

2016

# City of Bath Maine Annual Financial Report FY2016

Bath, Me.

Follow this and additional works at: <https://digitalcommons.library.umaine.edu/towndocs>

---

## Repository Citation

Bath, Me., "City of Bath Maine Annual Financial Report FY2016" (2016). *Maine Town Documents*. 6374.  
<https://digitalcommons.library.umaine.edu/towndocs/6374>

This Report is brought to you for free and open access by DigitalCommons@UMaine. It has been accepted for inclusion in Maine Town Documents by an authorized administrator of DigitalCommons@UMaine. For more information, please contact [um.library.technical.services@maine.edu](mailto:um.library.technical.services@maine.edu).

Audited Financial Statements and  
Other Supplementary Information

City of Bath, Maine

June 30, 2016



*Proven Expertise and Integrity*

**CITY OF BATH, MAINE**  
**Annual Financial Report**  
**June 30, 2016**

---

**Table of Contents**

**FINANCIAL SECTION**

	<u>Statement</u>	<u>Page(s)</u>
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		19-46
Required Supplementary Information:		
Schedule of Funding Progress		47
Schedule of Proportionate Share of the Net Pension Liability		48
Schedule of Contributions		49
Notes to Required Supplementary Information		50
	<u>Exhibit</u>	<u>Page(s)</u>
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheet	A-1	51
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis	A-2	52-54
Capital Projects Funds:		
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B	55
Other Governmental Funds:		
Combining Balance Sheet	C-1	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	57
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	D-1	58

**CITY OF BATH, MAINE**  
**Annual Financial Report**  
**June 30, 2016**

---

**Table of Contents, Continued**

	<u>Exhibit</u>	<u>Page</u>
Combining and Individual Fund Statements and Schedules (Continued):		
Nonmajor Special Revenue Funds (Continued):		
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Individual Funds	D-3	60
Nonmajor Permanent Funds:		
Combining Balance Sheet	E-1	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	62
Long-term Debt:		
Statement of Changes in Long-term Debt	F	63

**STATISTICAL SECTION**

	<u>Tables</u>	<u>Page</u>
Statistical Information:		
Revenues and Expenditures - General Fund	A	64
Property Tax Levies and Collections	B	65
Assessed and State Value of Taxable Property	C	66
Property Tax Rates - Segments	D	67
Ratio of General Bonded Debt to Assessed Value and General Bonded Debt Per Capita	E	68
Ratio of Annual Debt Service Expenditures to Total General Fund Expenditures	F	69
Ten Largest Taxpayers	G	70

**FEDERAL COMPLIANCE**

	<u>Page(s)</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71-72



*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, 2016, and the related notes to the financial statements, which collectively comprise the City of Bath, Maine'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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, 2016, 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 47 through 50 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 fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules 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 fund statements and schedules 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, on our consideration of the City of Bath, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bath, Maine's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
January 13, 2017

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**(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, 2016. 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, contributions, notes to required supplementary information 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 funds balance sheet and the governmental funds 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 funds balance sheet and the governmental funds 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, a Schedule of Contributions, and Notes to Required Supplementary Information.

### **Other Supplementary Information**

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

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net position, and changes in net position of the City's governmental and business-type activities. The City's total net position for governmental activities increased by \$2,925,001 from \$24.64 million to \$27.57 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 \$676,967 for governmental activities to a balance of \$7.53 million at the end of this year.

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

	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Current and Other Assets	\$ 25,081,470	\$ 26,634,493
Capital Assets	33,299,168	32,275,284
Total Assets	58,380,638	58,909,777
<b>Deferred Outflows of Resources</b>	2,226,105	760,347
<b>Liabilities:</b>		
Current Liabilities	5,027,186	5,945,724
Long-term Debt Outstanding	25,370,592	26,385,055
Total Liabilities	30,397,778	32,330,779
<b>Deferred Inflows of Resources</b>	2,639,322	2,694,703
<b>Net Position:</b>		
Net Investment in Capital Assets	15,593,384	12,394,262
Restricted	4,443,573	4,040,728
Unrestricted	7,532,685	8,209,652
Total Net Position	\$ 27,569,643	\$ 24,644,642

### Revenues and Expenses

Revenues for the City's governmental activities increased by 2.32%, while the total expenses decreased by 4.16%. 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,**

	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
<i>Program revenues:</i>		
Charges for services	\$ 4,431,837	\$ 4,437,697
Operating grants and contributions	367,810	306,787
Capital grants and contributions	762,011	732,444
<i>General revenues:</i>		
Taxes	26,343,522	25,186,375
Grants and contributions not restricted to specific programs	1,595,442	1,144,540
Miscellaneous	119,662	1,048,690
Total Revenues	33,620,284	32,856,533
<b>Expenses</b>		
General government	1,567,929	1,439,509
Public works and wastewater treatment	4,520,458	5,261,731
Public safety	4,045,075	3,708,752
Parks and recreation	843,135	781,003
Health, welfare, and transportation	256,727	249,956
Education	9,375,077	9,157,789
Intergovernmental	1,694,380	1,674,864
Unclassified	7,738,332	8,419,503
Interest on debt	450,960	441,327
Capital outlay	203,211	893,264
Total Expenses	30,695,284	32,027,698
Change in Net Position	2,925,001	828,835
Net Position - July 1	24,644,642	23,815,807
Net Position - June 30	\$ 27,569,643	\$ 24,644,642

**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>2016</u>	<u>2015</u>
General Fund:		
Nonspendable	\$ 35,484	\$ 40,209
Committed	9,928,198	10,938,674
Assigned	249,601	327,512
Unassigned	1,981,933	1,104,870
Total General Fund	<u>\$ 12,195,216</u>	<u>\$ 12,411,265</u>
Sewer Utility Fund:		
Committed	\$ 838,139	\$ 738,450
Total Sewer Utility Fund	<u>\$ 838,139</u>	<u>\$ 738,450</u>
TIF Funds:		
Restricted	\$ 813,612	\$ 456,877
Total TIF Funds	<u>\$ 813,612</u>	<u>\$ 456,877</u>
Landfill Fund:		
Committed	\$ 880,316	\$ 1,197,934
Total Landfill Fund	<u>\$ 880,316</u>	<u>\$ 1,197,934</u>
Capital Projects Funds:		
Committed	\$ 1,336,419	\$ 1,810,608
Total Capital Projects Funds	<u>\$ 1,336,419</u>	<u>\$ 1,810,608</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 851,086	\$ 901,173
Restricted	127,902	149,746
Committed	135,677	133,615
Assigned	332,005	299,328
Unassigned	(535,784)	(631,911)
Permanent Funds:		
Nonspendable	2,643,356	2,525,314
Restricted	7,618	7,618
Total Nonmajor Funds	<u>\$ 3,561,860</u>	<u>\$ 3,384,883</u>

The general fund total fund balance decreased by \$216,049 from the prior fiscal year due to loss on investment income. The sewer utility fund increased by \$99,689 from the prior year. The TIF funds increased by \$356,735 from the prior year. The landfill fund decreased by \$317,618 from the

prior year and the capital projects funds decreased by \$474,189 from the prior year due to expenditure of the road bond received in the previous year. The nonmajor fund balances increased by \$176,977 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.

The general fund actual revenues were under budget by \$415,045. This can be accounted for from loss on investment income off set by more than expected revenue in excise taxes and licenses, permits and fees.

The general fund actual expenditures were under budget by \$269,009. This is attributable to reduction in expenses for public safety and unclassified. All other expenses were close to budget or offset overages with underages.

### Capital Asset and Debt Administration

#### Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the City increased by \$1,023,884 from the prior year. The increase is the result of current year capital additions of \$2,663,519 less depreciation of \$1,632,849 and property disposals of \$6,786.

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

	<u>2016</u>	<u>2015</u>
Land	\$ 1,902,870	\$ 1,902,870
Construction in progress	952,725	67,227
Buildings and improvements	4,096,578	4,382,177
Machinery, furniture & equipment	1,365,196	1,188,885
Vehicles	1,624,424	1,834,193
Infrastructure	23,357,375	22,899,932
Total	<u>\$ 33,299,168</u>	<u>\$ 32,275,284</u>

#### Debt

At June 30, 2016, the City had \$20,168,721 in bonds, notes and capital leases outstanding versus \$23,282,124 outstanding last year, a decrease of 13.37% 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, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,800,267
Investments	12,717,936
Receivables:	
Taxes receivable	659,166
Tax liens	390,955
Accounts receivable, net of allowance of \$64,161	757,498
Notes receivable	851,086
Inventory	23,763
Prepaid	11,721
Long-term receivable from RSU #1	2,479,497
Land held for resale	1,389,580
Capital assets, not being depreciated	2,855,595
Capital assets, net of depreciation	30,443,573
Total assets	58,380,638
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	2,226,105
Total deferred outflows of resources	2,226,105
<b>LIABILITIES</b>	
Accounts payable	385,249
Accrued expenses	400,082
Accrued interest	162,700
Noncurrent liabilities:	
Due within one year	4,079,155
Due in more than one year	25,370,592
Total liabilities	30,397,778
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	2,639,322
Total deferred inflows of resources	2,639,322
<b>NET POSITION</b>	
Net investment in capital assets	15,593,384
Restricted for:	
Permanent funds:	
Expendable	7,618
Nonexpendable	2,643,356
Community development	851,086
Grants	127,902
TIF Districts	813,612
Unrestricted	7,532,685
<b>Total net position</b>	<b>\$ 27,569,643</b>

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

**CITY OF BATH, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2016**

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	\$ 1,567,929	\$ 164,139	\$ 168,782	\$ -	(1,235,008)
Public works and wastewater treatment	4,520,458	2,927,201	-	88,179	(1,505,078)
Public safety	4,045,075	811,532	14,642	-	(3,218,901)
Parks and recreation	843,135	460,574	-	-	(382,561)
Health, welfare, and transportation	256,727	68,391	74,572	-	(113,764)
Education	9,375,077	-	-	-	(9,375,077)
Intergovernmental	1,694,380	-	-	-	(1,694,380)
Unclassified	7,738,332	-	109,814	-	(7,628,518)
Interest on debt	450,960	-	-	-	(450,960)
Capital outlay	203,211	-	-	673,832	470,621
Total governmental activities	30,695,284	4,431,837	367,810	762,011	(25,133,626)
<b>Total primary government</b>	<b>\$ 30,695,284</b>	<b>\$ 4,431,837</b>	<b>\$ 367,810</b>	<b>\$ 762,011</b>	<b>(25,133,626)</b>
General revenues:					
Property taxes, levied for general purposes					25,109,950
Contributions in lieu of taxes					54,282
Motor vehicle excise taxes					1,179,290
Grants and contributions not restricted to specific programs:					
Homestead and BETE exemption					1,040,566
Other State/Federal aid					(29,979)
State Revenue Sharing					584,855
Unrestricted investment earnings (loss), net					(227,209)
Other					346,871
Total general revenues					28,058,626
Change in net position					2,925,001
Net position - beginning					24,644,642
<b>Net position - ending</b>				<b>\$</b>	<b>27,569,643</b>

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

CITY OF BATH, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2016

	Sewer			TIF			Landfill			Capital			Other		
	General	Utility	Fund	Funds	Funds	Funds	Funds	Funds	Projects	Projects	Projects	Funds	Funds	Funds	Total
<b>ASSETS</b>															
Cash and cash equivalents	\$ 5,403,303	\$ -	\$ -	\$ -	\$ 4,479	\$ 108,839	\$ 283,646	\$ 5,800,267							
Investments	9,928,198	-	-	-	262,604	-	2,527,134	12,717,936							
Receivables:															
Taxes receivable	659,166	-	-	-	-	-	-	659,166							
Tax liens	390,955	-	-	-	-	-	-	390,955							
Accounts receivable, net of allowance of \$64,161	206,092	462,190	-	-	88,100	-	1,116	757,498							
Notes receivable	-	-	-	-	-	-	851,086	851,086							
Due from other governments	-	-	-	-	-	-	-	-							
Interfund loans receivable	-	383,989	-	813,612	529,269	1,227,580	55,146	3,009,596							
Inventory	23,763	-	-	-	-	-	-	23,763							
Prepaid	11,721	-	-	-	-	-	-	11,721							
Receivable from RSU #1 for debt service payment	2,479,497	-	-	-	-	-	-	2,479,497							
<b>Total assets</b>	<b>\$ 19,102,695</b>	<b>\$ 846,179</b>	<b>\$ 846,179</b>	<b>\$ 813,612</b>	<b>\$ 884,452</b>	<b>\$ 1,336,419</b>	<b>\$ 3,718,129</b>	<b>\$ 26,701,486</b>							
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>															
Liabilities:															
Accounts payable	\$ 385,249	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385,249							
Accrued expenditures	374,460	8,040	-	-	4,136	-	13,446	400,082							
Interfund loans payable	2,866,773	-	-	-	-	-	142,823	3,009,596							
Total liabilities	3,626,482	8,040	-	-	4,136	-	156,269	3,794,927							
Deferred Inflows of Resources:															
Deferred tax revenue	801,500	-	-	-	-	-	-	801,500							
Deferred debt service payments from RSU #1	2,479,497	-	-	-	-	-	-	2,479,497							
Total deferred inflows of resources	3,280,997	-	-	-	-	-	-	3,280,997							
Fund Balances:															
Nonspendable	35,484	-	-	-	-	-	3,494,442	3,529,926							
Restricted	-	-	-	813,612	-	-	135,520	949,132							
Committed	9,928,198	838,139	-	-	880,316	1,336,419	135,677	13,118,749							
Assigned	249,601	-	-	-	-	-	332,005	581,606							
Unassigned	1,981,933	-	-	-	-	-	(535,784)	1,446,149							
Total fund balances	12,195,216	838,139	838,139	813,612	880,316	1,336,419	3,561,860	19,625,562							
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 19,102,695</b>	<b>\$ 846,179</b>	<b>\$ 846,179</b>	<b>\$ 813,612</b>	<b>\$ 884,452</b>	<b>\$ 1,336,419</b>	<b>\$ 3,718,129</b>	<b>\$ 26,701,486</b>							

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, 2016**

Total Fund Balances	\$ 19,625,562
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	33,299,168
Long-term receivable from RSU #1 for bonds held in the City's name.	2,479,497
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	801,500
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	(339,902)
Other post-employment benefits	(889,212)
Net pension liability, including related deferred outflows and inflows	(4,285,129)
Accrued interest	(162,700)
Landfill closure	(4,180,000)
Capital leases	(39,080)
Bonds payable	(20,129,641)
<b>Net position of governmental activities</b>	<b>\$ 27,569,643</b>

*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, 2016**

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
<b>Revenues:</b>							
Taxes	\$ 18,207,985	\$ -	\$ 6,556,436	\$ 897,000	\$ 720,601	\$ -	\$ 26,382,022
Licenses and permits	164,139	-	-	-	-	-	164,139
Intergovernmental	1,653,604	60,000	-	88,179	673,832	249,649	2,725,264
Charges for services	870,502	2,072,283	-	795,948	-	528,965	4,267,698
Investment income (loss), net	(302,653)	-	-	(53,136)	-	128,580	(227,209)
Other revenues	193,295	-	-	-	12,000	141,576	346,871
Total revenues	20,786,872	2,132,283	6,556,436	1,727,991	1,406,433	1,048,770	33,658,785
<b>Expenditures:</b>							
<b>Current:</b>							
General government	1,296,072	-	-	-	-	7,114	1,303,186
Public works and wastewater treatment	1,472,145	1,221,663	-	1,038,600	-	-	3,732,408
Public safety	3,675,015	-	-	-	-	26,215	3,701,230
Parks and recreation	-	-	-	-	-	726,118	726,118
Health, welfare and transportation	70,562	-	-	-	-	186,165	256,727
Education	9,375,077	-	-	-	-	-	9,375,077
Intergovernmental	1,694,380	-	-	-	-	-	1,694,380
Unclassified	2,559,121	-	4,872,255	-	-	300,169	7,731,545
Debt service	628,897	501,795	968,871	656,656	526,706	78,415	3,361,340
Capital outlays	-	309,136	137,825	350,353	2,069,416	-	2,866,730
Total expenditures	20,771,269	2,032,594	5,978,951	2,045,609	2,596,122	1,324,196	34,748,741
Excess (deficiency) of revenues over (under) expenditures	15,603	99,689	577,485	(317,618)	(1,189,689)	(275,425)	(1,089,955)
<b>Other financing sources (uses):</b>							
Transfers in	108,000	-	-	-	-	446,672	554,672
Transfers out	(339,652)	-	(220,750)	-	-	5,730	(554,672)
Proceeds from bonds/notes/ capital leases	-	-	-	-	715,500	-	715,500
Total other financing sources (uses)	(231,652)	-	(220,750)	-	715,500	452,402	715,500
Net change in fund balances	(216,049)	99,689	356,735	(317,618)	(474,189)	176,977	(374,455)
Fund balances, beginning of year	12,411,265	738,450	456,877	1,197,934	1,810,608	3,384,883	20,000,017
<b>Fund balances, end of year</b>	<b>\$ 12,195,216</b>	<b>\$ 838,139</b>	<b>\$ 813,612</b>	<b>\$ 880,316</b>	<b>\$ 1,336,419</b>	<b>\$ 3,561,860</b>	<b>\$ 19,625,562</b>

*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, 2016**

Net change in fund balances - total governmental funds (from Statement 5)	\$	(374,455)
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those position is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlays (\$2,663,519) were more than depreciation expense (\$1,632,849) and capital asset disposals (\$6,786).</p>		
		1,023,884
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue.</p>		
		(38,500)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the decrease in accrued interest (\$27,185) net of the increase in other post-employment benefits (\$63,868), accrued compensated absences (\$15,867) and net pension liability with related deferred inflows and outflows (\$241,073).</p>		
		(293,623)
<p>Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments on leases.</p>		
		46,273
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (\$3,782,630) and exceeded debt proceeds (\$715,500).</p>		
		3,067,130
<p>The City has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #1 when the debt service payments are due. The City has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$2,462,937 with principal amounts paid off during the year totaling \$938,165 with a net change in accrued interest of \$7,543.</p>		
		(945,708)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This represents the increase in landfill liability.</p>		
		440,000
<b>Change in net position of governmental activities (see Statement 2)</b>		<b>\$ 2,925,001</b>

*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, 2016

	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	\$ 18,018,185	\$ 18,018,185	\$ 18,207,985	\$ 189,800	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	84,250	84,250	164,139	79,889	-	-	-	-	-
Intergovernmental	1,576,893	1,576,893	1,653,604	76,711	-	-	60,000	60,000	(89,095)
Charges for services	780,500	780,500	870,502	90,002	2,161,378	2,161,378	2,072,283	(89,095)	
Investment income (loss), net	582,500	582,500	(302,653)	(885,153)	-	-	-	-	-
Other revenues	152,500	152,500	186,206	33,706	-	-	-	-	-
Total revenues	21,194,828	21,194,828	20,779,783	(415,045)	2,161,378	2,161,378	2,132,283	(29,095)	
Expenditures:									
Current:									
General government	1,297,468	1,297,468	1,296,072	1,396	-	-	-	-	-
Public works	1,511,770	1,511,770	1,472,145	39,625	-	-	-	-	-
Public safety	3,766,170	3,766,170	3,675,015	91,155	-	-	-	-	-
Health and welfare	71,942	71,942	70,562	1,380	-	-	-	-	-
Education	9,375,077	9,375,077	9,375,077	-	-	-	-	-	-
Intergovernmental	1,694,118	1,694,118	1,694,380	(262)	-	-	-	-	-
Administration	-	-	-	-	112,400	112,400	110,364	2,036	
Treatment plant	-	-	-	-	918,241	918,241	859,989	58,252	
Maintenance	-	-	-	-	293,533	293,533	251,310	42,223	
Unclassified	2,700,640	2,700,640	2,559,121	141,519	-	-	-	-	-
Debt service	623,093	623,093	628,897	(5,804)	501,550	501,550	501,795	(245)	
Capital	-	-	-	-	335,654	335,654	309,136	26,518	
Total expenditures	21,040,278	21,040,278	20,771,269	269,009	2,161,378	2,161,378	2,032,594	128,784	
Excess (deficiency) of revenues over (under) expenditures	154,550	154,550	8,514	(146,036)	-	-	99,689	99,689	
Other financing sources (uses):									
Transfers in	105,500	105,500	108,000	2,500	-	-	-	-	-
Transfers out	(345,050)	(345,050)	(339,652)	5,398	-	-	-	-	-
Utilization of prior year fund balance	85,000	85,000	-	(85,000)	-	-	-	-	-
Total other financing sources (uses)	(154,550)	(154,550)	(231,652)	(77,102)	-	-	-	-	-
Net change in fund balances - budgetary basis	-	-	(223,138)	(223,138)	-	-	99,689	99,689	
Reconciliation to GAAP basis:									
Fuel revenues for fuel tank reserve	-	-	7,089	-	-	-	-	-	-
Net change in fund balances	-	-	(216,049)	-	-	-	99,689	99,689	
Fund balances, beginning of year	-	-	12,411,265	-	-	-	738,450	738,450	
<b>Fund balances, end of year</b>			<b>\$ 12,195,216</b>				<b>\$ 838,139</b>		

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

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

---

---

**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, 2016**

---

---

**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, 2016**

---

---

**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:

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**D. Cash, Cash Equivalents and Investments, continued**

- 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.
- 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 consist of expendable supplies held for consumption and are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). 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 \$44,161 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, 2016.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

**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

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.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**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 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.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**N. Fund Balances, continued**

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

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

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

**O. Encumbrances**

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

**P. 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.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

**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, 2016:

Capital assets	\$ 62,477,875
Accumulated depreciation	(29,178,707)
Bonds payable	(20,129,641)
Long-term receivable from RSU #1 for debt service	2,462,937
Capital leases payable	(39,080)

**Total net investment in capital assets** **\$ 15,593,384**

**S. Implementation of New Accounting Standards**

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**S. Implementation of New Accounting Standards, continued**

Statement No. 79, "Certain External Investment Pools and Pool Participants". This Statement establishes specific criteria used to determine whether a qualifying external investment pool might elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

---

**PROPERTY TAX**

---

Property taxes for the current year were committed on September 1, 2015, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$166,919 for the year ended June 30, 2016.

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

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



**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

PROPERTY TAX, CONTINUED

---

The following summarizes the levy:

	<u>2016</u>	<u>2015</u>
Assessed value (excluding Homestead exemption)	\$ 1,207,083,200	\$ 1,183,561,200
Tax rate (per \$1,000)	20.70	20.20
Commitment	24,986,622	23,907,936
Supplemental taxes assessed	-	-
	24,986,622	23,907,936
Less:		
Abatements	62,039	53,164
Collections	24,265,417	23,151,093
	<u>\$ 659,166</u>	<u>\$ 703,679</u>
Due date - current year	October 15, 2015	October 15, 2014
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.35%	97.06%
Taxes and liens receivable - current year	\$ 659,166	\$ 703,679
Taxes and liens receivable - prior years	390,955	477,797
	<u>\$ 1,050,121</u>	<u>\$ 1,181,476</u>

---

DEPOSITS AND INVESTMENTS

---

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

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

**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, 2016, the City's deposits amounting to \$5,637,535 and cash equivalents of \$162,732 were comprised of bank deposits of \$5,695,434. Of these bank deposits, \$709,350 was covered by federal depository insurance and \$4,986,084 was collateralized with securities held by the financial institution's agent but not in the City's name. The cash equivalents of \$162,732 were covered by the Securities Investor Protection Corporation (SIPC).

Account Type	Bank Balance
Checking accounts	\$ 379,550
Savings accounts	20,271
Money market accounts	1,869,328
Certificates of deposit	3,426,285
Cash equivalents	162,732
	\$ 5,858,166

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does not have a policy for custodial credit risk for investments. The City's investments of \$12,717,936 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, 2016, the City had the following investments:

Investment Type	Fair Value	Maturity			
		N/A	> 1 Year	1-5 Years	5-10 Years
Mutual funds:					
Domestic equity	\$ 4,193	\$ 4,193	\$ -	\$ -	\$ -
Foreign equity	256,650	256,650	-	-	-
Fixed income	143,831	143,831	-	-	-
Debt securities:					
Corporate bonds	4,654,369	-	1,054,396	2,741,848	858,125
Tax exempt bonds	41,881	-	-	41,881	-
Brokered certificates of deposit	203,803	-	50,058	153,745	-
Equity securities:					
Domestic	7,314,190	7,314,190	-	-	-
Foreign	99,019	99,019	-	-	-
	\$ 12,717,936	\$ 7,817,883	\$ 1,104,454	\$ 2,937,474	\$ 858,125

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

**DEPOSITS AND INVESTMENTS, CONTINUED**

**Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as June 30, 2016:

	June 30, 2016 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<b>Investments by fair value level</b>				
<b>Debt securities</b>				
Corporate bonds	\$ 4,654,369	\$ -	\$ 4,654,369	\$ -
Tax exempt bonds	41,881	-	41,881	-
Brokered certificates of deposit	203,803	-	203,803	-
Total debt securities	<u>4,900,053</u>	<u>-</u>	<u>4,900,053</u>	<u>-</u>
<b>Equity securities</b>				
Common stock	7,364,862	7,364,862	-	-
Preferred stock	19,945	19,945	-	-
Mutual funds and exchange-traded funds	404,674	404,674	-	-
Real estate investment trusts	28,402	28,402	-	-
Total equity securities	<u>7,817,883</u>	<u>7,817,883</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>12,717,936</u>	<u>\$ 7,817,883</u>	<u>\$ 4,900,053</u>	<u>\$ -</u>
<b>Cash equivalents measured at the net asset value (NAV)</b>				
Money market mutual funds	<u>162,732</u>			
Total cash equivalents measured at the NAV	<u>162,732</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 12,880,668</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2016 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

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, 2016, the City's investments in corporate bonds were rated AA- (\$227,429), A+ (\$201,778), A (\$376,726), A- (\$567,306), BBB+ (\$509,899), BBB (\$1,085,562), BBB- (\$628,900), and BB- (\$148,875) by Standard & Poor's Rating Service. The City's holdings in tax-exempt bonds and negotiable certificates of deposit totaling \$245,685 were not rated.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

**DEPOSITS AND INVESTMENTS, CONTINUED**

---

Credit ratings were not available for certain other corporate bond holdings totaling \$907,894.

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, 2016 was as follows:

<b>Governmental Activities</b>	<b>Balance June 30, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
Capital Assets, not being depreciated				
Land	\$ 1,902,870	\$ -	\$ -	\$ 1,902,870
Construction in Progress	67,226	1,803,228	917,729	952,725
<b>Total capital assets not being depreciated</b>	<b>1,970,096</b>	<b>1,803,228</b>	<b>917,729</b>	<b>2,855,595</b>
Capital Assets, being depreciated				
Building & Improvements	11,895,364	82,508	-	11,977,872
Machinery, Furniture & Equipment	3,076,758	380,230	-	3,456,988
Infrastructure	39,004,780	1,228,620	-	40,233,400
Vehicles	3,904,682	86,662	37,324	3,954,020
<b>Total capital assets being depreciated</b>	<b>57,881,584</b>	<b>1,778,020</b>	<b>37,324</b>	<b>59,622,280</b>
Less accumulated depreciation for:				
Building & Improvements	7,513,187	368,107	-	7,881,294
Machinery, Furniture & Equipment	1,887,873	203,919	-	2,091,792
Infrastructure	16,104,847	771,178	-	16,876,025
Vehicles	2,070,489	289,645	30,538	2,329,596
<b>Total accumulated depreciation</b>	<b>27,576,396</b>	<b>1,632,849</b>	<b>30,538</b>	<b>29,178,707</b>
<b>Total capital assets being depreciated, net</b>	<b>30,305,188</b>	<b>145,171</b>	<b>6,786</b>	<b>30,443,573</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 32,275,284</b>	<b>\$ 1,948,399</b>	<b>\$ 924,515</b>	<b>\$ 33,299,168</b>

The City of Bath, Maine is holding land for resale within an industrial park. The value of the land at June 30, 2016 was \$1,389,580.

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

Governmental activities:	
General government	\$ 70,285
Public works and wastewater treatment	1,223,180
Parks and recreation	221,748
Public safety	117,636

---

**Total depreciation expense – governmental activities**      **\$ 1,632,849**

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

**INTERFUND BALANCES, ADVANCES AND TRANSFERS**

---

Individual interfund loans receivable and payable and interfund transfers at June 30, 2016 were as follows:

	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>	Transfers <u>In (Out)</u>
General Fund	\$ -	\$2,866,773	\$ (314,653)
Sewer Utility Fund	383,989	-	-
TIF Fund	813,612	-	(137,750)
Capital Projects	1,227,580	-	-
Landfill Fund	529,269	-	-
Nonmajor governmental funds:			
City Special Purpose	-	125,379	248,923
Community Development	-	16,290	-
Transportation Programs	43,164	-	77,000
Bath Local Development Corp.	-	1,154	120,750
Nonmajor permanent funds	11,982	-	5,730
<b>Total interfund balances and transfers</b>	<b>\$3,009,596</b>	<b>\$ 3,009,596</b>	<b>\$ -</b>

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, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 23,196,771	\$ 715,500	\$ 3,782,630	\$ 20,129,641	\$ 3,711,380
Capital leases	85,353	-	46,273	39,080	27,873
Other post-employment benefits	825,344	159,475	95,607	889,212	-
Net pension liability	2,109,700	2,546,154	783,942	3,871,912	-
Accrued compensated absences	324,035	15,867	-	339,902	339,902
Landfill closure and postclosure care costs	4,620,000	-	440,000	4,180,000	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 31,161,203</b>	<b>\$3,436,996</b>	<b>\$5,148,452</b>	<b>\$ 29,449,747</b>	<b>\$ 4,079,155</b>

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

**SHORT-TERM DEBT**

---

On June 3, 2015, 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, 2016, was as follows:

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

---

**LONG-TERM DEBT**

---

Long-term debt payable at June 30, 2016 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>2016</u>
Governmental activities:					
1997 Wastewater upgrade bonds	10/1/97	\$ 6,300,000	10/1/17	varies	\$ 630,000
2002 Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	543,209
2004 General obligation bonds	6/1/04	1,840,000	9/1/19	varies	480,000
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	175,000
2006 general obligation refunding	7/18/06	3,570,000	10/1/16	4.375%	335,000 (1)
2008 SRF sewer bond	5/1/08	1,400,000	4/1/2023	1.00%	653,333
2008 general obligation bond	1/30/08	6,500,000	1/15/23	varies	1,955,000
2008 general obligation bond	1/30/08	2,800,000	1/15/18	varies	560,000 (1)
2009 general obligation bond series B	9/5/08	635,000	10/15/28	varies	475,000
2009 general obligation bond series C	9/8/08	1,365,000	10/15/18	6.75%	1,055,000
2009 AARA Clean Water Revolving Loan	7/1/09	57,488	4/1/19	0.00%	12,469
2011 General Obligation Bond	5/1/11	3,950,000	5/1/31	varies	2,250,000
2011 GOB Series B	3/1/11	2,392,271	11/1/2030	varies	1,241,953
2011 GOB Series B	3/1/11	2,882,729	11/1/2030	varies	1,567,937 (1)
2011 SRF GOB	3/1/11	1,883,600	11/1/2031	varies	1,506,880
2014 SRF Clean Water Revolving Loan	2014	651,500	2033	1%	553,775
2014 GOB Bath Savings	2014	128,000	2020	2.84%	73,143
2015 GOB Equipment	2015	222,000	2021	varies	121,535
2015 GOB Road Bond and Refin	2015	4,456,000	2029	varies	3,580,000
2015 GOB Equipment	2015	665,265	2024	varies	545,797
2015 GOB Bath Savings	2015	1,205,000	2025	varies	1,099,110
2016 GOB Bath Savings	2016	715,500	2025	varies	715,500
<b>Total governmental activities</b>					<b>\$ 20,129,641</b>

(1) 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 \$2,462,937, 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 \$16,560 for a total long-term receivable of \$2,479,497.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

**LONG-TERM DEBT, CONTINUED**

---

The annual principal and interest requirements to amortize general long-term debt outstanding as of June 30, 2016 are as follows:

Year(s) Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,711,380	\$ 555,863	\$ 4,267,243
2018	3,322,572	459,502	3,782,074
2019	3,083,133	339,443	3,422,576
2020	2,067,045	253,785	2,320,830
2021	1,567,247	207,957	1,775,204
2022-2026	4,545,159	555,933	5,101,092
2027-2031	1,673,775	129,439	1,803,214
<u>2032-2033</u>	<u>159,330</u>	<u>8,687</u>	<u>168,017</u>
<b>Totals</b>	<b><u>\$20,129,641</u></b>	<b><u>\$ 2,510,609</u></b>	<b><u>\$22,640,250</u></b>

---

**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, 2016 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, 2016:

<u>Fiscal Year</u> <u>Ending</u>	<u>Capital Leases</u>
2017	\$29,046
<u>2018</u>	<u>11,565</u>
Total minimum lease payments	40,611
<u>Less: amount representing interest</u>	<u>(1,531)</u>
<b><u>Present value of future minimum lease payments</u></b>	<b><u>\$39,080</u></b>

---

**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, 2016**

---

**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, 2016, the landfill had reached approximately 70.44% 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, 2016, of \$2,550,000 for closure, and an estimate for post closure costs of \$1,630,000. This results in a total of \$4,180,000 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. Currently \$266,783 is reflected as a cash equivalent and 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 \$1,318,393 at June 30, 2016, which is 20.42% of the County's total debt of \$6,456,382.

---

**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, 2016 were made in accordance with the above charter limitations.

---

**SIGNIFICANT TAXPAYER**

---

For the year ended June 30, 2016, the City of Bath received \$10,108,249 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 40.45% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2016, a significant portion (\$4,763,756) were funds collected as part of a Tax Increment Financing (TIF) District. As such, only \$5,344,493 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, 2016**

---

**FUND BALANCE COMPONENTS**

---

As of June 30, 2016, fund balances components consisted of the following:

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:			
Inventory and prepaid items	\$ 35,484	\$ -	\$ 35,484
Notes receivable and interfund advances	-	851,086	851,086
Principal for permanent funds	-	2,643,356	2,643,356
<b>Total nonspendable</b>	<b>35,484</b>	<b>3,494,442</b>	<b>3,529,926</b>
Restricted:			
TIF Districts	-	813,612	813,612
Grants and other purposes	-	127,902	127,902
Permanent funds	-	7,618	7,618
<b>Total restricted</b>	<b>-</b>	<b>949,132</b>	<b>949,132</b>
Committed:			
Capital Reserves	9,928,198	-	9,928,198
Sewer utility	-	838,139	838,139
Landfill - operations	-	613,533	613,533
Landfill - set aside for closure	-	266,783	266,783
Capital projects	-	1,336,419	1,336,419
Bath Local Development Corporation	-	135,677	135,677
<b>Total committed</b>	<b>9,928,198</b>	<b>3,190,551</b>	<b>13,118,749</b>
Assigned:			
Subsequent budget	-	-	-
Fuel tank reserves	249,601	-	249,601
Grants and other purposes	-	332,005	332,005
<b>Total assigned</b>	<b>249,601</b>	<b>332,005</b>	<b>581,606</b>
<b>Unassigned</b>	<b>1,981,933</b>	<b>(535,784)</b>	<b>1,446,149</b>
<b>Total fund balances</b>	<b>\$ 12,195,216</b>	<b>\$ 7,430,346</b>	<b>\$ 19,625,562</b>

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

**DEFICIT FUND BALANCES**

---

Several City Special Revenue Funds had deficit fund balances at June 30, 2016. The City's deficit fund balances are as follows:

Recreation Programs	\$ 200,776
Skate Park Committee	58,366
Bath Youth Meeting House	255,387
Forestry Grants	4,338
Trolley Funds	<u>4,811</u>
	<u>\$ 523,678</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, 2016:

Intergovernmental – county tax	\$ 262
Debt service	<u>5,804</u>
	<u>\$ 6,066</u>

---

**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.maineopers.org](http://www.maineopers.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, 2016**

---

---

**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 or 65. 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 7.5% and 9.0% respectively of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 8.9% for the 2C plan and 11.4% 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, 2016 was \$532,584.

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

At June 30, 2016, the City reported a liability of \$3,871,912 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2015, 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, 2015, the City's proportion was 1.213589%, which was a decrease of 0.157404% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized total pension expense of \$241,073. At June 30, 2016, 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, 2016**

---

DEFINED BENEFIT PENSION PLAN, CONTINUED

---

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 156,333	\$ 497,282
Changes of assumptions	342,174	-
Net difference between projected and actual earnings on pension plan investments	1,195,014	1,487,540
Changes in proportion and differences between contributions and proportionate share of contributions	-	654,500
Contributions subsequent to the measurement date	532,584	-
Total	\$ 2,226,105	\$ 2,639,322

\$532,584 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, 2017. 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	\$ (439,248)
2017	(439,248)
2018	(366,059)
2019	298,754
2020	-
Thereafter	-

**Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2015, 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, 2016**

---

---

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, 2015 are as follows:

*Investment Rate of Return* - For the PLD Plan, 7.125% 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* – 2.55% 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, 2015 are summarized in the following table:

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

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%	0.7%

*Discount Rate*

The discount rate used to measure the collective total pension liability was 7.125% for 2015. 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, 2015 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 7.125% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	6.125%	7.125%	8.125%
City's proportionate share of the net pension liability	\$ 7,713,997	\$ 3,871,912	\$ 229,379

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

---

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, 2015 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 2015, 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.

*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' 2015 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://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 Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

**DEFERRED COMPENSATION PLAN, CONTINUED**

---

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The City amended the plan in accordance with the provisions of IRS Section 457(g). Assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRS Section prescribes that the City no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on their plan assets, are not included in the City's financial statements.

Investments are managed by the plans' trustees under several investment options. The choice of investment options is made by the participants.

---

**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 public entity risk pools sponsored by the Maine Municipal Association for Property and Casualty and 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, 2016. 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 2014 based on an actuarial valuation date of January 1, 2014.

**Plan Descriptions** – In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.



**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

---

**Funding Policy and Annual OPEB Cost** – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Normal cost	\$ 41,743	\$ 41,743	\$ 41,743
Amortization of unfunded	82,262	82,262	82,262
Adjustment to ARC	(47,730)	(43,609)	(40,387)
Interest	35,470	32,619	30,391
Annual required contribution	\$ 111,745	\$ 113,015	\$ 114,009

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPEB liability, July 1	\$ 825,344	\$ 754,083	\$ 698,372
Annual required contribution	111,745	113,015	114,009
Less: Employee Contributions			
Explicit premium	(3,661)	(3,661)	(3,661)
Implicit premium	(44,216)	(38,093)	(54,637)
OPEB Liability, June 30	\$ 889,212	\$ 825,344	\$ 754,083

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>2016</u>	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 113,015	\$ 113,015	\$ 114,009
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Actuarial accrued liability	\$ 1,479,382	1,479,382	1,479,382
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 1,479,382	1,479,382	1,479,382

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

---

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Covered payroll	5,756,941	5,583,092	5,425,740
Unfunded actuarial accrued liability as a percentage of covered payroll	25.70%	26.50%	27.30%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions** – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

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

---

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.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2016**

---

---

**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.

---

**SUBSEQUENT EVENTS**

---

At June 30, 2016, Regional School Unit No. 1 (RSU) has an annually renewable option to purchase the land that is categorized as held for resale in the City's statement of net position, totaling \$1,389,580. The value of the purchase option is currently set at approximately \$277,500. The RSU intends to use the land for the construction of a new high school.

For purposes of the preparation of these financial statements in accordance with GAAP, the City of Bath, Maine has considered transactions or events occurring through January 13, 2017, which was the date the financial statements were available to be issued.

**CITY OF BATH, MAINE**  
**Required Supplementary Information**  
**June 30, 2016**

**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%
2016	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,756,941	25.70%

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

**CITY OF BATH, MAINE**  
**Required Supplementary Information**  
**June 30, 2016**

---

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

**LAST 10 FISCAL YEARS\***

<u>PLD Plan:</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	1.21%	1.37%	1.57%
Proportionate share of the net pension liability (asset)	\$ 3,871,912	\$ 2,109,700	\$ 4,831,637
Covered-employee payroll	\$ 5,756,941	\$ 5,583,092	\$ 5,421,904
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.26%	37.79%	89.11%
Plan fiduciary net position as a percentage of the total pension liability	88.30%	94.10%	87.50%

\* 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.

**CITY OF BATH, MAINE**  
**Required Supplementary Information**  
**June 30, 2016**

---

**SCHEDULE OF CONTRIBUTIONS**

**LAST 10 FISCAL YEARS\***

	2016	2015	2014
<u>PLD Plan:</u>			
Contractually required contribution	\$ 532,584	\$ 496,072	\$ 475,274
Contributions in relation to the contractually required contribution	(532,584)	(496,072)	(475,274)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 5,756,941	\$ 5,583,092	\$ 5,421,904
Contributions as a percentage of covered- employee payroll	9.25%	8.89%	8.77%

\* 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.

**CITY OF BATH, MAINE**  
**Notes To Required Supplementary Information**  
**For The Year Ended June 30, 2016**

---

**Changes of Assumptions**

There was a change in the investment rate of return assumption this year from 7.25% to 7.125%. This change was made in the other MainePERS Programs with the 2014 valuation, but is first being recognized in the PLD Consolidated Plan in 2015. In addition to this change, the cost of living benefit increase assumption was changed from 3.12% to 2.55%. Further, those PLDs who had an IUUAL Surplus account received a refund of that account. As a result, there will be no more IUUAL surplus payments reflected beginning with the 2015 valuation. Finally, the amortization methodology for the Pooled Unfunded Actuarial Liability (PUAL) was changed from a fifteen-year open level dollar method to a method where a separate twenty-year closed period is established annually for the gain or loss in that year with these amortizations being developed as a level percentage of payroll and amortizing the existing PUAL at the time of this change, July 1, 2015, over a closed fifteen-year period beginning on this date.

## **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, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,403,303	\$ 5,053,638
Investments	9,928,198	10,561,939
Receivables:		
Taxes receivable	659,166	714,443
Tax liens	390,955	467,033
Accounts receivable, net of allowance of \$44,161	206,092	382,776
Inventory	23,763	26,050
Prepaid	11,721	14,159
Receivable from RSU #1 for debt service payment	2,479,497	3,425,205
<b>Total assets</b>	<b>\$ 19,102,695</b>	<b>\$ 20,645,243</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 385,249	\$ 632,711
Accrued expenditures	372,129	283,126
Interfund loans payable	2,869,104	3,052,936
<b>Total liabilities</b>	<b>3,626,482</b>	<b>3,968,773</b>
Deferred inflows of resources:		
Deferred tax revenue	801,500	840,000
Deferred debt service payments from RSU #1	2,479,497	3,425,205
<b>Total deferred inflows of resources</b>	<b>3,280,997</b>	<b>4,265,205</b>
Fund balance:		
Nonspendable - inventory and prepaids	35,484	40,209
Committed	9,928,198	10,938,674
Assigned	249,601	327,512
Unassigned	1,981,933	1,104,870
<b>Total fund balance</b>	<b>12,195,216</b>	<b>12,411,265</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 19,102,695</b>	<b>\$ 20,645,243</b>

*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, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 16,812,585	\$ 16,873,399	\$ 60,814	\$ 16,429,862
Excise taxes	1,070,600	1,179,290	108,690	1,120,588
Interest and costs on taxes	80,000	101,014	21,014	70,422
Contributions in lieu of taxes	55,000	54,282	(718)	56,117
Total taxes	18,018,185	18,207,985	189,800	17,676,989
Licenses, permits and fees:				
Non-business licenses	8,500	8,744	244	8,068
Health, building, plumbing and electrical permits	27,500	114,308	86,808	117,196
Vehicle, boat and recreation vehicle registrations	22,250	22,003	(247)	21,638
Other	26,000	19,084	(6,916)	39,465
Total licenses, permits and fees	84,250	164,139	79,889	186,367
Intergovernmental:				
State revenue sharing	511,477	584,855	73,378	554,670
State homestead exemption	189,819	189,819	-	187,658
State BETE exemption	850,597	850,747	150	445,954
Other state revenue	25,000	28,183	3,183	16,880
Other federal revenue	-	-	-	38,886
Total intergovernmental	1,576,893	1,653,604	76,711	1,244,048
Investment income (loss), net	582,500	(302,653)	(885,153)	402,468
Charges for services:				
Ambulance service	640,000	710,376	70,376	615,128
Cemetery sales	46,000	58,970	12,970	53,324
Parking City lots	70,000	72,442	2,442	66,284
Police duty and fees	24,500	28,714	4,214	26,472
Total charges for services	780,500	870,502	90,002	761,208
Other revenues:				
Parking and traffic violations	12,000	25,620	13,620	18,975
Cable television franchise	100,000	105,183	5,183	101,769
Rents and leases	24,000	25,879	1,879	24,532
Sale of property	-	14,380	14,380	49,500
Miscellaneous	16,500	15,144	(1,356)	19,177
Total other revenues	152,500	186,206	33,706	213,953
Total revenues	21,194,828	20,779,783	(415,045)	20,485,033

**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, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Administration	148,319	149,079	(760)	143,335
Professional services	138,000	166,574	(28,574)	249,788
City council	76,425	55,393	21,032	55,737
City clerk	121,674	128,823	(7,149)	123,694
Elections	14,450	13,991	459	14,627
Central services	153,500	150,262	3,238	143,604
City Hall management and utilities	143,135	136,253	6,882	134,772
Finance	258,536	262,737	(4,201)	246,316
Assessor	109,335	124,370	(15,035)	111,243
Public education government cable	44,107	43,090	1,017	38,796
Planning and community development	89,987	65,500	24,487	88,333
<b>Total general government</b>	<b>1,297,468</b>	<b>1,296,072</b>	<b>1,396</b>	<b>1,350,245</b>
<b>Public works:</b>				
General	1,053,044	1,008,536	44,508	1,166,565
Forestry	63,630	61,937	1,693	58,963
Cemetery and parks	395,096	401,672	(6,576)	392,233
<b>Total public works</b>	<b>1,511,770</b>	<b>1,472,145</b>	<b>39,625</b>	<b>1,617,761</b>
<b>Public safety:</b>				
Fire and ambulance	1,573,791	1,518,841	54,950	1,483,238
Police	1,489,015	1,437,598	51,417	1,485,058
Other public safety	88,838	82,860	5,978	81,144
Codes enforcement	89,526	89,331	195	86,672
Street lights	125,000	131,230	(6,230)	115,597
Fire hydrant rental	400,000	415,155	(15,155)	393,206
<b>Total public safety</b>	<b>3,766,170</b>	<b>3,675,015</b>	<b>91,155</b>	<b>3,644,915</b>
<b>Health and welfare:</b>				
General assistance	71,942	70,562	1,380	54,234
<b>Total health and welfare</b>	<b>71,942</b>	<b>70,562</b>	<b>1,380</b>	<b>54,234</b>

**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, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	9,375,077	9,375,077	-	9,157,789
Intergovernmental--county tax	1,694,118	1,694,380	(262)	1,674,864
Unclassified:				
Employee benefits	1,963,700	1,881,770	81,930	1,745,417
Insurances	400,000	443,205	(43,205)	373,936
Special events and support	170,021	172,107	(2,086)	166,651
Court Settlement	-	-	-	1,205,000
Overlay/abatements and write-offs	166,919	62,039	104,880	53,164
Total unclassified	2,700,640	2,559,121	141,519	3,544,168
Debt service:				
Principal	623,093	628,897	(5,804)	532,271
Interest and fees	-	-	-	-
Total debt service	623,093	628,897	(5,804)	532,271
Total expenditures	21,040,278	20,771,269	269,009	21,576,247
Excess (deficiency) of revenues over (under) expenditures	154,550	8,514	(146,036)	(1,091,214)
Other financing sources (uses):				
Utilization of prior year fund balance	85,000	-	(85,000)	-
Transfers in	105,500	108,000	2,500	25,000
Transfers out	(345,050)	(339,652)	5,398	(354,589)
Proceeds from Long Term Debt	-	-	-	1,205,000
Total other financing sources (uses)	(154,550)	(231,652)	(77,102)	875,411
Net change in fund balance - budgetary basis	-	(223,138)	(223,138)	(215,803)
Reconciliation to GAAP basis:				
Fuel revenues for fuel tank reserve		7,089		27,414
Net change in fund balances - GAAP basis		(216,049)		(188,389)
Fund balance, beginning of year		12,411,265		12,599,654
<b>Fund balance, end of year</b>		<b>\$ 12,195,216</b>		<b>\$ 12,411,265</b>

*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, 2016

	Fund Balance, Beginning of Year	Revenues				Capital Outlay	Debt Service	Capital Lease & Bond Proceeds	Transfers In (Out)	Fund Balance, End of Year
		Property Taxes	Intergovern- mental	Investment Earnings	Other					
City capital projects:										
Capital fund - City	\$ 150,149	\$ 216,311	\$ -	\$ -	\$ -	\$ 114,851	\$ 157,439	\$ 132,000	\$ -	\$ 226,170
Cemetery and parks capital	86,523	55,460	-	-	-	49,319	40,459	30,500	708	83,413
Commercial/Front pump station	12,355	-	-	-	-	-	-	-	-	12,355
Fire and ambulance capital projects	15,460	227,944	163,810	-	-	223,087	189,428	25,500	-	20,199
Police capital improvements	13,375	29,049	-	-	12,000	87,907	16,049	68,000	-	18,468
Public works capital improvements	1,529,172	133,367	510,022	-	-	1,260,865	107,361	164,000	-	968,335
Recreation capital improvements	3,574	58,470	-	-	-	333,387	15,970	295,500	(708)	7,479
<b>Total capital projects</b>	<b>\$ 1,810,608</b>	<b>\$ 720,601</b>	<b>\$ 673,832</b>	<b>\$ -</b>	<b>\$ 12,000</b>	<b>\$ 2,069,416</b>	<b>\$ 526,706</b>	<b>\$ 715,500</b>	<b>\$ -</b>	<b>\$ 1,336,419</b>

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, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 171,789	\$ 111,857	\$ 283,646
Investments	-	2,527,134	2,527,134
Accounts receivable	1,116	-	1,116
Notes receivable	851,086	-	851,086
Interfund loans receivable	43,164	11,982	55,146
<b>Total assets</b>	<b>\$ 1,067,155</b>	<b>\$ 2,650,974</b>	<b>\$ 3,718,129</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenditures	13,446	-	13,446
Interfund loans payable	142,823	-	142,823
<b>Total liabilities</b>	<b>156,269</b>	<b>-</b>	<b>156,269</b>
Fund balances:			
Nonspendable	851,086	2,643,356	3,494,442
Restricted	127,902	7,618	135,520
Committed	135,677	-	135,677
Assigned	332,005	-	332,005
Unassigned	(535,784)	-	(535,784)
<b>Total fund balances</b>	<b>910,886</b>	<b>2,650,974</b>	<b>3,561,860</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,067,155</b>	<b>\$ 2,650,974</b>	<b>\$ 3,718,129</b>

*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, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
<b>Revenues:</b>			
Intergovernmental	\$ 249,649	\$ -	\$ 249,649
Charges for services	528,965	-	528,965
Investment income	5,272	48,496	53,768
Realized/unrealized gain (loss) on investments	-	74,812	74,812
Other revenue	126,108	15,468	141,576
Total revenues	909,994	138,776	1,048,770
<b>Expenditures:</b>			
General government	7,114	-	7,114
Public safety	26,215	-	26,215
Parks and recreation	726,118	-	726,118
Health, welfare and transportation	186,165	-	186,165
Unclassified	273,704	26,465	300,169
Debt service	78,415	-	78,415
Total expenditures	1,297,731	26,465	1,324,196
Excess (deficiency) of revenues over (under) expenditures	(387,737)	112,312	(275,425)
<b>Other financing sources (uses):</b>			
Transfers in	446,672	-	446,672
Transfers out	-	5,730	5,730
Total other financing sources (uses)	446,672	5,730	452,402
Net change in fund balances	58,935	118,042	176,977
Fund balances, beginning	851,951	2,532,932	3,384,883
<b>Fund balances, ending</b>	<b>\$ 910,886</b>	<b>\$ 2,650,974</b>	<b>\$ 3,561,860</b>

*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, 2016**

	City	Community	Transportation	Bath Local	Total
	Special	Development	Programs	Development	
	Purpose	Funds	Programs	Corporation	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,808	\$ -	\$ 7,150	\$ 136,831	\$ 171,789
Accounts receivable	1,116	-	-	-	1,116
Notes receivable	-	851,086	-	-	851,086
Interfund loans receivable	-	-	43,164	-	43,164
<b>Total assets</b>	<b>\$ 28,924</b>	<b>\$ 851,086</b>	<b>\$ 50,314</b>	<b>\$ 136,831</b>	<b>\$ 1,067,155</b>
<b>LIABILITIES AND</b>					
<b>FUND BALANCES (DEFICITS)</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	-
Accrued expenditures	11,751	-	1,695	-	13,446
Escrow	-	-	-	-	-
Interfund loans payable	125,379	16,290	-	1,154	142,823
Total liabilities	137,130	16,290	1,695	1,154	156,269
Fund balances (deficits):					
Nonspendable - long-term receivables	-	851,086	-	-	851,086
Restricted	74,472	-	53,430	-	127,902
Committed	-	-	-	135,677	135,677
Assigned	332,005	-	-	-	332,005
Unassigned	(514,683)	(16,290)	(4,811)	-	(535,784)
Total fund balances (deficits)	(108,206)	834,796	48,619	135,677	910,886
<b>Total liabilities and fund balances</b>	<b>\$ 28,924</b>	<b>\$ 851,086</b>	<b>\$ 50,314</b>	<b>\$ 136,831</b>	<b>\$ 1,067,155</b>

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, 2016**

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Total
<b>Revenues:</b>					
Intergovernmental	\$ 6,295	\$ 168,782	\$ 74,572	\$ -	\$ 249,649
Charges for services	460,574	-	68,391	-	528,965
Investment income	4,881	-	9	382	5,272
Other revenue	115,493	10,615	-	-	126,108
<b>Total revenues</b>	<b>587,243</b>	<b>179,397</b>	<b>142,972</b>	<b>382</b>	<b>909,994</b>
<b>Expenditures:</b>					
General government	7,114	-	-	-	7,114
Public safety	26,215	-	-	-	26,215
Parks and recreation	726,118	-	-	-	726,118
Health, welfare and transportation	25	-	186,140	-	186,165
Unclassified	8,932	145,702	-	119,070	273,704
Debt service	58,810	-	19,605	-	78,415
<b>Total expenditures</b>	<b>827,214</b>	<b>145,702</b>	<b>205,745</b>	<b>119,070</b>	<b>1,297,731</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(239,971)</b>	<b>33,695</b>	<b>(62,773)</b>	<b>(118,688)</b>	<b>(387,737)</b>
<b>Other financing sources (uses):</b>					
Transfers in (out)	248,922	-	77,000	120,750	446,672
<b>Total other financing sources (uses)</b>	<b>248,922</b>	<b>-</b>	<b>77,000</b>	<b>120,750</b>	<b>446,672</b>
<b>Net change in fund balances</b>	<b>8,951</b>	<b>33,695</b>	<b>14,227</b>	<b>2,062</b>	<b>58,935</b>
<b>Fund balances (deficits), beginning</b>	<b>(117,157)</b>	<b>801,101</b>	<b>34,392</b>	<b>133,615</b>	<b>851,951</b>
<b>Fund balances (deficits), ending</b>	<b>\$ (108,206)</b>	<b>\$ 834,796</b>	<b>\$ 48,619</b>	<b>\$ 135,677</b>	<b>\$ 910,886</b>

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, 2016**

	Fund Balances		Revenues		Expenditures		Transfers		Fund Balances
	(Deficits)	June 30, 2015	Revenues	Expenditures	Over (Under)	In (Out)	(Deficits)	June 30, 2016	
City Special Purpose Funds:									
Cemetery and Parks	\$	116,819	\$ 4,775	\$ 84,606	\$ (79,831)	\$ -	\$ -	\$ 36,988	
Forestry Trust		30,730	640	-	640	(30,730)		640	
DARE		17,855	5,679	2,819	2,860	-		20,715	
Fire Department		1,146	-	-	-	-		1,146	
Forestry Grants		140	-	4,478	(4,478)	-		(4,338)	
General Assistance - Almoner Fund		35,687	4,391	25	4,366	-		40,053	
Lambert Park Community Center		35,129	26,284	8,932	17,352	-		52,481	
Planning Grants		9,607	-	-	-	-		9,607	
Police Grants		11,710	14,642	23,396	(8,754)	-		2,956	
McMann Field Replacement		60,611	-	-	-	20,000		80,611	
Recreation - Other		38,482	34,058	21,100	12,958	(20,000)		31,440	
Other City programs		27,844	86,542	7,114	79,428	-		107,272	
Recreation (Fund 12)		(204,970)	337,208	536,616	(199,408)	203,602		(200,776)	
Skate park committee		(58,366)	-	-	-	-		(58,366)	
Bath Youth Meeting House (Fund 13)		(262,096)	54,567	67,858	(13,291)	20,000		(255,387)	
Armory Building (Fund 13)		1,303	18,607	70,270	(51,663)	56,050		5,690	
Swimming Pool Fund		21,213	3	-	3	-		21,216	
<b>Total City Special Purpose</b>	<b>\$</b>	<b>(117,156)</b>	<b>\$ 587,396</b>	<b>\$ 827,214</b>	<b>\$ (239,818)</b>	<b>\$ 248,922</b>	<b>\$</b>	<b>(108,052)</b>	
Transportation Programs:									
Bath City Bus	\$	40,799	\$ 86,626	\$ 133,995	\$ (47,369)	\$ 60,000	\$	53,430	
Trolley		(6,407)	56,346	71,750	(15,404)	17,000		(4,811)	
<b>Total Transportation Programs</b>	<b>\$</b>	<b>34,392</b>	<b>\$ 142,972</b>	<b>\$ 205,745</b>	<b>\$ (62,773)</b>	<b>\$ 77,000</b>	<b>\$</b>	<b>48,619</b>	

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 Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2016**

	Bailey Evening School	Beneficiary Trust	Cemetery Trusts	Mausoleum Trusts	Forestry Trust	Old Folks Home	School Trusts	Total
<b>Revenues:</b>								
Investment income	\$ 4,965	\$ 7,043	\$ 33,160	\$ 1,363	\$ 478	\$ 978	\$ 510	\$ 48,496
Realized gain (loss) on investments	990	1,335	6,660	272	24	195	102	9,578
Unrealized gain (loss) on investments	6,674	8,980	44,812	1,826	942	1,315	685	65,234
Perpetual care contributions	-	-	15,468	-	-	-	-	15,468
<b>Total revenues</b>	<b>12,629</b>	<b>17,358</b>	<b>100,101</b>	<b>3,460</b>	<b>1,444</b>	<b>2,488</b>	<b>1,296</b>	<b>138,776</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Distribution of income	3,249	4,391	-	892	314	640	334	9,819
Other	1,716	2,319	11,461	471	164	338	176	16,646
<b>Total expenditures</b>	<b>4,965</b>	<b>6,710</b>	<b>11,461</b>	<b>1,363</b>	<b>478</b>	<b>978</b>	<b>510</b>	<b>26,465</b>
<b>Excess of revenues over expenditures</b>	<b>7,664</b>	<b>10,648</b>	<b>88,639</b>	<b>2,097</b>	<b>967</b>	<b>1,510</b>	<b>787</b>	<b>112,312</b>
<b>Other financing uses:</b>								
Transfers out	-	-	(25,000)	-	30,730	-	-	5,730
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>	<b>-</b>	<b>30,730</b>	<b>-</b>	<b>-</b>	<b>5,730</b>
<b>Net change in fund balances</b>	<b>7,664</b>	<b>10,648</b>	<b>63,639</b>	<b>2,097</b>	<b>31,697</b>	<b>1,510</b>	<b>787</b>	<b>118,042</b>
<b>Fund balances, beginning of year</b>	<b>251,346</b>	<b>448,482</b>	<b>1,689,010</b>	<b>68,793</b>	<b>-</b>	<b>49,506</b>	<b>25,795</b>	<b>2,532,932</b>
<b>Fund balances, end of year</b>	<b>\$ 259,010</b>	<b>\$ 459,130</b>	<b>\$ 1,752,649</b>	<b>\$ 70,890</b>	<b>\$ 31,697</b>	<b>\$ 51,016</b>	<b>\$ 26,582</b>	<b>\$ 2,650,974</b>

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, 2016**

	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	\$ 945,000	\$ -	\$ 315,000	\$ 630,000
2002 SRF Landfill/Pumping Station Bonds	Var.	2002	2022	107,500	650,709	-	107,500	543,209
2004 General Obligation Bonds	Var.	2004	2020	Var.	600,000	-	120,000	480,000
Building Renovation Note	5.125%	2006	2011	Var.	83,856	-	83,856	-
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	192,500	-	17,500	175,000
2008 General Obligation Bond	Var.	2008	2018	400,000	1,200,000	-	200,000	1,000,000
2008 General Obligation Bond	Var.	2008	2023	Var.	1,320,000	-	365,000	955,000
2008 SRF Sewer Bond	1.000%	2008	2023	93,333	746,667	-	93,333	653,334
2009 General Obligation Bond Series B	Var.	2009	2029	20,000	500,000	-	55,000	445,000
2010 General Obligation Bond Series C	6.750%	2009	2019	Var.	1,110,000	-	25,000	1,085,000
2009 AARA Clean Water Revolving Loan	0.000%	2009	2019	4,156	16,626	-	4,156	12,470
2011 General Obligation Bond	Var.	2011	2031	Var.	2,590,000	-	340,000	2,250,000
2011 GOB Series B	Var.	2011	2030	Var.	1,513,743	-	271,790	1,241,953
2011 SRF GOB	Var.	2011	2031	Var.	1,601,060	-	94,180	1,506,880
2013 SRF GOB Clean Water Revolving Loan Fund	1.000%	2013	2033	Var.	586,350	-	32,575	553,775
2013 GOB Equipment Bath Savings	2.840%	2013	2033	Var.	91,428	-	18,286	73,142
2014 GOB Equipment	Var.	2014	2021	Var.	162,465	-	40,930	121,535
2014 GOB Road Bond and Refinance	Var.	2014	2029	Var.	4,015,000	-	435,000	3,580,000
2015 Bath Savings Bank	Var.	2015	2025	Var.	1,205,000	-	105,890	1,099,110
2015 Equipment GOB Bath Savings	Var.	2015	2024	Var.	665,265	-	119,468	545,797
2016 Equipment GOB Bath Savings	Var.	2016	2025	Var.	-	715,500	-	715,500
<b>Total City issues</b>					<b>19,795,669</b>	<b>715,500</b>	<b>2,844,465</b>	<b>17,666,704</b>
School issues:								
2006 General Obligation Refunding Bond	4.375%	2006	2016	Var.	675,000	-	340,000	335,000
2008 General Obligation Bond	Var.	2008	2018	280,000	840,000	-	280,000	560,000
2011 GOB Series B	Var.	2011	2030	Var.	1,886,102	-	318,165	1,567,937
<b>Total School issues</b>					<b>3,401,102</b>	<b>-</b>	<b>938,165</b>	<b>2,462,937</b>
<b>Total long-term debt</b>					<b>\$ 23,196,771</b>	<b>\$ 715,500</b>	<b>\$ 3,782,630</b>	<b>\$ 20,129,641</b>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Taxes	\$ 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	\$ 18,207,985
Licenses and permits	150,943	150,922	124,046	94,999	88,635	95,303	97,289	130,212	186,367	164,139
Intergovernmental revenues	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	1,653,604
Charges for services	4,626,184	3,594,745	724,055	681,626	520,417	684,714	720,747	700,922	761,208	870,502
Investment income	331,063	278,480	102,215	1,640	24,891	134,612	832,701	1,516,078	402,468	(302,653)
Other revenues (1)	547,403	321,575	226,623	223,713	163,624	9,893,856	430,218	194,007	238,953	294,206
<b>Total revenues</b>	<b>28,085,512</b>	<b>27,184,098</b>	<b>18,149,876</b>	<b>17,877,174</b>	<b>17,479,693</b>	<b>27,894,031</b>	<b>20,012,998</b>	<b>20,936,223</b>	<b>20,510,033</b>	<b>20,887,783</b>
<b>Expenditures:</b>										
General government	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	1,296,072
Public safety	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	3,675,015
Public works	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	1,472,145
Health and welfare	101,382	29,238	54,324	66,744	62,794	79,161	84,607	74,798	54,234	70,562
Recreation	198,194	178,864	181,389	180,886	182,588	178,022	168,153	167,257	166,651	172,107
Education (3)	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	9,375,077
Intergovernmental	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	1,694,380
Unclassified (2)	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	2,726,666
Debt service	1,210,959	666,004	735,607	705,476	515,118	461,652	489,567	354,395	532,271	628,897
<b>Total expenditures</b>	<b>27,970,044</b>	<b>26,599,894</b>	<b>17,837,383</b>	<b>17,652,472</b>	<b>17,700,941</b>	<b>18,081,167</b>	<b>19,685,806</b>	<b>20,178,745</b>	<b>21,930,836</b>	<b>21,110,921</b>

(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**

<b>Year</b>	<b>Current Tax Levy</b>	<b>Current Tax Collections</b>	<b>Total Current Year Collections as a Percent of Total Tax Levy</b>	<b>Total All Taxes and Liens Outstanding June 30,</b>	<b>Percent of Delinquent Taxes and Liens to Tax Levy</b>
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%
2016	24,986,622	24,323,998	97.35%	1,050,121	4.20%

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		
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%
2016	1,030,689,500	176,393,700	1,207,083,200	897,900,000	134.43%

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
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
2016	20.70	8.93	9.97	1.80

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

	<b>Estimated Population</b>	<b>Assessed Value (In Thousands)</b>	<b>Gross Bonded Debt (1)</b>	<b>Ratio of Gross Bonded Debt to Assessed Value</b>	<b>Gross Bonded Debt per Capita</b>
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
2016	8,514	1,207,083	20,129,640	1.67%	2,364

(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
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%
2016	2,844,465	568,462	3,412,927	20,771,269	16.43%

(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, 2016**

Name	Type of Operation	Assessed Valuation	Amount of Tax	% of Net Tax Levy
Bath Iron Works	Ship building & repair	\$ 488,321,200	\$ 10,108,249	40.45%
Bath Supermarket Improvements	Retail Space	10,540,300	218,184	0.87%
Sagadahoc Real Estate Assoc	Office space	9,591,500	198,544	0.79%
Bath Savings	Banking Institution	9,241,900	191,307	0.77%
Central Maine Power	Electric Utility Company	8,250,000	170,775	0.68%
Dorks R Us	Hotel	8,038,400	166,395	0.67%
Northwood Housing	Residential housing	7,141,900	147,837	0.59%
Bath Inline Improvements	Retail Space	6,564,200	135,879	0.54%
EWT LLC	Residential Housing	6,549,100	135,566	0.54%
BathRes, LLC	Motor - Hotel	5,952,300	122,654	0.49%
<b>Totals</b>		<b>\$ 560,190,800</b>	<b>\$ 11,595,390</b>	<b>46.41%</b>



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council  
City of Bath  
Bath, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bath, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Bath's basic financial statements, and have issued our report thereon dated January 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bath's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bath's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bath's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

3 Old Orchard Road, Buxton, Maine 04093  
Tel: (800) 300-7708      (207) 929-4606      Fax: (207) 929-4609  
[www.rhrsmith.com](http://www.rhrsmith.com)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bath's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RHR Smith & Company*

Buxton, Maine  
January 13, 2017