

2014

City of Bath Maine Annual Financial Report FY2014

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Federal Compliance Audit

City of Bath, Maine

June 30, 2014



Proven Expertise and Integrity

CITY OF BATH, MAINE
Annual Financial Report
For the Year Ended June 30, 2014

Table of Contents

	<u>Statement</u>	<u>Page(s)</u>
FINANCIAL SECTION		
Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-11
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	12
Statement of Activities	2	13
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Budgetary Basis – All Budgeted Governmental Funds	7	18
Notes to Basic Financial Statements		19-38
Required Supplementary Information – Schedule of Funding Progress		39
	<u>Exhibit</u>	<u>Page(s)</u>
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheet	A-1	40
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis	A-2	41-43
Capital Project Funds:		
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B	44
Other Governmental Funds:		
Combining Balance Sheet	C-1	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	46
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	D-1	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Individual Funds	D-3	49
Nonmajor Permanent Funds:		
Combining Balance Sheet	E-1	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	51

CITY OF BATH, MAINE
Annual Financial Report
For the Year Ended June 30, 2014

Table of Contents, Continued

	<u>Exhibit</u>	<u>Page</u>
Combining and Individual Fund Statements and Schedules (Continued):		
Long-term Debt:		
Statement of Changes in Long-term Debt	F	52
 STATISTICAL SECTION		
	<u>Tables</u>	<u>Page</u>
Statistical Information:		
Revenues and Expenditures - General Fund	A	53
Property Tax Levies and Collections	B	54
Assessed and State Value of Taxable Property	C	55
Property Tax Rates - Segments	D	56
Ratio of General Bonded Debt to Assessed Value and General Bonded Debt Per Capita	E	57
Ratio of Annual Debt Service Expenditures to Total General Fund Expenditures	F	58
Ten Largest Taxpayers	G	59
 FEDERAL COMPLIANCE SECTION		
		<u>Page(s)</u>
Schedule of Expenditures of Federal Awards		60
Notes to Schedule of Expenditures of Federal Awards		61
Independent Auditors' 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		62-63
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133		64-66
Schedule of Findings and Questioned Costs-Summary of Auditors' Results		67



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INDEPENDENT AUDITORS' REPORT

City Council
City of Bath
Bath, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bath, Maine, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 an opinion 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 from material misstatement.

An audit includes examining, on a test basis, evidence supporting 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 statements 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 assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation.

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, each major fund, and the aggregate remaining fund information of the City of Bath, Maine as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General fund and Sewer Utility Fund 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 on pages 4 through 11 and the schedule of funding progress on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it 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 any 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 City of Bath, Maine's basic financial statements. The accompanying 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 State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014 on our consideration of City of Bath Maine 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 the 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 City of Bath Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
September 22, 2014

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

(UNAUDITED)

The following management's discussion and analysis of City of Bath, Maine's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements.

Financial Statement Overview

The City of Bath's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information, which consists of the schedule of funding progress, and other supplementary information that includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the City's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the City's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets and liabilities with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have one column for the City's activities. The type of activity presented for the City of Bath is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the City's basic services are reported in governmental activities, which include general government, public works and wastewater treatment, public safety, parks and recreation, health, welfare and transportation, education, intergovernmental, debt service, and unclassified.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bath, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the City of Bath can be classified as governmental funds.

Governmental funds: All of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City of Bath presents six columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The City's major governmental funds are the general fund, the sewer utility fund, TIF funds, the landfill fund, and capital projects funds. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund and the sewer utility fund are the only funds for which the City legally adopted a budget. The Statement of Revenues, Expenditures and Changes in Fund Balances – All Budgeted Governmental Funds – Budget and Actual – Budgetary Basis provides a comparison of the original and final budget and the actual expenditures for the current year.

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 Financial Statements can be found following the Statement of Revenues, Expenditures and Changes in Fund Balances – All Budgeted Governmental Funds – Budget and Actual – Budgetary Basis.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Schedule of Funding Progress for the Retiree Healthcare Plan.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to the general fund, nonmajor funds, capital asset and long-term debt activity.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the City's governmental and business-type activities. The City's total net position for governmental activities increased by \$2,715,802 from \$25.46 million to \$28.17 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$2,860,593 for governmental activities to a balance of \$13.51 million at the end of this year.

Table 1
City of Bath, Maine
Net Position
June 30,

	2014	2013
Assets:		
Current and Other Assets	\$ 28,000,649	\$ 26,094,071
Capital Assets	31,709,492	31,946,959
Total Assets	59,710,141	58,041,030
Liabilities:		
Current Liabilities	5,746,113	5,808,989
Long-term Debt Outstanding	25,791,858	26,775,674
Total Liabilities	31,537,971	32,584,663
Net Position:		
Invested in Capital Assets, Net of Related Debt	10,940,004	11,330,935
Restricted	3,721,559	3,475,419
Unrestricted	13,510,607	10,650,014
Total Net Position	\$ 28,172,170	\$ 25,456,368

Revenues and Expenses

Revenues for the City's governmental activities increased by 2.24%, while the total expenses decreased by 2.47%. Most revenue and expense categories were consistent with prior year amounts.

Table 2
City of Bath, Maine
Change in Net Position
For the Years Ended June 30,

	<u>2014</u>	<u>2013</u>
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 4,347,355	\$ 4,731,892
Operating grants and contributions	794,918	213,623
Capital grants and contributions	267,964	74,716
<i>General revenues:</i>		
Taxes	24,606,806	23,271,745
Grants and contributions not restricted to specific programs	1,036,536	1,842,881
Miscellaneous	2,352,514	2,538,642
Total Revenues	<u>33,406,093</u>	<u>32,673,499</u>
Expenses		
General government	2,187,102	1,898,926
Public works and wastewater treatment	4,902,121	4,879,263
Public safety	3,800,777	3,778,772
Parks and recreation	766,037	792,540
Health, welfare, and transportation	195,989	252,015
Education	8,894,294	8,580,112
Intergovernmental	1,649,188	1,575,666
Unclassified	6,799,576	8,327,006
Interest on debt	489,214	535,247
Capital outlay	1,005,993	845,777
Total Expenses	<u>30,690,291</u>	<u>31,465,324</u>
Change in Net Position	2,715,802	1,208,175
Net Position - July 1	<u>25,456,368</u>	<u>24,248,193</u>
Net Position - June 30	<u>\$ 28,172,170</u>	<u>\$ 25,456,368</u>

Financial Analysis of the City's Fund Statements

Governmental funds: The financial reporting focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
City of Bath, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2014</u>	<u>2013</u>
General Fund:		
Nonspendable	\$ 36,730	\$ 41,391
Committed	11,067,407	10,149,271
Assigned	465,093	481,751
Unassigned	1,030,424	1,145,525
Total General Fund	<u>\$ 12,599,654</u>	<u>\$ 11,817,938</u>
Sewer Utility Fund:		
Committed	\$ 697,861	\$ 697,610
Total Sewer Utility Fund	<u>\$ 697,861</u>	<u>\$ 697,610</u>
TIF Funds:		
Restricted	\$ 339,287	\$ 271,521
Total TIF Funds	<u>\$ 339,287</u>	<u>\$ 271,521</u>
Landfill Fund:		
Committed	\$ 921,783	\$ 407,939
Total Landfill Fund	<u>\$ 921,783</u>	<u>\$ 407,939</u>
Capital Projects Funds:		
Committed	\$ 3,028,981	\$ 681,403
Total Capital Projects Funds	<u>\$ 3,028,981</u>	<u>\$ 681,403</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 944,925	\$ 1,007,489
Restricted	75,772	81,666
Committed	200,356	200,124
Assigned	249,932	173,408
Unassigned	(751,756)	(822,062)
Permanent Funds:		
Nonspendable	2,353,957	2,101,468
Restricted	7,618	13,275
Total Nonmajor Funds	<u>\$ 3,080,804</u>	<u>\$ 2,755,368</u>

The general fund total fund balance increased by \$781,716 over the prior fiscal year due to revenues received in excess of the budget, a budgeted use of fund balance of \$262,182, less net negative budget variances in expenditures. The sewer utility fund increased by \$251 from the prior year. The TIF funds increased by \$67,766 over the prior year. The landfill fund increased by \$513,844

over the prior year and the capital projects funds increased by \$2,347,578 from the prior year due to the receipt of road bond revenue not yet spent. The non-major fund balances increased by \$326,092 over the prior fiscal year due to revenues and transfers from other funds in excess of expenditures and transfers out.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund. Assigned and committed fund balances were added to the budgets of various accounts, increasing their total budgets.

The general fund actual revenues exceeded the budget by \$1,072,065. This can be mostly accounted for from more than expected unrealized investment income from the money set aside by Council.

The general fund actual expenditures were under budget by \$91,082. All expenditure categories were under budget with the exception of public works. Items over budget included winter road maintenance offset by expenses under budget in all other categories.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, the net book value of capital assets recorded by the City decreased by \$237,468 from the prior year. The decrease is the result of current year depreciation of \$1,555,496 less capital additions of \$1,318,028.

Table 4
City of Bath, Maine
Capital Assets (Net of Depreciation)
June 30,

	<u>2014</u>	<u>2013</u>
Land	\$ 1,956,483	\$ 1,956,788
Construction in progress	114,246	61,963
Buildings and improvements	4,603,491	5,020,270
Machinery, furniture & equipment	976,442	1,032,837
Vehicles	1,873,633	1,982,038
Infrastructure	22,185,197	21,893,064
Total	<u>\$ 31,709,492</u>	<u>\$ 31,946,960</u>

Debt

At June 30, 2014, the City had \$24,982,892 in bonds, notes and capital leases outstanding versus \$25,705,571 outstanding last year, a decrease of 2.81% as shown in the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The City has been building a sufficient unassigned fund balance to sustain government operations for a period of approximately two months, while also maintaining reserve accounts for future capital and program needs.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 55 Front Street, Bath, Maine 04530.

BASIC FINANCIAL STATEMENTS

CITY OF BATH, MAINE
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,052,353
Cash held in escrow	-
Investments	13,586,605
Receivables:	
Taxes receivable	755,482
Tax liens	312,657
Accounts receivable, net of allowance of \$60,000	1,497,708
Notes receivable	944,925
Due from other governments	39,554
Inventory	32,150
Long-term receivable from RSU #1	4,385,055
Land held for resale	1,389,580
Capital assets, not being depreciated	2,070,729
Capital assets, net of depreciation	29,638,763
Total assets	59,710,141
LIABILITIES	
Accounts payable	485,717
Accrued expenses	271,927
Accrued compensated absences	341,769
Other post-employment benefits	754,083
Accrued interest	181,337
Noncurrent liabilities:	
Due within one year	3,711,280
Due in more than one year	25,791,858
Total liabilities	31,537,971
NET POSITION	
Invested in capital assets, net of related debt	10,940,004
Restricted for:	
Nonexpendable:	
Expendable	7,618
Permanent funds	2,353,957
Community development	944,925
Grants	75,772
TIF Districts	339,287
Unrestricted	13,510,607
Total net position	\$ 28,172,170

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Statement of Activities
For the year ended June 30, 2014

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 2,187,102	\$ 130,212	\$ 540,752	\$ -	\$ (1,516,138)
Public works and wastewater treatment	4,902,121	2,975,793	-	109,312	(1,817,016)
Public safety	3,800,777	657,252	34,578	-	(3,108,947)
Parks and recreation	766,037	501,021	-	-	(265,016)
Health, welfare, and transportation	195,989	83,077	70,425	-	(42,487)
Education	8,894,294	-	-	-	(8,894,294)
Intergovernmental	1,649,188	-	-	-	(1,649,188)
Unclassified	6,799,576	-	149,163	-	(6,650,413)
Interest on debt	489,214	-	-	-	(489,214)
Capital outlay	1,005,993	-	-	158,652	(847,341)
Total governmental activities	30,690,291	4,347,355	794,918	267,964	(25,280,054)
Total primary government	\$ 30,690,291	\$ 4,347,355	\$ 794,918	\$ 267,964	(25,280,054)

General revenues:	
Property taxes, levied for general purposes	23,470,882
Contributions in lieu of taxes	50,429
Motor vehicle excise taxes	1,085,495
Grants and contributions not restricted to specific programs:	
Homestead and BETE exemption	587,226
Other State/Federal aid	(113,286)
State Revenue Sharing	562,596
Unrestricted investment earnings	1,981,098
Other	371,416
Total general revenues	27,995,856
Change in net position	2,715,802
Net position - beginning	25,456,368
Net position - ending	\$ 28,172,170

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Balance Sheet
Governmental Funds
June 30, 2014

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 4,659,476	\$ -	\$ -	\$ 300	\$ 109,118	\$ 283,459	\$ 5,052,353
Investments	11,067,407	-	-	274,675	-	2,244,523	13,586,605
Receivables:							
Taxes receivable	755,482	-	-	-	-	-	755,482
Tax liens	307,407	5,250	-	-	-	-	312,657
Accounts receivable, net of allowance of \$70,000	143,858	1,161,742	-	164,424	1,276	26,408	1,497,708
Notes receivable	-	-	-	-	-	944,925	944,925
Due from other governments	-	-	-	-	-	39,554	39,554
Interfund loans receivable	-	-	339,287	489,321	2,918,587	6,645	3,753,840
Inventory	32,150	-	-	-	-	-	32,150
Receivable from RSU #1 for debt service payment	4,385,055	-	-	-	-	-	4,385,055
Total assets	\$ 21,355,415	\$ 1,166,992	\$ 339,287	\$ 928,720	\$ 3,028,981	\$ 3,545,514	\$ 30,364,909

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities:							
Accounts payable	\$ 460,854	\$ 24,127	\$ -	\$ 736	\$ -	\$ -	\$ 485,717
Accrued expenditures	233,836	11,232	-	6,201	-	20,658	271,927
Escrow	-	-	-	-	-	-	-
Interfund loans payable	2,876,016	433,772	-	-	-	444,052	3,753,840
Total liabilities	3,570,706	469,131	-	6,937	-	464,710	4,511,484
Deferred Inflows of Resources:							
Deferred tax revenue	800,000	-	-	-	-	-	800,000
Deferred debt service payments from RSU #1	4,385,055	-	-	-	-	-	4,385,055
Total deferred inflows of resources	5,185,055	-	-	-	-	-	5,185,055
Fund balances:							
Nonspendable	36,730	-	-	-	-	3,298,882	3,335,612
Restricted	-	-	339,287	-	-	83,390	422,677
Committed	11,067,407	697,861	-	921,783	3,028,981	200,356	15,916,388
Assigned	465,093	-	-	-	-	249,932	715,025
Unassigned	1,030,424	-	-	-	-	(751,756)	278,668
Total fund balances	12,599,654	697,861	339,287	921,783	3,028,981	3,080,804	20,668,370
Total liabilities, deferred inflows of resources and fund balances	\$ 21,355,415	\$ 1,166,992	\$ 339,287	\$ 928,720	\$ 3,028,981	\$ 3,545,514	\$ 30,364,909

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Total Fund Balances	\$ 20,668,370
Amounts reported for governmental activities in the statement of net position are different because:	
Capital position used in governmental activities are not financial resources and therefore are not reported in the funds.	
More specifically, non-depreciable & depreciable capital position as reported on Statement 1	31,709,492
Long-term receivable from RSU #1 for bonds held in the City's name.	4,385,055
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	800,000
Cash held in escrow	-
Land held for sale	1,389,580
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(341,769)
Other post-employment benefits	(754,083)
Accrued interest	(181,337)
Landfill closure	(4,380,000)
Capital leases	(140,246)
Bonds payable	(24,982,892)
Net position of governmental activities	\$ 28,172,170

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2014

	Sewer					Other	
	General	Utility Fund	TIF Funds	Landfill	Capital Projects	Governmental Funds	Total
Revenues:							
Taxes	\$ 17,208,440	\$ -	\$ 5,700,280	\$ 1,002,422	\$ 616,664	\$ -	\$ 24,527,806
Licenses and permits	130,212	-	-	-	-	-	130,212
Intergovernmental	1,186,564	-	-	109,312	158,652	644,891	2,099,419
Charges for services	700,922	2,010,825	-	921,298	-	584,098	4,217,143
Investment income	1,516,078	-	-	174,675	-	290,345	1,981,098
Other revenues	193,245	-	-	-	16,723	161,448	371,416
Total revenues	20,935,461	2,010,825	5,700,280	2,207,707	792,039	1,680,782	33,327,094
Expenditures:							
Current:							
General government	1,452,446	-	-	-	-	650,572	2,103,018
Public works and wastewater treatment	1,545,955	1,219,172	-	938,450	-	-	3,703,577
Public safety	3,555,031	-	-	-	-	49,610	3,604,641
Parks and recreation	-	-	-	-	-	683,376	683,376
Health, welfare and transportation	74,798	-	-	-	-	124,747	199,545
Education	8,894,294	-	-	-	-	-	8,894,294
Intergovernmental	1,649,188	-	-	-	-	-	1,649,188
Unclassified	2,164,767	-	4,504,082	-	-	170,575	6,839,424
Debt service	354,395	525,515	968,710	689,300	2,430,282	61,218	5,029,420
Capital outlays	-	1,237,345	-	66,113	932,724	87,841	2,324,023
Total expenditures	19,690,874	2,982,032	5,472,792	1,693,863	3,363,006	1,827,939	35,030,506
Excess (deficiency) of revenues over (under) expenditures	1,244,587	(971,207)	227,488	513,844	(2,570,967)	(147,157)	(1,703,412)
Other financing sources (uses):							
Transfers in	25,000	-	-	-	150,000	497,593	672,593
Transfers out	(487,871)	-	(159,722)	-	-	(25,000)	(672,593)
Proceeds from bonds/notes/ capital leases	-	971,458	-	-	4,772,611	-	5,744,069
Total other financing sources (uses)	(462,871)	971,458	(159,722)	-	4,922,611	472,593	5,744,069
Net change in fund balances	781,716	251	67,766	513,844	2,351,644	325,436	4,040,657
Fund balances, beginning of year	11,817,938	697,610	271,521	407,939	677,337	2,755,368	16,627,713
Fund balances, end of year	\$ 12,599,654	\$ 697,861	\$ 339,287	\$ 921,783	\$ 3,028,981	\$ 3,080,804	\$ 20,668,370

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2014

Net change in fund balances - total governmental funds (from Statement 5)	\$	4,040,657
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those position is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,318,030) were less than depreciation expense (\$1,555,496).</p>		
		(237,467)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue.</p>		
		79,000
<p>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. This is the decrease in accrued interest (\$24,506), net of the increase in accrued compensated absences (\$2,059), and other post-employment benefits (\$55,711).</p>		
		(33,264)
<p>Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments on leases.</p>		
		85,894
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (\$3,178,128) and exceeded debt proceeds (\$2,455,449) and decrease in cash held in escrow (\$971,459).</p>		
		(248,145)
<p>The City has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #1 when the debt service payments are due. The City has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$4,385,055 with principal amounts paid off during the year totaling \$962,672 with a net change in accrued interest of \$8,201.</p>		
		(970,873)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This represents the increase in landfill liability.</p>		
		-
Change in net position of governmental activities (see Statement 2)		\$ 2,715,802

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Budgeted Governmental Funds - Budget and Actual - Budgetary Basis
For the year ended June 30, 2014

	General Fund				Sewer Utility Fund			
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 17,175,576	\$ 17,175,576	\$ 17,208,440	\$ 32,864	\$ -	\$ -	\$ -	\$ -
Licenses and permits	78,800	78,800	130,212	51,412	-	-	-	-
Intergovernmental	1,171,182	1,171,182	1,186,564	15,382	-	-	-	-
Charges for services	725,000	725,000	700,922	(24,078)	2,076,450	2,076,450	2,010,825	(65,625)
Investment income	515,000	515,000	1,516,078	1,001,078	-	-	-	-
Other revenues	173,600	173,600	169,007	(4,593)	-	-	-	-
Total revenues	19,839,158	19,839,158	20,911,223	1,072,065	2,076,450	2,076,450	2,010,825	(65,625)
Expenditures:								
Current:								
General government	1,358,125	1,471,325	1,452,446	18,879	-	-	-	-
Public works	1,464,020	1,464,020	1,545,955	(81,935)	-	-	-	-
Public safety	3,591,100	3,616,100	3,555,031	61,069	-	-	-	-
Health and welfare	74,860	74,860	74,798	62	-	-	-	-
Education	8,894,294	8,894,294	8,894,294	-	-	-	-	-
Intergovernmental	1,649,188	1,649,188	1,649,188	-	-	-	-	-
Administration	-	-	-	-	94,040	94,040	110,831	(16,791)
Treatment plant	-	-	-	-	863,791	863,791	833,544	30,247
Maintenance	-	-	-	-	255,644	255,644	274,797	(19,153)
Unclassified	2,256,695	2,256,695	2,164,767	91,928	-	-	-	-
Debt service	355,474	355,474	354,395	1,079	552,416	552,416	525,515	26,901
Capital	-	-	-	-	301,575	301,575	1,237,345	(935,770)
Total expenditures	19,643,756	19,781,956	19,690,874	91,082	2,067,466	2,067,466	2,982,032	(914,566)
Excess (deficiency) of revenues over (under) expenditures	195,402	57,202	1,220,349	1,163,147	8,984	8,984	(971,207)	(980,191)
Other financing sources (uses):								
Transfers in	25,000	25,000	25,000	-	-	-	-	-
Transfers out	(482,584)	(482,584)	(487,871)	(5,287)	-	-	-	-
Funding RSU #1 fund deficit	-	-	-	-	-	-	-	-
Proceeds from bonds/notes/ capital leases	-	-	-	-	-	-	971,458	971,458
Utilization of prior year fund balance	262,182	400,382	-	(400,382)	-	-	-	-
Total other financing sources (uses)	(195,402)	(57,202)	(462,871)	(405,669)	-	-	971,458	971,458
Net change in fund balances - budgetary basis	-	-	757,478	757,478	8,984	8,984	251	(8,733)
Reconciliation to GAAP basis:								
Fuel revenues for fuel tank reserve			24,238					
Net change in fund balances			781,716				251	
Fund balances, beginning of year			11,817,938				697,610	
Fund balances, end of year			\$ 12,599,654				\$ 697,861	

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Notes to Basic Financial Statements

THE REPORTING ENTITY

The City of Bath, Maine was incorporated in 1847 under the laws of the State of Maine. The City operates under a Council-Manager form of government with an elected nine-member City Council. The City provides the following services as authorized by its charter: public safety, public works, recreation, and community development.

This report includes all funds of the City. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the City and/or its members, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its members.

Bath Local Development Corporation (Bath LDC)

The City has elected to report the Bath Local Development Corporation as a blended Component Unit in the special revenue funds. The Bath LDC was established by the City Council to assist and promote economic development for companies located or attempting to locate in the City of Bath, Maine. The Board of the Directors for the Bath LDC includes the City Manager, Planning Director, two members of the City Council, one member of the Bath Planning Board and at least two but not more than ten representatives of the Bath business community.

It is the City's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no other entities that would be considered potential component units within the City that should be included as part of these financial statements. The City has, however, identified the following related organizations:

Related Organizations - The City of Bath, Maine appoints a voting majority of the following governing boards of each of the entities described below. However, The City is not financially accountable for these organizations and therefore, they are not component units.

The Bath Water District was established by the State of Maine in 1915 as a quasi-municipal water district to provide safe and affordable water to the citizens of the City of Bath, Maine. The District is managed by a five-member board of trustees, four chosen by the Bath City Council.

The Bath Housing Authority was established in 1970 pursuant to Maine Law. It is governed by a seven-member board of commissioners appointed by the Bath City Council.

The accounting policies of the City of Bath, Maine conform to accounting principles generally accepted in the United States of America as applicable to governmental units, except as otherwise noted. The following is a summary of the more significant policies:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and 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 segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. 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 as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City currently does not have fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 government 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, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Measurement Focus, Basis of Accounting and Basis of Presentation, continued

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sewer Utility Fund accounts for the revenues generated from sewer billings and the costs of operating and maintaining the sewer treatment plant and related equipment.

The TIF Fund accounts for development programs in the City of Bath, Maine. Taxes are remitted to the TIF districts over the lives of the districts to assist in financing the development projects.

The Landfill Fund accounts for the fees charged to use the landfill and the operating and maintenance costs of the landfill.

Capital Projects account for financial resources to be used for the acquisition or construction of major capital assets.

C. Budget

The City's policy is to adopt an annual budget for General Fund and Sewer Utility Fund operations. The budgets are presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the first half of the year, the City prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the City Council.
4. The City does not adopt budgets for Special Revenue Funds.

D. Cash, Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the City's policy to value investments at fair value. None of the City's investments are reported at amortized cost. The City Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Cash, Cash Equivalents and Investments, continued

- Repurchase agreements
- Commercial paper
- Money market mutual funds
- Time certificates of deposit

The City of Bath has a formal investment policy that closely follows the State of Maine Statutes.

F. Inventories

Inventories are valued at the lower of cost (first-in, first-out basis) or market. Inventories consist of vehicle fuel for consumption by the City and other regional governmental organizations.

G. Interfund Receivables and Payables

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

H. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

I. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$40,000 for the general fund accounts receivable and \$20,000 for the sewer utility fund accounts receivable (which are both part of other receivables on the balance sheet) as of June 30, 2014.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and the following minimum capitalization thresholds for capitalizing capital assets:

Land	\$ 25,000	N/A
Building and building improvements	50,000	15-40
Machinery, equipment, vehicles	5,000	3-20
Infrastructure	150,000	30-100

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

J. Capital Assets, continued

Property, plant and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives, which are determined by the Finance Director. Assets' lives will be adjusted as necessary, depending on the present condition and use of the asset and based on how long the assets are expected to meet current service demands.

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vested or accumulated vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

N. Fund Balances

Governmental Fund fund balances are reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

N. Fund Balances, continued

- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources that are subject to limitations the government imposes on itself at its highest level of decision-making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

- *Unassigned* – resources that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise, management or City Council may assign unspent budgeted amounts to specific purposes at year end based on Department requests.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the government’s intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the government’s intent to use committed or assigned resources first, and then unassigned resources as they are needed.

O. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations. All encumbrances, if any, are reserved at year end.

P. Use of Estimates

Preparation of the City’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Q. Net Position Invested in Capital Assets, Net of Related Debt

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net position invested in capital assets, net of related debt was calculated as follows at June 30, 2014:

Capital assets	\$ 57,842,824
Accumulated depreciation	(26,133,332)
Bonds payable	(24,982,892)
Long-term receivable from RSU #1 for debt service	4,353,655
Capital leases payable	(140,246)
<u>Total invested in capital assets net of related debt</u>	<u>\$ 10,940,004</u>

PROPERTY TAX

Property taxes for the current year were committed on August 29, 2013, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$59,231 for the year ended June 30, 2014.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues in the fund and entity-wide financial statements. The remaining receivables have been recorded as deferred revenues in the fund financial statements.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX, CONTINUED

The following summarizes the levy:

	<u>2014</u>	<u>2013</u>
Assessed value (excluding Homestead exemption)	\$ 1,184,722,000	\$ 1,184,925,900
Tax rate (per \$1,000)	19.64	18.70
Commitment	23,267,940	22,158,114
Supplemental taxes assessed	-	-
	<u>23,267,940</u>	<u>22,158,114</u>
Less:		
Abatements	61,083	114,134
Collections	<u>22,520,490</u>	<u>21,398,501</u>
<u>Current year taxes and liens receivable at end of year</u>	<u>\$ 686,367</u>	<u>\$ 645,479</u>
Due date - current year	October 15, 2013	October 15, 2012
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.09%	97.10%
Taxes and liens receivable - current year	\$ 686,367	\$ 645,479
Taxes and liens receivable - prior years	<u>360,951</u>	<u>360,951</u>
<u>Total taxes and liens receivables</u>	<u>\$ 1,062,888</u>	<u>\$ 1,006,430</u>

DEPOSITS AND INVESTMENTS

The City's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all City funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City will not be able to recover its deposits. The City does not have a policy covering custodial credit risk for deposits. However, the City maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2014, the City's deposits amounting to \$5,313,360 were comprised of bank deposits of \$5,198,249. Of these bank deposits, \$548,417 was covered by federal depository insurance and \$4,764,943 was collateralized with securities held by the financial institution but not in the City's name.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Account Type	Bank Balance
Checking accounts	\$ 626,384
Savings accounts	1,225,349
Money market accounts	115,111
Certificates of deposit	3,346,516
	\$ 5,313,360

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does not have a policy for custodial credit risk for investments. The City's investments of \$12,747,489 are not exposed to custodial credit risk because those securities are registered in the City's name and are held by the City's brokerage firm.

At June 30, 2014, the City had the following investments:

Investment Type	Fair Value	Maturity		
		N/A	> 1 Year	2 - 5 Years
Cash & equivalents	\$ 618,829	\$ 618,829	\$ -	\$ -
Equity	8,118,485	8,118,485	-	-
Fixed income	3,629,167	3,629,167	-	-
International	381,008	381,008	-	-
	\$ 12,747,489	\$ 12,747,489	\$ -	\$ -

Credit risk – Statutes for the State of Maine authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The City does not have an investment policy on credit risk.

	Credit Rating		Credit Rating
Federal Home Loan Banks	AAA	Corporate bonds:	
Federal Farm Credit Bank	AAA	Bank of America	A2
Corporate bonds:		Deutsche Bank	AA3
GE Capital Corp	AA2	Goldman Sachs	A1
GCB Verizon Communications	A3	JP Morgan Chase	AA3
AT&T Inc	A2		

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, not being depreciated				
Land	\$ 1,956,788		\$ 305	\$ 1,956,483
Construction in Progress	61,963	1,038,237	985,954	114,246
Total capital assets not being depreciated	2,018,751	1,038,237	986,259	2,070,729
Capital Assets, being depreciated				
Building & Improvements	11,713,780		5,790	11,707,990
Machinery, Furniture & Equipment	2,723,851	91,133	91,317	2,723,667
Infrastructure	36,566,314	985,954		37,552,268
Vehicles	3,738,715	193,977	144,523	3,788,169
Total capital assets being depreciated	54,742,661	1,271,064	241,630	55,772,095
Less accumulated depreciation for:				
Building & Improvements	6,693,510	415,971	4,982	7,104,499
Machinery, Furniture & Equipment	1,691,014	147,528	91,317	1,747,225
Infrastructure	14,673,252	693,819		15,367,071
Vehicles	1,756,676	298,178	140,317	1,914,537
Total accumulated depreciation	24,814,452	1,555,496	236,616	26,133,332
Total capital assets being depreciated, net	29,928,209	(284,432)	5,014	29,638,763
Governmental activities capital assets, net	\$ 31,946,960	\$ 753,805	\$ 991,273	\$ 31,709,492

The City of Bath, Maine is holding land for resale within an industrial park. The value of the land at June 30, 2014 was \$1,389,580.

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

Governmental activities:	
General government	\$ 21,068
Public works and wastewater treatment	1,195,118
Parks and recreation	88,417
Public safety	195,496
Unclassified	55,397

Total depreciation expense – governmental activities \$ 1,555,496

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

INTERFUND BALANCES, ADVANCES AND TRANSFERS

Individual interfund loans receivable and payable and interfund transfers at June 30, 2014 were as follows:

	Interfund loan <u>receivable</u>	Interfund loan <u>payable</u>	Transfers <u>in (out)</u>
General Fund	\$ -	\$2,876,016	\$ (462,871)
Sewer Utility Fund	-	433,772	-
TIF Fund-	339,287	-	(159,722)
Capital Projects	2,918,587	-	150,000
Landfill Fund	489,321	-	-
Nonmajor governmental funds:			
City Special Purpose	-	264,763	284,569
Community Development	-	176,453	-
Transportation Programs	1,142	-	75,524
Bath Local Development Corp.	-	2,836	137,500
Nonmajor permanent funds	5,504	-	(25,000)
Total interfund balances and transfers	\$3,753,841	\$ 3,753,841	\$ -

With the exception of certain special revenue and permanent funds, all cash of the City is co-mingled in centralized cash accounts maintained within the General Fund, the practice of which results in the interfund balances listed above.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Governmental activities:					
General obligation bonds	\$ 25,705,571	\$4,678,000	\$ 5,400,679	\$ 24,982,892	\$ 3,656,386
Capital leases	226,140	-	85,894	140,246	54,894
Other post-employment benefits	698,372	55,711	-	754,083	-
Accrued compensated absences	339,710	2,059	-	341,769	-
Landfill closure and postclosure care costs	4,380,000	-	-	4,380,000	-
Governmental activity long-term liabilities	\$ 31,349,793	\$4,735,770	\$5,486,573	\$ 30,598,990	\$ 3,711,280

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

SHORT-TERM DEBT

On June 4, 2013, the City Council approved the issuance of a \$3,000,000 tax anticipation note to cover cash short falls during the year. Tax anticipation note activity for the year ended June 30, 2014, was as follows:

	Beginning <u>balance</u>	Additions	Reductions	Ending <u>balance</u>
<u>Tax anticipation notes</u>	\$ -	\$ 2,000,000	\$2,000,000	\$ -

LONG-TERM DEBT

Long-term debt payable at June 30, 2014 is comprised of the following:

	Date of <u>issue</u>	Original amount <u>issued</u>	Date of <u>maturity</u>	Interest <u>rate</u>	June 30, <u>2014</u>
Governmental activities:					
1997 Wastewater upgrade bonds	10/1/97	\$ 6,300,000	10/1/17	varies	\$ 1,260,000
2002 Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	758,209
2004 General obligation bonds	6/1/04	1,840,000	9/1/19	varies	720,000
Building renovation note	3/13/06	1,000,000	11/30/11	5.125%	162,973 (1)
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	210,000
2006 general obligation refunding	7/18/06	3,570,000	10/1/16	4.375%	1,020,000 (2)
2008 SRF sewer bond	5/1/08	1,400,000	4/1/2023	1.00%	840,000
2008 general obligation bond	1/30/08	6,500,000	1/15/23	varies	3,085,000
2008 general obligation bond	1/30/08	2,800,000	1/15/18	varies	1,120,000 (2)
2009 general obligation bond series B	9/5/08	635,000	10/15/28	varies	525,000
2009 general obligation bond series C	9/8/08	1,365,000	10/15/18	6.75%	1,160,000
2009 AARA Clean Water Revolving Loan	7/1/09	57,488	4/1/19	0.00%	20,782
2011 General Obligation Bond	5/1/11	3,950,000	5/1/31	varies	2,930,000
2011 GOB Series B	3/1/11	2,392,271	11/1/2030	varies	1,790,399
2011 GOB Series B	3/1/11	2,882,729	11/1/2030	varies	2,213,650 (2)
2011 SRF GOB	3/1/11	1,883,600	11/1/2031	varies	1,695,240
2013 SRF Clean Water Revolving Loan	2013	651,500	2033	1%	618,925
2013 GOB Bath Savings	2013	128,000	2020	2.84%	109,714
2013 GOB Androscoggin	2013	130,000	2015	2.01%	65,000
2014 GOB Equipment	2014	222,000	2021	varies	222,000
2014 GOB Road Bond and Refin	2014	4,456,000	2029	varies	<u>4,456,000</u>
<u>Total governmental activities</u>					<u>\$ 24,982,892</u>

- (1) This note is on a draw-down basis. As of June 30, 2014, the City has drawn down \$500,000. The remaining \$500,000 has yet to be drawn down.
- (2) As of July 1, 2008, the Bath School Department joined Regional School Unit #1. RSU #1 will reimburse the City of Bath for all Bath School Department bonds payable when the debt service payments are due. The City has recorded a long-term receivable for \$4,353,655, which is the outstanding amount of bonds payable related to the School Department. The City also records a long-term receivable for the accrued interest on these bonds that totals \$31,405 for a total long-term receivable of \$4,385,055.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

The annual principal and interest requirements to amortize general long-term debt outstanding as of June 30, 2014 are as follows:

Year(s) ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,656,386	\$ 676,947	\$ 4,333,333
2016	3,557,012	586,965	4,143,977
2017	3,397,967	488,281	3,868,247
2018	2,987,418	400,841	3,388,259
2019	2,753,035	289,999	3,043,034
2020-2024	5,837,199	742,612	6,579,811
2025-2029	2,228,775	241,064	2,469,839
2030-2034	583,360	33,294	616,134
Totals	\$ 24,982,892	\$ 3,460,005	\$ 28,442,636

LANDFILL CLOSURE AND POSTCLOSURE COSTS

The City of Bath is currently operating a landfill for residential and commercial sanitary waste, demolition debris, and other materials. In 1991, the City entered into a consent decree with the State of Maine for the development and implementation of a corrective action plan and application to re-license with a proposed vertical expansion. The City met all terms of the consent decree and received approval from the State on the new license and vertical expansion. As part of the corrective action plan, the City closed certain sections of the landfill and prepared to make improvements that would extend the useful life of the facility. On November 6, 2001, voters approved the City Council's authorization of \$8,140,000 in general obligation bonds. Of this bond issuance, \$3,000,000 was to provide funds for landfill improvements, otherwise referred to as the Landfill Project. In September 2002 (the "2002 Bonds"), \$1,200,000 was issued to finance the Landfill Project. An additional amount of \$600,000 was financed through the State Revolving Loan Program (SRF) jointly through the Maine Municipal Bond Bank and the Maine Department of Environmental Protection. Another bond issuance in June 2004 (the "2004 Bonds") provided the remaining \$1,200,000 previously authorized for the Landfill Project. On January 30, 2008, the City issued \$4,500,000 in voter-approved debt for construction of a new cell and gas mitigation system. At June 30, 2014, the landfill had reached approximately 73.97% capacity of the current configuration (post Landfill project expansion). The estimated cost for closure after it reaches existing capacity is approximately \$3,500,000. Post closure costs, such as monitoring and maintenance for 30 years is estimated to be \$2,300,000. As such, the City has recognized a liability based on the percentage used as of June 30, 2014, of \$2,670,000 for closure, and an estimate for post closure costs of \$1,710,000. This results in a total of \$4,380,000 estimated liability of closure and post closure costs in the government-wide financial statements. The actual closure and post closure costs may vary from this estimate due to inflation, changes in technology, recycling, engineering estimates, expansion of the existing landfill, or changes in landfill laws and regulations. At June 30, 2014, the City Council has funded a portion of the landfill closure costs totaling \$274,675, which is reflected as an investment in the City's Landfill Fund. It is the intent of the City Council to earmark additional funding for landfill closure costs on an annual basis.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL LEASES

The City of Bath has entered into various lease agreements as lessee for various equipment. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of their inception. The value of assets capitalized under these leases as of June 30, 2014 was \$414,428.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2013

<u>Fiscal year ending</u>	<u>Capital leases</u>
2015	\$ 58,775
2016	48,711
2017	29,047
2018	11,563
Total minimum lease payments	148,097
Less: amount representing interest	(7,850)
<u>Present value of future minimum lease payments</u>	<u>\$ 140,246</u>

OVERLAPPING DEBT

The City of Bath, Maine is situated in Sagadahoc County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Sagadahoc County, for which the City of Bath would be proportionally responsible in the event the County defaulted, amounted to \$1,689,979 at June 30, 2014, which is 20.77% of the County's total debt of \$8,136,637.

LIMITATION ON MUNICIPAL SPENDING

The City's charter provides for a limitation on expenditures each year based upon the annual increase in the National Consumer Price Index ("CPI") as determined by the United States Department of Labor. Exceptions to the limitations are made for proceeds of new bond issues approved by public referendum, debt service required to support new bonded indebtedness, expenditures of Federal and State grants, expenditures for programs mandated and funded by the Federal and State governments, expenditures of insurance proceeds for replacement of covered assets, and emergency appropriations by the City Council in accordance with the City's charter. The expenditures of the City of Bath, Maine for the year ended June 30, 2014 were made in accordance with the above charter limitations.

SIGNIFICANT TAXPAYER

For the year ended June 30, 2014, the City of Bath received \$9,205,677 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 39.56% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2014, a significant portion (\$4,410,837) were funds collected as part of a Tax Increment Financing (TIF) District. As such, only \$4,794,840 were taxes collected for the purposes of financing the City's operational and capital budgets.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

FUND BALANCE COMPONENTS

As of June 30, 2014, fund balances' components consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:			
Inventory and prepaid items	\$ 36,730	\$ -	\$ 36,730
Notes receivable and interfund advances	-	944,925	944,925
Principal for permanent funds	-	2,353,957	2,353,957
Total nonspendable	36,730	3,298,882	3,335,612
Restricted:			
TIF Districts	-	339,287	339,287
Grants and other purposes	-	75,772	75,772
Permanent funds	-	7,618	7,618
Total restricted	-	422,677	422,677
Committed:			
Capital Reserves	11,067,407		11,067,407
Sewer utility	-	697,861	697,861
Landfill - operations	-	647,108	647,108
Landfill - set aside for closure	-	274,675	274,675
Capital projects	-	3,028,981	3,028,981
Park and ride vehicle reserve	-	66,756	66,756
Bath Local Development Corporation	-	133,600	133,600
Total committed	11,067,407	4,848,981	15,916,388
Assigned:			
Subsequent budget	250,000	-	250,000
Fuel tank reserves	215,093	-	215,093
Grants and other purposes	-	249,932	249,932
Total assigned	465,093	249,932	715,025
Unassigned	1,060,424	(751,100)	309,324
Total fund balances	\$ 12,629,654	\$ 8,069,372	\$ 20,699,026

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

DEFICIT FUND BALANCES

Several City Special Revenue Funds had deficit fund balances at June 30, 2014. The City's deficit fund balances are as follows:

- Recreation Programs
- Skate Park Committee
- Bath Youth Meeting House
- Bath City Bus
- Trolley Funds
- Other City Programs

All of these deficits will be funded by future operations and future grants.

EXPENDITURES OVER APPROPRIATIONS

The City had the following overspent appropriations as of June 30, 2014:

Public Works	\$81,935
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Severe weather conditions during the 2013-2014 winter resulted in greater than appropriated costs for winter road maintenance. Title 23, Part 3, Chapter 301, Subchapter 1, §2705 of the State of Maine Statutes, as amended states, "when the amount appropriated is not sufficient to repair or maintain the ways, a road commissioner may, with the written consent of the municipal officers, pay an amount not exceeding 15% of the amount so appropriated in addition to the amount appropriated." The over expended amount falls well within this requirement.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN

Description of the Plan - The City contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing, multiple employer retirement system established by the Maine State Legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute a percentage of their annual covered salary. The City is required to contribute an actuarially determined rate. Employer and member rates for the year ended June 30, 2014 were as follows:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN,
CONTINUED

	<u>Special #2C</u>	<u>Special #3C</u>
Employer payroll rate(s):		
Normal cost	10.20%	12.00%
Pooled UAL	-2.30%	-1.50%
Total payroll rate	7.90%	10.50%
Monthly IUUAL available:		
Payment/(Credit)	\$ 0	0
<u>Member contribution rate(s)</u>	6.5%	8.0%

Prior to the Consolidated Plan, the City had a separate District plan. Effective July 1, 1996, the City elected to join the Consolidated Plan. For the years ended June 30, 2014, 2013, and 2012, the City's expense was \$474,852, \$461,922, and \$61,508, respectively. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. For the years ended June 30, 2014, 2013, and 2012, employee contributions to the plan totaled \$375,812, \$396,227, and \$355,271, respectively.

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees 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.

The City amended the plan in accordance with the provisions of IRS Section 457(g). Assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRS Section prescribes that the City no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on their plan assets, were removed from the City's financial statements.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City either carries commercial insurance or participates in a public entity risk pool. Currently, the City participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage.

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchases, the City is not aware of any material actual or potential claims that should be recorded at June 30, 2014. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

OTHER POST-EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the City of Bath, 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 City is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The City 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 City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in July 2014 based on an actuarial valuation date of January 1, 2014.

Plan Descriptions – In addition to providing pension benefits, the City 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 City currently plans to fund these benefits on a pay-as-you-go basis. 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 and the annual required contribution:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal cost	\$ 41,743	\$ 38,900	\$ 38,900
Amortization of unfunded	82,262	109,320	109,320
Adjustment to ARC	(40,387)	(32,220)	(23,905)
Interest	30,931	25,221	19,470
Annual required contribution	\$ 114,009	\$ 141,221	\$ 143,785

Net OPEB Obligation – The City's net OPEB obligations were calculated as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPEB liability, July 1	\$ 698,372	\$ 557,151	\$ 413,226
Annual required contribution	114,009	141,221	143,785
Less: Employee Contributions			
Explicit premium	(3,661)		
Implicit premium	(54,637)		
OPEB Liability, June 30	\$ 754,083	\$ 698,372	\$ 557,151

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Information provided by the actuary included corrections for the participation assumptions. This change affected prior year calculations, which were all corrected in the current year as a change in estimate.

Funding Status and Funding Progress – The City’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 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 114,009	\$ 141,221	\$ 143,785
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
<hr/>			
Actuarial accrued liability	\$ 1,479,382	1,965,984	1,965,984
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 1,479,382	1,965,984	1,965,984
Covered payroll	5,425,740	5,267,709	4,847,374
Unfunded actuarial accrued liability as a percentage of covered payroll	27.30%	37.32%	40.56%

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 City 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	1/1/14
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.0%
Healthcare inflation rate	4.6%

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued

CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the City's financial position.

The City participates in various intergovernmental grant programs that may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

CITY OF BATH, MAINE
Required Supplementary Information

Schedule of Funding Progress
Retiree Healthcare Plan

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2010	1/1/09	\$ -	1,817,040	1,817,040	0.00%	4,494,282	40.43%
2011	1/1/11	\$ -	1,965,984	1,965,984	0.00%	4,753,104	41.36%
2012	1/1/11	\$ -	1,965,984	1,965,984	0.00%	4,847,374	40.56%
2013	1/1/11	\$ -	1,965,984	1,965,984	0.00%	5,267,709	37.32%
2014	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,425,740	27.30%

GENERAL FUND

The General Fund is the general operating fund of the City. All general assessments and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges and capital improvements that are not paid through other funds.

CITY OF BATH, MAINE
General Fund
Comparative Balance Sheet
June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 4,659,476	\$ 2,784,616
Investments	11,067,407	10,149,271
Receivables:		
Taxes receivable	755,482	719,797
Tax liens	307,407	286,634
Accounts receivable, net of allowance of \$50,000	143,858	138,087
Inventory	32,150	41,391
Prepaid	4,580	-
Receivable from RSU #1 for debt service payment	4,385,055	5,355,928
Total assets	\$ 21,355,415	\$ 19,475,724
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 460,854	\$ 402,775
Accrued expenditures	233,836	227,602
Interfund loans payable	2,876,016	950,481
Total liabilities	3,570,706	1,580,858
Deferred inflows of resources:		
Deferred tax revenue	800,000	721,000
Deferred debt service payments from RSU #1	4,385,055	5,355,928
Total deferred inflows of resources	5,185,055	6,076,928
Fund balance:		
Nonspendable - inventory and prepaids	36,730	41,391
Assigned	465,093	481,751
Committed	11,067,407	10,149,271
Unassigned	1,030,424	1,145,525
Total fund balance	12,599,654	11,817,938
Total liabilities, deferred inflows of resources and fund balance	\$ 21,355,415	\$ 19,475,724

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Budgetary Basis
For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

	2014		Variance positive (negative)	2013 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 16,064,876	\$ 15,990,787	\$ (74,089)	\$ 15,406,776
Excise taxes	975,700	1,085,495	109,795	996,006
Interest and costs on taxes	85,000	81,729	(3,271)	79,637
Contributions in lieu of taxes	50,000	50,429	429	49,740
Total taxes	17,175,576	17,208,440	32,864	16,532,159
Licenses, permits and fees:				
Non-business licenses	9,050	7,243	(1,807)	10,993
Health, building, plumbing and electrical permits	28,500	65,624	37,124	28,547
Vehicle, boat and recreation vehicle registrations	21,250	22,219	969	27,613
Other	20,000	35,126	15,126	30,136
Total licenses, permits and fees	78,800	130,212	51,412	97,289
Intergovernmental:				
State revenue sharing	554,100	562,596	8,496	814,894
State homestead exemption	188,348	188,348	-	177,557
State BETE exemption	398,734	398,878	144	336,029
Other state revenue	30,000	36,742	6,742	37,938
Other federal revenue	-	-	-	33,466
Total intergovernmental	1,171,182	1,186,564	15,382	1,399,884
Investment income	515,000	1,516,078	1,001,078	832,701
Charges for services:				
Ambulance service	589,000	563,571	(25,429)	572,068
Cemetery sales	46,000	43,670	(2,330)	63,710
Parking City lots	70,000	70,872	872	66,431
Police duty and fees	20,000	22,809	2,809	18,538
Total charges for services	725,000	700,922	(24,078)	720,747
Other revenues:				
Parking and traffic violations	12,000	11,310	(690)	10,880
Cable television franchise	88,000	98,039	10,039	92,859
Rents and leases	23,700	24,136	436	46,909
Sale of property	-	5,000	5,000	30,000
Miscellaneous	49,900	30,522	(19,378)	14,842
Total other revenues	173,600	169,007	(4,593)	195,490
Total revenues	19,839,158	20,911,223	1,072,065	19,778,270

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued

	2014		Variance positive (negative)	2013 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	148,007	144,219	3,788	141,927
Professional services	280,500	302,252	(21,752)	185,298
City council	84,265	57,764	26,501	124,696
City clerk	115,151	119,646	(4,495)	116,587
Elections	13,844	13,168	676	12,671
Central services	152,250	153,409	(1,159)	159,415
City Hall management and utilities	149,516	136,258	13,258	152,794
Finance	263,236	262,394	842	259,164
Assessor	133,421	128,864	4,557	129,997
Public education government cable	44,200	42,438	1,762	38,361
Planning and community development	86,935	92,034	(5,099)	84,368
Total general government	1,471,325	1,452,446	18,879	1,405,278
Public works:				
General	991,990	1,091,176	(99,186)	1,027,429
Forestry	62,290	61,729	561	56,694
Cemetery and parks	409,740	393,050	16,690	399,687
Total public works	1,464,020	1,545,955	(81,935)	1,483,810
Public safety:				
Fire and ambulance	1,460,782	1,476,035	(15,253)	1,435,285
Police	1,475,815	1,416,383	59,432	1,429,405
Other public safety	81,831	79,230	2,601	75,766
Codes enforcement	92,672	77,077	15,595	93,974
Street lights	110,000	113,100	(3,100)	107,746
Fire hydrant rental	395,000	393,206	1,794	393,206
Total public safety	3,616,100	3,555,031	61,069	3,535,382
Health and welfare:				
General assistance	74,860	74,798	62	84,607
Total health and welfare	74,860	74,798	62	84,607

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued

	2014		Variance positive (negative)	2013 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	8,894,294	8,894,294	-	8,580,112
Intergovernmental--county tax	1,649,188	1,649,188	-	1,575,666
Unclassified:				
Employee benefits	1,726,700	1,598,226	128,474	1,495,277
Insurances	300,500	310,437	(9,937)	301,870
Special events and support	170,264	167,257	3,007	168,153
Overlay/abatements and write-offs	59,231	88,847	(29,616)	148,149
Total unclassified	2,256,695	2,164,767	91,928	2,113,449
Debt service:				
Principal	355,474	354,395	1,079	489,567
Interest and fees	-	-	-	-
Total debt service	355,474	354,395	1,079	489,567
Total expenditures	19,781,956	19,690,874	91,082	19,267,871
Excess (deficiency) of revenues over (under) expenditures	57,202	1,220,349	1,163,147	510,399
Other financing sources (uses):				
Utilization of prior year fund balance	400,382	-	(400,382)	-
Transfers in	25,000	25,000	-	234,728
Transfers out	(482,584)	(487,871)	(5,287)	(417,935)
Refunding of debt service	-	-	-	-
Funding RSU #1 fund deficit	-	-	-	(90,837)
Total other financing sources (uses)	(57,202)	(462,871)	(405,669)	(274,044)
Net change in fund balance - budgetary basis	-	757,478	757,478	236,355
Reconciliation to GAAP basis:				
Fuel revenues for fuel tank reserve		24,238		18,074
Net change in fund balances - GAAP basis		781,716		254,429
Fund balance, beginning of year		11,817,938		11,563,509
Fund balance, end of year		\$ 12,599,654		\$ 11,817,938

See accompanying independent auditors' report and notes to financial statements.

CAPITAL PROJECT FUNDS

Capital project funds are established to account for resources obtained and expended for the acquisition of major capital facilities other than those that would be employed in the delivery of services accounted for in enterprise funds.

CITY OF BATH, MAINE
Capital Projects
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2014

	Fund balance beginning of year	Revenues				Capital outlay	Debt Service	Capital Lease & Bond Proceeds	Transfers in (out)	Fund balance end of year
		Property taxes	Intergovern- mental	Investment earnings	Other					
City capital projects:										
Capital fund - City	\$ 138,913	\$ 210,759	\$ 70,718	\$ -	\$ 9,723	\$ 91,480	\$ 148,515	\$ 51,000	\$ 61	\$ 241,179
Capital improvement projects	-	-	-	-	-	-	-	-	-	-
Cemetery and parks capital	68,162	36,915	-	-	-	52,367	8,415	26,000	(708)	69,587
Commercial/Front pump station	12,355	-	-	-	-	-	-	-	-	12,355
Fire and ambulance capital projects	2,336	181,592	-	-	7,000	35,808	153,254	-	-	1,866
Police capital improvements	5,458	27,940	-	-	-	24,483	24,701	18,000	-	2,214
Public works capital improvements	454,179	118,782	87,934	-	-	716,642	2,070,023	4,677,611	149,939	2,701,780
Recreation capital improvements	(4,066)	40,676	-	-	-	11,944	25,374	-	708	-
Total capital projects	\$ 677,337	\$ 616,664	\$ 158,652	\$ -	\$ 16,723	\$ 932,724	\$ 2,430,282	\$ 4,772,611	\$ 150,000	\$ 3,028,981

See accompanying independent auditors' report and notes to financial statements.

ALL OTHER GOVERNMENTAL FUNDS

CITY OF BATH, MAINE
Other Governmental Funds
Combining Balance Sheet
June 30, 2014

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
ASSETS			
Cash and cash equivalents	\$ 171,910	\$ 111,549	\$ 283,459
Investments	-	2,244,523	2,244,523
Accounts receivable	26,408	-	26,408
Due from other governments	39,554	-	39,554
Notes receivable	944,925	-	944,925
Interfund loans receivable	1,142	5,503	6,645
Total assets	\$ 1,183,939	\$ 2,361,575	\$ 3,545,514
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenditures	20,658	-	20,658
Escrow	-	-	-
Interfund loans payable	444,052	-	444,052
Total liabilities	464,710	-	464,710
Fund balances (deficits):			
Nonspendable	944,925	2,353,957	3,298,882
Restricted	75,772	7,618	83,390
Committed	200,356	-	200,356
Assigned	249,932	-	249,932
Unassigned	(751,756)	-	(751,756)
Total fund balances	719,229	2,361,575	3,080,804
Total liabilities and fund balances	\$ 1,183,939	\$ 2,361,575	\$ 3,545,514

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2014

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 644,891	\$ -	\$ 644,891
Charges for services	584,098	-	584,098
Investment income	3,308	41,806	45,114
Realized/unrealized gain (loss) on investments	-	245,231	245,231
Other revenue	154,388	7,060	161,448
Total revenues	1,386,685	294,097	1,680,782
Expenditures:			
General government	650,572	-	650,572
Public safety	49,610	-	49,610
Parks and recreation	683,376	-	683,376
Health, welfare and transportation	124,747	-	124,747
Unclassified	148,310	22,265	170,575
Debt service	61,218	-	61,218
Capital outlay	87,841	-	87,841
Total expenditures	1,805,674	22,265	1,827,939
Excess (deficiency) of revenues over (under) expenditures	(418,989)	271,832	(147,157)
Other financing sources (uses):			
Transfers in	497,593	-	497,593
Transfers out	-	(25,000)	(25,000)
Proceeds from bonds/notes/ capital leases	-	-	-
Total other financing sources (uses)	497,593	(25,000)	472,593
Net change in fund balances	78,604	246,832	325,436
Fund balances, beginning	640,625	2,114,743	2,755,368
Fund balances, ending	\$ 719,229	\$ 2,361,575	\$ 3,080,804

See accompanying independent auditors' report and notes to financial statements.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific resources obtained and expended for specified purposes that are restricted by law or administration action.

CITY OF BATH, MAINE
Nonmajor Special Revenues Funds
Combining Balance Sheet
June 30, 2014

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Total
ASSETS					
Cash and cash equivalents	\$ 28,340	\$ -	\$ 7,134	\$ 136,436	\$ 171,910
Accounts receivable	21,509		4,899		26,408
Due from other governments	-	39,554			39,554
Notes receivable	-	944,925			944,925
Interfund loans receivable	-		1,142		1,142
Total assets	\$ 49,849	\$ 984,479	\$ 13,175	\$ 136,436	\$ 1,183,939

**LIABILITIES AND
FUND BALANCES (DEFICITS)**

Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenditures	17,221		3,437		20,658
Escrow	-				-
Interfund loans payable	264,763	176,453		2,836	444,052
Total liabilities	281,984	176,453	3,437	2,836	464,710
Fund balances (deficits):					
Nonspendable - long-term receivables		944,925			944,925
Restricted	75,772				75,772
Committed			66,756	133,600	200,356
Assigned	249,932				249,932
Unassigned	(557,839)	(136,899)	(57,018)		(751,756)
Total fund balances (deficits)	(232,135)	808,026	9,738	133,600	719,229
Total liabilities and fund balances	\$ 49,849	\$ 984,479	\$ 13,175	\$ 136,436	\$ 1,183,939

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Nonmajor Special Revenues Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2014

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Total
Revenues:					
Intergovernmental	\$ 33,714	\$ 540,752	\$ 70,425	\$ -	\$ 644,891
Charges for services	501,021	-	83,077	-	584,098
Investment income	3,067	-	9	232	3,308
Other revenue	135,312	12,857	6,219	-	154,388
Total revenues	673,114	553,609	159,730	232	1,386,685
Expenditures:					
General government	16,228	634,344	-	-	650,572
Public safety	49,610	-	-	-	49,610
Parks and recreation	683,376	-	-	-	683,376
Health, welfare and transportation	3,759	-	120,988	-	124,747
Unclassified	10,810	-	-	137,500	148,310
Debt service	61,218	-	-	-	61,218
Capital outlay	-	-	87,841	-	87,841
Total expenditures	825,001	634,344	208,829	137,500	1,805,674
Excess (deficiency) of revenues over (under) expenditures	(151,887)	(80,735)	(49,099)	(137,268)	(418,989)
Other financing sources (uses):					
Transfers in (out)	284,569	-	75,524	137,500	497,593
Proceeds from bonds/notes/ capital leases	-	-	-	-	-
Total other financing sources (uses)	284,569	-	75,524	137,500	497,593
Net change in fund balances	132,682	(80,735)	26,425	232	78,604
Fund balances (deficits), beginning	(364,817)	888,761	(16,687)	133,368	640,625
Fund balances (deficits), ending	\$ (232,135)	\$ 808,026	\$ 9,738	\$ 133,600	\$ 719,229

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
For the year ended June 30, 2014

	Fund balances			Revenues			Transfers in (out)	Fund balances (deficits) June 30, 2014
	June 30, 2013	Revenues	Expenditures	over (under) expenditures				
City Special Purpose Funds:								
Cemetery and Parks	\$ 8,940	105,435 \$	3,759 \$	101,676 \$	- \$	- \$	110,616	
Forestry Trust	29,917	328	-	328	80	-	30,325	
DARE	24,705	6,843	13,125	(6,282)	-	-	18,423	
Fire Department training	656	-	656	(656)	-	-	-	
Forestry Grants	(17,092)	20,694	2,378	18,316	(1,084)	-	140	
General Assistance - Almoner Fund	32,505	2,735	1,096	1,639	-	-	34,144	
Lambert Park Community Center	54,902	26,309	10,810	15,499	(50,000)	-	20,401	
Planning Grants	9,841	-	-	-	-	-	9,841	
Police Grants	14,615	34,578	35,829	(1,251)	-	-	13,364	
McMann Advertising	32,172	28,400	23,545	4,855	(32,000)	-	5,027	
Recreation - Other	26,270	37,362	32,279	5,083	31,000	-	62,353	
Other City programs	(35,088)	25,396	12,754	12,642	1,005	-	(21,441)	
Recreation (Fund 12)	(214,126)	312,135	517,121	(204,986)	205,003	-	(214,109)	
Skate park committee	(58,366)	-	-	-	-	-	(58,366)	
Bath Youth Meeting House (Fund 13)	(288,917)	46,486	97,536	(51,050)	75,000	-	(264,967)	
Armory Building (Fund 13)	(6,958)	26,410	74,113	(47,703)	55,565	-	904	
Swimming Pool Fund	21,207	3	-	3	-	-	21,210	
Total City Special Purpose	\$ (364,817)	\$ 673,114	\$ 825,001	\$ (151,887)	\$ 284,569	\$ (232,135)		
Transportation Programs:								
Bath City Bus	\$ (37,069)	\$ 89,574	\$ 138,060	\$ (48,486)	\$ 53,302	\$ (32,253)		
Park and Ride Vehicle Reserve	66,756	-	-	-	-	66,756		
Trolley	(46,374)	70,156	70,769	(613)	22,222	(24,765)		
Total Transportation Programs	\$ (16,687)	\$ 159,730	\$ 208,829	\$ (49,099)	\$ 75,524	\$ 9,738		

See accompanying independent auditors' report and notes to financial statements.

NONMAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

Permanent funds are used to account for assets held by the Town of Farmington, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Unit or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of cemeteries and scholarships.

CITY OF BATH, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2014

	Bailey						
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total	
ASSETS							
Cash and cash equivalents	\$ -	\$ 110,348	\$ 1,201	\$ -	\$ -	\$ -	\$ 111,549
Investments	233,741	314,553	1,626,203	46,038	23,988	2,244,523	
Interfund loans receivable	-	(391)	5,894	-	-	5,503	
Total assets	\$ 233,741	\$ 424,510	\$ 1,633,298	\$ 46,038	\$ 23,988	\$ 2,361,575	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund loans payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-
Fund balances:							
Nonspendable - principal	233,741	424,510	1,625,680	46,038	23,988	2,353,957	
Restricted	-	-	7,618	-	-	7,618	
Total fund balances	233,741	424,510	1,633,298	46,038	23,988	2,361,575	
Total liabilities and fund balances	\$ 233,741	\$ 424,510	\$ 1,633,298	\$ 46,038	\$ 23,988	\$ 2,361,575	

See accompanying independent auditors' report and notes to financial statements.

CITY OF BATH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2014

	Bailey						
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total	
Revenues:							
Investment income	\$ 4,312	\$ 6,217	\$ 29,985	\$ 849	\$ 443	\$ 41,806	
Realized gain (loss) on investments	3,791	3,790	27,306	745	387	36,019	
Unrealized gain (loss) on investments	21,779	29,432	151,472	4,291	2,238	209,212	
Perpetual care contributions	-	-	7,060	-	-	7,060	
Total revenues	29,882	39,439	215,823	5,885	3,068	294,097	
Expenditures:							
Current:							
Distribution of income	2,782	4,146	-	548	286	7,762	
Other	1,530	1,875	10,640	301	157	14,503	
Total expenditures	4,312	6,021	10,640	849	443	22,265	
Excess of revenues over expenditures	25,570	33,418	205,183	5,036	2,625	271,832	
Other financing uses:							
Transfers out	-	-	(25,000)	-	-	(25,000)	
Total other financing uses	-	-	(25,000)	-	-	(25,000)	
Net change in fund balances	25,570	33,418	180,183	5,036	2,625	246,832	
Fund balances, beginning of year	208,171	391,092	1,453,115	41,002	21,363	2,114,743	
Fund balances, end of year	\$ 233,741	\$ 424,510	\$ 1,633,298	\$ 46,038	\$ 23,988	\$ 2,361,575	

See accompanying independent auditors' report and notes to financial statements.

LONG-TERM DEBT

CITY OF BATH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2014

	Interest Rate	Issue Date	Final Maturity Date	Annual Principal Payments	Balance beginning of year	Current Period		Balance end of year
						Issued	Retired	
General Obligation Bonds								
City issues:								
1997 Wastewater Treatment Upgrade Bonds	Var.	1997	2017	315,000	\$ 1,575,000	\$ -	\$ 315,000	\$ 1,260,000
2002 SRF Landfill/Pumping Station Bonds	Var.	2002	2022	107,500	865,709	-	107,500	758,209
2002 General Obligation Bonds	Var.	2002	2021	Var.	1,800,000	-	1,800,000	-
2004 General Obligation Bonds	Var.	2004	2020	Var.	840,000	-	120,000	720,000
Building Renovation Note	5.125%	2006	2011	Var.	237,973	-	75,000	162,973
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	227,500	-	17,500	210,000
2008 General Obligation Bond	Var.	2008	2018	400,000	2,000,000	-	400,000	1,600,000
2008 General Obligation Bond	Var.	2008	2023	Var.	1,650,000	-	165,000	1,485,000
2008 SRF Sewer Bond	1.000%	2008	2023	93,333	93,333	-	93,333	840,000
2009 General Obligation Bond Series B	Var.	2009	2029	20,000	550,000	-	25,000	525,000
2010 General Obligation Bond Series C	6.750%	2009	2019	Var.	1,205,000	-	45,000	1,160,000
2009 AARA Clean Water Revolving Loan	0.000%	2009	2019	4,156	24,938	-	4,156	20,782
2011 General Obligation Bond	Var.	2011	2031	Var.	3,270,000	-	340,000	2,930,000
2011 Bath Armory	4.070%	2011	2021	Var.	145,351	-	145,351	-
2011 GOB Series B	Var.	2011	2030	Var.	2,088,325	-	297,926	1,790,399
2011 SRF GOB	Var.	2011	2031	Var.	1,789,420	-	94,180	1,695,240
2012 GOB	2.960%	2011	2033	Var.	277,200	-	277,200	-
2013 SRF GOB Clean Water Revolving Loan Fund	1.000%	2013	2033	Var.	651,500	-	32,575	618,925
2013 GOB Equipment Bath Savings	2.840%	2013	2033	Var.	128,000	-	18,286	109,714
2013 GOB Equipment Androscoggin	2.010%	2013	2015	Var.	130,000	-	65,000	65,000
2014 GOB Equipment	Var.	2014	2021	Var.	-	222,000	-	222,000
2014 GOB Road Bond and Refinance	Var.	2014	2029	Var.	-	4,456,000	-	4,456,000
Total City issues					20,389,249	4,678,000	4,438,007	20,629,242
School issues:								
2006 General Obligation Refunding Bond	4.375%	2006	2016	Var.	1,370,000	-	350,000	1,020,000
2008 General Obligation Bond	Var.	2008	2018	280,000	1,400,000	-	280,000	1,120,000
2011 GOB Series B	Var.	2011	2030	Var.	2,546,322	-	332,672	2,213,650
Total School issues					5,316,322	-	962,672	4,353,650
Total long-term debt					\$ 25,705,571	\$ 4,678,000	\$ 5,400,679	\$ 24,982,892

See accompanying independent auditors' report and notes to financial statements.

STATISTICAL TABLES

Table A

CITY OF BATH, MAINE
Revenues and Expenditures
General Fund
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 13,659,493	\$ 13,404,814	\$ 15,307,788	\$ 15,130,542	\$ 15,428,457	\$ 15,362,119	\$ 15,315,512	\$ 15,705,846	\$ 16,532,159	\$ 17,208,440
Licenses and permits	90,128	132,935	150,943	150,922	124,046	94,999	88,635	95,303	97,289	130,212
Intergovernmental revenues	6,465,023	7,153,492	7,122,131	7,707,834	1,544,480	1,513,077	1,366,614	1,379,700	1,399,884	1,186,564
Charges for services	4,647,438	4,591,096	4,626,184	3,594,745	724,055	681,626	520,417	684,714	720,747	700,922
Investment income	152,877	211,305	331,063	278,480	102,215	1,640	24,891	134,612	832,701	1,516,078
Other revenues (1)	265,411	393,962	547,403	321,575	226,623	223,713	163,624	9,893,856	430,218	194,007
Total revenues	25,280,370	25,887,604	28,085,512	27,184,098	18,149,876	17,877,174	17,479,693	27,894,031	20,012,998	20,936,223
Expenditures:										
General government	1,058,485	1,102,444	1,197,766	1,178,350	1,224,846	1,244,402	1,260,787	1,285,916	1,405,278	1,452,446
Public safety	2,751,019	3,171,253	3,046,429	3,106,076	3,213,553	3,221,524	3,317,232	3,391,781	3,535,382	3,555,031
Public works	1,825,791	1,788,654	1,856,280	1,320,757	1,360,824	1,304,533	1,401,329	1,375,780	1,483,810	1,545,955
Health and welfare	98,495	106,539	101,382	29,238	54,324	66,744	62,794	79,161	84,607	74,798
Recreation	212,641	192,226	198,194	178,864	181,389	180,886	182,588	178,022	168,153	167,257
Education (3)	16,012,109	16,660,276	16,804,196	16,973,815	7,921,924	7,796,147	7,801,667	8,142,008	8,580,112	8,894,294
Intergovernmental	1,172,705	1,340,856	1,931,215	1,626,955	1,633,038	1,544,081	1,516,599	1,489,840	1,575,666	1,649,188
Unclassified (2)	1,314,909	1,468,356	1,623,623	1,519,835	1,511,878	1,588,679	1,642,827	1,677,007	2,363,231	2,485,381
Debt service	1,236,907	1,259,955	1,210,959	666,004	735,607	705,476	515,118	461,652	489,567	354,395
Total expenditures	25,683,061	27,090,559	27,970,044	26,599,894	17,837,383	17,652,472	17,700,941	18,081,167	19,685,806	20,178,745

(1) Does not include fund balance appropriations

(1) Includes transfers in

(2) Includes transfers out

(3) School Department joined RSU 1 as of July 1, 2008

Table B

CITY OF BATH, MAINE
Property Tax Levies and Collections
Last Ten Fiscal Years

Year	Current tax levy	Current tax collections	Total current year collections as a percent of total tax levy	Total all taxes and liens outstanding June 30,	Percent of delinquent taxes and liens to tax levy
2005	\$ 19,254,866	\$ 18,774,056	97.50%	\$ 620,942	3.22%
2006	16,315,800	15,820,496	96.96%	825,008	5.06%
2007	18,247,413	17,737,947	97.21%	824,281	4.52%
2008	19,021,627	18,345,687	96.45%	1,068,914	5.62%
2009	20,096,686	19,293,028	96.00%	1,277,223	6.36%
2010	20,180,941	19,438,737	96.32%	1,037,126	5.14%
2011	20,250,356	19,581,162	96.70%	1,026,483	5.07%
2012	21,023,132	20,433,216	97.19%	988,183	4.70%
2013	22,158,114	21,512,634	97.09%	1,006,361	4.54%
2014	23,267,940	22,581,573	97.05%	1,062,888	4.57%

CITY OF BATH, MAINE
Assessed and State Value of Taxable Property
Last Ten Fiscal Years

Year	Assessed Value			State equalized valuation	Ratio of total assessed value to State equalized value
	Real	Personal	Total		
2005	\$ 564,689,500	\$ 183,072,300	\$ 747,761,800	\$ 753,500,000	99.24%
2006	926,382,500	198,845,100	1,125,227,600	825,900,000	136.24%
2007	930,904,000	195,479,500	1,126,383,500	936,200,000	120.31%
2008	937,017,400	202,002,200	1,139,019,600	1,026,200,000	110.99%
2009	970,578,000	197,834,000	1,168,412,000	980,350,000	119.18%
2010	972,339,850	200,970,700	1,173,310,550	986,350,000	118.95%
2011	991,183,250	186,163,000	1,177,346,250	939,100,000	125.37%
2012	992,067,250	182,409,400	1,174,476,650	905,000,000	129.78%
2013	1,001,946,200	182,979,700	1,184,925,900	893,600,000	132.60%
2014	1,005,205,900	179,516,100	1,184,722,000	882,250,000	134.28%

Table D

CITY OF BATH, MAINE
Property Tax Rates - Segments
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Year	Total	City Mil rate	School Mil rate	County Mil rate
2005	\$ 25.75	\$ 8.34	\$ 15.12	\$ 2.29
2006 (1)	14.50	5.42	8.40	0.68
2007	16.20	6.25	8.01	1.94
2008	16.70	6.27	8.60	1.83
2009	17.20	6.71	8.77	1.72
2010	17.20	7.02	8.50	1.68
2011	17.20	7.05	8.50	1.65
2012	17.90	7.41	8.87	1.62
2013	18.70	7.69	9.30	1.71
2014	19.64	8.23	9.62	1.78

(1) The City did a revaluation for the year ended June 30, 2006.

CITY OF BATH, MAINE
Ratio of General Bonded Debt to Assessed Value
and General Bonded Debt Per Capita
Last Ten Fiscal Years

	Estimated population	Assessed value (in thousands)	Gross bonded debt (1)	Ratio of gross bonded debt to assessed value	Gross bonded debt per capita
2005	9,266	\$ 747,762	\$ 29,677,610	3.97%	\$ 3,203
2006	9,266	1,125,228	28,472,884	2.53%	3,073
2007	9,266	1,126,384	25,470,755	2.26%	2,749
2008	9,266	1,139,019	33,604,334	2.95%	3,627
2009	9,266	1,168,412	32,093,417	2.75%	3,464
2010	9,266	1,173,311	29,099,780	2.48%	3,140
2011	8,514	1,177,346	28,188,121	2.39%	3,311
2012	8,514	1,174,477	28,765,614	2.45%	3,379
2013	8,514	1,184,926	25,706,206	2.17%	3,019
2014	8,514	1,184,722	24,982,892	2.11%	2,934

(1) Includes all general long-term obligation debt excluding capital leases and accrued vacation and sick leave. Certain School debt is reimbursed by the State of Maine.

CITY OF BATH, MAINE
Ratio of Annual Debt Service Expenditures
to Total General Fund Expenditures
Last Ten Fiscal Years

Year	Principal	Interest	Total debt service (1)	Total General Fund expenditures	Ratio of debt service to total General Fund expenditures
2005	\$ 2,421,420	\$ 1,259,835	\$ 3,681,255	\$ 25,683,061	14.33%
2006	2,552,726	1,167,849	3,720,575	27,090,559	13.73%
2007 (2)	2,502,129	1,096,391	3,598,520	27,970,044	12.87%
2008	2,566,421	966,189	3,532,610	26,599,894	13.28%
2009 (3)	2,541,408	803,593	3,345,001	17,554,893	19.05%
2010	2,450,174	794,194	3,244,368	17,366,398	18.68%
2011	2,133,238	761,859	2,895,097	17,421,409	16.62%
2012	2,292,534	772,930	3,065,464	17,821,177	17.20%
2013	2,988,251	703,198	3,691,449	19,267,871	19.16%
2014	2,474,912	636,591	3,111,503	19,690,874	15.80%

(1) Includes education and special revenue fund debt service.

(2) Does not include principal amounts of refunded bond issues.

(3) As of June 30, 2009, the City no longer includes the School Department.

CITY OF BATH, MAINE
Ten Largest Taxpayers
For the year ended June 30, 2014

Name	Type of operation	Assessed valuation	Amount of tax	% of net tax levy
Bath Iron Works	Ship building & repair	\$ 468,720,800	\$ 9,205,677	39.56%
Bath Supermarket Improvements	Retail Space	10,540,300	207,011	0.89%
Sagadahoc Real Estate Assoc	Office space	9,584,500	188,240	0.81%
Bath Savings	Banking Institution	8,317,900	163,634	0.70%
Dorks R Us	Hotel	8,153,700	160,139	0.69%
Northwood Housing	Residential housing	7,085,200	139,153	0.60%
Central Maine Power	Electric Utility Company	7,000,400	137,488	0.59%
EWT LLC	Residential Housing	6,627,600	130,166	0.56%
Bath Inline Improvements	Retail Space	6,564,200	128,921	0.55%
Thomas Walsh	Motor - Hotel	6,329,100	124,304	0.53%
Totals		\$ 538,923,700	\$ 10,584,733	45.49%

CITY OF BATH, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/ Pass-thru Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>ARRA Funds</u>	<u>Pass-thru Grantor Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed through Maine Department of Public Safety:				
OUI Grant	20.600		AL13-012	\$ 10,760
Seatbelt Grant	20.600		Unknown	2,352
				<u>13,112</u>
Passed through Maine Department of Transportation:				
Bath Shuttle Bus System	20.509		20110315000000004328	64,167
RTAP Scholarship	20.509		20110315000000004328	126
				<u>64,293</u>
Total U.S. Department of Transportation				<u>77,405</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Maine Department of Economic & Community Development:				
Communities for Maine Future	14.228		01519A05870126331	70,718
Neighborhood Stabilization Program	14.228		20090721000000000497	320,025
				<u>390,743</u>
Total U.S. Department of Housing and Urban Development				<u>390,743</u>
<u>U.S. Department of Agriculture</u>				
Office of Food and Nutrition Service				
Passed through Maine Department of Education				
Summer Food Service Program for Children	10.559		13-05A-3014-05	7,618
				<u>7,618</u>
Total U.S. Department of Justice				<u>7,618</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Award:				
Brownfields Grant	66.818		Unknown	149,062
				<u>149,062</u>
Total U.S. Environmental Protection Agency				<u>149,062</u>
Total Federal Financial Assistance				<u>\$ 624,828</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BATH, MAINE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Bath, Maine. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. Major Programs - Federal

The following programs were considered major programs as defined by OMB Circular A-133 and also Type A programs as defined by Circular A-133.

<u>Program</u>	<u>CFDA #</u>
Neighborhood Stabilization Program	14.228



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INDEPENDENT AUDITORS' 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

City Council
City of Bath, ME
Bath, Maine

We have audited, in accordance with generally accepted auditing standards 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, each major fund, and the aggregate remaining fund information of the City of Bath, Maine as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Bath, Maine's basic financial statements, and have issued our report thereon dated September 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bath, 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 City of Bath, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bath, 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 corrected, 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.

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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 City of Bath, 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 instance of noncompliance or other matter 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
September 22, 2014



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

City Council
City of Bath, ME
Bath, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Bath, 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 City of Bath, Maine's major federal programs for the year ended June 30, 2014. The City of Bath, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bath, 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 Auditing 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 City of Bath, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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In our opinion, the City of Bath, 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, 2014.

Report on Internal Control Over Compliance

Management of the City of Bath, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bath, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the City of Bath, Maine's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bath, 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 a 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 a 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 internal control over compliance was for the 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 communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
September 22, 2014

CITY OF BATH, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITORS RESULTS

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted yes no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
In accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Neighborhood Stabilization Program

Dollar threshold used to distinguish between type A and B: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None