

BAR HARBOR BANKSHARES  
Form 11-K  
June 29, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

\_\_\_\_\_  
FORM 11-K  
\_\_\_\_\_

(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, 2006

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

---

Appendix 1

BAR HARBOR BANKSHARES  
401(k) PLAN

FINANCIAL STATEMENTS

And

SUPPLEMENTAL SCHEDULE

December 31, 2006 and 2005

PAGE 2

---

BAR HARBOR BANKSHARES 401(k) PLAN

Index

Page

Report of Independent Registered Public Accounting Firm

4

Statements of Net Assets Available for Benefits at December 31, 2006 and 2005  
Statements of Changes in Net Assets Available for Benefits for the years ended

December 31, 2006 and 2005  
Notes to Financial Statements  
Supplemental Schedule\*  
Schedule H, Line 4i  
Schedule of Assets Held at End of Year

2

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

**PAGE 3**

---

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, 2006 and 2005, 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 the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2006 and 2005, and the changes in net assets available for benefits for the years then ended in conformity with U. S. generally accepted accounting principles.

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 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is 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. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Albany, New York  
June 27, 2007

**PAGE 4**


---

**BAR HARBOR BANKSHARES 401 (k) PLAN**  
**Statements of Net Assets Available for Benefits**  
**December 31, 2006 and 2005**

|  |    | 2006      | 2005      |
|--|----|-----------|-----------|
| Fund Investments, at fair value (Note 3):    |    |           |           |
| Fiserv Trust Institutional Money Market Fund | \$ | 1,160,338 | 1,439,826 |
| Mutual Funds                                 |    | 6,369,011 | 4,928,913 |
| Common Stock of Bar Harbor Bankshares        |    | 1,313,324 | 987,004   |
| Participant Loans                            |    | 250,882   | 274,745   |
| Total Investments                            |    | 9,093,555 | 7,630,488 |
| Receivables:                                 |    |           |           |
| Employer contribution                        |    | 9,023     | 9,515     |
| Participant contribution                     |    | 19,829    | 11,893    |
| Total receivables                            |    | 28,852    | 21,408    |
| Net assets available for benefits            | \$ | 9,122,407 | 7,651,896 |

See accompanying notes to financial statements.

**BAR HARBOR BANKSHARES 401 (k) PLAN**  
**Statements of Changes in Net Assets Available for Benefits**  
**December 31, 2006 and 2005**

|   | 2006         | 2005        |
|---|--------------|-------------|
| Additions to net assets attributed to:    |              |             |
| Investment income:                        |              |             |
| Net appreciation in investments           | \$ 881,593   | 212,736     |
| Interest and dividends                    | 175,200      | 125,141     |
| Net investment income                     | 1,056,793    | 337,877     |
| Contributions:                            |              |             |
| Participants                              | 539,541      | 503,163     |
| Employer                                  | 426,356      | 404,830     |
| Rollovers                                 | 82,105       | 808,616     |
| Total contributions                       | 1,048,002    | 1,716,609   |
| Total increase                            | 2,104,795    | 2,054,486   |
| Deductions from net assets attributed to: |              |             |
| Distributions                             | (634,284)    | (1,184,473) |
| Net increase                              | 1,470,511    | 870,013     |
| Net assets available for benefits:        |              |             |
| Beginning of year                         | 7,651,896    | 6,781,883   |
| End of year                               | \$ 9,122,407 | 7,651,896   |

See accompanying notes to financial statements.

**PAGE 6**

**BAR HARBOR BANKSHARES 401 (k) PLAN**  
**Notes to Financial Statements**  
**December 31, 2006 and 2005**

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).

**b. Contributions**

Each year, participants may contribute up to 50% (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, or defined contribution plans. Participants direct the investment of their contributions into investment options offered by the Plan. The Plan currently offers eleven investment options for participants. During 2006 and 2005, the Company matched 50% up to the first 3% of each participant's salary deferrals, and 25% on deferrals from 3% to 6% 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. Additional contributions of \$295,173 and \$221,676 were made in 2006 and 2005, respectively.

**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 Company pays plan expenses. The benefit to which a participant is entitled is the benefit that can be provided from the Participant's vested account.

-  
-  
-  
-  
-  
-

---

BAR HARBOR BANKSHARES 401 (k) PLAN  
Notes to Financial Statements  
December 31, 2006 and 2005

**d. Vesting**

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

**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 service due to death, disability, or retirement, a participant may elect to receive payment either (a) in a lump-sum amount equal to the value of the vested interest in his or her account or (b) in annual installments. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution. Participants with balances in their accounts of less than \$5,000 must take a lump sum distribution.

**g. Participant Loans**

Participants may borrow from their fund 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 written with an interest rate of 1% over Prime. Existing loans presently range from 5% to 9.25%. Principal and interest is paid according to amortization schedules through biweekly payroll deduction.

**h. Risk and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate and markets risks. Due to the level of risk associated with investment securities, it is at least reasonably possible the 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.

PAGE 8

---

BAR HARBOR BANKSHARES 401 (k) PLAN  
Notes to Financial Statements  
December 31, 2006 and 2005

2. Summary of Significant Accounting Policies

• 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 accounts.

• Investments

The Plan's investments are valued on a daily basis, using established market values. Participant loans are valued at their outstanding balances, which approximate fair value. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

• Use of Estimates

The preparation of financial statements, in conformity with United States 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.

• Reclassifications

Prior year financial statements are reclassified whenever necessary to conform to the current year's presentation.



## PAGE 9

---

BAR HARBOR BANKSHARES 401 (k) PLAN  
Notes to Financial Statements  
December 31, 2006 and 2005

3. Investments

Investments that represent 5% or more of the net assets available for benefits at December 31, 2006 and 2005 are as follows:

|  | Years ended December 31 |           |
|--|-------------------------|-----------|
|  | 2006                    | 2005      |
| Money market funds:                            |                         |           |
| Fiserv Trust Institutional Money Market        | 1,160,338               | 1,439,826 |
| Mutual funds:                                  |                         |           |
| American Growth Fund Inc.                      | 1,317,157               | 1,028,416 |
| Intermediate Bond Fund America                 | 471,089                 | 375,316   |
| Investment Company of America                  | 828,708                 | 649,992   |
| MFS Total Return Fund A                        | 531,292                 | 459,658   |
| Blackrock -- Mid Cap Value Equity Fund Class A | 923,838                 | 750,814   |
| Blackrock -- Aurora Class A                    | 841,334                 | 744,706   |
| Vanguard Index 500 Fund -- Admiral Shares      | 710,946                 | 508,642   |
| Common Stock:                                  |                         |           |
| Bar Harbor Bankshares                          | 1,313,324               | 987,004   |

Edgar Filing: BAR HARBOR BANKSHARES - Form 11-K

During 2006 and 2005, the Plan's investments appreciated (depreciated) in value (including realized gains and losses on investments bought, sold, and held during the year) as follows:

|                                       |    | Year ended December 31 |          |
|---------------------------------------|----|------------------------|----------|
|                                       |    | 2006                   | 2005     |
| Mutual funds                          | \$ | 668,388                | 298,963  |
| Common stock of Bar Harbor Bankshares |    | 213,205                | (86,227) |
|                                       | \$ | 881,593                | 212,736  |

4. Income Tax Status

The Internal Revenue Service has issued an opinion letter dated December 19, 2001 to the sponsor of the Plan, that the form of the Plan and underlying trust, as then designed, were in compliance with the applicable requirements of the Internal Revenue Code (IRC) and therefore the plan is exempt from income

**PAGE 10**

---

BAR HARBOR BANKSHARES 401 (k) PLAN  
Notes to Financial Statements  
December 31, 2006 and 2005

taxes. Although the Plan has been amended since receiving the opinion letter, the plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

5. 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 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. Bar Harbor Trust Services, a subsidiary of the Plan Sponsor, is the custodian with respect to the common stock of the Plan Sponsor. Shares of Fiserv Trust Institutional Money Market fund issued by Fiserv Trust Company, the Plan trustee, represent party-in-interest transactions (see note 3). Participant loan distributions and repayments are also considered party

in-interest transactions.

6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2006 and 2005 to Form 5500:

|   | 2006         | 2005      |
|---|--------------|-----------|
| Net Assets available for benefits:                                |              |           |
| Balance per the financial statements                              | \$ 9,122,407 | 7,651,896 |
| Employer and participant contribution receivable not on Form 5500 | (28,852)     | (20,519)  |
| Benefit claim and operating payable                               | (2,154)      | 0         |
| Balance per the Form 5500   | \$ 9,091,401 | 7,631,377 |

The following is a reconciliation of the increase in net assets available for benefits per the financial statements for the years ended December 31, 2006 and 2005 to Form 5500:

|  | 2006         | 2005    |
|--|--------------|---------|
| Net increase in net assets available for benefits: |              |         |
| Increase per the financial statements              | \$ 1,470,511 | 870,013 |
| Change in contribution receivable not on Form 5500 | (8,333)      | 21,230  |
| Benefit claim and operating payables               | (2,154)      | 0       |
| Increase per the Form 5500                         | \$ 1,460,024 | 891,243 |

PAGE 11

Schedule 1

BAR HARBOR BANKSHARES 401(k) PLAN

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

December 31, 2006

Edgar Filing: BAR HARBOR BANKSHARES - Form 11-K

| (a) | (b)<br>Identity of issuer, borrower,<br>lessor, or similar party | (c)<br>Description of investment<br>including maturity date,<br>rate of interest, collateral,<br>par, or maturity value | (d)<br>Current<br>value |
|-----|--|---|-------------------------|
| *   | FISERV Trust Institutional<br>Money<br>Market                    | Money market fund   | \$,160,338              |
|     | Intermediate Bond Fund<br>America                                | Bond mutual fund, 35,104 shares   | 471,089                 |
|     | American Growth Fund Inc   | Equity mutual fund, 40,072 shares   | 1,317,157               |
|     | Investment Company of<br>America                                 | Equity mutual fund, 24,730 shares   | 828,708                 |
|     | MFS Total Return Fund A  | Equity mutual fund, 32,773 shares   | 531,292                 |
|     | Vanguard Index 500 Fund<br>Admiral Shares                        | Equity mutual fund, 5,444 shares  | 710,946                 |
|     | Blackrock Mid Cap Value<br>Equity<br>Fund Class A                | Equity mutual fund, 71,394 shares   | 923,838                 |
|     | Blackrock Aurora Class A   | Equity mutual fund, 30,751 shares   | 841,334                 |
|     | American Europacific Growth<br>Fund                              | Foreign equity mutual fund, 7,532<br>shares   | 350,705                 |
|     | American New Perspective<br>Fund                                 | Foreign equity mutual fund, 12,412<br>shares  | 393,942                 |
| *   | Bar Harbor Bankshares  | Common stock, 41,364 shares   | 1,313,324               |
| *   | Participant Loans Receivable                                     | Interest rates 5.00% - 9.25%  | 250,882<br>\$ 9,093,555 |

\*Party-in-interest

See accompanying report of independent  
registered public accounting firm.

---

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, 2006 and 2005, 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  
Marsha C. Sawyer  
Plan Administrator

Date: June 29, 2007

---

EXHIBIT INDEX

| Exhibit No. | Exhibit             |
|-------------|---------------------|
| 23          | Consent of KPMG LLP |

