

BAR HARBOR BANKSHARES  
Form 11-K  
June 25, 2014

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 11-K**

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**(Mark one)**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934 [FEE REQUIRED]**

**For the fiscal year ended: December 31, 2013**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934 [NO FEE REQUIRED]**

**For the transition period From \_\_\_\_\_ to \_\_\_\_\_**

**Full title of the plan and the address of the plan, if different from that of the issuer named below:**

**Bar Harbor Bankshares 401(k) Plan**

**Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:**

**Bar Harbor Bankshares**

**82 Main Street**

**Bar Harbor, Maine 04609**

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**BAR HARBOR BANKSHARES 401(k) PLAN**

Financial Statements and Supplemental Schedules

December 31, 2013, and 2012

(With Independent Auditors Report Thereon)

**BAR HARBOR BANKSHARES 401(k) PLAN**

Financial Statements and Supplemental Schedules

December 31, 2013, and 2012

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*\*Schedules required by Form 5500 that are not applicable have not been included.*



**Report of Independent Registered Public Accounting Firm**

Plan Administrator

Bar Harbor Bankshares 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Bar Harbor Bankshares 401(k) Plan (the Plan) as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held at end of year as of December 31, 2013 and schedule of delinquent participant contributions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/KPMG LLP

Boston, Massachusetts

June 25, 2014

**BAR HARBOR BANKSHARES 401(k) PLAN**

## Statements of Net Assets Available for Benefits

December 31, 2013, and 2012

	<b>2013</b>	<b>2012</b>
Cash	\$ 165,048	198,368
Investments, at fair value:		
Money market funds	5,113	1
Stable Value Fund	997,970	1,462,877
Target Funds	7,388,398	5,800,886
Mutual funds	4,594,954	3,571,373
Common stock of Bar Harbor Bankshares	4,411,377	3,612,371
Total investments	17,397,812	14,447,508
Receivables:		
Notes receivable from participants	370,179	457,669
Safe Harbor Contribution Receivable	79	---
Total receivables	370,258	457,669
Liabilities:		
Due to Broker	(155,755)	(177,666)
Other Liability	--	(2,515)
Net assets available for benefits at fair value	17,777,363	14,923,364
Adjustment from fair value to contract value for fully benefit responsive investment contracts	(5,939)	(29,769)
Net assets available for benefits	\$ 17,771,424	14,893,595

*See accompanying notes to financial statements.*





**BAR HARBOR BANKSHARES 401(k) PLAN**

## Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2013, and 2012

	<b>2013</b>	<b>2012</b>
Additions to net assets attributed to:		
Investment income (loss) :		
Net appreciation(depreciation) in fair value of investments	\$ 2,622,918	1,216,220
Interest and dividends from investments	410,369	377,633
Interest on notes receivable from participants	17,900	20,845
Other income	33,970	25,481
Total investment income (loss)	3,085,157	1,640,179
Contributions:		
Participants	817,324	715,391
Employer	366,162	317,056
Rollovers	19,069	431,656
Total contributions	1,202,555	1,464,103
Total increase	4,287,712	3,104,282
Deductions from net assets attributed to:		
Benefits paid directly to participants	(1,372,627)	(618,237)
Administrative expenses	(37,256)	(26,604)
Total deductions	(1,409,883)	(644,841)
Net increase in assets available for benefits	2,877,829	2,459,441
Net assets available for benefits:		
Beginning of year	14,893,595	12,434,154
End of year	\$ 17,771,424	14,893,595

*See accompanying notes to financial statements*



**BAR HARBOR BANKSHARES 401(k) PLAN**

Notes to Financial Statements

December 31, 2013, and 2012

**(1) Description of Plan**

The following description of the Bar Harbor Bankshares (the Company or the Plan Sponsor) 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

**(a) General**

The Plan is a defined contribution plan covering all employees of the Company who have achieved the age of 20-1/2. There is no service requirement for eligibility. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Company pays Plan expenses.

**(b) Contributions**

Each year, participants may contribute up to 100% (limited to regulatory ceilings) of pretax annual compensation, as defined in the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions (limited to regulatory ceilings). Participants may also contribute amounts representing distributions from other qualified defined benefit, IRA's, or defined contribution plans. Participants direct the investment of their contributions into investment options offered by the Plan.

The Plan currently offers investment options for participants. The Plan is a safe harbor plan providing matching contributions under a basic matching contribution formula. During 2013 and 2012, the Company matched 100% up to the first 3% of each participant's salary deferred and 50% on deferrals from 3% to 5% of each participant's salary. The Company match is 100% vested immediately and invested in the same manner as the participant has directed for their contributions. Additional profit sharing amounts may be contributed at the option of the Company's board of directors and, if provided, are vested immediately and invested as directed by the participant. No additional contributions were made in 2013 or 2012.

**(c) Participants' Accounts**

Each participant's account is credited with the participant's contribution, allocations of the Company's match, and profit sharing contributions

along with an allocation, based upon a participant's account balance, of any earnings or losses. The benefit to which a participant is entitled is the benefit that can be provided from the Participant's vested account.

(d)

*Vesting*

Participants are vested immediately in their personal contributions and the Company's contributions.

**BAR HARBOR BANKSHARES 401(k) PLAN**

Notes to Financial Statements

December 31, 2013, and 2012

**(e) *Plan Termination***

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would remain 100% vested in all funds represented by their account balance.

**(f) *Payment of Benefits***

On termination of employment including disability or retirement, a participant with a balance greater than \$5,000 may request payment in a lump sum amount equal to the value of the vested interest in his or her account. Upon the death of an employee, the named beneficiary receives a lump sum amount equal to the vested balance in the deceased employee's account. Participants with vested balances in their accounts of \$1,000 or less must take a lump sum distribution. Participants who terminate employment with a vested balance greater than \$1,000 but less than or equal to \$5,000 must have their vested balance rolled over to an IRA, unless they make a voluntary election for another form of distribution or roll-over.

**(g) *Notes Receivable from Participants***

Participants may borrow from their accounts the lesser of \$50,000 or 50% of the account balance. Participants may carry up to two loans secured by the balance in their account. Loans are generally fixed rate and are written with an interest rate of 1% over Prime. Existing loans presently range from 4.25% to 9.25%. Principal and interest is paid according to amortization schedules through biweekly payroll deductions.

**(h) *Risks and Uncertainties***

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rates and market risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

**(2) Summary of Significant Accounting Policies**

(a)

***Basis of Presentation***

The Plan's financial statements have been prepared on an accrual basis of accounting. Benefits are recorded when paid. Cash equivalents are generally funds held in money market funds at December 31, 2013 and 2012. Amounts in prior year's financial statements are reclassified when necessary to conform to current year's presentation.

**BAR HARBOR BANKSHARES 401(k) PLAN**

Notes to Financial Statements

December 31, 2013, and 2012

**(b) *Investments and Notes Receivable from Participants***

The Plan's investments are valued on a daily basis, using quoted market prices. Participant loans are valued at their outstanding unpaid principal amounts. Dividends are recorded on the ex-dividend date. Common collective trust funds are valued based on audited information reported by the issuer of the common collective trust at year-end.

The Plan's valuation methods may result in a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although Plan management believes the valuation methods are appropriate and consistent with those participating in the market, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Plan also invests in investment contracts through a common collective trust (Union Bond & Trust Company Stable Value Fund, often referred to as Morley Stable Value Fund). Investment contracts held by a defined contribution plan are required to be reported at fair value, with an adjustment to contract value in the statement of net assets available for benefits because contract value of these contracts is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The contract value of the Union Bond & Trust Company Stable Value Fund represents contributions plus earnings, less participant withdrawals and administrative expenses.

The investment objective of the Morley Stable Value Fund is to provide preservation of capital, relatively stable returns consistent with its comparatively low risk profile, and liquidity for benefit-responsive payments. Withdrawals from the Morley Stable Value Fund for benefit payments and participant transfers to noncompeting options are made to plan participants promptly upon request but in all cases within 30 days after written notification has been received. All plan sponsor-directed full or partial withdrawals are subject to a twelve month advance written notice requirement, though the Morley Stable Value Fund may waive this request at its discretion.

Notes receivables from Participants are valued at their outstanding unpaid principal amounts.

**(c) *Use of Estimates***



The preparation of financial statements, in conformity with U.S. generally accepted accounting principles; require management to make estimates and assumptions affecting the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

**BAR HARBOR BANKSHARES 401(k) PLAN**

Notes to Financial Statements

December 31, 2013, and 2012

**(d) *Subsequent Events***

In connection with the preparation of financial statements, the Plan evaluated subsequent events after the balance sheet date of December 31, 2013 through 25, 2014, which was the date the financial statements were available to be issued.

**(e) *Effects of New Accounting Pronouncements***

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS*, ( ASU 2011-04 ). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011, with early adoption prohibited. The provisions of ASU 2011-04 provide guidance on additional disclosures for Level 3 financial instruments. Its adoption had no impact on the Plan's financial statements.



**BAR HARBOR BANKSHARES 401(k) PLAN**

Notes to Financial Statements

December 31, 2013 and 2012

**(3) Investments**

Investments, including those that represent 5% or more of the net assets available for benefits, at December 31, 2013 or 2012 are as follows:

	<b>2013</b>	<b>2012</b>
Money market funds:		
Money market funds	\$ 5,113	1
Morley Stable Value Fund	997,970	1,462,877
American Target Funds 2015-2050	7,388,398	5,800,886
Mutual funds:		
Domestic equity mutual funds:		
Vanguard 500 Index Fund-Admiral Signal Shares	\$ 1,888,929	1,476,522
Vanguard Mid Cap Index Investor	96,858	25,345
Vanguard Small Cap Index Signal Shares	174,868	25,480
Foreign equity mutual funds:		
American Europacific Growth Fund.	\$ 1,002,233	732,968
American New Perspective	955,782	741,742
Bond mutual funds:		
Intermediate Bond Fund America		569,316
Prudential Short Term Corp Bond	476,284	
	Total mutual funds	\$ 4,594,954
		3,571,373
Common stock:		
Bar Harbor Bankshares	\$ 4,411,377	3,612,371

During 2013 and 2012, the Plan's investments appreciated (depreciated) in value (including realized gains and losses on investments bought, sold, and held during the year) as follows:

	<b>Year ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Stable value funds	\$ 30,036	(22,702)
Target funds	1,150,545	110,845
Mutual Funds	759,303	775,966
Common stock of Bar Harbor Bankshares	683,034	352,111
	\$ 2,622,918	1,216,220



**BAR HARBOR BANKSHARES 401(k) PLAN**

Notes to Financial Statements

December 31, 2013, and 2012

**(4) Fair Values of Financial Instruments**

The Plan uses a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement (i.e. supported by little or no market activity).

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2013					
Money Market funds	\$	5,113	---	---	5,113
Stable Value Funds		---	997,970	---	997,970
Target funds		7,388,398	---	---	7,388,398
Mutual funds		4,594,954	---	---	4,594,954
Common stock of Bar			---	---	
Harbor Bankshares		4,411,377			4,411,377
December 31, 2012					
Money Market funds	\$	1	---	---	1
Stable Value Funds		---	1,462,877	---	1,462,877
Target funds		5,800,886	---	---	5,800,886
Mutual funds		3,571,373	---	---	3,571,373
Common stock of Bar			---	---	

Harbor Bankshares	3,612,371	3,612,371
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There were no transfers between levels during 2013.

**(5) Income Tax Status**

The Internal Revenue Service has determined and informed the Company by a letter dated March 8, 2008, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and therefore believes that the Plan is qualified and the related trust is tax-exempt.

**BAR HARBOR BANKSHARES 401(k) PLAN**

Notes to Financial Statements

December 31, 2013, and 2012

U.S. GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

**(6) Party-in-Interest Transactions**

Shares of common stock issued by the Company represent certain Plan investments (See Note 3). The decision to invest in Company stock is voluntary on the part of the participants. These transactions are party-in-interest transactions. Senior officers are prohibited from purchasing, selling, or reallocating their positions in the Company's common stock during times of established blackouts or while in possession of insider information. Effective December 1, 2010, Reliance Trust Company became Trustee and investments (including Bar Harbor Bankshares) were held by Fidelity Investments. Participant loan distributions and repayments are also considered party-in-interest transactions.

**(7) Untimely Remittances**

During 2013 it was discovered that there were delays by the Plan Sponsor in submitting certain employee deferrals totaling \$69,731. The Plan Sponsor will reimburse the Plan for lost interest. The Plan Sponsor will assess any lost earnings and excise taxes due for the resulting costs and deposit the funds to the Plan. The Company expects to correct these transactions in 2014.





**BAR HARBOR BANKSHARES 401(k) PLAN**

Notes to Financial Statements

December 31, 2013, and 2012

**(8) Difference Between Financial Statements and Form 5500**

The following is a reconciliation of assets available for benefits per the financial statements to the Form 5500:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Net assets available for benefits from the financial statements \$	17,771,424	14,893,595
Net adjustment to fair value for fully benefit responsive		
investment contracts	5,939	29,769
Net assets available for benefits from the Form 5500 \$	17,777,363	14,923,364

The following is a reconciliation of the net increase in assets per the financial statements to the net increase in assets available for benefits from the Form 5500:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Net increase in net assets from		
the financial statements \$	2,877,829	2,459,441
Net adjustment to fair value for fully benefit responsive		
investment contracts	(23,830)	29,769
Net increase in net assets from Form 5500 \$	2,853,999	2,489,210



**BAR HARBOR BANKSHARES 401(k) PLAN**

Schedule H, Line 4i Schedule of Assets Held at End of Year

December 31, 2013

(a)	(b) Identity of Issuer, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	Cash	Pass through account	** \$	9,293
*	Fidelity Retirement Money Market	Money market fund	**	5,113
	Morley Stable Value Fund	Stable Value Fund, 42,855 shares	**	997,970
	American Target Fund 2015-2050	Target Funds, 622,171 shares	**	7,388,398
	Prudential Short Term Corp Bond	Bond mutual fund, 41,926 shares	**	476,284
	Vanguard Small Cap Index Signal Shares	Equity mutual fund, 3,682 shares	**	174,868
	Vanguard 500 Index Fund	Equity mutual fund, 13,423 shares	**	
	Admiral Signal Shares			1,888,929
	Vanguard Mid Cap Index Fund	Equity mutual fund, 3,226 shares	**	96,858
	American Europacific Growth Fund		**	
		Foreign equity mutual fund, 20,425 shares		1,002,233
	American New Perspective Fund	Foreign equity mutual fund, 25,447 shares	**	955,782
*	Bar Harbor Bankshares	Common stock, 110,312 shares	**	4,411,377
*	Participant Loans Receivable	Interest rates 4.25 9.25%	**	370,179
			\$	17,777,284

*\*Party-in-interest*

*\*\* Per ERISA guidelines, the cost of investments is not required to be included in this schedule*

*See accompanying report of independent registered public accounting firm.*



**BAR HARBOR BANKSHARES 401(k) PLAN**

Schedule H, Line 4a Schedule of Delinquent Participant Contributions

December 31, 2013

Participant contributions transferred late to the Plan	Total that Constitute Nonexempt Prohibited Transactions			Totally
Check here if late Participant loan prepayments are included	Contributions Not corrected	Contributions corrected outside VFCP	Contributions pending correction in VFCP	fully corrected under VFCP and PTE 2002-51
\$ 69,731	\$ 69,731	\$	\$	\$

*See accompanying independent auditors report.*

**REQUIRED INFORMATION**

The Bar Harbor Bankshares 401(k) Plan (the Plan) is subject to the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements and supplemental schedule of the Plan for the two fiscal years ended December 31, 2013 and 2012, have been prepared in accordance with the financial reporting requirements of ERISA, are attached hereto as Appendix 1 and incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Trustees who administer the Bar Harbor Bankshares 401(k) Plan have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Bar Harbor Bankshares 401(k) Plan

By:

/s/Marsha C. Sawyer

Date: June 25, 2014

Marsha C. Sawyer

Plan Administrator

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Exhibit</b>
23	Consent of KPMG LLP







**Exhibit 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors

Bar Harbor Bankshares:

We consent to the incorporation by reference in the registration statement on Form S-8 (File No. 333-122941) of Bar Harbor Bankshares of our report dated June 25, 2014 relating to the statements of net assets available for benefits of the Bar Harbor Bankshares 401 (k) Plan as of December 31, 2013 and 2012 and the related statements of changes in net assets available for benefits for the years then ended, which report appears in the December 31, 2013 annual report on Form 11-K of Bar Harbor Bankshares 401 (k) Plan.

/s/ KPMG LLP

Boston, Massachusetts

June 25, 2014