

2015

City of Bath Maine Annual Financial Report FY2015

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Audited Financial Statements and
Other Supplementary Information

City of Bath, Maine

June 30, 2015



Proven Expertise and Integrity

CITY OF BATH, MAINE
Annual Financial Report
June 30, 2015

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		19-42
Required Supplementary Information:		
Schedule of Funding Progress		43
Schedule of Proportionate Share of the Net Pension Liability		44
Schedule of Contributions		45
	<u>Exhibit</u>	<u>Page(s)</u>
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheet	A-1	46
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis	A-2	47-49
Capital Projects Funds:		
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B	50
Other Governmental Funds:		
Combining Balance Sheet	C-1	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	52
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	D-1	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	54

CITY OF BATH, MAINE
Annual Financial Report
June 30, 2015

Table of Contents, Continued

	<u>Exhibit</u>	<u>Page</u>
Combining and Individual Fund Statements and Schedules (Continued):		
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Individual Funds	D-3	55
Nonmajor Permanent Funds:		
Combining Balance Sheet	E-1	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	57
Long-term Debt:		
Statement of Changes in Long-term Debt	F	58

STATISTICAL SECTION

	<u>Tables</u>	<u>Page</u>
Statistical Information:		
Revenues and Expenditures - General Fund	A	59
Property Tax Levies and Collections	B	60
Assessed and State Value of Taxable Property	C	61
Property Tax Rates - Segments	D	62
Ratio of General Bonded Debt to Assessed Value and General Bonded Debt Per Capita	E	63
Ratio of Annual Debt Service Expenditures to Total General Fund Expenditures	F	64
Ten Largest Taxpayers	G	65



Proven Expertise and Integrity

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, 2015, 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 opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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, 2015, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Sewer Utility Fund and, where applicable, cash flows thereof for the year then ended, in accordance 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, schedule of funding progress retiree healthcare plan, and pension related information on pages 4 through 11 and 43 through 45 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 the City of Bath, Maine's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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. Such 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 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.

RHR Smith & Company

Buxton, Maine
December 22, 2015

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

(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, 2015. 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 schedules of funding progress, proportionate share of the net pension liability, and contributions 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, deferred outflows of resources, liabilities and deferred inflows of resources 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). All 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, a Schedule of Proportionate Share of the Net Pension Liability, and a Schedule of Contributions.

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 \$828,835 from \$23.81 million to \$24.64 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 - decreased by \$944,592 for governmental activities to a balance of \$8.21 million at the end of this year.

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

	<u>2015</u>	<u>2014</u> <u>(Restated)</u>
Assets:		
Current and Other Assets	\$ 26,634,493	\$ 28,000,649
Capital Assets	32,275,284	31,709,492
Total Assets	<u>58,909,777</u>	<u>59,710,141</u>
Deferred Outflows of Resources	760,347	475,274
Liabilities:		
Current Liabilities	5,945,724	5,746,113
Long-term Debt Outstanding	26,385,055	30,623,495
Total Liabilities	<u>32,330,779</u>	<u>36,369,608</u>
Deferred Inflows of Resources	2,694,703	-
Net Position:		
Net Investment in Capital Assets	12,394,262	10,940,004
Restricted	4,040,728	3,721,559
Unrestricted	8,209,652	9,154,244
Total Net Position	<u>\$ 24,644,642</u>	<u>\$ 23,815,807</u>

Revenues and Expenses

Revenues for the City's governmental activities decreased by 1.65%, while the total expenses increased by 4.36%. 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,

	2015	2014
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 4,437,697	\$ 4,347,355
Operating grants and contributions	306,787	794,918
Capital grants and contributions	732,444	267,964
<i>General revenues:</i>		
Taxes	25,186,375	24,606,806
Grants and contributions not restricted to specific programs	1,144,540	1,036,536
Miscellaneous	1,048,690	2,352,514
Total Revenues	32,856,533	33,406,093
Expenses		
General government	1,439,509	2,187,102
Public works and wastewater treatment	5,261,731	4,902,121
Public safety	3,708,752	3,800,777
Parks and recreation	781,003	766,037
Health, welfare, and transportation	249,956	195,989
Education	9,157,789	8,894,294
Intergovernmental	1,674,864	1,649,188
Unclassified	8,419,503	6,799,576
Interest on debt	441,327	489,214
Capital outlay	893,264	1,005,993
Total Expenses	32,027,698	30,690,291
 Change in Net Position	 828,835	 2,715,802
 Net Position - July 1, as restated	 23,815,807	 21,100,005
 Net Position - June 30	 \$ 24,644,642	 \$ 23,815,807

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>2015</u>	<u>2014</u>
General Fund:		
Nonspendable	\$ 40,209	\$ 36,730
Committed	10,938,674	11,067,407
Assigned	327,512	465,093
Unassigned	1,104,870	1,030,424
Total General Fund	<u>\$ 12,411,265</u>	<u>\$ 12,599,654</u>
Sewer Utility Fund:		
Committed	\$ 738,450	\$ 697,861
Total Sewer Utility Fund	<u>\$ 738,450</u>	<u>\$ 697,861</u>
TIF Funds:		
Restricted	\$ 456,877	\$ 339,287
Total TIF Funds	<u>\$ 456,877</u>	<u>\$ 339,287</u>
Landfill Fund:		
Committed	\$ 1,197,934	\$ 921,783
Total Landfill Fund	<u>\$ 1,197,934</u>	<u>\$ 921,783</u>
Capital Projects Funds:		
Committed	\$ 1,810,608	\$ 3,028,981
Total Capital Projects Funds	<u>\$ 1,810,608</u>	<u>\$ 3,028,981</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 901,173	\$ 944,925
Restricted	149,746	75,772
Committed	133,615	200,356
Assigned	299,328	249,932
Unassigned	(631,911)	(751,756)
Permanent Funds:		
Nonspendable	2,525,314	2,353,957
Restricted	7,618	7,618
Total Nonmajor Funds	<u>\$ 3,384,883</u>	<u>\$ 3,080,804</u>

The general fund total fund balance decreased by \$188,389 from the prior fiscal year due to expenditures in excess of budget offset by revenues in excess of budget. The sewer utility fund increased by \$40,589 from the prior year. The TIF funds increased by \$117,590 from the prior year. The landfill fund increased by \$276,151 from the prior year and the capital projects funds decreased by \$1,218,373 from the prior year due to expenditure of the road bond received in the previous year. The non-major fund balances increased by \$304,079 from 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. Bond proceeds were recognized and added to the court settlement budget, increasing their total budgets.

The general fund actual revenues exceeded the budget by \$73,712. This can be mostly accounted for from more than expected revenue in excise taxes and building permits.

The general fund actual expenditures were over budget by \$46,415. All expenditure categories were under budget with the exception of public works and a lawsuit settlement. Items over budget included winter road maintenance, and the lawsuit offset by expenses under budget in all other categories.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the net book value of capital assets recorded by the City increased by \$565,792 from the prior year. The increase is the result of current year capital additions of \$2,216,840 less depreciation of \$1,596,523 and property disposals of \$54,525.

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

	2015	2014
Land	\$ 1,902,870	\$ 1,956,483
Construction in progress	67,227	114,246
Buildings and improvements	4,382,177	4,603,491
Machinery, furniture & equipment	1,188,885	976,442
Vehicles	1,834,193	1,873,633
Infrastructure	22,899,932	22,185,197
Total	\$ 32,275,284	\$ 31,709,492

Debt

At June 30, 2015, the City had \$23,282,124 in bonds, notes and capital leases outstanding versus \$25,123,138 outstanding last year, a decrease of 7.33% 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, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,069,458
Investments	13,672,908
Receivables:	
Taxes receivable	714,443
Tax liens	467,033
Accounts receivable, net of allowance of \$62,000	954,484
Notes receivable	901,173
Inventory	26,050
Prepaid	14,159
Long-term receivable from RSU #1	3,425,205
Land held for resale	1,389,580
Capital assets, not being depreciated	1,970,096
Capital assets, net of depreciation	30,305,188
Total assets	58,909,777
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	760,347
Total deferred outflows of resources	760,347
LIABILITIES	
Accounts payable	650,076
Accrued expenses	329,615
Accrued interest	189,885
Noncurrent liabilities:	
Due within one year	4,776,148
Due in more than one year	26,385,055
Total liabilities	32,330,779
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,694,703
Total deferred inflows of resources	2,694,703
NET POSITION	
Net investment in capital assets	12,394,262
Restricted for:	
Permanent funds:	
Expendable	7,618
Nonexpendable	2,525,314
Community development	901,173
Grants	149,746
TIF Districts	456,877
Unrestricted	8,209,652
Total net position	\$ 24,644,642

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

CITY OF BATH, MAINE
Statement of Activities
For the year ended June 30, 2015

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	\$ 1,439,509	\$ 186,367	\$ 74,656	\$ -	\$ (1,178,486)
Public works and wastewater treatment	5,261,731	3,011,177	-	153,908	(2,096,646)
Public safety	3,708,752	707,884	25,026	-	(2,975,842)
Parks and recreation	781,003	473,917	-	-	(307,086)
Health, welfare, and transportation	249,956	58,352	76,273	-	(115,331)
Education	9,157,789	-	-	-	(9,157,789)
Intergovernmental	1,674,864	-	-	-	(1,674,864)
Unclassified	8,419,503	-	130,832	-	(8,288,671)
Interest on debt	441,327	-	-	-	(441,327)
Capital outlay	893,264	-	-	578,536	(314,728)
Total governmental activities	32,027,698	4,437,697	306,787	732,444	(26,550,770)
Total primary government	\$ 32,027,698	\$ 4,437,697	\$ 306,787	\$ 732,444	(26,550,770)
General revenues:					
Property taxes, levied for general purposes					24,009,670
Contributions in lieu of taxes					56,117
Motor vehicle excise taxes					1,120,588
Grants and contributions not restricted to specific programs:					
Homestead and BETE exemption					633,612
Other State/Federal aid					(43,742)
State Revenue Sharing					554,670
Unrestricted investment earnings					664,716
Other					383,974
Total general revenues					27,379,605
					Change in net position
					828,835
					Net position - beginning, as restated
					23,815,807
					Net position - ending
					\$ 24,644,642

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

CITY OF BATH, MAINE
Balance Sheet
Governmental Funds
June 30, 2015

	Sewer						Other	Total
	General	Utility Fund	TIF Funds	Landfill	Capital Projects	Governmental Funds		
ASSETS								
Cash and cash equivalents	\$ 4,676,903	\$ -	\$ -	\$ 300	\$ 108,978	\$ 283,277	\$ 5,069,458	
Investments	10,938,674	-	-	320,628	-	2,413,606	13,672,908	
Receivables:								
Taxes receivable	714,443	-	-	-	-	-	714,443	
Tax liens	467,033	-	-	-	-	-	467,033	
Accounts receivable, net of allowance of \$62,000	382,776	468,252	-	103,205	-	251	954,484	
Notes receivable	-	-	-	-	-	901,173	901,173	
Due from other governments	-	-	-	-	-	-	-	
Interfund loans receivable	-	301,307	456,877	785,422	1,701,630	38,569	3,283,805	
Inventory	26,050	-	-	-	-	-	26,050	
Prepaid	14,159	-	-	-	-	-	14,159	
Receivable from RSU #1 for debt service payment	3,425,205	-	-	-	-	-	3,425,205	
Total assets	\$ 20,645,243	\$ 769,559	\$ 456,877	\$ 1,209,555	\$ 1,810,608	\$ 3,636,876	\$ 28,528,718	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 632,711	\$ 16,864	\$ -	\$ 501	\$ -	\$ -	\$ 650,076	
Accrued expenditures	283,126	14,245	-	11,120	-	21,124	329,615	
Interfund loans payable	3,052,936	-	-	-	-	230,869	3,283,805	
Total liabilities	3,968,773	31,109	-	11,621	-	251,993	4,263,496	
Deferred Inflows of Resources:								
Deferred tax revenue	840,000	-	-	-	-	-	840,000	
Deferred debt service payments from RSU #1	3,425,205	-	-	-	-	-	3,425,205	
Total deferred inflows of resources	4,265,205	-	-	-	-	-	4,265,205	
Fund Balances:								
Nonspendable	40,209	-	-	-	-	3,426,487	3,466,696	
Restricted	-	-	456,877	-	-	157,364	614,241	
Committed	10,938,674	738,450	-	1,197,934	1,810,608	133,615	14,819,281	
Assigned	327,512	-	-	-	-	299,328	626,840	
Unassigned	1,104,870	-	-	-	-	(631,911)	472,959	
Total fund balances	12,411,265	738,450	456,877	1,197,934	1,810,608	3,384,883	20,000,017	
Total liabilities, deferred inflows of resources and fund balances	\$ 20,645,243	\$ 769,559	\$ 456,877	\$ 1,209,555	\$ 1,810,608	\$ 3,636,876	\$ 28,528,718	

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, 2015

Total Fund Balances	\$ 20,000,017
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	32,275,284
Long-term receivable from RSU #1 for bonds held in the City's name.	3,425,205
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	840,000
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	(324,035)
Other post-employment benefits	(825,344)
Net pension liability, including related deferred outflows and inflows	(4,044,056)
Accrued interest	(189,885)
Landfill closure	(4,620,000)
Capital leases	(85,353)
Bonds payable	(23,196,771)
Net position of governmental activities	\$ 24,644,642

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, 2015

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
Revenues:							
Taxes	\$ 17,676,989	\$ -	\$ 5,878,325	\$ 897,000	\$ 694,061	\$ -	\$ 25,146,375
Licenses and permits	186,367	-	-	-	-	-	186,367
Intergovernmental	1,244,048	-	30,000	153,908	578,536	177,280	2,183,772
Charges for services	761,208	1,952,678	-	1,005,175	-	532,269	4,251,330
Investment income	402,468	-	-	48,033	-	214,215	664,716
Other revenues	241,367	-	-	-	-	142,607	383,974
Total revenues	20,512,447	1,952,678	5,908,325	2,104,116	1,272,597	1,066,371	32,816,534
Expenditures:							
Current:							
General government	1,350,245	-	-	-	-	103,732	1,453,977
Public works and wastewater treatment	1,617,761	1,185,314	-	1,003,507	-	-	3,806,582
Public safety	3,644,915	-	-	-	-	33,064	3,677,979
Parks and recreation	-	-	-	-	-	672,151	672,151
Health, welfare and transportation	54,234	-	-	-	-	198,284	252,518
Education	9,157,789	-	-	-	-	-	9,157,789
Intergovernmental	1,674,864	-	-	-	-	-	1,674,864
Unclassified	3,544,168	-	4,694,938	-	-	179,485	8,418,591
Debt service	532,271	514,503	922,547	671,881	464,591	78,415	3,184,208
Capital outlays	-	212,272	-	296,077	2,548,144	-	3,056,493
Total expenditures	21,576,247	1,912,089	5,617,485	1,971,465	3,012,735	1,265,131	35,355,152
Excess (deficiency) of revenues over (under) expenditures	(1,063,800)	40,589	290,840	132,651	(1,740,138)	(198,760)	(2,538,618)
Other financing sources (uses):							
Transfers in	25,000	-	-	-	-	527,839	552,839
Transfers out	(354,589)	-	(173,250)	-	-	(25,000)	(552,839)
Proceeds from bonds/notes/ capital leases	1,205,000	-	-	143,500	521,765	-	1,870,265
Total other financing sources (uses)	875,411	-	(173,250)	143,500	521,765	502,839	1,870,265
Net change in fund balances	(188,389)	40,589	117,590	276,151	(1,218,373)	304,079	(668,353)
Fund balances, beginning of year	12,599,654	697,861	339,287	921,783	3,028,981	3,080,804	20,668,370
Fund balances, end of year	\$ 12,411,265	\$ 738,450	\$ 456,877	\$ 1,197,934	\$ 1,810,608	\$ 3,384,883	\$ 20,000,017

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, 2015

Net change in fund balances - total governmental funds (from Statement 5)	\$	(668,353)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

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 net capital outlays (\$2,216,840) were more than depreciation expense (\$1,596,523) and capital asset disposals (\$54,525).		565,792
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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.		40,000
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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 increase in accrued interest (\$8,548) and other post-employment benefits (\$71,261), net of the decrease in accrued compensated absences (\$17,734) and net pension liability with related deferred inflows and outflows (\$312,307).		250,232
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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.		54,893
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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 (\$3,656,386) and exceeded debt proceeds (\$1,870,265).		1,786,121
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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 \$3,401,102 with principal amounts paid off during the year totaling \$952,548 with a net change in accrued interest of \$7,302.		(959,850)
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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.		(240,000)
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Change in net position of governmental activities (see Statement 2)	\$	828,835
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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, 2015

	General Fund				Sewer Utility Fund				Variance with final budget positive (negative)
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)	
	Original	Final			Original	Final			
Revenues:									
Taxes	\$ 17,664,082	\$ 17,664,082	\$ 17,676,989	\$ 12,907	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	95,550	95,550	186,367	90,817	-	-	-	-	-
Intergovernmental	1,170,089	1,170,089	1,244,048	73,959	-	-	-	-	-
Charges for services	714,500	714,500	761,208	46,708	2,054,200	2,054,200	1,952,678	(101,522)	
Investment income	532,500	532,500	402,468	(130,032)	-	-	-	-	-
Other revenues	234,600	234,600	213,953	(20,647)	-	-	-	-	-
Total revenues	20,411,321	20,411,321	20,485,033	73,712	2,054,200	2,054,200	1,952,678	(101,522)	
Expenditures:									
Current:									
General government	1,353,025	1,353,025	1,350,245	2,780	-	-	-	-	-
Public works	1,479,163	1,479,163	1,617,761	(138,598)	-	-	-	-	-
Public safety	3,688,344	3,688,344	3,644,915	43,429	-	-	-	-	-
Health and welfare	71,060	71,060	54,234	16,826	-	-	-	-	-
Education	9,157,789	9,157,789	9,157,789	-	-	-	-	-	-
Intergovernmental	1,675,078	1,675,078	1,674,864	214	-	-	-	-	-
Administration	-	-	-	-	105,150	105,150	110,809	(5,659)	
Treatment plant	-	-	-	-	889,817	889,817	831,369	58,448	
Maintenance	-	-	-	-	282,108	282,108	243,136	38,972	
Unclassified	2,358,964	3,563,964	3,544,168	19,796	-	-	-	-	-
Debt service	541,409	541,409	532,271	9,138	515,502	515,502	514,503	999	
Capital	-	-	-	-	210,697	212,272	212,272	-	-
Total expenditures	20,324,832	21,529,832	21,576,247	(46,415)	2,003,274	2,004,849	1,912,089	92,760	
Excess (deficiency) of revenues over (under) expenditures	86,489	(1,118,511)	(1,091,214)	27,297	50,926	49,351	40,589	(8,762)	
Other financing sources (uses):									
Transfers in	25,000	25,000	25,000	-	-	-	-	-	-
Transfers out	(351,489)	(351,489)	(354,589)	(3,100)	-	-	-	-	-
Proceeds from bonds/notes/ capital leases	-	1,205,000	1,205,000	-	-	-	-	-	-
Utilization of prior year fund balance	240,000	240,000	-	(240,000)	-	-	-	-	-
Total other financing sources (uses)	(86,489)	1,118,511	875,411	(243,100)	-	-	-	-	
Net change in fund balances - budgetary basis	-	-	(215,803)	(215,803)	50,926	49,351	40,589	(8,762)	
Reconciliation to GAAP basis:									
Fuel revenues for fuel tank reserve			27,414						
Net change in fund balances			(188,389)				40,589		
Fund balances, beginning of year			12,599,654				697,861		
Fund balances, end of year			\$ 12,411,265				\$ 738,450		

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements
June 30, 2015

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
June 30, 2015

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
June 30, 2015

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 is 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
June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. 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.

E. Inventories and Prepaid Items

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

G. Transactions Between Funds

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

H. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$42,000 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, 2015.

I. 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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Capital Assets, continued

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.

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.

J. 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.

K. 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.

L. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 City 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.

M. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. Deferred Outflows and Inflows of Resources, continued

will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items, deferred tax revenues and deferred debt service payments from RSU #1, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, these items are reported in the governmental funds balance sheet. Deferred inflows related to pensions also qualifies for reporting in this category. However, deferred inflows related to pensions is only reported in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.
- *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.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Participating Local District (PLD) Consolidated Plan and additions to/deductions from the PLD Consolidated Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. 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.

R. Net Investment in Capital Assets

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 investment in capital assets was calculated as follows at June 30, 2015:

Capital assets	\$ 59,851,680
Accumulated depreciation	(27,576,396)
Bonds payable	(23,196,771)
Long-term receivable from RSU #1 for debt service	3,401,102
Capital leases payable	(85,353)
Total net investment in capital assets	\$ 12,394,262

PROPERTY TAX

Property taxes for the current year were committed on August 29, 2014, 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.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

PROPERTY TAX, CONTINUED

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 \$13,893 for the year ended June 30, 2015.

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.

The following summarizes the levy:

	<u>2015</u>	<u>2014</u>
Assessed value (excluding Homestead exemption)	\$ 1,183,561,200	\$ 1,184,722,000
Tax rate (per \$1,000)	20.20	19.64
Commitment	23,907,936	23,267,940
Supplemental taxes assessed	-	-
	23,907,936	23,267,940
Less:		
Abatements	53,164	61,083
Collections	23,151,093	22,520,490
	\$ 703,679	\$ 686,367
Due date - current year	October 15, 2014	October 15, 2013
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.06%	97.05%
Taxes and liens receivable - current year	\$ 703,679	\$ 668,367
Taxes and liens receivable - prior years	477,797	360,951
	\$ 1,181,476	\$ 1,062,888

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.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

DEPOSITS AND INVESTMENTS, CONTINUED

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, 2015, the City's deposits amounting to \$5,069,458 were comprised of bank deposits of \$5,125,302. Of these bank deposits, \$833,895 was covered by federal depository insurance and \$4,291,407 was collateralized with securities held by the financial institution but not in the City's name.

Account Type	Bank Balance
Checking accounts	\$ 705,913
Savings accounts	1,142,536
Money market accounts	115,001
Certificates of deposit	3,161,852
	\$ 5,125,302

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 \$13,672,908 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, 2015, the City had the following investments:

Investment Type	Fair Value	Maturity			
		N/A	> 1 Year	1-5 Years	5-10 Years
Cash & equivalents	\$ 417,055	\$ 417,055	\$ -	\$ -	\$ -
Equity	8,224,057	8,224,057	-	-	-
Fixed income	4,549,186	138,800	562,127	3,522,262	325,997
International	482,610	482,610	-	-	-
	\$ 13,672,908	\$ 9,262,522	\$ 562,127	\$ 3,522,262	\$ 325,997

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. As of June 30, 2015 the City's investments in commercial paper were rated AA- (\$199,084), A+ (\$151,878), A (\$254,452), A- (\$632,252), BBB+ (\$251,384), BBB (\$1,235,761), and BBB- (\$475,870) by Standard & Poor's Rating Service. The City's investments in corporate bonds were rated A (\$200,649), A- (\$76,866), BBB+ (\$149,568), BBB (\$24,926) by Standard & Poor's

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

DEPOSITS AND INVESTMENTS, CONTINUED

Rating Service. The City's holdings in tax-exempt bonds, fixed income mutual funds and negotiable certificates of deposit totaling \$404,917 were not rated. Credit ratings were not available for certain other commercial paper and corporate bond holdings totaling \$491,580.

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.

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital Assets, not being depreciated				
Land	\$ 1,956,483	\$ -	\$ 53,613	\$ 1,902,870
Construction in Progress	114,246	1,539,115	1,586,135	67,226
Total capital assets not being depreciated	2,070,729	1,539,115	1,639,748	1,970,096
Capital Assets, being depreciated				
Building & Improvements	11,707,990	187,374	-	11,895,364
Machinery, Furniture & Equipment	2,723,667	380,091	27,000	3,076,758
Infrastructure	37,552,268	1,452,512	-	39,004,780
Vehicles	3,788,170	243,883	127,371	3,904,682
Total capital assets being depreciated	55,772,095	2,263,860	154,371	57,881,584
Less accumulated depreciation for:				
Building & Improvements	7,104,499	408,688	-	7,513,187
Machinery, Furniture & Equipment	1,747,225	167,648	27,000	1,887,873
Infrastructure	15,367,071	737,776	-	16,104,847
Vehicles	1,914,537	282,411	126,459	2,070,489
Total accumulated depreciation	26,133,332	1,596,523	153,459	27,576,396
Total capital assets being depreciated, net	29,638,763	667,337	912	30,305,188
Governmental activities capital assets, net	\$ 31,709,492	\$ 2,206,452	\$ 1,640,660	\$ 32,275,284

The City of Bath, Maine is holding land for resale within an industrial park. The value of the land at June 30, 2015 was \$1,389,580.

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

Governmental activities:	
General government	\$ 73,024
Public works and wastewater treatment	1,207,441
Parks and recreation	107,206
Public safety	208,852

Total depreciation expense – governmental activities **\$ 1,596,523**

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

INTERFUND BALANCES, ADVANCES AND TRANSFERS

Individual interfund loans receivable and payable and interfund transfers at June 30, 2015 were as follows:

	Interfund loan <u>receivable</u>	Interfund loan <u>payable</u>	Transfers <u>in (out)</u>
General Fund	\$ -	\$3,052,936	\$ (329,589)
Sewer Utility Fund	301,307	-	-
TIF Fund	456,877	-	(173,250)
Capital Projects	1,701,630	-	-
Landfill Fund	785,422	-	-
Nonmajor governmental funds:			
City Special Purpose	-	127,391	294,589
Community Development	-	100,072	-
Transportation Programs	30,583	-	105,000
Bath Local Development Corp.	-	2,835	128,250
Nonmajor permanent funds	7,986	571	(25,000)
Total interfund balances and transfers	\$3,283,805	\$ 3,283,805	\$ -

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, 2015, was as follows:

	Beginning Balance <u>(Restated)</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Governmental activities:					
General obligation bonds	\$ 24,982,892	\$1,870,265	\$ 3,656,386	\$ 23,196,771	\$ 3,782,630
Capital leases	140,246	-	54,893	85,353	46,273
Other post-employment benefits	754,083	71,261	-	825,344	-
Net pension liability	4,831,637	607,589	3,329,526	2,109,700	623,210
Accrued compensated absences	341,769	-	17,734	324,035	324,035
Landfill closure and postclosure care costs	4,380,000	240,000	-	4,620,000	-
Governmental activity long-term liabilities	\$ 35,430,627	\$2,789,115	\$7,058,539	\$ 31,161,203	\$ 4,776,148

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

SHORT-TERM DEBT

On June 4, 2014, 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, 2015, was as follows:

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

LONG-TERM DEBT

Long-term debt payable at June 30, 2015 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>2015</u>
Governmental activities:					
1997 Wastewater upgrade bonds	10/1/97	\$ 6,300,000	10/1/17	varies	\$ 945,000
2002 Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	650,709
2004 General obligation bonds	6/1/04	1,840,000	9/1/19	varies	600,000
Building renovation note	3/13/06	1,000,000	11/30/11	5.125%	83,855 (1)
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	192,500
2006 general obligation refunding	7/18/06	3,570,000	10/1/16	4.375%	675,000 (2)
2008 SRF sewer bond	5/1/08	1,400,000	4/1/2023	1.00%	746,667
2008 general obligation bond	1/30/08	6,500,000	1/15/23	varies	2,520,000
2008 general obligation bond	1/30/08	2,800,000	1/15/18	varies	840,000 (2)
2009 general obligation bond series B	9/5/08	635,000	10/15/28	varies	500,000
2009 general obligation bond series C	9/8/08	1,365,000	10/15/18	6.75%	1,110,000
2009 AARA Clean Water Revolving Loan	7/1/09	57,488	4/1/19	0.00%	16,626
2011 General Obligation Bond	5/1/11	3,950,000	5/1/31	varies	2,590,000
2011 GOB Series B	3/1/11	2,392,271	11/1/2030	varies	1,513,743
2011 GOB Series B	3/1/11	2,882,729	11/1/2030	varies	1,886,102 (2)
2011 SRF GOB	3/1/11	1,883,600	11/1/2031	varies	1,601,060
2014 SRF Clean Water Revolving Loan	2014	651,500	2033	1%	586,350
2014 GOB Bath Savings	2014	128,000	2020	2.84%	91,429
2015 GOB Equipment	2015	222,000	2021	varies	162,465
2015 GOB Road Bond and Refin	2015	4,456,000	2029	varies	4,015,000
2015 GOB Equipment	2015	665,265	2024	varies	665,265
2015 GOB Bath Savings	2015	1,205,000	2025	varies	1,205,000
Total governmental activities					\$ 23,196,771

- (1) This note is on a draw-down basis. As of June 30, 2015, 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 \$3,401,102, 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 \$24,013 for a total long-term receivable of \$3,425,115.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

LONG-TERM DEBT, CONTINUED

The annual principal and interest requirements to amortize general long-term debt outstanding as of June 30, 2015 are as follows:

Year(s) ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,782,630	\$ 638,379	\$ 4,421,009
2017	3,611,159	533,926	4,145,084
2018	3,219,482	440,434	3,659,915
2019	2,977,089	323,327	3,300,416
2020	1,996,731	240,707	2,237,438
2021-2025	5,287,321	667,623	5,954,944
2026-2030	1,951,275	180,477	2,131,752
2031-2033	371,085	18,596	389,681
Totals	\$ 23,196,771	\$ 3,043,468	\$26,240,239

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, 2015 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, 2015:

<u>Fiscal year ending</u>	<u>Capital leases</u>
2016	48,711
2017	29,047
2018	11,563
Total minimum lease payments	89,321
<u>Less: amount representing interest</u>	<u>(3,968)</u>
Present value of future minimum lease payments	\$ 85,353

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

LANDFILL CLOSURE AND POSTCLOSURE COSTS, CONTINUED

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 (last date available), the landfill had reached approximately 78.07% 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, 2015, of \$2,820,000 for closure, and an estimate for post closure costs of \$1,800,000. This results in a total of \$4,620,000 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 320,628, and are 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.

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 \$1,468,101 at June 30, 2015, which is 20.67% of the County's total debt of \$7,102,567.

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, 2015 were made in accordance with the above charter limitations.

SIGNIFICANT TAXPAYER

For the year ended June 30, 2015, the City of Bath received \$9,473,541 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 39.63% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2015, a significant portion (\$4,589,867) were funds collected as part of a Tax Increment Financing (TIF) District. As such, only \$4,883,674 of taxes were collected for the purposes of financing the City's operational and capital budgets.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

FUND BALANCE COMPONENTS

As of June 30, 2015, fund balances components consisted of the following:

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:			
Inventory and prepaid items	\$ 40,209	\$ -	\$ 40,209
Notes receivable and interfund advances	-	901,173	901,173
Principal for permanent funds	-	2,525,314	2,532,932
Total nonspendable	40,209	3,426,487	3,466,696
Restricted:			
TIF Districts	-	456,877	456,877
Grants and other purposes	-	149,746	149,746
Permanent funds	-	7,618	7,618
Total restricted	-	614,241	614,241
Committed:			
Capital Reserves	10,938,674	-	10,983,674
Sewer utility	-	738,450	738,450
Landfill - operations	-	877,306	877,306
Landfill - set aside for closure	-	320,628	320,628
Capital projects	-	1,810,608	1,810,608
Bath Local Development Corporation	-	133,615	133,615
Total committed	10,938,674	3,880,607	14,819,281
Assigned:			
Subsequent budget	85,000	-	85,000
Fuel tank reserves	242,512	-	242,512
Grants and other purposes	-	299,328	299,328
Total assigned	327,512	299,328	626,840
Unassigned	1,104,870	(631,911)	472,959
Total fund balances	\$ 12,411,265	\$ 7,588,752	\$ 20,000,017

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

DEFICIT FUND BALANCES

Several City Special Revenue Funds had deficit fund balances at June 30, 2015. The City's deficit fund balances are as follows:

Recreation Programs	\$ 204,970
Skate Park Committee	58,366
Bath Youth Meeting House	262,096
Trolley Funds	<u>6,407</u>
	<u>\$ 531,839</u>

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, 2015:

Public Works	\$ <u>138,598</u>
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Severe weather conditions during the 2014-2015 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.

DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

City employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. 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 online at www.mainepers.org or by contacting the System at (800) 451-9800.

Benefits Provided

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 System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

DEFINED BENEFIT PENSION PLAN, CONTINUED

action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The City's 2C plan members and 3C plan members are required to contribute 7.0% and 8.5% respectively of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 8.3% for the 2C plan and 11.0% for the 3C plan of covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The City's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2015 was \$512,210.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability of \$2,109,700 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2014, the City's proportion was 1.370993%, which was a decrease of 0.196401% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized total pension expense of \$329,085. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

DEFINED BENEFIT PENSION PLAN, CONTINUED

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 264,915	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,240,635
Changes in proportion and differences between contributions and proportionate share of contributions	-	454,068
Contributions subsequent to the measurement date	512,210	-
Total	\$ 777,125	\$ 2,694,703

\$512,210 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Year ended June 30:	
2016	\$ 623,210
2017	623,210
2018	623,210
2019	560,159
2020	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2014 and 2013, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions (Continued)

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2014 and June 30, 2013 are as follows:

Investment Rate of Return - For the PLD Plan, 7.25% per annum, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 3.50% to 9.50% per year.

Mortality Rates - For participating local districts, the RP2000 Tables projected forward to 2015 using Scale AA are used; for all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

Cost of Living Benefit Increases - 3.12% for participating local districts.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2014 are summarized in the following table:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions (Continued)

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.0%

Discount Rate

The discount rate used to measure the collective total pension liability was 7.25% for 2014 and 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2014 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 7.25% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	6.25%	7.25%	8.25%
City's proportionate share of the net pension liability	\$ 6,581,642	\$ 2,109,700	\$ (1,628,288)

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

DEFINED BENEFIT PENSION PLAN, CONTINUED

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2014 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2014, this was 4 years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. There were no changes in assumptions for the PLD Consolidated Plan.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2014 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (800) 451-9800.

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.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

DEFERRED COMPENSATION PLAN, CONTINUED

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, 2015. 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.

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 2015 based on an actuarial valuation date of January 1, 2015.

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.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

The following table represents the OPEB costs for the years ending June 30 and the annual required contribution:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Normal cost	\$ 41,743	\$ 41,743	\$ 38,900
Amortization of unfunded	82,262	82,262	109,320
Adjustment to ARC	(43,609)	(40,387)	(32,220)
Interest	32,619	30,391	25,221
Annual required contribution	\$ 113,015	\$ 114,009	\$ 141,221

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPEB liability, July 1	\$ 754,083	\$ 698,372	\$ 557,151
Annual required contribution	113,015	114,009	141,221
Less: Employee Contributions			
Explicit premium	(3,661)	(3,661)	-
Implicit premium	(38,093)	(54,637)	-
OPEB Liability, June 30	\$ 825,344	\$ 754,083	\$ 698,372

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>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 113,015	\$ 114,009	\$ 141,221
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Actuarial accrued liability	\$ 1,479,382	1,479,382	1,965,984
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 1,479,382	1,479,382	1,965,984
Covered payroll	5,583,092	5,425,740	5,267,709
Unfunded actuarial accrued liability as a percentage of covered payroll	26.50%	27.30%	37.32%

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2015

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

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%

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 requirement 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.

COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. In addition, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

RESTATEMENT

The net position of the governmental activities has been restated at July 1, 2014 to account for the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (Issued 06/12)*. As a result, the beginning balance has been reduced by \$4,356,363.

CITY OF BATH, MAINE
Required Supplementary Information
June 30, 2015

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 Accrued 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%
2015	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,583,092	26.50%

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

CITY OF BATH, MAINE
Required Supplementary Information
June 30, 2015

**SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>		
Proportion of the net pension liability (asset)	1.37%	1.57%
Proportionate share of the net pension liability (asset)	\$2,109,700	\$4,831,637
Covered-employee payroll	\$5,583,092	\$5,421,904
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.79%	89.11%
Plan fiduciary net position as a percentage of the total pension liability	94.10%	87.50%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

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

CITY OF BATH, MAINE
Required Supplementary Information
June 30, 2015

SCHEDULE OF CONTRIBUTIONS

LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>		
Contractually required contribution	\$ 512,210	\$ 474,852
Contributions in relation to the contractually required contribution	<u>(512,210)</u>	<u>(474,852)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$5,583,092	\$5,421,904
Contributions as a percentage of covered-employee payroll	9.17%	8.76%

* The amounts presented for each fiscal year are for those years for which information is available.

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

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, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 4,676,903	\$ 4,659,476
Investments	10,938,674	11,067,407
Receivables:		
Taxes receivable	714,443	755,482
Tax liens	467,033	307,407
Accounts receivable, net of allowance of \$41,875	382,776	143,858
Inventory	26,050	32,150
Prepaid	14,159	4,580
Receivable from RSU #1 for debt service payment	3,425,205	4,385,055
Total assets	\$ 20,645,243	\$ 21,355,415
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 632,711	\$ 460,854
Accrued expenditures	283,126	233,836
Interfund loans payable	3,052,936	2,876,016
Total liabilities	3,968,773	3,570,706
Deferred inflows of resources:		
Deferred tax revenue	840,000	800,000
Deferred debt service payments from RSU #1	3,425,205	4,385,055
Total deferred inflows of resources	4,265,205	5,185,055
Fund balance:		
Nonspendable - inventory and prepaids	40,209	36,730
Committed	10,938,674	11,067,407
Assigned	327,512	465,093
Unassigned	1,104,870	1,030,424
Total fund balance	12,411,265	12,599,654
Total liabilities, deferred inflows of resources and fund balance	\$ 20,645,243	\$ 21,355,415

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, 2015
(with comparative actual amounts for the year ended June 30, 2014)

	2015		Variance positive (negative)	2014 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 16,474,682	\$ 16,429,862	\$ (44,820)	\$ 15,990,787
Excise taxes	1,058,900	1,120,588	61,688	1,085,495
Interest and costs on taxes	80,000	70,422	(9,578)	81,729
Contributions in lieu of taxes	50,500	56,117	5,617	50,429
Total taxes	17,664,082	17,676,989	12,907	17,208,440
Licenses, permits and fees:				
Non-business licenses	11,000	8,068	(2,932)	7,243
Health, building, plumbing and electrical permits	28,300	117,196	88,896	65,624
Vehicle, boat and recreation vehicle registrations	27,750	21,638	(6,112)	22,219
Other	28,500	39,465	10,965	35,126
Total licenses, permits and fees	95,550	186,367	90,817	130,212
Intergovernmental:				
State revenue sharing	511,477	554,670	43,193	562,596
State homestead exemption	187,658	187,658	-	188,348
State BETE exemption	445,954	445,954	-	398,878
Other state revenue	25,000	16,880	(8,120)	36,742
Other federal revenue	-	38,886	38,886	-
Total intergovernmental	1,170,089	1,244,048	73,959	1,186,564
Investment income	532,500	402,468	(130,032)	1,516,078
Charges for services:				
Ambulance service	580,000	615,128	35,128	563,571
Cemetery sales	51,500	53,324	1,824	43,670
Parking City lots	65,000	66,284	1,284	70,872
Police duty and fees	18,000	26,472	8,472	22,809
Total charges for services	714,500	761,208	46,708	700,922
Other revenues:				
Parking and traffic violations	12,000	18,975	6,975	11,310
Cable television franchise	100,000	101,769	1,769	98,039
Rents and leases	23,700	24,532	832	24,136
Sale of property	83,400	49,500	(33,900)	5,000
Miscellaneous	15,500	19,177	3,677	30,522
Total other revenues	234,600	213,953	(20,647)	169,007
Total revenues	20,411,321	20,485,033	73,712	20,911,223

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued
For the year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)

	2015		Variance positive (negative)	2014 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	147,671	143,335	4,336	144,219
Professional services	199,000	249,788	(50,788)	302,252
City council	74,765	55,737	19,028	57,764
City clerk	117,915	123,694	(5,779)	119,646
Elections	14,150	14,627	(477)	13,168
Central services	143,500	143,604	(104)	153,409
City Hall management and utilities	132,564	134,772	(2,208)	136,258
Finance	269,996	246,316	23,680	262,394
Assessor	121,720	111,243	10,477	128,864
Public education government cable	43,927	38,796	5,131	42,438
Planning and community development	87,817	88,333	(516)	92,034
Total general government	1,353,025	1,350,245	2,780	1,452,446
Public works:				
General	1,020,548	1,166,565	(146,017)	1,091,176
Forestry	63,133	58,963	4,170	61,729
Cemetery and parks	395,482	392,233	3,249	393,050
Total public works	1,479,163	1,617,761	(138,598)	1,545,955
Public safety:				
Fire and ambulance	1,549,243	1,483,238	66,005	1,476,035
Police	1,456,905	1,485,058	(28,153)	1,416,383
Other public safety	84,889	81,144	3,745	79,230
Codes enforcement	87,307	86,672	635	77,077
Street lights	110,000	115,597	(5,597)	113,100
Fire hydrant rental	400,000	393,206	6,794	393,206
Total public safety	3,688,344	3,644,915	43,429	3,555,031
Health and welfare:				
General assistance	71,060	54,234	16,826	74,798
Total health and welfare	71,060	54,234	16,826	74,798

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued
For the year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)

	2015		Variance positive (negative)	2014 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	9,157,789	9,157,789	-	8,894,294
Intergovernmental--county tax	1,675,078	1,674,864	214	1,649,188
Unclassified:				
Employee benefits	1,793,900	1,745,417	48,483	1,598,226
Insurances	348,000	373,936	(25,936)	310,437
Special events and support	167,064	166,651	413	167,257
Court Settlement	1,205,000	1,205,000	-	-
Overlay/abatelements and write-offs	50,000	53,164	(3,164)	88,847
Total unclassified	3,563,964	3,544,168	19,796	2,164,767
Debt service:				
Principal	541,409	532,271	9,138	354,395
Interest and fees	-	-	-	-
Total debt service	541,409	532,271	9,138	354,395
Total expenditures	21,529,832	21,576,247	(46,415)	19,690,874
Excess (deficiency) of revenues over (under) expenditures	(1,118,511)	(1,091,214)	27,297	1,220,349
Other financing sources (uses):				
Utilization of prior year fund balance	240,000	-	(240,000)	-
Transfers in	25,000	25,000	-	25,000
Transfers out	(351,489)	(354,589)	(3,100)	(487,871)
Proceeds from Long Term Debt	1,205,000	1,205,000	-	-
Total other financing sources (uses)	1,118,511	875,411	(243,100)	(462,871)
Net change in fund balance - budgetary basis	-	(215,803)	(215,803)	757,478
Reconciliation to GAAP basis:				
Fuel revenues for fuel tank reserve		27,414		24,238
Net change in fund balances - GAAP basis		(188,389)		781,716
Fund balance, beginning of year		12,599,654		11,817,938
Fund balance, end of year		\$ 12,411,265		\$ 12,599,654

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

CAPITAL PROJECTS FUNDS

Capital projects 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, 2015

	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					
City capital projects:									
Capital fund - City	\$ 241,179	\$ 197,784	\$ -	\$ -	\$ 122,428	\$ 175,386	\$ -	\$ 9,000	\$ 150,149
Cemetery and parks capital	69,587	31,969	-	-	174,149	17,384	176,500	-	86,523
Commercial/Front pump station	12,355	-	-	-	-	-	-	-	12,355
Fire and ambulance capital projects	1,866	252,867	-	-	314,586	151,252	226,565	-	15,460
Police capital improvements	2,214	32,653	-	-	25,604	15,888	20,000	-	13,375
Public works capital improvements	2,701,780	137,486	578,536	-	1,876,321	86,009	88,700	(15,000)	1,529,172
Recreation capital improvements	-	41,302	-	-	35,056	18,672	10,000	6,000	3,574
Total capital projects	\$ 3,028,981	\$ 694,061	\$ 578,536	\$ -	\$ 2,548,144	\$ 464,591	\$ 521,765	\$ -	\$ 1,810,608

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, 2015

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
ASSETS			
Cash and cash equivalents	\$ 171,366	\$ 111,911	\$ 283,277
Investments	-	2,413,606	2,413,606
Accounts receivable	251	-	251
Notes receivable	901,173	-	901,173
Interfund loans receivable	30,583	7,986	38,569
Total assets	\$ 1,103,373	\$ 2,533,503	\$ 3,636,876
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenditures	21,124	-	21,124
Interfund loans payable	230,298	571	230,869
Total liabilities	251,422	571	251,993
Fund balances:			
Nonspendable	901,173	2,525,314	3,426,487
Restricted	149,746	7,618	157,364
Committed	133,615	-	133,615
Assigned	299,328	-	299,328
Unassigned	(631,911)	-	(631,911)
Total fund balances	851,951	2,532,932	3,384,883
Total liabilities and fund balances	\$ 1,103,373	\$ 2,533,503	\$ 3,636,876

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, 2015

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 177,280	\$ -	\$ 177,280
Charges for services	532,269	-	532,269
Investment income	3,790	41,341	45,131
Realized/unrealized gain (loss) on investments	-	169,085	169,085
Other revenue	133,931	8,676	142,607
Total revenues	847,270	219,101	1,066,371
Expenditures:			
General government	103,732	-	103,732
Public safety	33,064	-	33,064
Parks and recreation	672,151	-	672,151
Health, welfare and transportation	198,284	-	198,284
Unclassified	156,741	22,744	179,485
Debt service	78,415	-	78,415
Total expenditures	1,242,387	22,744	1,265,131
Excess (deficiency) of revenues over (under) expenditures	(395,117)	196,357	(198,760)
Other financing sources (uses):			
Transfers in	527,839	-	527,839
Transfers out	-	(25,000)	(25,000)
Total other financing sources (uses)	527,839	(25,000)	502,839
Net change in fund balances	132,722	171,357	304,079
Fund balances, beginning	719,229	2,361,575	3,080,804
Fund balances, ending	\$ 851,951	\$ 2,532,932	\$ 3,384,883

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, 2015

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Total
ASSETS					
Cash and cash equivalents	\$ 27,775	\$ -	\$ 7,141	\$ 136,450	\$ 171,366
Accounts receivable	251	-	-	-	251
Notes receivable	-	901,173	-	-	901,173
Interfund loans receivable	-	-	30,583	-	30,583
Total assets	\$ 28,026	\$ 901,173	\$ 37,724	\$ 136,450	\$ 1,103,373

**LIABILITIES AND
FUND BALANCES (DEFICITS)**

Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenditures	17,792	-	3,332	-	21,124
Escrow	-	-	-	-	-
Interfund loans payable	127,391	100,072	-	2,835	230,298
Total liabilities	145,183	100,072	3,332	2,835	251,422
Fund balances (deficits):					
Nonspendable - long-term receivables	-	901,173	-	-	901,173
Restricted	108,947	-	40,799	-	149,746
Committed	-	-	-	133,615	133,615
Assigned	299,328	-	-	-	299,328
Unassigned	(525,432)	(100,072)	(6,407)	-	(631,911)
Total fund balances (deficits)	(117,157)	801,101	34,392	133,615	851,951
Total liabilities and fund balances	\$ 28,026	\$ 901,173	\$ 37,724	\$ 136,450	\$ 1,103,373

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, 2015

	City			Community		Bath Local		Total
	Special Purpose	Development Funds	Transportation Programs	Development Funds	Development Corporation	Development Corporation	Development Corporation	
Revenues:								
Intergovernmental	\$ 26,351	\$ 74,656	\$ 76,273	\$ -	\$ -	\$ -	\$ -	177,280
Charges for services	473,917	-	58,352	-	-	-	-	532,269
Investment income	3,766	-	9	-	15	-	15	3,790
Other revenue	122,599	10,639	693	-	-	-	-	133,931
Total revenues	626,633	85,295	135,327	15	15	15	15	847,270
Expenditures:								
General government	28,861	74,871	-	-	-	-	-	103,732
Public safety	33,064	-	-	-	-	-	-	33,064
Parks and recreation	672,151	-	-	-	-	-	-	672,151
Health, welfare and transportation	2,216	-	196,068	-	-	-	-	198,284
Unclassified	11,142	17,349	-	-	128,250	-	-	156,741
Debt service	58,810	-	19,605	-	-	-	-	78,415
Total expenditures	806,244	92,220	215,673	128,250	128,250	128,250	128,250	1,242,387
Excess (deficiency) of revenues over (under) expenditures	(179,611)	(6,925)	(80,346)	(128,235)	(128,235)	(128,235)	(128,235)	(395,117)
Other financing sources (uses):								
Transfers in (out)	294,589	-	105,000	-	-	-	-	527,839
Total other financing sources (uses)	294,589	-	105,000	128,250	128,250	128,250	128,250	527,839
Net change in fund balances	114,978	(6,925)	24,654	15	15	15	15	132,722
Fund balances (deficits), beginning	(232,135)	808,026	9,738	133,600	133,600	133,600	133,600	719,229
Fund balances (deficits), ending	\$ (117,157)	\$ 801,101	\$ 34,392	\$ 133,615	\$ 133,615	\$ 133,615	\$ 133,615	\$ 851,951

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, 2015

	Fund balances		Revenues			Transfers in (out)	Fund balances (deficits) June 30, 2015
	June 30, 2014	(deficits)	Revenues	Expenditures	over (under) expenditures		
City Special Purpose Funds:							
Cemetery and Parks	\$ 110,616		14,419 \$	8,216 \$	6,203 \$	-	\$ 116,819
Forestry Trust	30,325		405	-	405	-	30,730
DARE	18,423		6,962	7,530	(568)	-	17,855
Fire Department	-		10,000	8,854	1,146	-	1,146
Forestry Grants	140		-	-	-	-	140
General Assistance - Almoner Fund	34,144		3,759	2,216	1,543	-	35,687
Lambert Park Community Center	20,401		25,870	11,142	14,728	-	35,129
Planning Grants	9,841		150	384	(234)	-	9,607
Police Grants	13,364		15,026	16,680	(1,654)	-	11,710
McMann Advertising	5,027		20,450	-	20,450	(20,000)	5,477
Recreation - Other	62,353		43,943	32,681	11,262	20,000	93,615
Other City programs	(21,441)		77,762	28,477	49,285	-	27,844
Recreation (Fund 12)	(214,109)		335,849	540,124	(204,275)	213,414	(204,970)
Skate park committee	(58,366)		-	-	-	-	(58,366)
Bath Youth Meeting House (Fund 13)	(264,967)		47,579	65,383	(17,804)	20,675	(262,096)
Armory Building (Fund 13)	904		24,456	84,557	(60,101)	60,500	1,303
Swimming Pool Fund	21,210		3	-	3	-	21,213
Total City Special Purpose	\$ (232,135) \$		626,633 \$	806,244 \$	(179,611) \$	294,589 \$	(117,157) \$
Transportation Programs:							
Bath City Bus	\$ 34,503 \$		87,781 \$	141,485 \$	(53,704) \$	60,000 \$	40,799
Trolley	(24,765)		47,546	74,188	(26,642)	45,000	(6,407)
Total Transportation Programs	\$ 9,738 \$		135,327 \$	215,673 \$	(80,346) \$	105,000 \$	34,392 \$

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 City of Bath, 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, 2015

	Bailey						
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total	
ASSETS							
Cash and cash equivalents	\$ -	\$ 110,708	\$ 1,203	\$ -	\$ -	\$ -	\$ 111,911
Investments	251,346	338,345	1,748,614	49,506	25,795	2,413,606	
Interfund loans receivable	-	-	7,986	-	-	7,986	
Total assets	\$ 251,346	\$ 449,053	\$ 1,757,803	\$ 49,506	\$ 25,795	\$ 2,533,503	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund loans payable	\$ -	\$ 571	\$ -	\$ -	\$ -	\$ -	\$ 571
Total liabilities	-	571	-	-	-	-	571
Fund balances:							
Nonspendable - principal	251,346	448,482	1,750,185	49,506	25,795	2,525,314	
Restricted	-	-	7,618	-	-	7,618	
Total fund balances	251,346	448,482	1,757,803	49,506	25,795	2,532,932	
Total liabilities and fund balances	\$ 251,346	\$ 449,053	\$ 1,757,803	\$ 49,506	\$ 25,795	\$ 2,533,503	

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, 2015

	Bailey										
	Evening School	\$	Beneficiary Trust	\$	Cemetery Trusts	\$	Old Folks Home	\$	School Trusts	\$	Total
Revenues:											
Investment income	4,267	\$	6,126	\$	29,669	\$	840	\$	438	\$	41,341
Realized gain (loss) on investments	5,187		7,010		36,066		1,022		532		49,817
Unrealized gain (loss) on investments	12,418		16,783		86,346		2,446		1,275		119,268
Perpetual care contributions	-		-		8,676		-		-		8,676
Total revenues	21,872		29,918		160,757		4,308		2,245		219,101
Expenditures:											
Current:											
Distribution of income	2,649		3,759		-		522		272		7,202
Other	1,618		2,187		11,252		319		166		15,542
Total expenditures	4,267		5,946		11,252		840		438		22,744
Excess of revenues over expenditures	17,605		23,972		149,505		3,468		1,807		196,357
Other financing uses:											
Transfers out	-		-		(25,000)		-		-		(25,000)
Total other financing uses	-		-		(25,000)		-		-		(25,000)
Net change in fund balances	17,605		23,972		124,505		3,468		1,807		171,357
Fund balances, beginning of year	233,741		424,510		1,633,298		46,038		23,988		2,361,575
Fund balances, end of year	\$ 251,346		\$ 448,482		\$ 1,757,803		\$ 49,506		\$ 25,795		\$ 2,532,932

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, 2015

	Interest Rate	Issue Date	Final Maturity Date	Annual Principal Payments	Balance beginning of year	Current Period		Balance end of year
						Issued	Retired	
<u>General Obligation Bonds</u>								
City issues:								
1997 Wastewater Treatment Upgrade Bonds	Var.	1997	2017	315,000	\$ 1,260,000	\$	- \$ 315,000	\$ 945,000
2002 SRF Landfill/Pumping Station Bonds	Var.	2002	2022	107,500	758,209		- 107,500	650,709
2004 General Obligation Bonds	Var.	2004	2020	Var.	720,000		- 120,000	600,000
Building Renovation Note	5.125%	2006	2011	Var.	162,973		- 79,117	83,856
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	210,000		- 17,500	192,500
2008 General Obligation Bond	Var.	2008	2018	400,000	1,600,000		- 400,000	1,200,000
2008 General Obligation Bond	Var.	2008	2023	Var.	1,485,000		- 165,000	1,320,000
2008 SRF Sewer Bond	1.000%	2008	2023	93,333	840,000		- 93,333	746,667
2009 General Obligation Bond Series B	Var.	2009	2029	20,000	525,000		- 25,000	500,000
2010 General Obligation Bond Series C	6.750%	2009	2019	Var.	1,160,000		- 50,000	1,110,000
2009 AARA Clean Water Revolving Loan	0.000%	2009	2019	4,156	20,782		- 4,156	16,626
2011 General Obligation Bond	Var.	2011	2031	Var.	2,930,000		- 340,000	2,590,000
2011 GOB Series B	Var.	2011	2030	Var.	1,790,399		- 276,656	1,513,743
2011 SRF GOB	Var.	2011	2031	Var.	1,695,240		- 94,180	1,601,060
2013 SRF GOB Clean Water Revolving Loan Fund	1.000%	2013	2033	Var.	618,925		- 32,575	586,350
2013 GOB Equipment Bath Savings	2.840%	2013	2033	Var.	109,714		- 18,286	91,428
2013 GOB Equipment Androscoggin Bank	2.010%	2013	2015	65,000	65,000		- 65,000	-
2014 GOB Equipment	Var.	2014	2021	Var.	222,000		- 59,535	162,465
2014 GOB Road Bond and Refinance	Var.	2014	2029	Var.	4,456,000		- 441,000	4,015,000
2015 Bath Savings Bank	Var.	2015	2025	Var.	-	1,205,000	-	1,205,000
2015 Equipment GOB Bath Savings	Var.	2015	2024	Var.	-	665,265	-	665,265
Total City issues					20,629,242		1,870,265 2,703,838	19,795,669
School issues:								
2006 General Obligation Refunding Bond	4.375%	2006	2016	Var.	1,020,000		- 345,000	675,000
2008 General Obligation Bond	Var.	2008	2018	280,000	1,120,000		- 280,000	840,000
2011 GOB Series B	Var.	2011	2030	Var.	2,213,650		327,548	1,886,102
Total School issues					4,353,650		- 952,548	3,401,102
Total long-term debt					\$ 24,982,892	\$	1,870,265 \$ 3,656,386	\$ 23,196,771

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 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	\$ 17,676,989
Licenses and permits	132,935	150,943	150,922	124,046	94,999	88,635	95,303	97,289	130,212	186,367
Intergovernmental revenues	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	1,244,048
Charges for services	4,591,096	4,626,184	3,594,745	724,055	681,626	520,417	684,714	720,747	700,922	761,208
Investment income	211,305	331,063	278,480	102,215	1,640	24,891	134,612	832,701	1,516,078	402,468
Other revenues (1)	393,962	547,403	321,575	226,623	223,713	163,624	9,893,856	430,218	194,007	238,953
Total revenues	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	20,510,033
Expenditures:										
General government	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	1,350,245
Public safety	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	3,644,915
Public works	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	1,617,761
Health and welfare	106,539	101,382	29,238	54,324	66,744	62,794	79,161	84,607	74,798	54,234
Recreation	192,226	198,194	178,864	181,389	180,886	182,588	178,022	168,153	167,257	166,651
Education (3)	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	9,157,789
Intergovernmental	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	1,674,864
Unclassified (2)	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	3,732,106
Debt service	1,259,955	1,210,959	666,004	735,607	705,476	515,118	461,652	489,567	354,395	532,271
Total expenditures	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	21,930,836

(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
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%
2015	23,907,936	23,204,257	97.06%	1,181,476	4.94%

Table C

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		
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%
2015	1,007,323,300	176,237,900	1,183,561,200	888,100,000	133.27%

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
2006	\$ 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
2015	20.20	8.50	9.89	1.81

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
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
2015	8,514	1,183,561	23,196,771	1.96%	2,725

(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
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%
2015	2,703,838	561,067	3,264,905	21,576,247	15.13%

(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.

Table G

CITY OF BATH, MAINE
Ten Largest Taxpayers
For the year ended June 30, 2015

Name	Type of operation	Assessed valuation	Amount of tax	% of net tax levy
Bath Iron Works	Ship building & repair	\$ 468,987,200	\$ 9,473,541	39.63%
Bath Supermarket Improvements	Retail Space	1,054,300	212,914	0.89%
Sagadahoc Real Estate Assoc	Office space	9,591,400	193,746	0.81%
Bath Savings	Banking Institution	8,302,600	167,713	0.70%
Dorks R Us	Hotel	8,093,500	163,489	0.68%
Central Maine Power	Electric Utility Company	7,970,700	161,008	0.67%
Northwood Housing	Residential housing	7,088,900	143,196	0.60%
Bath Inline Improvements	Retail Space	6,564,200	132,597	0.55%
EWT LLC	Residential Housing	6,550,900	132,328	0.55%
Thomas Walsh	Motor - Hotel	6,329,100	127,848	0.53%
Totals		\$ 530,532,800	\$ 10,908,380	45.63%