payable	562,606			562,606
Accrued Compensated Absences	260,282			260,282
Due to Other Funds	4,292,966		3,333	4,296,299
Deposits Payable	5,873			5,873
Total Liabilities	5,478,283	295,002	3,333	5,776,618
<i>Deferred Inflows of Resources:</i>				
Prepaid Taxes	38,786			38,786
Unearned Property Taxes	686,316			686,316
Unearned Rental Income	7,855			7,855
Unearned Other	402			402
Total Deferred Inflows of Resources	733,359	-	-	733,359
<i>Fund Balances</i>				
Nonspendable	3,224		11,758	14,982
Restricted	165,186		26,731	191,917
Committed		7,298,655		7,298,655
Assigned	2,649,174		3,254	2,652,428
Unassigned	840,746			840,746
Total Fund Balances	3,658,330	7,298,655	41,743	10,998,728
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	9,869,972	7,593,657	45,076	17,508,705

(Continued)

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

TOWN OF BAR HARBOR
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit C
Page 2 of 2

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

Total Fund Balance	10,998,728
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$18,855,949	17,402,976
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds: Unearned Revenues	694,573
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	(7,644,521) (43,291) (42,174) <u>(7,729,986)</u>
Net Position of Governmental Activities	<u><u>21,366,291</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, 2013

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	14,960,299			14,960,299
Intergovernmental Revenues	382,084	-	644,112	1,026,196
Departmental Revenues	2,569,836			2,569,836
Other Local Sources	222,926	29,421	14,057	266,404
Total Revenues	18,135,145	29,421	658,169	18,822,735
Expenditures				
General Government	2,510,077		105	2,510,182
Public Safety	2,419,830		791,148	3,210,978
Health and Welfare	119,231			119,231
Parks and Recreation	246,272		3,333	249,605
Island Explorer Shuttle Bus	25,000			25,000
Roads and Sanitation	1,713,980		80,000	1,793,980
Education	5,891,328			5,891,328
Assessments	3,144,324			3,144,324
Cruise Ship	131,255			131,255
Capital Outlay		2,563,580		2,563,580
Total Expenditures	16,201,297	2,563,580	874,586	19,639,463
Excess of Revenues Over (Under)				
Expenditures	1,933,848	(2,534,159)	(216,417)	(816,728)
Other Financing Sources (Uses)				
Bond Proceeds	-	3,350,000		3,350,000
Transfers from Other Funds	283,137	2,007,089	40,000	2,330,226
Transfers to Other Funds	(2,306,120)	(40,000)	(80)	(2,346,200)
Total Other Financing Sources (Uses)	(2,022,983)	5,317,089	39,920	3,334,026
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(89,135)	2,782,930	(176,497)	2,517,298
Fund Balance - July 1	3,747,465	4,515,725	218,240	8,481,430
Fund Balance - June 30	3,658,330	7,298,655	41,743	10,998,728

(Continued)

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

TOWN OF BAR HARBOR
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds 2,517,298

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	2,213,917
Gain/(Loss) on Disposal of Assets	(12,468)
Depreciation expense	(957,331)
	<u>1,244,118</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Unearned Revenues	(7,710)
Unearned Taxes	(5,502)
	<u>(13,212)</u>

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Capital lease obligation principal payments	13,172
Bond Proceeds	(3,350,000)
General obligation bond principal payments	359,585
	<u>(2,977,243)</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	(5,970)
------------------------------	---------

Change in net position of governmental activities 764,991

TOWN OF BAR HARBOR
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013

Exhibit E

<i>Assets</i>	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	<i>Total</i>
Current Assets:			
Cash and Equivalents	1,931,807	184,925	2,116,732
Receivables			
User Fees, net	460,340	18,002	478,342
Liens Receivable	38,393	-	38,393
Bonds Receivable		394,839	394,839
Accounts	15,328	1,759	17,087
Inventory	25,903	149,621	175,524
Prepaid Expenses		100,784	100,784
Total Current Assets	2,471,771	849,930	3,321,701
Noncurrent Assets:			
Capital Assets, net	11,239,009	8,986,944	20,225,953
Bond Issuance Costs, net	-	6,451	6,451
Total Noncurrent Assets	11,239,009	8,993,395	20,232,404
Total Assets	13,710,780	9,843,325	23,554,105
Liabilities and Net Position			
Liabilities			
Accounts Payable	95,047	55,161	150,208
Retainage Payable	3,780	44,789	48,569
Accrued Salaries and Benefits	9,388	6,875	16,263
Accrued Interest Payable	23,626	22,435	46,061
Escrow Deposit		2,136	2,136
Due to Other Funds	36,914	372,562	409,476
Compensated Absences Payable	26,796	14,238	41,034
Bonds and Notes Payable	492,701	449,984	942,685
Total Current Liabilities	688,252	968,180	1,656,432
Noncurrent Liabilities:			
Construction Advances		165,000	165,000
Accrued Pension Costs		177,233	177,233
Bonds and Notes Payable	3,529,497	6,384,605	9,914,102
Total Noncurrent Liabilities	3,529,497	6,726,838	10,256,335
Total Liabilities	4,217,749	7,695,018	11,912,767
Net Position			
Net Investment in Capital Assets	7,216,811	2,158,806	9,375,617
Retained Earnings			
Reserved	1,980,158	-	1,980,158
Unreserved	296,062	(10,499)	285,563
Total Net Position	9,493,031	2,148,307	11,641,338
Total Liabilities and Net Position	13,710,780	9,843,325	23,554,105

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

TOWN OF BAR HARBOR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit F

	<u>Proprietary Fund Types</u>		
	<u>Wastewater Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	1,364,215	1,642,800	3,007,015
Capital Charge	770,069		770,069
Interest - Late Penalties	10,727	2,335	13,062
Total Operating Revenues:	<u>2,145,011</u>	<u>1,645,135</u>	<u>3,790,146</u>
Operating Expenditures:			
Salaries and Benefits	571,897	490,728	1,062,625
Contracted Services	238,674	163,074	401,748
Utilities & Commodities	206,463	55,305	261,768
Repairs & Maintenance	101,755	128,789	230,544
Equipment	11,638	7,803	19,441
Other Expenses	39,137	26,824	65,961
Depreciation and Amortization	550,020	214,448	764,468
Materials and Supplies	86,870	76,304	163,174
Total Operating Expenditures	<u>1,806,454</u>	<u>1,163,275</u>	<u>2,969,729</u>
Net Operating Income	<u>338,557</u>	<u>481,860</u>	<u>820,417</u>
Nonoperating Revenues (Expenses)			
Interest Revenue	6,347	1,502	7,849
Transfer from Other Funds	15,974		15,974
Nonutility Income, net of expense		2,287	2,287
Contributions in Aid of Construction		4,818	4,818
Interest Expense	<u>(128,822)</u>	<u>(138,782)</u>	<u>(267,604)</u>
Total Nonoperating Revenue (Expenses)	<u>(106,501)</u>	<u>(130,175)</u>	<u>(236,676)</u>
Change in Net Position (net income)	232,056	351,685	583,741
Total Net Position - Beginning	<u>9,260,975</u>	<u>1,796,622</u>	<u>11,057,597</u>
Total Net Position - Ending	<u>9,493,031</u>	<u>2,148,307</u>	<u>11,641,338</u>

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, 2013

Exhibit G

	Proprietary Fund Types		
	Wastewater Enterprise	Water Enterprise	Total
Cash Flows from Operating Activities			
Received from Customers	2,145,011	1,645,135	3,790,146
Payments to Suppliers	(645,400)	(431,275)	(1,076,675)
Payments to Employees	(571,897)	(490,728)	(1,062,625)
Other Receipts (Payments)	(39,137)	(24,537)	(63,674)
Net Cash Provided by (Used in) Operating Activities	888,577	698,595	1,587,172
Cash Flows from Capital and Related Financing Activities			
Purchases of Capital Assets	(465,890)	(2,927,312)	(3,393,202)
Principal Received on Capital Debt Issued	-	2,662,957	2,662,957
Principal Paid on Capital Debt	(483,027)	(322,510)	(805,537)
Interest Paid on Capital Debt	(128,822)	(138,782)	(267,604)
Net Cash Used in Capital and Related Financing Activities	(1,077,739)	(725,647)	(1,803,386)
Cash Flows from Investing Activities			
Purchase of Investments	65,114	(523,713)	(458,599)
Interest and Dividends	6,347	1,502	7,849
Net Cash Provided by (Used in) Investing Activities	71,461	(522,211)	(450,750)
Net Increase (Decrease) in Cash and Cash Equivalents	(117,701)	(549,263)	(666,964)
Balances - beginning of the year	2,049,508	734,188	2,783,696
Balances - end of the year	1,931,807	184,925	2,116,732
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Net Operating Income (Loss)	338,557	481,860	820,417
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	550,020	214,448	764,468
(Increase) Decrease in Accounts Receivable	(16,538)	(406,169)	(422,707)
(Increase) Decrease in Due To/From Other Funds	(39,812)	374,338	334,526
(Increase) Decrease in Inventory	(3,349)	(42,483)	(45,832)
(Increase) Decrease in Prepaid Expense		(27,723)	(27,723)
Increase (Decrease) in Accrued Wages Payable	425	380	805
Increase (Decrease) in Accrued Interest Payable	(3,366)	13,199	9,833
Increase (Decrease) in Escrow Deposits		1,125	1,125
Increase (Decrease) in Compensated Absences Payable	543	1,743	2,286
Increase (Decrease) in Accounts Payable	58,317	43,088	101,405
Increase (Decrease) in Retainage Payable	3,780	44,789	48,569
Net Cash Provided by (Used in) Operating Activities	888,577	698,595	1,587,172

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, 2013

Exhibit H

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	14,908,603	14,908,603	14,960,299	51,696
Intergovernmental Revenues	391,717	391,717	382,084	(9,633)
Departmental Revenues	2,035,745	2,035,745	1,988,843	(46,902)
Other Local Sources	278,652	278,652	217,574	(61,078)
Total Revenues	17,614,717	17,614,717	17,548,800	(65,917)
Expenditures				
General Government	2,762,298	2,713,170	2,517,166	196,004
Public Safety	2,442,210	2,465,338	2,418,094	47,244
Health and Welfare	125,191	125,191	123,208	1,983
Parks and Recreation	248,420	248,420	246,272	2,148
Island Explorer Shuttle Bus	25,000	25,000	25,000	-
Roads and Sanitation	1,808,300	1,808,300	1,715,580	92,720
Education	5,716,204	5,716,204	5,716,204	-
Assessments	3,195,645	3,195,645	3,144,324	51,321
Total Expenditures	16,323,268	16,297,268	15,905,848	391,420
Excess Revenues Over Expenditures	1,291,449	1,317,449	1,642,952	325,503
Other Financing Sources				
Transfers from Other Funds	282,711	282,711	283,137	426
Transfers to Other Funds	(1,747,987)	(1,773,987)	(1,773,987)	-
Total Other Financing Sources	(1,465,276)	(1,491,276)	(1,490,850)	426
Net Change in Fund Balance	(173,827)	(173,827)	152,102	325,929
Beginning Fund Balances - Budgetary Basis			2,961,977	
Ending Fund Balances - Budgetary Basis			3,114,079	
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			468,997	
Ending Fund Balances - GAAP Basis			3,583,076	

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-1
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under) Budget</i>
Taxes			
Property	14,004,734	14,024,367	19,633
Auto Excise	811,889	843,397	31,508
Boat Excise	13,980	11,464	(2,516)
Interest/Fees on Taxes	78,000	81,071	3,071
	14,908,603	14,960,299	51,696
Intergovernmental Revenues			
State of Maine			
Municipal Revenue Sharing	203,118	203,535	417
General Assistance	1,030	-	(1,030)
Urban Rural Initiative Program	69,124	68,517	(607)
Tree Growth	2,967	4,441	1,474
Veterans Reimbursement	1,961	2,149	188
Homestead Reimbursement	47,232	47,474	242
BETE Reimbursement	719	779	60
State Grants	1	-	(1)
Other Grants	1	-	(1)
Federal			
Acadia National Park - PILT	65,564	55,189	(10,375)
	391,717	382,084	(9,633)
Departmental Revenues			
Ambulance/Fire			
Ambulance Service	433,729	370,598	(63,131)
Police			
Police Detail	7,622	7,879	257
Parking Tickets	51,618	46,477	(5,141)
All Other	8,865	12,936	4,071
Planning / Code			
Building Permits	97,781	92,764	(5,017)
Plumbing Permits	20,720	24,957	4,237
Electrical Inspections	24,864	20,507	(4,357)
Vacation Rental Permits	5,266	1,250	(4,016)
Plan Board/Subdivision & Rezoning	2,118	3,406	1,288
Site Plan Review	3,315	20,071	16,756
All Other	6,193	3,713	(2,480)
Harbor Fees			
Docking	34,457	33,190	(1,267)
Moorings	4,721	4,591	(130)
All Other	12,195	12,790	595
Solid Waste			
Sale of Recyclables	70,000	71,281	1,281
All Other	925	210	(715)
Public Works			
All Other	9,194	9,730	536
Parks and Recreation			
Park and Recreation Fees	700	650	(50)
Fire Department	1	-	(1)

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-1
Page 2 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under) Budget</i>
Departmental Revenues (Continued)			
Finance			
Administrative Services	179,098	179,098	-
Auto Registrations	16,666	15,942	(724)
Boat/RV Registrations/Snowmobile Fees	1,558	1,018	(540)
Municipal Building Leases	15,000	27,775	12,775
Town Clerk			
Clerk's Fees	18,939	16,177	(2,762)
All Other	8,070	9,703	1,633
Elementary School	1,002,130	1,002,130	-
	<u>2,035,745</u>	<u>1,988,843</u>	<u>(46,902)</u>
Other Local Sources			
Interest on Investments	65,000	17,668	(47,332)
Kids Corner Lease	4,800	4,850	50
Island Explorer Lease	-	3,500	3,500
Other Rentals	2,693	2,680	(13)
Jackson Laboratory - PILT	72,785	72,785	-
Housing Authority - PILT	25,745	-	(25,745)
Other - PILT	12,600	15,175	2,575
Cable TV Franchise	88,683	83,748	(4,935)
Insurance Dividends	5,083	12,054	6,971
Sale of Fixed Assets	1	4,249	4,248
All Other	1,262	865	(397)
	<u>278,652</u>	<u>217,574</u>	<u>(61,078)</u>
Operating Transfers In			
Cemetery Income	80	80	-
Cruise Ship Fund	277,705	277,705	-
Dog Control Reserve	2,869	2,601	(268)
Shellfish Conservation	2,057	2,751	694
	<u>282,711</u>	<u>283,137</u>	<u>426</u>
Other Financing Sources			
Lease Proceeds	-	-	-
Total Revenues, Operating Transfers and Other Financing Sources	<u>17,897,428</u>	<u>17,831,937</u>	<u>(65,491)</u>
Beginning Fund Balance Used	<u>173,827</u>		
Total	<u>18,071,255</u>		

TOWN OF BAR HARBOR

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES

FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-2

Page 1 of 2

	<i>Encumbered From 6/30/12</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/14</i>	<i>(Over) Under Budget</i>
General Government					
Town Council		37,422	37,715		(293)
Town Manager		116,376	121,357	8,000	(12,981)
Town Clerk		114,411	113,069		1,342
Finance		305,268	301,720	3,391	157
Legal Counsel		23,753	9,182		14,571
Elections		15,494	11,968		3,526
Technology		125,981	122,703	1,000	2,278
Municipal Building		86,434	77,887		8,547
Town Offices		32,881	34,982		(2,101)
Employee Benefits		1,288,853	1,185,509	250	103,094
Insurance		84,359	76,950		7,409
Assessing		164,491	130,595	1,920	31,976
Code Enforcement		88,808	72,162	1,625	15,021
Planning	19,087	136,272	115,657	9,990	29,712
27th Pay Period		13,202	17,813		(4,611)
Vacation Accruals		11,805	53,150		(41,345)
Abatements/Discount on Taxes		67,360	27,658		39,702
	19,087	2,713,170	2,510,077	26,176	196,004
Public Safety					
Ambulance		416,073	415,297		776
Fire Department		761,597	752,653	1,000	7,944
Police Department		862,038	835,279	3,500	23,259
Public Safety Building		42,285	39,079		3,206
Street Lights		68,323	68,799		(476)
Dispatch		199,892	197,703		2,189
Harbor Division	6,200	115,130	110,984		10,346
	6,200	2,465,338	2,419,794	4,500	47,244
Health and Welfare					
General Assistance		2,061	-		2,061
Cooperating Agencies		35,568	35,568		-
Emergency Management		384	-		384
Comfort Station		87,178	83,663	3,977	(462)
	-	125,191	119,231	3,977	1,983

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-2
Page 2 of 2

	<i>Encumbered From 6/30/12</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/14</i>	<i>(Over) Under Budget</i>
Parks and Recreation					
Parks & Recreation		248,420	246,272		2,148
	-	248,420	246,272	-	2,148
Island Explorer Shuttle Bus	-	25,000	25,000	-	-
Roads and Sanitation					
Public Works		148,830	140,511		8,319
Highway Division		1,063,804	991,697	1,600	70,507
Solid Waste		595,666	581,772		13,894
	-	1,808,300	1,713,980	1,600	92,720
Education					
Elementary School	607,868	5,716,204	5,891,328	432,744	-
Total Appropriations, Expenditures and Encumbrances	633,155	13,101,623	12,925,682	468,997	340,099
Assessments					
Regional School District		2,595,215	2,595,215		-
County Tax		549,109	549,109		-
Overlay		51,321			51,321
	-	3,195,645	3,144,324	-	51,321
Operating Transfers Out					
Capital Improvements Program		1,773,987	1,773,987		-
	-	1,773,987	1,773,987	-	-
Totals	633,155	18,071,255	17,843,993	468,997	391,420

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-3

Unassigned Fund Balance, July 1	1,170,977	
Unassigned Fund Balance, June 30	<u>840,746</u>	
Increase (Decrease)		<u><u>(330,231)</u></u>

Analysis of Change

Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	(65,491)	
Unexpended Balance of Appropriations (Exhibit A-2)	340,099	
Unexpended Balance (Overdraft) of Assessments and Operating Transfers (Exhibit A-2)	51,321	
(Increase) Decrease in Assigned Fund Balances	<u>(482,333)</u>	
Budget Surplus		(156,404)
Deductions		
Fund Balance Used to Fund Appropriations		<u>(173,827)</u>
Increase (Decrease)		<u><u>(330,231)</u></u>

TOWN OF BAR HARBOR
GENERAL RESERVES AND COMMITTED FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

Exhibit A-4

<i>Assets</i>	<i>Dog Control Reserve</i>	<i>Shellfish Conservation Reserve</i>	<i>Cruise Ship Fund</i>	<i>Total</i>
Accounts Receivable			45,708	45,708
Due from Other Funds	2,004	402	27,838	30,244
Total Assets	2,004	402	73,546	75,952
 <i>Liabilities & Fund Balances</i>				
Liabilities				
Unearned Revenue		402		402
Accounts Payable			296	296
Total Liabilities	-	402	296	698
Fund Balances				
Restricted	2,004			2,004
Assigned - Encumbrances			10,460	10,460
Assigned			62,790	62,790
Total Fund Balances	2,004	-	73,250	75,254
Total Liabilities & Fund Balances	2,004	402	73,546	75,952

TOWN OF BAR HARBOR

Exhibit A-5

GENERAL RESERVES AND COMMITTED FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	<i>Dog Control Reserve</i>	<i>Shellfish Conservation Reserve</i>	<i>Cruise Ship Fund</i>	<i>Total</i>
Revenues				
Dog Fees	2,601			2,601
Shellfish Fees		2,751		2,751
Port Fees			212,045	212,045
Cruise Ship Passenger Fees			368,948	368,948
Total Revenues	2,601	2,751	580,993	586,345
Expenditures				
Public Safety	36			36
Cruise Ship Operating			131,255	131,255
Total Expenditures	36	-	131,255	131,291
Excess of Revenues Over (Under) Expenditures	2,565	2,751	449,738	455,054
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds	(2,601)	(2,751)	(526,781)	(532,133)
Total Other Financing Sources (Uses)	(2,601)	(2,751)	(526,781)	(532,133)
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	(36)	-	(77,043)	(77,079)
Fund Balance - July 1	2,040	-	150,293	152,333
Fund Balance - June 30	2,004	-	73,250	75,254

TOWN OF BAR HARBOR
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

Exhibit B-1

<i>Assets</i>	<i>ARRA Port Security Grant</i>	<i>Healthy Maine Streets Grant</i>	<i>Maine Forestry Grant</i>	<i>Total</i>
Due from Other Funds	14,169	4,895		19,064
Due from Other Governments			11,000	11,000
Total Assets	14,169	4,895	11,000	30,064
 <i>Liabilities & Fund Balances</i>				
Liabilities				
Due to Other Funds			3,333	3,333
Total Liabilities	-	-	3,333	3,333
Fund Balances				
Restricted	14,169	4,895	7,667	26,731
Total Fund Balances	14,169	4,895	7,667	26,731
Total Liabilities & Fund Balances	14,169	4,895	11,000	30,064

TOWN OF BAR HARBOR
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
SPECIAL REVENUES/GRANTS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-2

	<i>Homeland Security Grant - 2009</i>	<i>ARRA Port Security Grant</i>	<i>Safe Routes To School</i>	<i>Healthy Maine Streets Grant</i>	<i>Maine Forestry Grant</i>	<i>Town Hill DOT Grant</i>	<i>Total</i>
Revenues							
Local Revenues		12,000					12,000
Intergovernmental	473,106	108,879	6,127	5,000	11,000	40,000	644,112
Total Revenues	473,106	120,879	6,127	5,000	11,000	40,000	656,112
Expenditures							
General Government				105			105
Parks & Recreation					3,333		3,333
Public Works						80,000	80,000
Public Safety	630,084	154,937	6,127				791,148
Total Expenditures	630,084	154,937	6,127	105	3,333	80,000	874,586
Excess of Revenues Over (Under) Expenditures	(156,978)	(34,058)	-	4,895	7,667	(40,000)	(218,474)
Other Financing Sources (Uses)							
Transfers from Other Funds						40,000	40,000
Transfers to Other Funds							-
Total Other Financing Sources (Uses)	-	-	-	-	-	40,000	40,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(156,978)	(34,058)	-	4,895	7,667	-	(178,474)
Fund Balance - July 1	156,978	48,227	-	-	-	-	205,205
Fund Balance (Deficit) - June 30	-	14,169	-	4,895	7,667	-	26,731

TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-1
Page 1 of 3

	Balance July 1	Budget	Revenues and Transfers	Expenditures/ Transfers	Balance (Over) Under	Transfers From (To) Unassigned	Balance June 30
Town Projects							
Town Clerk							
Computerized Voting Equipment	15,400				15,400		15,400
Finance							
Computer Hardware	12,587	3,004		(12,702)	2,889		2,889
Computer Software	4,850	(2,450)		(2,400)	-		-
Technology							
Copier Equipment	4,148	5,801		(8,279)	1,670		1,670
Wide Format Scanner & GIS Equipment	8,845	5,506			14,351		14,351
WAN & Cable TV System	30,602	9,399		(18,448)	21,553		21,553
Audio Visual Equipment	915				915		915
Document Imaging System	3,019				3,019		3,019
Computer Servers	9,652	2,668			12,320		12,320
Website Improvements	-	12,500		(10,702)	1,798		1,798
PA Hearing Loop System	-	5,000			5,000		5,000
Town Office Phone System	12,000	10,001		(15,873)	6,128		6,128
Asset Management System	5,737	(5,737)			-		-
Aerial Photography Update	23,275	6,369			29,644		29,644
Municipal Building							
Building Renovation	104,197			(71,400)	32,797		32,797
Code Enforcement							
Pickup Inspection Truck	9,522	2,667			12,189		12,189
Assessing							
Property Tax Maps & Revaluation	12,454	(6,267)			6,187		6,187
Assessing Software	5,000	(5,000)			-		-
Vehicle Purchase	10,067	8,934		(18,915)	86		86
Planning							
Backyard Parking	-	26,000			26,000		26,000
Ambulance							
Ambulance Reserve	105,652	44,349		(147,900)	2,101		2,101
Defibrillators	24,220				24,220		24,220
Jaws of Life	8,488				8,488		8,488
Fire Department							
Fire Engine #2	61,795	8,267			70,062		70,062
Fire Engine #3 Reserve	24,123	8,041			32,164		32,164
Fire Engine #4	124,681	16,667		(18,435)	122,913		122,913
Fire Engine #5	80,737	8,267			89,004		89,004
Pickup Truck Replacement	21,476	4,524		(25,856)	144		144
Thermal Imaging Camera	15,698				15,698		15,698
SCBA's & Cascade System	12,050				12,050		12,050
Police Department							
Computers & Software	6,528	4,378			10,906		10,906
Radio Base Station & Console	16,738				16,738		16,738
Speed Trailer & Monitor	3,667				3,667		3,667
Cruiser Replacement	118	27,250		(24,481)	2,887		2,887
Cruiser Equipment	4,100	4,100		(1,631)	6,569		6,569
Security camera System	2,500	940			3,440		3,440
Night Vision Units	1,360	1,360			2,720		2,720
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, 2013

Exhibit C-1
Page 2 of 3

	<i>Balance July 1</i>	<i>Budget</i>	<i>Revenues and Transfers</i>	<i>Expenditures/ Transfers</i>	<i>Balance (Over) Under</i>	<i>Transfers From (To) Unassigned</i>	<i>Balance June 30</i>
Town Projects (Continued)							
Public Safety Building							
Phone System Replacement	8,001	(8,001)			-		-
Public Safety Bldg. Generator	6,275	667			6,942		6,942
School Shelter Generator	1,334	667			2,001		2,001
Building Renovations	10,789	21,600		(6,164)	26,225		26,225
Harbor Department							
Harbor Master Boat & Trailer	14,544				14,544		14,544
New Floats	43,469	11,531		(48,852)	6,148		6,148
Gangway Replacement	9,913	2,450			12,363		12,363
Pier Renovations	1,500	179,751		(24,885)	156,366		156,366
Security Camera System	1,720	1			1,721		1,721
Parks & Recreation							
Museum in the Streets	10,606			(10,023)	583		583
Albert Meadow-Grant's Park	5,464				5,464		5,464
Mt. Desert Cemetery	60,728				60,728		60,728
Park Equipment	6,837				6,837		6,837
Launch Ramp-Hadley Point	1,496				1,496		1,496
Village Green Bandstand	1,233	1,233			2,466		2,466
Glen Mary Renovations	18,081				18,081		18,081
Harborview Park	46,867	15,824			62,691		62,691
Comfort Stations							
New Restrooms Construction	50,411	17,670			68,081		68,081
Public Works / Highway							
Land Acquisition & Development	25,650			(25,650)	-		-
Air Compressor	4,200	750			4,950		4,950
Backhoe Reserve (Cat & Deere)	66,885	38,610			105,495		105,495
Brush Chipper	20,655	1,350			22,005		22,005
Grader Reserve	115,035	5,900			120,935		120,935
Hydraulic Lifts	1,000	1,095			2,095		2,095
Front End Loader Reserve	99,715	9,267			108,982		108,982
Road Improvement Program	2,106,391	297,198		(930,366)	1,473,223		1,473,223
Sidewalk Plow	73,103	40,303		(113,405)	1	(1)	-
Sidewalk Reconstruction Program	359,871	165,709		(98,297)	427,283		427,283
Washer, Steam Pressure	10,480	131			10,611		10,611
Street Sweeper (Broom)	49,426	10,150			59,576		59,576
Street Sweeper (Vacuum)	121,440	(199)		(121,240)	1	(1)	-
Public Works Complex	-	3,350,000		(238,393)	3,111,607		3,111,607
Tag Trailer	10,399	1,000			11,399		11,399
Water Truck	-	1,000			1,000		1,000
Route #3 Construction	-	117,160			117,160		117,160
Light Truck Purchase	47,337	40,689			88,026		88,026
Plow Truck Reserve	1,669	63,167			64,836		64,836
Bobcat Loader	23,413	1,500			24,913		24,913
Roller, Vibratory	27,544	2,700			30,244		30,244
Waste Oil Furnace	-	1,413			1,413		1,413

TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-1
Page 3 of 3

	<i>Balance July 1</i>	<i>Budget</i>	<i>Revenues and Transfers</i>	<i>Expenditures/ Transfers</i>	<i>Balance (Over) Under</i>	<i>Transfers From (To) Unassigned</i>	<i>Balance June 30</i>
<i>Town Projects (Continued)</i>							
Solid Waste Division							
Storage	2,367	2,633			5,000		5,000
Glass Crusher	3,584				3,584		3,584
Forklifts	8,615				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	-	32,552		(32,551)	1	(1)	-
Debt Service - Agamont Park	-	60,255		(60,255)	-		-
Public Works - FY 10	-	291,780		(291,838)	(58)	58	-
Public Works - FY 13	-	126,859			126,859		126,859
Town Total	4,275,880	5,112,903	-	(2,378,941)	7,009,842	55	7,009,897
<i>School Projects</i>							
2004 Heating System Payment	-	70,000		(70,000)	-		-
2004 Heating System Payment	-	60,652		(59,321)	1,331	(1,331)	-
ADA Act Renovations	27,728			(13,830)	13,898		13,898
Capital Outlay Reserve	(2,533)	302			(2,231)	9,079	6,848
Furniture & Equipment	-	5,000			5,000		5,000
Computers & Technology	7,195	55,000		(50,733)	11,462		11,462
Copier Lease/Purchase	-	14,933		(14,993)	(60)	60	-
Flooring	22,491	2,500			24,991		24,991
Shed Roof	-	3,000		(1,780)	1,220	(1,220)	-
Repaving	15,000	2,500			17,500		17,500
Asbestos Removal	8,810	1,500			10,310		10,310
Pickup Truck Replacement	11,171	5,723			16,894		16,894
Playground Equipment	4,386	2,500			6,886		6,886
Emerson Bathroom	-	7,500			7,500		7,500
Roof Repairs	25,668	5,000			30,668		30,668
Storage Units	-	3,000			3,000		3,000
Connors Windows	12,065				12,065		12,065
Gym Floor Resurface	2,000				2,000	(2,000)	-
Emerson Fire Doors	-	6,000		(6,000)	-		-
Upper Emerson Exit Door	-	8,000		(7,982)	18	(18)	-
Bleacher Upgrade	-	7,500			7,500	-	7,500
Boiler Lead-Lag System	15,975	2,500			18,475		18,475
Tractor Plow Reserve	2,500	2,500			5,000		5,000
Kitchen Floor	4,570				4,570	(4,570)	-
Bleacher Buddy	2,000	2,000			4,000		4,000
Roof Fascia & Drainage	830				830		830
Sewer Lines	6,064				6,064		6,064
Safety & Access Control	19,458	2,500			21,958		21,958
Indoor Pipe Replacement	37,450	3,000			40,450		40,450
School Total	222,828	273,110	-	(224,639)	271,299	-	271,299
Subtotal	4,498,708	5,386,013	-	(2,603,580)	7,281,141	55	7,281,196
Unassigned Balance	17,017	(5,386,013)	5,386,510	-	17,514	(55)	17,459
Totals	4,515,725	-	5,386,510	(2,603,580)	7,298,655	-	7,298,655

TOWN OF BAR HARBOR
COMBINING BALANCE SHEET
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit D-1

<i>Assets</i>	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Cash and Equivalents	1,726	934	2,660
Investments	8,016	4,336	12,352
Total Assets	9,742	5,270	15,012
<i>Liabilities & Fund Balances</i>			
Liabilities			
Due to Other Funds			-
Total Liabilities	-	-	-
Fund Balances			
Nonspendable	6,488	5,270	11,758
Assigned	3,254	-	3,254
Total Fund Balances	9,742	5,270	15,012
Total Liabilities & Fund Balances	9,742	5,270	15,012

TOWN OF BAR HARBOR
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit D-2

	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
New Funds		2,000	2,000
Investment Income	39	18	57
	39	2,018	2,057
Expenditures			
Scholarships			-
	-	-	-
Excess of Revenues Over Expenditures	39	2,018	2,057
Other Financing Sources (Uses)			
Transfers to Other Funds		(80)	(80)
Total Other Financing Sources (Uses)	-	(80)	(80)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	39	1,938	1,977
Fund Balance - July 1	9,703	3,332	13,035
Fund Balance - June 30	9,742	5,270	15,012

TOWN OF BAR HARBOR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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		25,761		23,247	(23,247)	-
Passed Through State Department of Educational and Cultural Services							
NCLB Title 1A - Basic Compensatory Education	84.010	013-05A-3057-13	99,978	-	99,978	(99,978)	-
NCLB Title 1A - Basic Compensatory Education	84.010	013-05A-3057-13	5,189	-	5,189	(5,189)	-
NCLB Title IIA - Improving Teacher Quality	84.367	013-05A-3042-11	57,014	-	57,014	(57,014)	-
Title VI, Part B - Local Entitlement	84.027	013-05A-3046-12	98,006	-	98,006	(98,006)	-
Title VI, Part B - Preschool Grants	84.173	013-05A-6241-23	3,123	-	3,123	(3,123)	-
Total U.S. Department of Education			289,071	-	286,557	(286,557)	-
U.S. Department of Agriculture							
Passed Through State Department of Educational and Cultural Services							
National School Lunch Program	10.555	013-05A-7128-05	25,121	-	25,121	(25,121)	-
Federal Performance Based Lunch	10.555	013-05A-7142-05	813	-	813	(813)	-
School Breakfast Program	10.553	013-05A-7127-05	4,236	-	4,236	(4,236)	-
Food Distribution	10.550	NONE	7,665	2,409	7,665	(8,154)	1,920
Total U.S. Department of Agriculture			37,835	2,409	37,835	(38,324)	1,920
U.S. Department of Transportation							
Passed Through State Department of Transportation							
2013 CIOT Buckle Up No Excuses	20.609	NONE	2,000	-	2,000	(2,000)	-
Safe Routes To School	20.610	State PIN #017527.00	174,000	-	6,127	(6,127)	-
Total U.S. Department of Transportation			176,000	-	8,127	(8,127)	-
U.S. Department of Homeland Security							
2009 Homeland Security Grant	*97.056	NONE	473,106	-	473,106	(473,106)	-
ARRA Port Security Grant Program	97.116	NONE	880,234	-	108,879	(108,879)	-
Total U.S. Department of Homeland Security			1,353,340	-	581,985	(581,985)	-
U.S. Department of Commerce							
Passed Through State Department of Agriculture, Conservation & Forestry							
Forestry Open Space Grant	11.419	NONE	11,000	-	3,333	(3,333)	-
Total U.S. Department of Commerce			11,000	-	3,333	(3,333)	-
U.S. Department of Environmental Protection							
Passed Through State Department of Health & Human Services							
Drinking Water State Revolving Loan Fund Program	*66.468	NONE	2,679,150	-	2,630,176	(2,630,176)	-
Total U.S. Department of Environmental Protection			2,679,150	-	2,630,176	(2,630,176)	-
U.S. Department of Health & Human Services							
Passed Through Maine Downtown Center							
Healthy Maine Streets	93.737	NONE	10,000	-	105	(105)	-
Total U.S. Department of Health & Human Services			10,000	-	105	(105)	-
U.S. Department of Justice							
Bulletproof Vests Grant	16.607	NONE	1,162	-	660	(660)	-
Total U.S. Department of Health & Human Services			1,162	-	660	(660)	-
Total			4,557,558	2,409	3,548,778	(3,549,267)	1,920

* Tested as Major Program

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

For the year ended 6/30/13, the Town of Bar Harbor has implemented GASB #63 and GASB #65, which replaces net assets with net position and created deferrals.

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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The Town reports the following major governmental funds:

The General Fund is used to account for all or most of the Town's general activities, including the school, the revenues and expenditures of the Cruise Ship fund, the collection and disbursement of earmarked monies (special revenue funds) 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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Deposits and Investments

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

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

2. Receivables and Payables

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

Property taxes receivable not expected to be collected within 60 days from year end are classified as unearned revenue. At June 30, \$686,316 has been so classified and reported on the general fund balance sheet.

Annual property taxes were levied on July 2, 2012, on property values assessed on April 1. Taxes were due in two installments without penalty, due on September 28 and March 29, with interest at 7.0% beginning September 29 and March 30. 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.

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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Position

Fund Balances

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

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

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

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

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

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

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

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Position (Continued)

Fund Balances

The Town has identified June 30, 2013 fund balances on the balance sheet as follows:

	General Fund	Capital Improvement Projects	Other Governmental Funds	Total
<u>Nonspendable</u>				
School Lunch Inventory	3,224			3,224
Gurnee Principal			6,488	6,488
Cemetery Principal			5,270	5,270
	3,224	-	11,758	14,982
<u>Restricted</u>				
Dog Control Reserve	2,004			2,004
School Restricted Funds	163,182			163,182
Healthy Main Streets Grant			4,895	4,895
Maine Forestry Grant			7,667	7,667
ARRA Port Security Grant			14,169	14,169
	165,186	-	26,731	191,917
<u>Committed</u>				
Capital Improvement Programs		7,298,655		7,298,655
	-	7,298,655	-	7,298,655
<u>Assigned</u>				
Reserve for Working Capital	1,745,000			1,745,000
Designated Police Officer Reserve	28,333			28,333
Designated for Insurance	500,000			500,000
General Fund Encumbrances	36,253			36,253
Education Assigned Funds	266,338			266,338
Cruise Ship Fund - Encumbrances	10,460			10,460
Cruise Ship Fund	62,790			62,790
Gurnee Scholarship			3,254	3,254
	2,649,174	-	3,254	2,652,428
<u>Unassigned</u>				
General Fund	840,746			840,746
<u>Total Fund Balance</u>	<u>3,658,330</u>	<u>7,298,655</u>	<u>41,743</u>	<u>10,998,728</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Position (Continued)

Net Position

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

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

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

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

Unrestricted – This component consists of net position that 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, 2013

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, 2013, 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, 2013

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 \$8,757,006 and the bank balance was \$9,301,091. 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	Category 2	Category 3
Cash and Equivalents	<u>9,301,091</u>	<u>7,356,006</u>	<u>1,945,085</u>	<u>-</u>

Investments

At June 30, 2013, the Town's investments, maturities and credit ratings are as follows:

Type	June 30, 2013						
	Fair Value	Maturities in Years				Credit Rating	
		Less Than 1	1-5	6-10	More than 10	S&P	Moody's
General Town:							
Tennessee State Bank	250,448	250,448				not rated	not rated
Mutual Funds	<u>1,388,989</u>	<u>1,388,989</u>				not rated	not rated
Total	<u><u>1,639,437</u></u>	<u><u>1,639,437</u></u>	<u><u>-</u></u>	<u><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, 2013:

Deposits and Cash on Hand	\$ 8,757,006
Investments	<u>\$ 1,639,437</u>
	<u><u>\$ 10,396,443</u></u>

	Government-wide Statement of Net Position	Business-Type Statement of Net Position	Totals
Cash and Cash Equivalents	\$ 6,640,274	\$ 2,116,732	\$ 8,757,006
Investments	<u>\$ 1,639,437</u>	<u>\$ -</u>	<u>\$ 1,639,437</u>
	<u><u>\$ 8,279,711</u></u>	<u><u>\$ 2,116,732</u></u>	<u><u>\$ 10,396,443</u></u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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	1,423,245,310	
Tax Rate (per \$1,000)	<u>9.84</u>	
Commitment	<u>14,004,734</u>	
Appropriations	21,897,673	
Less:		
State Municipal Revenue Sharing	203,118	
Estimated Revenues	7,641,870	
BETE Reimbursement	719	
Homestead Reimbursement	<u>47,232</u>	
	<u>7,892,939</u>	
Net Assessment for Commitment	<u>14,004,734</u>	

Uncollected real estate taxes and personal property taxes at June 30 for the current year commitment totaled \$535,309, which represents tax collection of approximately 96.2% of the current year commitment. The real estate portion of the total taxes due were placed on lien June 25, 2013. Unpaid prior year tax liens at June 30 totaled \$301,415.

C. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2013 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	443,054	4,292,966
Special Revenue Funds		
Healthy Main Streets Grant	4,895	
Maine Forestry Grant		3,333
ARRA Port Security Grant	14,169	
Capital Project Funds	4,243,657	
Water Fund		372,562
Wastewater Fund	<u> </u>	<u>36,914</u>
Totals	<u>4,705,775</u>	<u>4,705,775</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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. \$431,873 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, 2013 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	1,899,514			1,899,514
Construction Work in Progress	158,188	298,336	(100,457)	356,067
	2,057,702	298,336	(100,457)	2,255,581
<i>Capital assets being depreciated:</i>				
Buildings	8,100,579	834,125	-	8,934,704
Equipment	5,773,234	613,262	(262,018)	6,124,478
Infrastructure	18,499,632	568,651	(124,121)	18,944,162
<i>Total capital assets being depreciated</i>	32,373,445	2,016,038	(386,139)	34,003,344
<i>Less accumulated depreciation for:</i>				
Buildings	3,095,428	199,704	-	3,295,132
Equipment	3,556,609	435,924	(259,009)	3,733,524
Infrastructure	11,620,252	321,703	(114,662)	11,827,293
<i>Total accumulated depreciation</i>	18,272,289	957,331	(373,671)	18,855,949
<i>Net capital assets being depreciated</i>	14,101,156	1,058,707	(12,468)	15,147,395
<i>Governmental Activities Capital Assets, net</i>	16,158,858	1,357,043	(112,925)	17,402,976

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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	8,923,741	2,908,504	(31,389)	11,800,856
Wastewater Fund	19,126,471	412,295	(7,000)	19,531,766
<i>Total capital assets being depreciated</i>	28,050,212	3,320,799	(38,389)	31,332,622
<i>Less accumulated depreciation for:</i>				
Water Fund	2,809,460	193,993	(30,191)	2,973,262
Wastewater Fund	7,808,688	515,320	(7,000)	8,317,008
<i>Total accumulated depreciation</i>	10,618,148	709,313	(37,191)	11,290,270
<i>Net capital assets being depreciated</i>	17,432,064	2,611,486	(1,198)	20,042,352
<i>Business-type Activities Capital Assets, net</i>	17,596,857	2,611,486	(1,198)	20,207,145

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

Governmental Activities:

General Government	168,493
Public Safety	248,636
Health and Welfare	13,937
Parks and Recreation	52,147
Roads and Sanitation, including infrastructure	359,010
Education	115,108
Total Depreciation Expense - Governmental Activities	957,331

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 June 30,</i>	<i>Minimum Lease Payment</i>
2014	14,994
2015	14,993
2016	14,992
Total Minimum Lease Payments	44,979
Less: Amount Representing Interest	(2,805)
Present Value of Future Minimum Lease Payments	42,174

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%	31,919
2004 School Heating System	11/1/2024	4.45%	567,602
2004 School Heating System	11/1/2013	0.00%	70,000
2005 Agamont Park and Seawall	10/15/2027	3.75 - 4.25%	480,000
2010 Capital Construction, Roads, etc.	5/1/2030	2.0-4.0%	3,145,000
2013 Public Works Complex	4/15/2034	2.0-4.0%	3,350,000
			<u>7,644,521</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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%	2,155,884
2005 Hulls Cove Wastewater Plant	10/15/2027	3.0 - 4.38%	605,000
2002 Water Tank Purchase	10/1/2021	2.673%	382,947
2010 Water Mains	5/1/2030	2.0 - 4.0%	510,000
2011 Wastewater Mains Replacement	12/1/2031	2.0 - 3.5%	1,006,314
2011 Wastewater Scada System	12/1/2031	2.0 - 3.5%	255,000
2011 Water Refinance. Mains Replacement and Duck Brook Pump Station	12/1/2031	2.0 - 3.5%	3,278,685
2012 Safe Drinking Revolving Water Loan	10/1/2032	1.000%	<u>2,662,957</u>
			<u>10,856,787</u>
Total Debt			<u>18,501,308</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$4,524,290 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary</i>	<i>Total</i>
2014	581,442	1,183,861	1,765,303
2015	632,142	1,185,442	1,817,584
2016	628,701	1,186,767	1,815,468
2017	620,079	1,187,833	1,807,912
2018	615,946	1,178,712	1,794,658
2019-2023	2,971,429	3,302,074	6,273,503
2024-2028	2,481,272	2,043,841	4,525,113
2029-2033	1,562,606	1,428,852	2,991,458
2034	234,600	-	234,600
Total	<u>10,328,217</u>	<u>12,697,382</u>	<u>23,025,599</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013:

	General Obligation		
	Debt	Proprietary	Total
Long-term Debt payable July 1, 2012	4,654,106	8,999,368	13,653,474
Debt Issued	3,350,000	2,662,957	6,012,957
Debt Retired	(359,585)	(805,538)	(1,165,123)
Long-term Debt payable June 30, 2013	<u>7,644,521</u>	<u>10,856,787</u>	<u>18,501,308</u>

G. Contributed Capital

Changes in net contributed capital for the year-ended June 30, 2013 for the government's Proprietary Funds were as follows:

	Wastewater	Water
Balance - Beginning of Year	2,547,483	165,602
Additions:		4,818
Deductions:		
Retirements		
Depreciation Provided by Contributed Capital	<u>(123,523)</u>	<u>(9,009)</u>
Balance - End of Year	<u>2,423,960</u>	<u>161,411</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

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

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

B. Permanent Funds

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

<u>Purpose</u>	<u>Nonspendable</u>	<u>Assigned</u>
Cemetery Care	5,270	-
Scholarships	6,488	3,254
Total	11,758	3,254

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, 2013

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 10.0%. The Town's costs for the fiscal years ended June 30 2011, 2012 and 2013 were \$101,711, \$100, 842 and \$81,728 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 5.3% and 6.6% of annual covered payroll, plus a monthly contribution of \$967 and \$478 to fund the IUUAL, or the Initial Unpooled Unfunded Actuarial Liability. The IUUAL liability stands at \$47,073 as of July 1, 2011. The IUUAL is being amortized over 3 years beginning July 1, 2011. Funding for subsequent fiscal year 2014 will be at 6.5% and 6.9% 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, 2011, 2012 and 2013, were \$80,352, \$104,296 and \$128,619 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 5.3% of annual covered payroll, less a monthly credit for all covered employees of \$1,044. 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, 2011, 2012 and 2013 were \$4,969, \$5,563 and \$9,347 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 2013. The State's cost for 2013 was approximately \$408,305. 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 \$11,860 for 2013 and is chargeable to the applicable grants.

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

D. Bar Harbor Water Company Pension Plan

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

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - OTHER INFORMATION (Continued)

D. Bar Harbor Water Company Pension Plan (Continued)

The plan was amended by the Town Council to discontinue the accrual of any additional benefits after December 31, 2001, and effective January 1, 2002, the Town of Bar Harbor became the successor sponsor. Based on the latest actuarial valuation as of January 1, 2013, the accrued liability of the plan was \$343,830. The value of assets available for funding totaled \$166,597, leaving an unfunded liability of \$177,233. The total unfunded liability has been recorded as a liability at June 30, 2013 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 \$2,000,000 per occurrence for claims brought outside the Maine Tort Claims Act. The Pool retains the first \$300,000 per occurrence for Maine Tort Claims Act claims with reinsurance of \$100,000 per occurrence, for a total of \$400,000; the current statutory limit. The primary reinsurer is limited to a maximum limit of liability of \$25,000,000 ultimate net loss for any one occurrence or claim made.

Public Officials and Employment Practices Liability Coverages: Member deductibles range upwards from \$1,000. The Pool retains the difference to a maximum of \$300,000 per occurrence. Separate reinsurance contracts provide up to \$2,000,000 per occurrence, \$4,000,000 annual aggregate for each member, subject to \$10,000,000 annual aggregate for the Pool.

Based on the coverage provided by the pools described above, the town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2013.

F. Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45,

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (Continued)

Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, was implemented, as required, by the Town of Bar Harbor, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust. The Trust is an agent multiple employer Voluntary Employee's Beneficiary Association. The Town is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in October 2011 based on an actuarial valuation date with relevant data updated to January 1, 2013.

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, 2013, 2012 and 2011 and the annual required contributions:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal Cost	\$ 19,722	\$ 19,722	\$ 19,722
Amortization of unfunded	\$ 32,400	\$ 32,400	\$ 32,400
Adjustment to ARC	\$ (6,495)	\$ (4,160)	\$ (1,916)
Interest	\$ 5,524	\$ 3,909	\$ 2,357
Annual required contribution	<u>\$ 51,151</u>	<u>\$ 51,871</u>	<u>\$ 52,563</u>

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPEB liability, July 1	\$ 112,307	\$ 71,929	\$ 33,132
Annual required contribution	\$ 51,151	\$ 51,871	\$ 52,563
Less: Actual member contributions	<u>\$ (26,631)</u>	<u>\$ (11,493)</u>	<u>\$ (13,766)</u>
OPEB liability, June 30	\$ 136,827	\$ 112,307	\$ 71,929

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, 2012 and 2011 was as follows:

	2013	2012	2011
Annual Required Contribution	\$ 51,151	\$ 51,871	\$ 52,563
Actual Member Contributions	\$ 26,631	\$ 11,495	\$ 13,766
Percent contributed	52.06%	22.16%	26.19%
Actuarial accrued liability	\$ 582,677	\$ 582,677	\$ 582,677
Plan Assets	\$ -	\$ -	\$ -
Unfunded actuarial accrued liability	\$ 582,677	\$ 582,677	\$ 582,677
Covered payroll	\$ 2,739,000	\$ 2,717,300	\$ 2,577,000
Unfunded actuarial accrued liability as a percentage of covered payroll	21.27%	21.44%	22.61%

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	1/1/13
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%

December 18, 2013

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

We have audited the financial statements of the Bar Harbor School Department for the year ended June 30, 2013.

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

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

Respectfully submitted,

James W. Wadman, CPA

James W. Wadman, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 18, 2013

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bar Harbor, Maine as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Bar Harbor, Maine's basic financial statements and have issued our report thereon dated December 18, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Bar Harbor, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bar Harbor, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bar Harbor, Maine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bar Harbor, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRULAR A-133***

December 18, 2013

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Bar Harbor, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Bar Harbor, Maine's major federal programs for the year ended June 30, 2013. The Town of Bar Harbor, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Bar Harbor, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audits Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Bar Harbor, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Bar Harbor, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Bar Harbor, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Town of Bar Harbor, Maine is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Bar Harbor, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Bar Harbor, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

SCHEDULE I
TOWN OF BAR HARBOR, MAINE
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

NONE

SCHEDULE II
TOWN OF BAR HARBOR, MAINE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Bar Harbor, Maine.
2. There are no reportable conditions relating to the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Town of Bar Harbor, Maine were disclosed during the audit.
4. There are no reportable conditions relating to the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Town of Bar Harbor, Maine expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for Town of Bar Harbor, Maine.
7. The programs tested as major programs include:
 - Drinking Water State Revolving Loan Fund, CFDA #66.468.
 - 2009 Port Security Grant Program, CFDA #97.056
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Town of Bar Harbor was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

***TOWN OF BAR HARBOR
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013***

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting whereby transactions are presented in the same way as they are included in the financial statements of the Town of Bar Harbor, Maine in accordance with generally accepted accounting principles.

NOTE B – PASS-THROUGH AWARDS

The Town of Bar Harbor, Maine receives certain federal awards in the form of pass-through awards from the State of Maine. Such amounts received as pass-through awards are specifically identified on the Schedule.

NOTE C – MAJOR PROGRAMS

In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. Programs in the accompanying Schedule denoted with an asterisk (*) are determined by the independent auditor to be major programs.