

Audited Financial Statements

City of Bath, Maine

June 30, 2013



*Proven Expertise and Integrity*

**CITY OF BATH, MAINE**  
**Annual Financial Report**  
**For the Year Ended June 30, 2013**

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**Table of Contents**

	<u>Statement</u>	<u>Page(s)</u>
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-11
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	12
Statement of Activities	2	13
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Budgetary Basis – All Budgeted Governmental Funds	7	18
Notes to Basic Financial Statements		19-38
Required Supplementary Information – Schedule of Funding Progress		39
	<u>Exhibit</u>	<u>Page(s)</u>
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheet	A-1	40
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis	A-2	41-43
Capital Project Funds:		
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B	44
Other Governmental Funds:		
Combining Balance Sheet	C-1	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	46
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	D-1	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Individual Funds	D-3	49
Nonmajor Permanent Funds:		
Combining Balance Sheet	E-1	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	51
Long-term Debt:		
Statement of Changes in Long-term Debt	F	52

**CITY OF BATH, MAINE**  
**Annual Financial Report**  
**For the Year Ended June 30, 2013**

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**Table of Contents, Continued**

**STATISTICAL SECTION**

	<u>Tables</u>	<u>Page</u>
Statistical Information:		
Revenues and Expenditures - General Fund	A	53
Property Tax Levies and Collections	B	54
Assessed and State Value of Taxable Property	C	55
Property Tax Rates - Segments	D	56
Ratio of General Bonded Debt to Assessed Value and General Bonded Debt Per Capita	E	57
Ratio of Annual Debt Service Expenditures to Total General Fund Expenditures	F	58
Ten Largest Taxpayers	G	59



*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 and the aggregate remaining fund information of the City of Bath, Maine, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the City of Bath, Maine as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and budgetary comparison information on page 38 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bath, Maine's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*RHR Smith & Company*

Buxton, Maine  
September 25, 2013

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**(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, 2013. 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 general fund budgetary comparison schedule, and other supplementary information which 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 also provide the user with the accounting policies used in the preparation of the financial statements.

**Government-Wide Financial Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

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



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

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

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Revenues, Expenditures and Changes in Fund Balances – All Budgeted Governmental Funds – Budget and Actual – Budgetary Basis.

### **Required Supplementary Information**

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

### **Other Supplementary Information**

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

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

Our analysis below focuses on the net position, and changes in net position of the City's governmental and business-type activities. The City's total net position for governmental activities increased by \$1,208,175 from \$24.25 million to \$25.46 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$568,953 for governmental activities to a balance of \$11.66 million at the end of this year.

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

	<u>2013</u>	<u>2012</u>
Assets:		
Current and Other Assets	\$ 26,094,071	\$ 26,347,823
Capital Assets	31,946,959	33,797,550
Total Assets	<u>\$ 58,041,030</u>	<u>\$ 60,145,373</u>
Liabilities:		
Current Liabilities	\$ 5,808,989	\$ 6,279,805
Long-term Debt Outstanding	26,775,674	29,617,375
Total Liabilities	<u>\$ 32,584,663</u>	<u>\$ 35,897,180</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	\$ 11,330,935	\$ 10,999,340
Restricted	2,467,930	2,160,303
Unrestricted	11,657,503	11,088,550
Total Net Position	<u>\$ 25,456,368</u>	<u>\$ 24,248,193</u>

### Revenues and Expenses

Revenues for the City's governmental activities decreased by 20.17%, while the total expenses increased by 7.07%. The decrease in revenues is due to a \$9 million refund from Maine Public Employees Retirement System that was received in the prior year. Most expense categories were consistent with prior year amounts.

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

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
<i>Program revenues:</i>		
Charges for services	\$ 4,731,892	\$ 4,840,688
Operating grants and contributions	213,623	2,052,700
Capital grants and contributions	74,716	95,443
<i>General revenues:</i>		
Taxes	23,271,745	22,117,496
Grants and contributions not restricted to specific programs	1,842,881	1,379,700
Miscellaneous	2,538,642	10,443,988
Total Revenues	<u>32,673,499</u>	<u>40,930,015</u>
<b>Expenses</b>		
General government	1,898,926	2,721,695
Public works and wastewater treatment	4,879,263	4,605,207
Public safety	3,778,772	3,577,875
Parks and recreation	792,540	768,663
Health, welfare, and transportation	252,015	253,417
Education	8,580,112	8,097,247
Intergovernmental	1,575,666	1,489,840
Unclassified	8,327,006	6,359,211
Interest on debt	535,247	824,225
Capital outlay	845,777	689,232
Total Expenses	<u>31,465,324</u>	<u>29,386,612</u>
Change in Net Position	1,208,175	11,543,403
Net Position - July 1	<u>24,248,193</u>	<u>12,704,790</u>
Net Position - June 30	<u>\$ 25,456,368</u>	<u>\$ 24,248,193</u>

### Financial Analysis of the City's Fund Statements

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

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

	<u>2013</u>	<u>2012</u>
General Fund:		
Nonspendable	\$ 41,391	\$ 4,013
Committed	10,149,271	149,573
Assigned	481,751	6,882
Unassigned	<u>1,145,525</u>	<u>696,476</u>
Total General Fund	<u>\$11,817,938</u>	<u>\$ 870,408</u>
Sewer Utility Fund:		
Committed	<u>\$ 697,610</u>	<u>\$ 4,013</u>
Total Sewer Utility Fund	<u>\$ 697,610</u>	<u>\$ 870,408</u>
TIF Funds:		
Restricted	<u>\$ 271,521</u>	<u>\$ 4,013</u>
Total TIF Funds	<u>\$ 271,521</u>	<u>\$ 870,408</u>
Landfill Fund:		
Committed	<u>\$ 407,939</u>	<u>\$ 4,013</u>
Total Landfill Fund	<u>\$ 407,939</u>	<u>\$ 870,408</u>
Capital Projects Funds:		
Committed	<u>\$ 681,403</u>	<u>\$ 4,013</u>
Total Capital Projects Funds	<u>\$ 681,403</u>	<u>\$ 870,408</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 1,007,489	\$ 1,014,750
Restricted	81,666	194,426
Committed	200,124	181,116
Assigned	173,408	-
Unassigned	(822,062)	(1,125,333)
Permanent Funds:		
Nonspendable	2,101,468	1,923,126
Restricted	<u>13,275</u>	<u>16,746</u>
Total Nonmajor Funds	<u>\$ 2,755,368</u>	<u>\$ 2,204,831</u>

The general fund total fund balance increased by \$44,701 over the prior fiscal year due to revenues received in excess of the budget, a budgeted use of fund balance of \$200,000, less net negative budget variances in expenditures. The sewer utility fund decreased by \$143,046 from the prior year. The TIF funds increased by \$245,516 over the prior year. The landfill fund increased by \$121,174 over the prior year and the capital projects funds decreased by \$304,765 from the prior year due to excess expenditures over revenues. The non-major fund balances increased by \$760,265 over the prior fiscal year due to revenues and transfers from other funds in excess of expenditures and transfers out.

### **Budgetary Highlights**

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

The general fund actual revenues exceeded the budget by \$463,460. This can be mostly accounted for from more than expected unrealized investment income from the money set aside by Council.

The general fund actual expenditures were over budget by \$39,989. All expenditure categories were over-budget with the exception of unclassified expenditures. Items causing overages included legal fees, winter road maintenance and general assistance.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2013, the net book value of capital assets recorded by the City decreased by \$1,850,590 over the prior year. The decrease is the result of current year net disposals of \$4,350,847 and depreciation of \$1,491,359 less capital additions of \$3,991,616.

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

	<b>2013</b>	<b>2012</b>
Land	\$ 1,956,788	\$ 2,003,426
Construction in progress	61,963	1,912,053
Buildings and improvements	5,020,270	6,278,751
Machinery, furniture & equipment	1,032,837	1,113,079
Vehicles	1,982,038	2,020,082
Infrastructure	21,893,064	20,470,159
<b>Total</b>	<b>\$ 31,946,960</b>	<b>\$ 33,797,550</b>

## **Debt**

At June 30, 2013, the City had \$25,931,755 in bonds, notes and capital leases outstanding versus \$29,176,776 outstanding last year, an decrease of 11.12% 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, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,099,737
Cash held in escrow	971,459
Investments	12,248,559
Receivables:	
Taxes receivable	719,797
Tax liens	291,884
Accounts receivable, net of allowance of \$70,000	639,945
Notes receivable	1,007,489
Due from other governments	328,302
Inventory	41,391
Long-term receivable from RSU #1	5,355,928
Land held for resale	1,389,580
Capital assets, not being depreciated	3,915,479
Capital assets, net of depreciation	28,031,480
<b>Total assets</b>	<b>58,041,030</b>
<b>LIABILITIES</b>	
Accounts payable	764,698
Accrued expenses	263,694
Accrued compensated absences	339,710
Other post-employment benefits	698,372
Accrued interest	205,843
Noncurrent liabilities:	
Due within one year	3,536,672
Due in more than one year	26,775,674
<b>Total liabilities</b>	<b>32,584,663</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	11,330,935
Restricted for:	
Permanent funds:	
Expendable	13,275
Nonexpendable	2,101,468
Grants	81,666
TIF Districts	271,521
Unrestricted	11,657,503
<b>Total net position</b>	<b>\$ 25,456,368</b>

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



**CITY OF BATH, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2013**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 1,898,926	\$ 97,289	\$ 43,464	\$ -	\$ (1,758,173)
Public works and wastewater treatment	4,879,263	2,909,183	-	-	(1,970,080)
Public safety	3,778,772	657,037	17,990	-	(3,103,745)
Parks and recreation	792,540	499,927	-	-	(292,613)
Health, welfare, and transportation	252,015	80,572	115,668	-	(55,775)
Education	8,580,112	-	-	-	(8,580,112)
Intergovernmental	1,575,666	-	-	-	(1,575,666)
Unclassified	8,327,006	487,884	36,501	-	(7,802,621)
Interest on debt	535,247	-	-	-	(535,247)
Capital outlay	845,777	-	-	74,716	(771,061)
<b>Total governmental activities</b>	<b>31,465,324</b>	<b>4,731,892</b>	<b>213,623</b>	<b>74,716</b>	<b>(26,445,093)</b>
<b>Total primary government</b>	<b>\$ 31,465,324</b>	<b>\$ 4,731,892</b>	<b>\$ 213,623</b>	<b>\$ 74,716</b>	<b>(26,445,093)</b>

## General revenues:

Property taxes, levied for general purposes	22,225,999
Contributions in lieu of taxes	49,740
Motor vehicle excise taxes	996,006
Grants and contributions not restricted to specific programs:	
Homestead and BETE exemption	513,586
Other State/federal aid	514,401
State Revenue Sharing	814,894
Unrestricted investment earnings	1,052,093
Other	1,486,549
<b>Total general revenues</b>	<b>27,653,268</b>

Change in net assets 1,208,175

Net assets - beginning 24,248,193

**Net assets - ending \$ 25,456,368**

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

CITY OF BATH, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,784,616	\$ -	\$ -	\$ 300	\$ 109,396	\$ 205,425	\$ 3,099,737
Investments	10,149,271	-	-	100,000	-	1,999,288	12,248,559
Receivables:							
Taxes receivable	719,797	-	-	-	-	-	719,797
Tax liens	286,634	5,250	-	-	-	-	291,884
Accounts receivable, net of allowance of \$70,000	138,087	426,756	-	72,213	-	2,889	639,945
Notes receivable	-	-	-	-	-	1,007,489	1,007,489
Due from other governments	-	319,097	-	-	-	9,205	328,302
Interfund loans receivable	-	145,749	304,516	291,000	624,784	80,270	1,446,319
Inventory	41,391	-	-	-	-	-	41,391
Receivable from RSU #1 for debt service payment	5,355,928	-	-	-	-	-	5,355,928
<b>Total assets</b>	<b>\$ 19,475,724</b>	<b>\$ 896,852</b>	<b>\$ 304,516</b>	<b>\$ 463,513</b>	<b>\$ 734,180</b>	<b>\$ 3,304,566</b>	<b>\$ 25,179,351</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 402,775	\$ 188,406	\$ 32,995	\$ 50,220	\$ 56,843	\$ 33,459	\$ 764,698
Accrued expenditures	227,602	10,836	-	5,354	-	19,902	263,694
Interfund loans payable	950,481	-	-	-	-	495,838	1,446,319
<b>Total liabilities</b>	<b>1,580,858</b>	<b>199,242</b>	<b>32,995</b>	<b>55,574</b>	<b>56,843</b>	<b>549,199</b>	<b>2,474,711</b>
Deferred Inflows of Resources							
Deferred tax revenue	721,000	-	-	-	-	-	721,000
Deferred debt service payments from RSU #1	5,355,928	-	-	-	-	-	5,355,928
<b>Total deferred inflows of resources</b>	<b>6,076,928</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,076,928</b>
Fund balances:							
Nonspendable	41,391	-	-	-	-	3,108,957	3,150,348
Restricted	-	-	271,521	-	-	94,941	366,462
Committed	10,149,271	697,610	-	407,939	681,403	200,124	12,136,347
Assigned	481,751	-	-	-	-	173,408	655,159
Unassigned	1,145,525	-	-	-	(4,066)	(822,062)	319,397
<b>Total fund balances</b>	<b>11,817,938</b>	<b>697,610</b>	<b>271,521</b>	<b>407,939</b>	<b>677,337</b>	<b>2,755,368</b>	<b>16,627,713</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 19,475,724</b>	<b>\$ 896,852</b>	<b>\$ 304,516</b>	<b>\$ 463,513</b>	<b>\$ 734,180</b>	<b>\$ 3,304,566</b>	<b>\$ 25,179,351</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, 2013**

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Total Fund Balances	\$ 16,627,713
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
More specifically, non-depreciable & depreciable capital assets as reported on Statement 1	31,946,959
Long-term receivable from RSU #1 for bonds held in the City's name.	5,355,928
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	721,000
Cash held in escrow	971,459
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	(339,710)
Other post-employment benefits	(698,372)
Accrued interest	(205,843)
Note payable to RSU #1	-
Landfill closure	(4,380,000)
Capital leases	(226,140)
Bonds payable	(25,706,206)
<b>Net position of governmental activities</b>	<b>\$ 25,456,368</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, 2013**

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
<b>Revenues:</b>							
Taxes	\$ 16,532,159	\$ -	\$ 5,329,195	\$ 917,000	\$ 507,391	\$ -	\$ 23,285,745
Licenses and permits	97,289	-	-	-	-	-	97,289
Intergovernmental	1,399,884	242,532	231,528	-	74,716	182,560	2,131,220
Charges for services	720,747	1,924,175	-	921,298	-	1,068,383	4,634,603
Investment income	832,701	-	-	-	-	219,392	1,052,093
Other revenues	213,564	6,247	-	-	3,297	1,263,441	1,486,549
<b>Total revenues</b>	<b>19,796,344</b>	<b>2,172,954</b>	<b>5,560,723</b>	<b>1,838,298</b>	<b>585,404</b>	<b>2,733,776</b>	<b>32,687,499</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	1,405,278	-	-	-	-	324,210	1,729,488
Public works and wastewater treatment	1,483,810	1,155,495	-	935,374	-	-	3,574,679
Public safety	3,535,382	-	-	-	-	25,988	3,561,370
Parks and recreation	-	-	-	-	-	689,370	689,370
Health, welfare and transportation	84,607	-	-	-	-	166,785	251,392
Education	8,580,112	-	-	-	-	-	8,580,112
Intergovernmental	1,575,666	-	-	-	-	-	1,575,666
Unclassified	2,113,449	-	4,178,060	-	-	534,933	6,826,442
Debt service	489,567	594,071	973,924	716,014	421,716	493,769	3,689,061
Capital outlays	-	912,433	11,323	282,736	546,735	183,291	1,936,518
<b>Total expenditures</b>	<b>19,267,871</b>	<b>2,661,999</b>	<b>5,163,307</b>	<b>1,934,124</b>	<b>968,451</b>	<b>2,418,346</b>	<b>32,414,098</b>
<b>Excess (deficiency) of revenues over (under) expenditure:</b>	<b>528,473</b>	<b>(489,045)</b>	<b>397,416</b>	<b>(95,826)</b>	<b>(383,047)</b>	<b>315,430</b>	<b>273,401</b>
<b>Other financing sources (uses):</b>							
Transfers in	234,728	62,718	-	100,000	-	260,107	657,553
Transfers out	(417,935)	-	(151,900)	-	(62,718)	(25,000)	(657,553)
Funding RSU #1 fund deficit	(90,837)	-	-	-	-	-	(90,837)
Payment of refunding bonds/notes	-	-	-	-	-	-	-
Proceeds from bonds/notes/ capital leases	-	283,281	-	117,000	141,000	-	541,281
<b>Total other financing sources (uses)</b>	<b>(274,044)</b>	<b>345,999</b>	<b>(151,900)</b>	<b>217,000</b>	<b>78,282</b>	<b>235,107</b>	<b>450,444</b>
<b>Net change in fund balances</b>	<b>254,429</b>	<b>(143,046)</b>	<b>245,516</b>	<b>121,174</b>	<b>(304,765)</b>	<b>550,537</b>	<b>723,845</b>
<b>Fund balances, beginning of year</b>	<b>11,563,509</b>	<b>840,656</b>	<b>26,005</b>	<b>286,765</b>	<b>982,102</b>	<b>2,204,831</b>	<b>15,903,868</b>
<b>Fund balances, end of year</b>	<b>\$ 11,817,938</b>	<b>\$ 697,610</b>	<b>\$ 271,521</b>	<b>\$ 407,939</b>	<b>\$ 677,337</b>	<b>\$ 2,755,368</b>	<b>\$ 16,627,713</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, 2013**

Net change in fund balances - total governmental funds (from Statement 4)	\$	723,845
<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 assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,090,741) were less than depreciation expense (\$1,491,359), and loss on disposal (\$1,435,190).</p>		(1,850,591)
<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>		(14,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the decrease in accrued interest (\$67,283), net of the increase in accrued compensated absences (\$33,229), and other post-employment benefits (\$141,221).</p>		(107,167)
<p>Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments on leases.</p>		94,144
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$3,968,949) and increase in cash held in escrow (\$368,220) exceeded debt proceeds (\$541,281).</p>		3,427,669
<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 \$5,355,928 with principal amounts paid off during the year totaling \$971,407 with a net change in accrued interest of \$5,155.</p>		(976,562)
<p>The City of Bath is funding the School Department's deficit balance that was transferred to Regional School Unit #1. This is the final payment paid during the year.</p>		90,837
<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>		(180,000)
<b>Change in net assets of governmental activities (see Statement 2)</b>		<b>\$ 1,208,175</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, 2013**

	General Fund				Sewer Utility Fund			
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 16,528,870	\$ 16,528,870	\$ 16,532,159	\$ 3,289	\$ -	\$ -	\$ -	\$ -
Licenses and permits	77,500	77,500	97,289	19,789	-	-	-	-
Intergovernmental	1,327,940	1,327,940	1,399,884	71,944	-	-	242,532	242,532
Charges for services	698,000	698,000	720,747	22,747	2,084,450	2,084,450	1,924,175	(160,275)
Investment income	477,000	477,000	832,701	355,701	-	-	-	-
Other revenues	205,500	205,500	195,490	(10,010)	4,500	4,500	6,247	1,747
<b>Total revenues</b>	<b>19,314,810</b>	<b>19,314,810</b>	<b>19,778,270</b>	<b>463,460</b>	<b>2,088,950</b>	<b>2,088,950</b>	<b>2,172,954</b>	<b>84,004</b>
Expenditures:								
Current:								
General government	1,329,213	1,359,285	1,405,278	(45,993)	-	-	-	-
Public works	1,435,046	1,457,067	1,483,810	(26,743)	-	-	-	-
Public safety	3,445,783	3,523,802	3,535,382	(11,580)	-	-	-	-
Health and welfare	67,160	67,160	84,607	(17,447)	-	-	-	-
Education	8,580,112	8,580,112	8,580,112	-	-	-	-	-
Intergovernmental	1,575,666	1,575,666	1,575,666	-	-	-	-	-
Administration	-	-	-	-	109,574	94,040	94,677	(637)
Treatment plant	-	-	-	-	818,110	864,622	792,332	72,290
Maintenance	-	-	-	-	306,455	275,477	268,486	6,991
Unclassified	2,314,274	2,175,274	2,113,449	61,825	-	-	-	-
Debt service	489,516	489,516	489,567	(51)	599,069	599,069	594,071	4,998
Capital	-	-	-	-	247,902	247,902	912,433	(664,531)
<b>Total expenditures</b>	<b>19,236,770</b>	<b>19,227,882</b>	<b>19,267,871</b>	<b>(39,989)</b>	<b>2,081,110</b>	<b>2,081,110</b>	<b>2,661,999</b>	<b>(580,889)</b>
<b>Excess (deficiency) of revenues over (under) expenditure</b>	<b>78,040</b>	<b>86,928</b>	<b>510,399</b>	<b>423,471</b>	<b>7,840</b>	<b>7,840</b>	<b>(489,045)</b>	<b>(496,885)</b>
Other financing sources (uses):								
Transfers in	25,000	25,000	234,728	209,728	-	-	62,718	62,718
Transfers out	(303,040)	(311,928)	(417,935)	(106,007)	-	-	-	-
Funding RSU #1 fund deficit	-	-	(90,837)	(90,837)	-	-	-	-
Proceeds from bonds/notes/ capital leases	-	-	-	-	-	-	283,281	-
Utilization of prior year fund balance	200,000	200,000	-	(200,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(78,040)</b>	<b>(86,928)</b>	<b>(274,044)</b>	<b>(187,116)</b>	<b>-</b>	<b>-</b>	<b>345,999</b>	<b>62,718</b>
<b>Net change in fund balances - budgetary basis</b>	<b>-</b>	<b>-</b>	<b>236,355</b>	<b>236,355</b>	<b>7,840</b>	<b>7,840</b>	<b>(143,046)</b>	<b>(434,167)</b>
Reconciliation to GAAP basis:								
Fuel revenues for fuel tank reserve			18,074					-
<b>Net change in fund balance</b>			<b>254,429</b>				<b>(143,046)</b>	
<b>Fund balance, beginning of year</b>			<b>11,563,509</b>				<b>840,656</b>	
<b>Fund balance, end of year</b>			<b>\$ 11,817,938</b>				<b>\$ 697,610</b>	

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

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

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**THE REPORTING ENTITY**

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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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**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 are 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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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 operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

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

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

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

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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The City of Bath has no formal investment policy but instead follows the State of Maine Statutes.

**D. Inventories**

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

**E. Interfund Receivables and Payables**

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

**F. Transactions Between Funds**

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

**G. Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$50,000 for the general fund accounts receivable and \$20,000 for the sewer utility fund accounts receivable (which are both part of other receivables on the balance sheet) as of June 30, 2013.

**H. 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.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**I. 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.

**J. 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.

**K. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**L. 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 which 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**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**L. Fund Balances, continued**

- *Unassigned* – resources which 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.

**M. 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.

**N. 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.

**O. Net Position Invested in Capital Assets, Net of Related Debt**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net position invested in capital assets, net of related debt was calculated as follows at June 30, 2013:

Capital assets	\$ 56,761,411
Accumulated depreciation	(24,814,452)
Bonds payable	(25,706,206)
Long-term receivable from RSU #1 for debt service	5,316,322
Capital leases payable	(226,140)
<b>Total invested in capital assets net of related debt</b>	<b>\$ 11,330,935</b>

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

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**PROPERTY TAX**

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Property taxes for the current year were committed on August 24, 2012, 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 \$97,685 for the year ended June 30, 2013.

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

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

The following summarizes the levy:

	<u>2013</u>	<u>2012</u>
Assessed value (excluding Homestead exemption)	\$ 1,184,925,900	\$ 1,174,476,650
Tax rate (per \$1,000)	18.70	17.90
Commitment	22,158,114	21,023,132
Supplemental taxes assessed	-	-
	22,158,114	21,023,132
Less:		
Abatements	114,134	15,912
Collections	21,398,501	20,417,304
	<b>\$ 645,479</b>	<b>\$ 589,916</b>
Due date - current year	October 15, 2012	October 15, 2011
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.10%	97.20%
Taxes and liens receivable - current year	\$ 645,479	\$ 589,916
Taxes and liens receivable - prior years	360,951	398,267
	<b>\$ 1,006,430</b>	<b>\$ 988,183</b>

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

**DEPOSITS AND INVESTMENTS**

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

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City will not be able to recover its deposits. The City does not have a policy covering custodial credit risk for deposits. However, the City maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2013, the City's deposits amounting to \$4,071,196 were comprised of bank deposits of \$4,183,897. Of these bank deposits, \$548,200 was covered by federal depository insurance and \$3,635,697 was collateralized with securities held by the financial institution but not in the City's name.

Account Type	Bank Balance
Checking accounts	\$ 349,077
Savings accounts	791,539
Money market accounts	114,988
Certificates of deposit	1,956,834
	\$ 3,212,438

**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 \$12,248,559 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, 2013, the City had the following investments:

Investment Type	Fair Value	Maturity		
		N/A	> 1 Year	2 - 5 Years
Cash & equivalents	\$ 163,938	\$ 163,938	\$ -	\$ -
Equity	9,340,750	9,340,750	-	-
Fixed income	2,643,824	2,643,824	-	-
International	100,047	100,047	-	-
	\$ 12,248,559	\$ 12,248,559	\$ -	\$ -

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

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**DEPOSITS AND INVESTMENTS, CONTINUED**

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

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a policy related to interest rate risk.

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

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**CAPITAL ASSETS**

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Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance		Balance	
	June 30,		June 30,	
	<u>2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>2013</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,003,426	\$ -	\$ 46,638	\$ 1,956,788
Construction in progress	1,912,053	1,050,785	2,900,875	61,963
Total capital assets not being depreciated	3,915,479	1,050,785	2,947,513	2,018,751
Capital assets, being depreciated:				
Buildings and building improvements	13,261,930	556,657	2,104,807	11,713,780
Machinery, furniture and equipment	2,830,755	58,400	-	2,723,851
Infrastructure	34,474,527	2,091,787	-	36,566,314
Vehicles	3,956,981	233,988	452,254	3,738,715
Total capital assets being depreciated	54,524,194	2,940,832	2,722,365	54,742,661
Less accumulated depreciation for:				
Buildings and building improvements	6,983,179	411,803	701,473	6,693,510
Machinery, furniture and equipment	1,717,676	138,642	165,304	1,691,014
Infrastructure	14,004,370	668,882	-	14,673,252
Vehicles	1,936,899	272,032	452,254	1,756,677
Total accumulated depreciation	24,642,123	1,491,359	1,319,031	24,814,452
<u>Total capital assets being depreciated, net</u>	<u>29,882,071</u>	<u>1,449,473</u>	<u>1,403,334</u>	<u>29,928,209</u>
<b><u>Governmental activities capital assets, net</u></b>	<b><u>\$ 33,797,550</u></b>	<b><u>\$ 2,500,257</u></b>	<b><u>\$ 4,350,847</u></b>	<b><u>\$ 31,946,960</u></b>

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

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**CAPITAL ASSETS, CONTINUED**

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The City of Bath, Maine is holding land for resale within an industrial park. The value of the land at June 30, 2013 was \$1,389,580.

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

Governmental activities:	
General government	\$ 12,750
Public works and wastewater treatment	1,127,791
Parks and recreation	95,009
Public safety	197,828
Unclassified	<u>57,981</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 1,491,359</u></b>

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**INTERFUND BALANCES, ADVANCES AND TRANSFERS**

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Individual interfund loans receivable and payable and interfund transfers at June 30, 2013 were as follows:

	Interfund loan <u>receivable</u>	Interfund loan <u>payable</u>	Transfers <u>in (out)</u>
General Fund	\$ -	\$ 950,481	\$ (183,207)
Sewer Utility Fund	145,749	-	62,718
TIF Fund-	304,516	-	(133,900)
Capital Projects	624,784	-	(62,718)
Landfill Fund	291,000	-	100,000
Nonmajor governmental funds:			
City Special Purpose	-	360,491	264,003
Community Development	-	118,787	-
Transportation Programs	-	16,560	53,932
Bath Local Development Corp.	75,976	-	133,900
Midcoast Center for Higher Education	-	-	(209,728)
Nonmajor permanent funds	<u>4,294</u>	<u>-</u>	<u>(25,000)</u>
<b>Total interfund balances and transfers</b>	<b><u>\$ 1,446,319</u></b>	<b><u>\$ 1,446,319</u></b>	<b><u>\$ -</u></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.



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

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended June 30, 2013, 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	\$ 28,765,655	\$ 909,500	\$ 3,969,540	\$ 25,705,615	\$ 3,444,924
Note payable to RSU #1	90,837	-	90,837	-	-
Capital leases	320,284	-	94,144	226,140	91,748
Other post-employment benefits	557,151	141,221	-	698,372	-
Accrued compensated absences	306,481	33,229	-	339,710	-
Landfill closure and postclosure care costs	4,200,000	180,000	-	4,380,000	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 34,240,408</b>	<b>\$ 1,263,950</b>	<b>\$ 4,154,521</b>	<b>\$ 31,349,837</b>	<b>\$ 3,536,672</b>

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**SHORT-TERM DEBT**

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The City issues tax anticipation notes to cover cash short falls during the year. Tax anticipation note activity for the year ended June 30, 2013, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
<b><u>Tax anticipation notes</u></b>	<b>\$ -</b>	<b>\$ 1,750,000</b>	<b>\$ 1,750,000</b>	<b>\$ -</b>

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

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**LONG-TERM DEBT**

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Long-term debt payable at June 30, 2013 is comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>June 30, 2013</u>
Governmental activities:					
1997 Wastewater upgrade bonds	10/1/97	\$ 6,300,000	10/1/17	varies	\$ 1,575,000
2002 Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	865,709
2002 General obligation bonds	9/1/02	4,000,000	9/1/22	varies	1,800,000
2004 General obligation bonds	6/1/04	1,840,000	9/1/19	varies	840,000
Building renovation note	3/13/06	1,000,000	11/30/11	5.125%	237,972(1)
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	227,500
2006 general obligation refunding	7/18/06	3,570,000	10/1/16	4.375%	1,370,000 (2)
2008 SRF sewer bond	5/1/08	1,400,000	4/1/2023	1.00%	933,335
2008 general obligation bond	1/30/08	6,500,000	1/15/23	varies	3,650,000
2008 general obligation bond	1/30/08	2,800,000	1/15/18	varies	1,400,000 (2)
2009 general obligation bond series B	9/5/08	635,000	10/15/28	varies	550,000
2009 general obligation bond series C	9/8/08	1,365,000	10/15/18	6.75%	1,205,000
2009 AARA Clean Water Revolving Loan	7/1/09	57,488	4/1/19	0.00%	24,940
2011 General Obligation Bond	5/1/11	3,950,000	5/1/31	varies	3,270,000
2011 Bath Armory Note	8/11/10	175,000	8/11/20	4.07%	145,351
2011 GOB Series B	3/1/11	2,392,271	11/1/2030	varies	2,088,366
2011 GOB Series B	3/1/11	2,882,729	11/1/2030	varies	2,546,322 (2)
2011 SRF GOB	3/1/11	1,883,600	11/1/2031	varies	1,789,420
2012 GOB	6/28/12	308,000	6/28/2033	2.96%	277,200
2013 SRF Clean Water Revolving Loan		651,500		1%	651,500
2013 GOB Bath Savings		128,000		2.84%	128,000
2013 GOB Androscoggin		130,000		2.01%	130,000
<b>Total governmental activities</b>					<b>\$ 25,705,615</b>

(1) This note is on a draw-down basis. As of June 30, 2013, the City has drawn down \$500,000. The remaining \$500,000 has yet to be drawn down.

(2) As of July 1, 2008, the Bath School Department joined Regional School Unit #1. RSU #1 will reimburse the City of Bath for all Bath School Department bonds payable when the debt service payments are due. The City has recorded a long-term receivable for \$5,316,322, 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 \$39,606 for a total long-term receivable of \$5,355,928.

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

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**LONG-TERM DEBT, CONTINUED**

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The annual principal and interest requirements to amortize general long-term debt outstanding as of June 30, 2013 are as follows:

Year(s) ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,444,924	\$ 769,292	\$ 4,214,216
2015	3,423,028	667,455	4,090,483
2016	3,348,923	560,482	3,909,405
2017	3,175,774	460,942	3,636,716
2018	2,792,103	372,357	3,164,460
2019-2023	7,214,950	795,624	8,010,574
2024-2028	1,471,275	220,760	1,692,035
2029-2033	834,638	53,870	888,508
<b>Totals</b>	<b>\$ 25,705,615</b>	<b>\$ 3,900,782</b>	<b>\$ 29,606,397</b>

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**LANDFILL CLOSURE AND POSTCLOSURE COSTS**

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The City of Bath is currently operating a landfill for residential and commercial sanitary waste, demolition debris, and other materials. In 1991, the City entered into a consent decree with the State of Maine for the development and implementation of a corrective action plan and application to re-license with a proposed vertical expansion. The City met all terms of the consent decree and received approval from the State on the new license and vertical expansion. As part of the corrective action plan, the City closed certain sections of the landfill and prepared to make improvements that would extend the useful life of the facility. On November 6, 2001, voters approved the City Council's authorization of \$8,140,000 in general obligation bonds. Of this bond issuance, \$3,000,000 was to provide funds for landfill improvements, otherwise referred to as the Landfill Project. In September 2002 (the "2002 Bonds"), \$1,200,000 was issued to finance the Landfill Project. An additional amount of \$600,000 was financed through the State Revolving Loan Program (SRF) jointly through the Maine Municipal Bond Bank and the Maine Department of Environmental Protection. Another bond issuance in June 2004 (the "2004 Bonds") provided the remaining \$1,200,000 previously authorized for the Landfill Project. On January 30, 2008, the City issued \$4,500,000 in voter-approved debt for construction of a new cell and gas mitigation system. At June 30, 2013, the landfill had reached approximately 73.97% capacity of the current configuration (post Landfill project expansion). The estimated cost for closure after it reaches existing capacity is approximately \$3,500,000. Post closure costs, such as monitoring and maintenance for 30 years is estimated to be \$2,300,000. As such, the City has recognized a liability based on the percentage used as of June 30, 2013, of \$2,670,000 for closure, and an estimate for post closure costs of \$1,710,000. This results in a total of \$4,380,000 estimated liability of closure and post closure costs in the government-wide financial statements. The actual closure and post closure costs may vary from this estimate due to inflation, changes in technology, recycling, engineering estimates, expansion of the existing landfill, or changes in landfill laws and regulations.

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

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**CAPITAL LEASES**

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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 its inception. The value of assets capitalized under these leases as of June 30, 2013 was \$414,428.

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

Fiscal year <u>ending</u>	<u>Capital leases</u>
2014	\$ 91,748
2015	58,775
2016	48,711
2017	29,048
<u>2018</u>	<u>11,563</u>
Total minimum lease payments	239,845
<u>Less: amount representing interest</u>	<u>(13,705)</u>
<b><u>Present value of future minimum lease payments</u></b>	<b><u>\$ 226,140</u></b>

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**OVERLAPPING DEBT**

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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 \$1,849,312 at June 30, 2013, which is 21.03% of the County's total debt of \$8,793,687.

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**LIMITATION ON MUNICIPAL SPENDING**

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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, 2013 were made in accordance with the above charter limitations.

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**SIGNIFICANT TAXPAYER**

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For the year ended June 30, 2013, the City of Bath received \$8,714,359 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 38.60% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2013, a significant portion (\$4,068,787) were funds collected as part of a Tax Increment Financing (TIF) District. As such, only \$4,645,572 were taxes collected for the purposes of financing the City's operational and capital budgets.

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

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**FUND BALANCE COMPONENTS**

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As of June 30, 2013 fund balances components consisted of the following:

	General Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>			
Inventory and prepaid items	\$ 41,391	\$ -	\$ 41,391
Notes receivable and interfund advances	-	1,054,621	1,054,621
Principal for permanent funds	-	2,101,468	2,101,468
<b>Total nonspendable</b>	<b>41,391</b>	<b>3,156,089</b>	<b>3,197,480</b>
<b>Restricted:</b>			
TIF Districts	-	271,521	271,521
Grants and other purposes	-	81,666	81,666
Permanent funds	-	13,275	13,275
<b>Total restricted</b>	<b>-</b>	<b>366,462</b>	<b>366,462</b>
<b>Committed:</b>			
Capital Reserves	10,149,271		10,149,271
Sewer utility	-	697,610	697,610
Landfill	-	407,939	407,939
Capital projects	-	677,337	677,337
Park and ride vehicle reserve	-	66,756	66,756
Bath Local Development Corporation	-	86,236	86,236
<b>Total committed</b>	<b>10,149,271</b>	<b>1,935,878</b>	<b>12,085,149</b>
<b>Assigned:</b>			
Subsequent budget	291,500	-	291,500
Fuel tank reserves	190,251	-	190,251
Grants and other purposes	-	173,408	173,408
<b>Total assigned</b>	<b>481,751</b>	<b>173,408</b>	<b>655,159</b>
<b>Unassigned</b>	<b>1,145,525</b>	<b>(822,062)</b>	<b>323,463</b>
<b>Total fund balances</b>	<b>\$ 11,817,938</b>	<b>\$ 4,809,775</b>	<b>\$ 16,627,713</b>

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

**DEFICIT FUND BALANCES**

Several City Special Revenue Funds had deficit fund balances at June 30, 2013. The City's deficit fund balances are as follows:

- Forestry Grants
- Recreation Programs
- Skate Park Committee
- Bath Youth Meeting House
- Armory Building
- Bath City Bus
- Trolley Funds
- Other City Programs
- Community Development Funds
- Recreation Capital Improvements Funds

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

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

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

**Funding Policy** - Plan members are required to contribute a percentage of their annual covered salary. The City is required to contribute an actuarially determined rate. Employer and member rates for the year ended June 30, 2013 were as follows:

	<u>Special #2C</u>	<u>Special #3C</u>
Employer payroll rate(s):		
Normal cost	10.00%	11.90%
Pooled UAL	-2.50%	-1.90%
Total payroll rate	7.50%	10.00%
Monthly IUUAL available:		
Payment/(Credit)	\$ (58,525)	(56,693)
Member contribution rate(s)	6.5%	8.0%

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

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

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Prior to the Consolidated Plan, the City had a separate District plan. Effective July 1, 1996, the City elected to join the Consolidated Plan. Under the terms of joining the consolidated plan, the City has an Initial Unpooled Unfunded Actuarial Liability Credit (IUUAL). The credit is being amortized over an open 10 year period. For the years ended June 30, 2013 and 2012, were \$461,922 and \$355,572 respectively. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. For the years ended June 30, 2013 and 2012, employee contributions to the plan totaled \$396,227 and \$355,271, respectively.

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**DEFERRED COMPENSATION PLAN**

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The City offers its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

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**RISK MANAGEMENT**

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

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchases, the City is not aware of any material actual or potential claims which should be recorded at June 30, 2013.

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**OTHER POST-EMPLOYMENT BENEFITS**

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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.

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

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**OTHER POST-EMPLOYMENT BENEFITS, CONTINUED**

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The most recent OPEB liability actuarial valuation was completed by the consultants in October 2011 based on an actuarial valuation date of January 1, 2011.

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

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal cost	\$ 38,900	\$ 38,900	\$ 38,900
Amortization of unfunded	109,320	109,320	109,320
Adjustment to ARC	(32,220)	(23,905)	(15,439)
<u>Interest</u>	<u>25,221</u>	<u>19,470</u>	<u>13,614</u>
Annual required contribution	\$ 141,221	\$ 143,785	\$ 146,395

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPEB liability, July 1	\$ 557,151	\$ 413,266	\$ 266,971
Annual required contribution	141,221	143,785	146,395
<u>Less: Actual contributions</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPEB Liability, June 30	\$ 698,372	\$ 557,151	\$ 413,366

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:



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

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**OTHER POST-EMPLOYMENT BENEFITS, CONTINUED**

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	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 141,221	\$ 143,785	\$ 146,395
Actual contribution	-	-	-
<u>Percent contributed</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Actuarial accrued liability	\$ 1,965,984	1,965,984	1,965,984
<u>Plan assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	\$ 1,965,984	1,965,984	1,965,984
Covered payroll	5,267,709	4,847,374	4,753,104
Unfunded actuarial accrued liability as a percentage of covered payroll	37.32%	40.56%	41.36%

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	1/1/12
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

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**SUBSEQUENT EVENTS**

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In addition, on June 5, 2013, the City Council approved the issuance of a \$3,000,000 Tax Anticipation Note to cover short-term cash flows in anticipation of future tax revenues.

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

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**CONTINGENCIES**

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

**CITY OF BATH, MAINE**  
**Required Supplementary Information**

**Schedule of Funding Progress**  
**Retiree Healthcare Plan**

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial 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%

## **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, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,784,616	2,322,201
Investments	10,149,271	9,774,169
Receivables:		
Taxes receivable	719,797	693,202
Tax liens	286,634	294,981
Accounts receivable, net of allowance of \$50,000	138,087	100,520
Inventory	41,391	49,904
Prepaid	-	33,246
Receivable from RSU #1 for debt service payment	5,355,928	6,332,490
<b>Total assets</b>	<b>\$ 19,475,724</b>	<b>19,600,713</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	402,775	178,785
Accrued expenditures	227,602	176,160
Interfund loans payable	950,481	614,769
<b>Total liabilities</b>	<b>1,580,858</b>	<b>969,714</b>
Deferred inflows of resources:		
Deferred tax revenue	721,000	735,000
Deferred debt service payments from RSU #1	5,355,928	6,332,490
<b>Total deferred inflows of resources</b>	<b>6,076,928</b>	<b>7,067,490</b>
Fund balance:		
Nonspendable - inventory and prepaids	41,391	83,150
Assigned	481,751	463,677
Committed	10,149,271	9,774,169
Unassigned	1,145,525	1,242,513
<b>Total fund balance</b>	<b>11,817,938</b>	<b>11,563,509</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 19,475,724</b>	<b>19,600,713</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, 2013**  
**(with comparative actual amounts for the year ended June 30, 2012)**

	2,013		Variance positive (negative)	2012 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 15,404,223	15,406,776	2,553	14,599,438
Excise taxes	982,647	996,006	13,359	964,386
Interest and costs on taxes	85,000	79,637	(5,363)	86,107
Contributions in lieu of taxes	57,000	49,740	(7,260)	55,915
Total taxes	16,528,870	16,532,159	3,289	15,705,846
Licenses, permits and fees:				
Non-business licenses	8,750	10,993	2,243	10,042
Health, building, plumbing and electrical perm	28,500	28,547	47	41,479
Vehicle, boat and recreation vehicle registratic	21,250	27,613	6,363	22,960
Other	19,000	30,136	11,136	20,822
Total licenses, permits and fees	77,500	97,289	19,789	95,303
Intergovernmental:				
State revenue sharing	789,500	814,894	25,394	868,046
State homestead exemption	177,557	177,557	-	170,927
State BETE exemption	335,883	336,029	146	309,945
Other state revenue	25,000	37,938	12,938	30,782
Other federal revenue	-	33,466	33,466	-
Total intergovernmental	1,327,940	1,399,884	71,944	1,379,700
Investment income	477,000	832,701	355,701	134,612
Charges for services:				
Ambulance service	563,000	572,068	9,068	550,595
Cemetery sales	45,000	63,710	18,710	46,755
Parking City lots	70,000	66,431	(3,569)	66,187
Police duty and fees	20,000	18,538	(1,462)	21,177
Total charges for services	698,000	720,747	22,747	684,714
Other revenues:				
Parking and traffic violations	11,000	10,880	(120)	11,775
Cable television franchise	85,000	92,859	7,859	88,020
Rents and leases	18,000	46,909	28,909	18,000
Sale of property	60,000	30,000	(30,000)	9,518
Miscellaneous	31,500	14,842	(16,658)	9,741,543
Total other revenues	205,500	195,490	(10,010)	9,868,856
Total revenues	19,314,810	19,778,270	463,460	27,869,031

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

	2013		Variance positive (negative)	2012 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	\$ 148,535	141,927	6,608	138,142
Professional services	164,000	185,298	(21,298)	158,279
City council	84,265	124,696	(40,431)	70,412
City clerk	115,309	116,587	(1,278)	109,239
Elections	21,350	12,671	8,679	15,365
Central services	164,963	159,415	5,548	177,195
City Hall management and utilities	146,722	152,794	(6,072)	130,899
Finance	260,981	259,164	1,817	233,804
Assessor	125,399	129,997	(4,598)	117,378
Public education government cable	43,450	38,361	5,089	43,402
Planning and community development	84,311	84,368	(57)	91,801
Total general government	1,359,285	1,405,278	(45,993)	1,285,916
Public works:				
General	975,518	1,027,429	(51,911)	921,477
Forestry	62,354	56,694	5,660	53,619
Cemetery and parks	419,195	399,687	19,508	400,684
Total public works	1,457,067	1,483,810	(26,743)	1,375,780
Public safety:				
Fire and ambulance	1,423,745	1,435,285	(11,540)	1,343,670
Police	1,422,684	1,429,405	(6,721)	1,386,256
Other public safety	79,734	75,766	3,968	73,912
Codes enforcement	92,639	93,974	(1,335)	87,878
Street lights	110,000	107,746	2,254	106,859
Fire hydrant rental	395,000	393,206	1,794	393,206
Total public safety	3,523,802	3,535,382	(11,580)	3,391,781
Health and welfare:				
General assistance	67,160	84,607	(17,447)	79,161
Total health and welfare	67,160	84,607	(17,447)	79,161

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

	2013			2012 Actual
	Budget	Actual	Variance positive (negative)	
Expenditures, continued:				
Current, continued:				
Education	\$ 8,580,112	8,580,112	-	8,142,008
Intergovernmental--county tax	1,575,666	1,575,666	-	1,489,840
Unclassified:				
Employee benefits	1,579,325	1,495,277	84,048	1,023,754
Insurances	328,000	301,870	26,130	308,401
Special events and support	170,264	168,153	2,111	178,022
Overlay/abatements and write-offs	97,685	148,149	(50,464)	15,912
Total unclassified	2,175,274	2,113,449	61,825	1,526,089
Debt service:				
Principal	489,516	489,567	(51)	404,935
Interest and fees	-	-	-	56,717
Total debt service	489,516	489,567	(51)	461,652
Total expenditures	19,227,882	19,267,871	(39,989)	17,752,227
Excess (deficiency) of revenues over (under)				
expenditures	86,928	510,399	423,471	10,116,804
Other financing sources (uses):				
Utilization of prior year fund balance	200,000	-	(200,000)	-
Transfers in	25,000	234,728	209,728	25,000
Transfers out	(311,928)	(417,935)	(106,007)	(328,940)
Refunding of debt service	-	-	-	-
Funding RSU #1 fund deficit	-	(90,837)	(90,837)	(100,000)
Total other financing sources (uses)	(86,928)	(274,044)	(187,116)	(403,940)
Net change in fund balance - budgetary basis	-	236,355	236,355	9,712,864
Reconciliation to GAAP basis:				
Fuel revenues for fuel tank reserve		18,074		24,572
Net change in fund balances - GAAP basis		254,429		9,737,436
Fund balance, beginning of year		11,563,509		1,826,073
<b>Fund balance, end of year</b>	<b>\$</b>	<b>11,817,938</b>		<b>11,563,509</b>

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



## **CAPITAL PROJECT FUNDS**

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

CITY OF BATH, MAINE  
Capital Projects  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2013

	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	\$ 413,059	\$ 109,955	\$ -	\$ -	\$ -	\$ 165,893	\$ 86,492	\$ -	\$ (146,500)	\$ 124,129
Capital improvement projects	11,546	104,134	-	-	-	12,650	88,246	-	-	14,784
Cemetery and parks capital	68,562	22,135	-	-	1,600	13,800	8,335	-	(2,000)	68,162
Commercial/Front pump station	13,855	-	-	-	-	-	-	-	(1,500)	12,355
Fire and ambulance capital projects	(9,249)	153,866	-	-	1,697	-	153,978	-	10,000	2,336
Police capital improvements	12,216	39,139	-	-	-	32,758	26,139	13,000	-	5,458
Public works capital improvements	479,621	33,319	74,716	-	-	295,261	33,680	128,000	67,464	454,179
Recreation capital improvements	(7,508)	44,843	-	-	-	26,373	24,846	-	9,818	(4,066)
<b>Total capital projects</b>	<b>\$ 982,102</b>	<b>\$ 507,391</b>	<b>\$ 74,716</b>	<b>\$ -</b>	<b>\$ 3,297</b>	<b>\$ 546,735</b>	<b>\$ 421,716</b>	<b>\$ 141,000</b>	<b>\$ (62,718)</b>	<b>\$ 677,337</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, 2013**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 94,264	\$ 111,161	\$ 205,425
Investments	-	1,999,288	1,999,288
Accounts receivable	2,889	-	2,889
Due from other governments	9,205	-	9,205
Notes receivable	1,007,489	-	1,007,489
Interfund loans receivable	75,976	4,294	80,270
<b>Total assets</b>	<b>\$ 1,189,823</b>	<b>\$ 2,114,743</b>	<b>\$ 3,304,566</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 33,459	\$ -	\$ 33,459
Accrued expenditures	19,902	-	19,902
Escrow	-	-	-
Interfund loans payable	495,838	-	495,838
<b>Total liabilities</b>	<b>549,199</b>	<b>-</b>	<b>549,199</b>
Fund balances (deficits):			
Nonspendable	1,007,489	2,101,468	3,108,957
Restricted	81,666	13,275	94,941
Committed	200,124	-	200,124
Assigned	173,408	-	173,408
Unassigned	(822,062)	-	(822,062)
<b>Total fund balances</b>	<b>640,625</b>	<b>2,114,743</b>	<b>2,755,368</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,189,823</b>	<b>\$ 2,114,743</b>	<b>\$ 3,304,566</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, 2013**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 182,560	\$ -	\$ 182,560
Charges for services	1,068,383	-	1,068,383
Investment income	7,661	41,549	49,210
Realized/unrealized gain (loss) on investments	-	170,182	170,182
Other revenue	1,253,126	10,315	1,263,441
<b>Total revenues</b>	<b>2,511,730</b>	<b>222,046</b>	<b>2,733,776</b>
Expenditures:			
General government	324,210	-	324,210
Public safety	25,988	-	25,988
Parks and recreation	689,370	-	689,370
Health, welfare and transportation	166,785	-	166,785
Unclassified	512,758	22,175	534,933
Debt service	493,769	-	493,769
Capital outlay	183,291	-	183,291
<b>Total expenditures</b>	<b>2,396,171</b>	<b>22,175</b>	<b>2,418,346</b>
Excess (deficiency) of revenues over (under) expenditures	115,559	199,871	315,430
Other financing sources (uses):			
Transfers in	260,107	-	260,107
Transfers out	-	(25,000)	(25,000)
Proceeds from bonds/notes/ capital leases	-	-	-
<b>Total other financing sources (uses)</b>	<b>260,107</b>	<b>(25,000)</b>	<b>235,107</b>
Net change in fund balances	375,666	174,871	550,537
Fund balances, beginning	264,959	1,939,872	2,204,831
<b>Fund balances, ending</b>	<b>\$ 640,625</b>	<b>\$ 2,114,743</b>	<b>\$ 2,755,368</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, 2013**

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Midcoast Center For Higher Education	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 28,305	\$ -	\$ 7,122	\$ 58,837	\$ -	\$ 94,264
Accounts receivable	2,889			-	-	2,889
Due from other governments	-	9,205	-	-	-	9,205
Notes receivable	-	1,007,489	-	-	-	1,007,489
Interfund loans receivable	-	-	-	75,976	-	75,976
<b>Total assets</b>	<b>\$ 31,194</b>	<b>\$ 1,016,694</b>	<b>\$ 7,122</b>	<b>\$ 134,813</b>	<b>\$ -</b>	<b>\$ 1,189,823</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>						
Liabilities:						
Accounts payable	\$ 20,067	\$ 9,146	\$ 4,246	\$ -	\$ -	\$ 33,459
Accrued expenditures	15,454	-	3,003	1,445	-	19,902
Escrow	-	-	-	-	-	-
Interfund loans payable	360,491	118,787	16,560	-	-	495,838
<b>Total liabilities</b>	<b>396,012</b>	<b>127,933</b>	<b>23,809</b>	<b>1,445</b>	<b>-</b>	<b>549,199</b>
Fund balances (deficits):						
Nonspendable - long-term receivables	-	1,007,489	-	-	-	1,007,489
Restricted	81,666	-	-	-	-	81,666
Committed	-	-	66,756	133,368	-	200,124
Assigned	173,408	-	-	-	-	173,408
Unassigned	(619,891)	(118,728)	(83,443)	-	-	(822,062)
<b>Total fund balances (deficits)</b>	<b>(364,817)</b>	<b>888,761</b>	<b>(16,687)</b>	<b>133,368</b>	<b>-</b>	<b>640,625</b>
<b>Total liabilities and fund balances</b>	<b>\$ 31,194</b>	<b>\$ 1,016,694</b>	<b>\$ 7,122</b>	<b>\$ 134,813</b>	<b>\$ -</b>	<b>\$ 1,189,823</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, 2013**

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Midcoast Center For Higher Education	Total
Revenues:						
Intergovernmental	\$ 23,428	\$ 43,464	\$ 115,668	\$ -	\$ -	\$ 182,560
Charges for services	499,927	-	80,572	-	487,884	1,068,383
Investment income	6,924	-	27	710	-	7,661
Other revenue	37,914	369,133	616	999	844,464	1,253,126
Total revenues	568,193	412,597	196,883	1,709	1,332,348	2,511,730
Expenditures:						
General government	36,774	287,436	-	-	-	324,210
Public safety	25,988	-	-	-	-	25,988
Parks and recreation	689,370	-	-	-	-	689,370
Health, welfare and transportation	3,208	-	163,577	-	-	166,785
Unclassified	7,292	-	-	152,958	352,508	512,758
Debt service	61,218	-	-	-	432,551	493,769
Capital outlay	-	-	87,841	-	95,450	183,291
Total expenditures	823,850	287,436	251,418	152,958	880,509	2,396,171
Excess (deficiency) of revenues over (under) expenditures	(255,657)	125,161	(54,535)	(151,249)	451,839	115,559
Other financing sources (uses):						
Transfers in (out)	264,003	-	71,932	133,900	(209,728)	260,107
Proceeds from bonds/notes/ capital leases	-	-	-	-	-	-
Total other financing sources (uses)	264,003	-	71,932	133,900	(209,728)	260,107
Net change in fund balances	8,346	125,161	17,397	(17,349)	242,111	375,666
Fund balances (deficits), beginning	(373,163)	763,600	(34,084)	150,717	(242,111)	264,959
<b>Fund balances (deficits), ending</b>	<b>\$ (364,817)</b>	<b>\$ 888,761</b>	<b>\$ (16,687)</b>	<b>\$ 133,368</b>	<b>\$ -</b>	<b>\$ 640,625</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, 2013**

	Fund balances (deficits) June 30, 2012		Revenues	Expenditures	Revenues over (under) expenditures	Transfers in (out)	Fund balances (deficits) June 30, 2013					
City Special Purpose Funds:												
Cemetary and Parks	\$	9,613	\$	2,535	\$	3,208	\$	(673)	\$	8,940		
Forestry Trust		29,860		207		150		57		29,917		
DARE		26,269		8,031		9,595		(1,564)		24,705		
Fire Department training		(3,038)		3,695		-		3,695	(657)	-		
Foresty Grants		(1,261)		6,618		10,568		(3,950)		(5,211)		
General Assistance - Almoner Fund		29,307		6,710		3,512		3,198		32,505		
Lambert Park Community Center		36,402		25,792		7,292		18,500		54,902		
Planning Grants		5,216		7,000		2,375		4,625		9,841		
Police Grants		16,713		14,295		16,393		(2,098)		14,615		
McMann Advertising		21,516		19,861		9,205		10,656		32,172		
Recreation - Other		28,845		28,836		31,411		(2,575)		26,270		
Other City programs		(57,216)		30,415		20,169		10,246	657	(46,313)		
Recreation (Fund 12)		(212,578)		319,565		525,116		(205,551)	204,003	(214,126)		
Skate park committee		(58,366)		-		-		-		(58,366)		
Bath Youth Meeting House (Fund 13)		(263,020)		74,173		100,070		(25,897)		(288,917)		
Armory Building (Fund 13)		(2,625)		20,453		84,786		(64,333)	60,000	(6,958)		
Swimming Pool Fund		21,200		7		-		7		21,207		
<b>Total City Special Purpose</b>	<b>\$</b>	<b>(373,163)</b>	<b>\$</b>	<b>568,193</b>	<b>\$</b>	<b>823,850</b>	<b>\$</b>	<b>(255,657)</b>	<b>\$</b>	<b>264,003</b>	<b>\$</b>	<b>(364,817)</b>
Transportation Programs:												
Bath City Bus	\$	(44,239)	\$	127,956	\$	174,718	\$	(46,762)	\$	53,932	\$	(37,069)
Park and Ride Vehicle Reserve		90,992		-		24,236		(24,236)		-		66,756
Trolley		(80,837)		68,927		52,464		16,463		18,000		(46,374)
<b>Total Transportation Programs</b>	<b>\$</b>	<b>(34,084)</b>	<b>\$</b>	<b>196,883</b>	<b>\$</b>	<b>251,418</b>	<b>\$</b>	<b>(54,535)</b>	<b>\$</b>	<b>71,932</b>	<b>\$</b>	<b>(16,687)</b>

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

## **NONMAJOR GOVERNMENTAL FUNDS**

### **PERMANENT FUNDS**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**CITY OF BATH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Balance Sheet**  
**June 30, 2013**

	Bailey Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 109,961	\$ 1,200	\$ -	\$ -	\$ 111,161
Investments	208,171	281,328	1,447,424	41,002	21,363	1,999,288
Interfund loans receivable	-	(197)	4,491	-	-	4,294
<b>Total assets</b>	<b>\$ 208,171</b>	<b>\$ 391,092</b>	<b>\$ 1,453,115</b>	<b>\$ 41,002</b>	<b>\$ 21,363</b>	<b>\$ 2,114,743</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Interfund loans payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:						
Nonspendable - principal	208,171	391,092	1,439,840	41,002	21,363	2,101,468
Restricted	-	-	13,275	-	-	13,275
<b>Total fund balances</b>	<b>208,171</b>	<b>391,092</b>	<b>1,453,115</b>	<b>41,002</b>	<b>21,363</b>	<b>2,114,743</b>
<b>Total liabilities and fund balances</b>	<b>\$ 208,171</b>	<b>\$ 391,092</b>	<b>\$ 1,453,115</b>	<b>\$ 41,002</b>	<b>\$ 21,363</b>	<b>\$ 2,114,743</b>

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

**CITY OF BATH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2013**

	Bailey Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total
Revenues:						
Investment income	\$ 3,785	\$ 9,310	\$ 27,319	\$ 746	\$ 389	\$ 41,549
Realized gain (loss) on investments	2,787	3,749	17,778	549	286	25,149
Unrealized gain (loss) on investments	12,863	17,615	110,703	2,533	1,319	145,033
Perpetual care contributions	-	-	10,315	-	-	10,315
<b>Total revenues</b>	<b>19,435</b>	<b>30,674</b>	<b>166,115</b>	<b>3,828</b>	<b>1,994</b>	<b>222,046</b>
Expenditures:						
Current:						
Distribution of income	2,617	6,710	-	516	269	10,112
Other	1,168	2,402	8,143	230	120	12,063
<b>Total expenditures</b>	<b>3,785</b>	<b>9,112</b>	<b>8,143</b>	<b>746</b>	<b>389</b>	<b>22,175</b>
Excess of revenues over expenditures	15,650	21,562	157,972	3,082	1,605	199,871
Other financing uses:						
Transfers out	-	-	(25,000)	-	-	(25,000)
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>
Net change in fund balances	15,650	21,562	132,972	3,082	1,605	174,871
Fund balances, beginning of year	192,521	369,530	1,320,143	37,920	19,758	1,939,872
<b>Fund balances, end of year</b>	<b>\$ 208,171</b>	<b>\$ 391,092</b>	<b>\$ 1,453,115</b>	<b>\$ 41,002</b>	<b>\$ 21,363</b>	<b>\$ 2,114,743</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, 2013**

	Interest Rate	Issue Date	Final Maturity Date	Annual Principal Payments	Balance beginning of year	Current Period		Balance end of year
						Issued	Retired	
<b>General Obligation Bonds</b>								
City issues:								
1992 Sewer Improvement Bonds	4.1%	1992	2012	\$ 165,550	\$ 165,550	\$ -	\$ 165,550	\$ -
1997 Wastewater Treatment Upgrade Bonds	Var.	1997	2017	315,000	1,890,000	-	315,000	1,575,000
1998 Library Bonds	Var.	1998	2012	35,700	35,900	-	35,900	-
2002 SRF Landfill/Pumping Station Bonds	Var.	2002	2022	107,500	982,500	-	116,791	865,709
2002 General Obligation Bonds	Var.	2002	2021	Var.	2,020,000	-	220,000	1,800,000
2004 General Obligation Bonds	Var.	2004	2020	Var.	965,000	-	125,000	840,000
2004 Note Payable-MCHE	5.500%	2004	2024	Var.	409,730	-	409,730	-
Building Renovation Note	5.125%	2006	2011	Var.	309,140	-	71,168	237,972
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	245,000	-	17,500	227,500
2008 General Obligation Bond	Var.	2008	2018	400,000	2,400,000	-	400,000	2,000,000
2008 General Obligation Bond	Var.	2008	2023	Var.	1,820,000	-	170,000	1,650,000
2008 SRF Sewer Bond	1.000%	2008	2023	93,333	1,026,668	-	93,333	933,335
2009 General Obligation Bond Series B	Var.	2009	2029	20,000	575,000	-	25,000	550,000
2010 General Obligation Bond Series C	6.750%	2009	2019	Var.	1,250,000	-	45,000	1,205,000
2009 AARA Clean Water Revolving Loan	0.000%	2009	2019	4,156	29,096	-	4,156	24,940
2011 General Obligation Bond	Var.	2011	2031	Var.	3,610,000	-	340,000	3,270,000
2011 Bath Armory	4.070%	2011	2021	Var.	160,471	-	15,120	145,351
2011 GOB Series B	Var.	2011	2030	Var.	2,392,271	-	303,905	2,088,366
2011 SRF GOB	Var.	2011	2031	Var.	1,883,600	-	94,180	1,789,420
2012 GOB	2.960%	2011	2033	Var.	308,000	-	30,800	277,200
2013 SRF GOB Clean Water Revolving Loan Fund	1.000%	2013	2033	Var.	-	651,500	-	651,500
2013 GOB Equipment Bath Savings	2.840%	2013	2033	Var.	-	128,000	-	128,000
2013 GOB Equipment Androscoggin	2.010%	2013	2015	Var.	-	130,000	-	130,000
<b>Total City issues</b>					<b>22,477,926</b>	<b>909,500</b>	<b>2,998,133</b>	<b>20,389,293</b>
School issues:								
2006 General Obligation Refunding Bond	4.375%	2006	2016	Var.	1,725,000	-	355,000	1,370,000
2008 General Obligation Bond	Var.	2008	2018	280,000	1,680,000	-	280,000	1,400,000
2011 GOB Series B	Var.	2011	2030	Var.	2,882,729	-	336,407	2,546,322
<b>Total School issues</b>					<b>6,287,729</b>	<b>-</b>	<b>971,407</b>	<b>5,316,322</b>
<b>Total long-term debt</b>					<b>\$ 28,765,655</b>	<b>\$ 909,500</b>	<b>\$ 3,969,540</b>	<b>\$ 25,705,615</b>

(1) The City has drawn down \$1,680,041 of the bond proceeds as of June 30, 2013. The remainder of \$319,959 is considered cash held in escrow at the MMBB.

(2) The City has drawn down \$0 of the bond proceeds as of June 30, 2013. The remainder of \$651,500 is considered cash held in escrow at the MMBB.

*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**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	\$ 13,428,379	\$ 13,659,493	\$ 13,404,814	\$ 15,307,788	\$ 15,130,542	\$ 15,428,457	\$ 15,362,119	\$ 15,315,512	\$ 15,705,846	\$ 16,532,159
Licenses and permits	79,168	90,128	132,935	150,943	150,922	124,046	94,999	88,635	95,303	97,289
Intergovernmental revenues	6,619,956	6,465,023	7,153,492	7,122,131	7,707,834	1,544,480	1,513,077	1,366,614	1,379,700	1,399,884
Charges for services	4,703,368	4,647,438	4,591,096	4,626,184	3,594,745	724,055	681,626	520,417	684,714	720,747
Investment income	109,238	152,877	211,305	331,063	278,480	102,215	1,640	24,891	134,612	832,701
Other revenues (1)	349,374	265,411	393,962	547,403	321,575	226,623	223,713	163,624	9,893,856	430,218
<b>Total revenues</b>	<b>25,289,483</b>	<b>25,280,370</b>	<b>25,887,604</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>
Expenditures:										
General government	1,054,390	1,058,485	1,102,444	1,197,766	1,178,350	1,224,846	1,244,402	1,260,787	1,285,916	1,405,278
Public safety	2,760,277	2,751,019	3,171,253	3,046,429	3,106,076	3,213,553	3,221,524	3,317,232	3,391,781	3,535,382
Public works	1,659,323	1,825,791	1,788,654	1,856,280	1,320,757	1,360,824	1,304,533	1,401,329	1,375,780	1,483,810
Health and welfare	75,691	98,495	106,539	101,382	29,238	54,324	66,744	62,794	79,161	84,607
Recreation	208,803	212,641	192,226	198,194	178,864	181,389	180,886	182,588	178,022	168,153
Education (3)	15,923,794	16,012,109	16,660,276	16,804,196	16,973,815	7,921,924	7,796,147	7,801,667	8,142,008	8,580,112
Intergovernmental	1,111,526	1,172,705	1,340,856	1,931,215	1,626,955	1,633,038	1,544,081	1,516,599	1,489,840	1,575,666
Unclassified (2)	1,366,646	1,314,909	1,468,356	1,623,623	1,519,835	1,511,878	1,588,679	1,642,827	1,677,007	2,363,231
Debt service	1,248,880	1,236,907	1,259,955	1,210,959	666,004	735,607	705,476	515,118	461,652	489,567
<b>Total expenditures</b>	<b>25,409,330</b>	<b>25,683,061</b>	<b>27,090,559</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>

(1) Does not include fund balance appropriations

(1) Includes transfers in

(2) Includes transfers out

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



Table B

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

Year	Current tax levy	Current tax collections	Total current year collections as a percent of total tax levy	Total all taxes and liens outstanding June 30,	Percent of delinquent taxes and liens to tax levy
2004	\$ 18,670,229	\$ 18,408,260	98.60%	\$ 472,017	2.53%
2005	19,254,866	18,774,056	97.50%	620,942	3.22%
2006	16,315,800	15,820,496	96.96%	825,008	5.06%
2007	18,247,413	17,737,947	97.21%	824,281	4.52%
2008	19,021,627	18,345,687	96.45%	1,068,914	5.62%
2009	20,096,686	19,293,028	96.00%	1,277,223	6.36%
2010	20,180,941	19,438,737	96.32%	1,037,126	5.14%
2011	20,250,356	19,581,162	96.70%	1,026,483	5.07%
2012	21,023,132	20,433,216	97.19%	988,183	4.70%
2013	22,158,114	21,512,634	97.09%	1,006,430	4.54%

**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		
2004	\$ 557,556,600	\$ 183,325,500	\$ 740,882,100	\$ 650,000,000	113.98%
2005	564,689,500	183,072,300	747,761,800	753,500,000	99.24%
2006	926,382,500	198,845,100	1,125,227,600	825,900,000	136.24%
2007	930,904,000	195,479,500	1,126,383,500	936,200,000	120.31%
2008	937,017,400	202,002,200	1,139,019,600	1,026,200,000	110.99%
2009	970,578,000	197,834,000	1,168,412,000	980,350,000	119.18%
2010	972,339,850	200,970,700	1,173,310,550	986,350,000	118.95%
2011	991,183,250	186,163,000	1,177,346,250	939,100,000	125.37%
2012	992,067,250	182,409,400	1,174,476,650	905,000,000	129.78%
2013	1,001,946,200	182,979,700	1,184,925,900	893,600,000	132.60%

**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
2004	\$ 25.20	\$ 7.91	\$ 14.87	\$ 2.42
2005	25.75	8.34	15.12	2.29
2006 (1)	14.50	5.42	8.40	0.68
2007	16.20	6.25	8.01	1.94
2008	16.70	6.27	8.60	1.83
2009	17.20	6.71	8.77	1.72
2010	17.20	7.02	8.50	1.68
2011	17.20	7.05	8.50	1.65
2012	17.90	7.41	8.87	1.62
2013	18.70	7.69	9.30	1.71

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

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

	<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>
2004	9,266	\$ 740,882	\$ 31,549,030	4.26%	\$ 3,405
2005	9,266	747,762	29,677,610	3.97%	3,203
2006	9,266	1,125,228	28,472,884	2.53%	3,073
2007	9,266	1,126,384	25,470,755	2.26%	2,749
2008	9,266	1,139,019	33,604,334	2.95%	3,627
2009	9,266	1,168,412	32,093,417	2.75%	3,464
2010	9,266	1,173,311	29,099,780	2.48%	3,140
2011	8,514	1,177,346	28,188,121	2.39%	3,311
2012	8,514	1,174,477	28,765,614	2.45%	3,379
2013	8,514	1,184,926	25,706,206	2.17%	3,019

(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
2004	\$ 2,538,760	\$ 1,293,702	\$ 3,832,462	\$ 25,409,330	15.08%
2005	2,421,420	1,259,835	3,681,255	25,683,061	14.33%
2006	2,552,726	1,167,849	3,720,575	27,090,559	13.73%
2007 (2)	2,502,129	1,096,391	3,598,520	27,970,044	12.87%
2008	2,566,421	966,189	3,532,610	26,599,894	13.28%
2009 (3)	2,541,408	803,593	3,345,001	17,554,893	19.05%
2010	2,450,174	794,194	3,244,368	17,366,398	18.68%
2011	2,133,238	761,859	2,895,097	17,421,409	16.62%
2012	2,292,534	772,930	3,065,464	17,821,177	17.20%
2013	2,988,251	703,198	3,691,449	19,267,871	19.16%

- (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, 2013**

Name	Type of operation	Assessed valuation	Amount of tax	% of net tax levy
Bath Iron Works	Ship building & repair	\$ 466,008,500	\$ 8,714,359	39.33%
Thomas Walsh	Motor - Hotel	11,346,800	212,185	0.96%
Bath Supermarket Improvement:	Retail Space	10,540,300	197,104	0.89%
Sagadahoc Real Estate Assoc	Office space	9,581,400	179,172	0.81%
Bath Savings	Banking Institution	8,276,800	154,776	0.70%
Dorks R Us	Hotel	8,215,100	153,622	0.69%
Bath Inline Improvements	Retail Space	7,471,600	139,719	0.63%
Northwood Housing	Residential housing	7,085,300	132,495	0.60%
EWT LLC	Residential Housing	6,629,500	123,972	0.56%
Central Maine Power	Electric Utility Company	6,354,000	118,820	0.54%
<b>Totals</b>		<b>\$ 541,509,300</b>	<b>\$ 10,126,224</b>	<b>45.70%</b>