

BAR HARBOR BANKSHARES
Form 11-K
June 28, 2012

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, 2011

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

BAR HARBOR BANKSHARES 401(k) PLAN

Financial Statements and Supplemental Schedules

December 31, 2011 and 2010

With Report of Independent Registered Public Accounting Firm Thereon

BAR HARBOR BANKSHARES 401(k) PLAN

Financial Statements and Supplemental Schedules

December 31, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 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

Albany, New York

June 28, 2012

BAR HARBOR BANKSHARES 401(k) PLAN

Statements of Net Assets Available for Benefits

December 31, 2011 and 2010

	2011	2010
Cash	\$ 23,234	84,176
Investments, at fair value:		
Money market funds	1,444,693	1,144,234
Mutual funds	7,525,149	7,397,473
Common stock of Bar Harbor Bankshares	2,984,569	2,569,037
Total investments	11,954,411	11,110,744
Receivables:		
Participant loans receivable	456,373	409,239
Due from broker for securities sold	136	--
Total receivables	456,509	409,239
Liabilities:		
Other liability	--	(81,040)
Net assets available for benefits	\$ 12,434,154	11,523,119

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, 2011 and 2010

	2011	2010
Additions to net assets attributed to:		
Investment (loss) income:		
Net (depreciation) appreciation in investments	\$ (279,298)	819,075
Interest and dividends	236,561	209,227
Other income	24,140	20,084
Investment (loss) income	(18,597)	1,048,386
Contributions:		
Participants	670,829	676,974
Employer	303,455	300,829
Rollovers	253,325	---
Total contributions	1,227,609	977,803
Total increase	1,209,012	2,026,189
Deductions from net assets attributed to:		
Distributions	(274,757)	(494,704)
Administrative expenses	(23,220)	(20,648)
Net increase in assets available for benefits	911,035	1,510,837
Net assets available for benefits:		
Beginning of year	11,523,119	10,012,282
End of year	\$ 12,434,154	11,523,119

See accompanying notes to financial statements.

BAR HARBOR BANKSHARES 401(k) PLAN

Notes to Financial Statements

December 31, 2011 and 2010

(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 2011 and 2010, the Company matched 100% up to the first 3% of each participant's salary deferred and 50% on deferrals from 4% 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 2011 or 2010.

(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, 2011 and 2010

(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 rollover.

(g) *Participant Loans*

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, 2011 and 2010. Amounts in prior year's financial statements are reclassified when necessary to conform with current year's presentation.

(b) *Investments and Participant Loans*

The Plan's investments are valued on a daily basis, using quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Participant loans are valued at their outstanding unpaid principal amounts plus accrued interest.

(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.

(d) *Subsequent Events*

In connection with the preparation of financial statements, the Plan evaluated subsequent events after the balance sheet date of December 31, 2011 through June 28, 2012, which was the date the financial statements were issued.

(e) *Effects of New Accounting Pronouncements*

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASC) 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements*. This guidance requires: (i) separate disclosure of significant transfers between Level 1 and Level 2 and reasons for the transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances, and net settlements within Level 3; (iii) disclosures by class of assets and liabilities; and (iv) a description of the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This guidance was effective for reporting periods beginning after December 15, 2009, except for the Level 3 disclosure requirements, which became effective for fiscal years beginning after December 15, 2010 and interim periods within those fiscal years. The adoption of these amendments did not have a material effect on the Plan's financial statements.

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 U.S. 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 adoption of this update is not expected to have a material impact on the financial statements.

(3) Investments

Investments, including those that represent 5% or more of the net assets available for benefits, at December 31, 2011 or 2010 are as follows:

	2011	2010
Money market funds:		
Money market funds	\$ 1,444,693	1,144,234
Mutual funds:		
Domestic equity mutual funds:		
American Growth Fund Inc	\$ 1,254,870	1,296,239
Investment Company of America	918,832	748,053
Blackrock-Mid Cap Value Equity Fund Class A	1,111,582	1,310,961
Vanguard 500 Index Fund-Admiral Signal Shares	1,127,556	1,073,419
Foreign equity mutual funds:		
American Europacific Growth Fund	717,922	719,275
American New Perspective Fund	713,904	697,845
Bond mutual funds:		
Intermediate Bond Fund America	1,010,462	967,759
Blended mutual funds:		
MFS Total Return Fund A	670,021	583,922
Total mutual funds	\$ 7,525,149	7,397,473
Common stock:		
Bar Harbor Bankshares	\$ 2,984,569	2,569,037

During 2011 and 2010, the Plan's investments (depreciated) appreciated in value (including realized gains and losses on investments bought, sold, and held during the year) as follows:

	Year ended December 31	
	2011	2010
Mutual funds	\$ (370,980)	685,075
Common stock of Bar Harbor Bankshares	91,682	134,000
	\$ (279,298)	819,075

(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).

All fair values measured at December 31, 2011 and 2010 were determined using Level 1 inputs.

(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.

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, 2011, 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 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 2012, it was discovered that there were delays by the Plan Sponsor in submitting certain employee deferrals totaling \$347,230. The Company reimbursed the Plan for lost interest in the amount of \$245. These amounts due to the Plan were submitted after December 31, 2011. The Plan Sponsor has assessed any lost earnings and excise taxes due for the resulting costs. These transactions have since been corrected outside of the Voluntary Fiduciary Compliance Program.

Schedule 1**BAR HARBOR BANKSHARES 401(k) PLAN**

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

December 31, 2011

(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		**	\$ 23,234
*	Fidelity Retirement Money Market	Money market fund	**	1,444,693
	Intermediate Bond Fund America	Bond mutual fund, 74,135.111 shares	**	1,010,462
	American Growth Fund Inc.	Equity mutual fund, 43,678.043 shares	**	1,254,870
	Investment Company of America	Equity mutual fund, 33,917.754 shares	**	918,832
	MFS Total Return Fund A	Equity mutual fund, 47,790.407 shares	**	670,021
	Vanguard Index 500 Fund		**	
	Signal Shares	Equity mutual fund, 11,788.359 shares		1,127,556
	Blackrock Mid Cap Value		**	
	Equity Fund Class A	Equity mutual fund, 103,499.242 shares		1,111,582
	American Europacific Growth Fund	Foreign equity mutual fund, 20,418.72 shares	**	717,922
	American New Perspective Fund	Foreign equity mutual fund, 27,289.898 shares	**	713,904
*	Bar Harbor Bankshares	Common stock, 99,551.998 shares	**	2,984,569

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* Participant Loans Receivable	Interest rates	4.25	9.25%	**	456,373
					\$ 12,434,018

**Party-in-interest*

*** Per ERISA guidelines, the cost of investments is not required to be included on 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, 2011

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	corrected under VFCP and PTE 2002-51
\$ 347,230	\$ 347,230	\$ ---	\$ --	\$ ---

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, 2011 and 2010, 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 28, 2012

Marsha C. Sawyer

Plan Administrator

EXHIBIT INDEX

Exhibit No.	Exhibit
23	Consent of KPMG LLP

