

BAR HARBOR BANKSHARES
Form 10-K/A
September 17, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A
(Amendment No. 1)

**þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

**“ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number: 001-13349

BAR HARBOR BANKSHARES

(Exact name of registrant as specified in its charter)

Maine

*(State or other jurisdiction of
incorporation or organization)*

P.O. Box 400, 82 Main Street

Bar Harbor, Maine

(Address of principal executive offices)

04609-0400

(Zip Code)

01-0393663

*(I.R.S. Employer
Identification No.)*

(207) 288-3314

*(Registrant's telephone number,
including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of class

Name of exchange on which registered

Common Stock, \$2.00 par value per share

NYSE MKT, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act: YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: YES NO

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act: Large accelerated filer Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES NO

The aggregate market value of the common stock held by non-affiliates of Bar Harbor Bankshares was \$139,069,826 based on the closing sale price of the common stock on the NYSE MKT on June 28, 2013, the last trading day of the registrant's most recently completed second quarter.

Number of shares of Common Stock par value \$2.00 outstanding as of March 3, 2014: **3,940,790**

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 20, 2014 are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

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EXPLANATORY NOTE

The purpose of this Amendment No. 1 on Form 10-K/A (the Amendment) to the Annual Report on Form 10-K for the year ended December 31, 2013 of Bar Harbor Bankshares (the Company), originally filed with the Securities and Exchange Commission on March 13, 2014 (the Form 10-K), is to:

(A) amend Part II, Item 8, REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, on page 72 of the Form 10-K to insert "(1992)" immediately following the words, *Internal Control Integrated Framework*", to indicate that in conducting the 2013 audit of the Company's internal controls over financial reporting Committee of Sponsoring Organizations of the Treadway Commission (COSO) 1992 framework was used;

(B) amend Part II, Item 8, REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, on page 72 of the Form 10-K to change the date of the "REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM" from March 12, 2014 to March 13, 2014. This change corrects an error that occurred due to filing the Company's Form 10-K on March 13, 2014 rather than March 12, 2014;

(C) amend Part II, Item 9A, *Management Report on Internal Control over Financial Reporting*, on page 121 of the Form 10-K, to insert "(1992)" immediately following the words, *Internal Control Integrated Framework*", to indicate that in conducting the 2013 audit of the Company's internal controls over financial reporting the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 1992 framework was used;

(D) amend Part II, Item 9A, *Management Report on Internal Control over Financial Reporting*, on page 121 of the Form 10-K, to insert "(1992)" immediately following the words, "Based on its assessment, management believes that as of December 31, 2013, the Company's internal control over financial reporting is effective, based on the criteria set forth by COSO in *Internal Control Integrated Framework*", to indicate that in conducting management's assessment of the effectiveness of the Company's internal controls over financial reporting, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 1992 framework was used; and

(E) amend Part II, Item 9A, REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM on page 122 of the Form 10-K, to insert "(1992)" immediately following the words, "*Internal Control Integrated Framework*", to indicate that in conducting the auditor's assessment of the effectiveness of the Company's internal controls over financial reporting, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 1992 framework was used; and

(F) amend Part II, Item 9A, REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, on page 122 to change the date at the bottom of the report from March 12, 2014 to March 13, 2014. This change corrects an error that occurred due to filing of the Company's Form 10-K on March 13, 2014 rather than March 12, 2014; and

As required by Rule 12b-15, the Company's principal executive officer and principal financial officer are providing currently dated certifications on Exhibits 31.1, 31.2, 32.1 and 32.2. Accordingly, the Company hereby further amends Item 15 of the Form 10-K to add such reports as exhibits.

Except as described above, the Amendment does not modify or update any other items or disclosures contained in the Form 10-K. The disclosures contained in the Form 10-K have not been updated to reflect events, results or developments that have occurred after March 13, 2014, or to modify or update those disclosures affected by

subsequent events. This Amendment should be read in conjunction with the Company's other filings with the Securities and Exchange Commission, together with any amendments to those filings.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Bar Harbor Bankshares:

We have audited the accompanying consolidated balance sheets of Bar Harbor Bankshares and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bar Harbor Bankshares and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U. S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 13, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Boston, Massachusetts

March 13, 2014

BAR HARBOR BANKSHARES AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****DECEMBER 31, 2013 AND 2012****(in thousands, except share and per share data)**

	December 31,	December 31,
	2013	2012
Assets		
Cash and cash equivalents	\$ 9,200	\$ 14,992
Securities available for sale, at fair value (amortized cost of \$461,635 and \$405,769, respectively)	450,170	418,040
Federal Home Loan Bank stock	18,370	18,189
Loans	852,857	815,004
Allowance for loan losses	(8,475)	(8,097)
Loans, net of allowance for loan losses	844,382	806,907
Premises and equipment, net	20,145	19,255
Goodwill	4,935	4,935
Bank owned life insurance	7,879	7,633
Other assets	18,812	12,984
TOTAL ASSETS	\$1,373,893	\$1,302,935
Liabilities		
Deposits:		
Demand and other non-interest bearing deposits	\$ 72,259	\$ 71,865
NOW accounts	135,246	123,015
Savings and money market deposits	232,558	230,325
Time deposits	395,588	370,560
Total deposits	835,651	795,765
Short-term borrowings	312,945	224,077
Long-term advances from Federal Home Loan Bank	91,500	142,490
Junior subordinated debentures	5,000	5,000
Other liabilities	7,418	7,557
TOTAL LIABILITIES	1,252,514	1,174,889
Shareholders' equity		
Capital stock, par value \$2.00; authorized 10,000,000 shares;		
issued 4,525,635 shares at December 31, 2013 and December 31, 2012	9,051	9,051
Surplus	26,845	26,693
Retained earnings	102,147	93,900
Accumulated other comprehensive (loss) income:		
Prior service cost and unamortized net actuarial losses on employee benefit plans, net of tax of (\$192) and (\$207), at December 31, 2013,	(373)	(401)

and December 31, 2012, respectively

Net unrealized (depreciation) appreciation on securities available for sale,

net of tax of (\$4,150) and \$4,099, at December 31, 2013 and

December 31, 2012, respectively	(8,055)	7,954
Portion of OTTI attributable to non-credit gains, net of tax of \$252		
and \$74, at December 31, 2013, and December 31, 2012, respectively	488	144
Total accumulated other comprehensive (loss) income	(7,940)	7,697
Less: cost of 586,560 and 605,591 shares of treasury stock at		
December 31, 2013 and December 31, 2012, respectively	(8,724)	(9,295)
TOTAL SHAREHOLDERS' EQUITY	121,379	128,046
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,373,893	\$1,302,935

The accompanying notes are an integral part of these consolidated financial statements

BAR HARBOR BANKSHARES AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011****(in thousands, except share and per share data)**

	2013	2012	2011
Interest and dividend income:			
Interest and fees on loans	\$ 37,223	\$ 36,579	\$ 34,854
Interest on securities	13,457	14,173	16,006
Dividends on FHLB stock	69	86	47
Total interest and dividend income	50,749	50,838	50,907
Interest expense:			
Deposits	6,616	7,707	8,765
Short-term borrowings	487	436	260
Long-term debt	4,560	5,724	7,493
Total interest expense	11,663	13,867	16,518
Net interest income	39,086	36,971	34,389
Provision for loan losses	1,418	1,652	2,395
Net interest income after provision for loan losses	37,668	35,319	31,994
Non-interest income:			
Trust and other financial services	3,634	3,278	3,061
Service charges on deposit accounts	1,248	1,196	1,284
Credit and debit card service charges and fees	1,572	1,462	1,277
Net securities gains	676	1,938	2,689
Total other-than-temporary impairment ("OTTI") losses	(359)	(1,170)	(2,796)
Non-credit portion of OTTI losses (before taxes) (1)	110	317	577
Net OTTI losses recognized in earnings	(249)	(853)	(2,219)
Other operating income	685	688	700
Total non-interest income	7,566	7,709	6,792
Non-interest expense:			
Salaries and employee benefits	15,227	14,027	12,814
Occupancy expense	1,968	1,682	1,514
Furniture and equipment expense	2,005	1,778	1,660
Credit and debit card expenses	384	367	310
FDIC insurance assessments	696	853	1,099
Other operating expense	6,580	6,911	5,884
Total non-interest expense	26,860	25,618	23,281
Income before income taxes	18,374	17,410	15,505
Income taxes	5,191	4,944	4,462
Net income	\$ 13,183	\$ 12,466	\$ 11,043

Computation of Earnings Per Share:

Weighted average number of capital stock shares outstanding				
Basic	3,932,051	3,901,118	3,860,474	
Effect of dilutive employee stock options	20,242	18,651	18,140	
Diluted	3,952,293	3,919,769	3,878,614	

Per Common Share Data:

Basic Earnings Per Share	\$	3.35	\$	3.20	\$	2.86
Diluted Earnings Per Share	\$	3.34	\$	3.18	\$	2.85

(1) Included in other comprehensive income, net of taxes

The accompanying notes are an integral part of these consolidated financial statements.

BAR HARBOR BANKSHARES AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011****(in thousands)**

	Years Ended		
	December 31,		
	2013	2012	2011
Net income	\$ 13,183	\$12,466	\$11,043
Other comprehensive income:			
Net unrealized (depreciation) appreciation on securities available for sale,			
net of tax of (\$7,926), \$915 and \$3,612, respectively	(15,383)	1,773	7,012
Less reclassification adjustment for net gains related to securities available for sale included in net income,			
net of tax of (\$230), (\$658) and (\$914), respectively	(446)	(1,279)	(1,775)
Add other-than-temporary impairment adjustment,			
net of tax of \$122, \$398 and \$950, respectively	237	772	1,845
Less non-credit portion of other-than-temporary impairment losses,			
net of tax of (\$37), (\$108) , and (\$196), respectively	(73)	(209)	(381)
Net amortization of prior service cost and actuarial gain for supplemental executive retirement plan,			
net of related tax of (\$36), (\$47) and \$1, respectively	(69)	(92)	2
Actuarial gain (loss) on supplemental executive retirement plan,			
net of related tax of \$51, (\$151) and \$19, respectively	97	(292)	37
Total other comprehensive (loss) income	(15,637)	673	6,740
Total comprehensive (loss) income	\$ (2,454)	\$13,139	\$17,783

The accompanying notes are an integral part of these consolidated financial statements.

BAR HARBOR BANKSHARES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(in thousands, except share and per share data)

	Accumulated					
	Capital		Retained	Other	Treasury	Total
	Stock	Surplus	Earnings	Comprehensive income (loss)	Stock	Shareholders' Equity
Balance December 31, 2010	\$ 9,051	\$26,165	\$ 80,379	\$ 284	\$(12,271)	\$103,608
Net income	---	---	11,043	---	---	11,043
Total other comprehensive income	---	---	---	6,740	---	6,740
Dividend declared:						
Common stock (\$1.095 per share)	---	---	(4,228)	---	---	(4,228)
Purchase of treasury stock (22,087 shares)	---	---	---	---	(623)	(623)
Stock options exercised (78,035 shares),						
including related tax effects	---	248	(996)	---	2,359	1,611
Recognition of stock based						
compensation expense	---	99	---	---	---	99
Balance December 31, 2011	\$9,051	\$26,512	\$ 86,198	\$ 7,024	\$(10,535)	\$118,250
Balance December 31, 2011	\$9,051	\$26,512	\$ 86,198	\$ 7,024	\$(10,535)	\$118,250
Net income	---	---	12,466	---	---	12,466
Total other comprehensive income	---	---	---	673	---	673
Dividend declared:						
Common stock (\$1.170 per share)	---	---	(4,565)	---	---	(4,565)
Purchase of treasury stock (5,383 shares)	---	---	---	---	(181)	(181)
Stock options exercised (45,154 shares),						
including related tax effects	---	35	(228)	---	1,380	1,187
Recognition of stock based						
compensation expense	---	195	21	---	---	216
Restricted stock grants (1,380 shares)	---	(49)	8	---	41	---

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Balance December 31, 2012	\$9,051	\$26,693	\$ 93,900	\$ 7,697	\$ (9,295)	\$128,046
Balance December 31, 2012	\$9,051	\$26,693	\$ 93,900	\$ 7,697	\$ (9,295)	\$128,046
Net income	---	---	13,183	---	---	13,183
Total other comprehensive loss	---	---	---	(15,637)	---	(15,637)
Dividend declared:						
Common stock (\$1.250 per share)	---	---	(4,915)	---	---	(4,915)
Purchase of treasury stock (700 shares)						