

Audited Financial Statements and
Other Supplementary Information

City of Bath, Maine

June 30, 2016



Proven Expertise and Integrity

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

Table of Contents

FINANCIAL SECTION

| | <u>Statement</u> | <u>Page(s)</u> |
|--|------------------|----------------|
| Independent Auditors' Report | | 1-3 |
| Management's Discussion and Analysis | | 4-11 |
| Basic Financial Statements: | | |
| Government-wide Financial Statements: | | |
| Statement of Net Position | 1 | 12 |
| Statement of Activities | 2 | 13 |
| Fund Financial Statements: | | |
| Balance Sheet – Governmental Funds | 3 | 14 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 4 | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 5 | 16 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 6 | 17 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Budgetary Basis – All Budgeted Governmental Funds | 7 | 18 |
| Notes to Basic Financial Statements | | 19-46 |
| Required Supplementary Information: | | |
| Schedule of Funding Progress | | 47 |
| Schedule of Proportionate Share of the Net Pension Liability | | 48 |
| Schedule of Contributions | | 49 |
| Notes to Required Supplementary Information | | 50 |
| | <u>Exhibit</u> | <u>Page(s)</u> |
| Combining and Individual Fund Statements and Schedules: | | |
| General Fund: | | |
| Comparative Balance Sheet | A-1 | 51 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis | A-2 | 52-54 |
| Capital Projects Funds: | | |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | B | 55 |
| Other Governmental Funds: | | |
| Combining Balance Sheet | C-1 | 56 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | C-2 | 57 |
| Nonmajor Special Revenue Funds: | | |
| Combining Balance Sheet | D-1 | 58 |

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

Table of Contents, Continued

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

STATISTICAL SECTION

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

FEDERAL COMPLIANCE

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



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INDEPENDENT AUDITORS' REPORT

City Council
City of Bath
Bath, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bath, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Bath, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bath, Maine as of June 30, 2016, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Sewer Utility Fund and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress retiree healthcare plan, and pension related information on pages 4 through 11 and 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund statements and schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

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

RHR Smith & Company

Buxton, Maine
January 13, 2017

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

(UNAUDITED)

The following management's discussion and analysis of City of Bath, Maine's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Schedule of Funding Progress for the Retiree Healthcare Plan, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions, and Notes to Required Supplementary Information.

Other Supplementary Information

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

Government-Wide Financial Analysis

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

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by \$676,967 for governmental activities to a balance of \$7.53 million at the end of this year.

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

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

Revenues and Expenses

Revenues for the City's governmental activities increased by 2.32%, while the total expenses decreased by 4.16%. Most revenue and expense categories were consistent with prior year amounts.

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

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|-----------------------------|
| Revenues | | |
| <i>Program revenues:</i> | | |
| Charges for services | \$ 4,431,837 | \$ 4,437,697 |
| Operating grants and contributions | 367,810 | 306,787 |
| Capital grants and contributions | 762,011 | 732,444 |
| <i>General revenues:</i> | | |
| Taxes | 26,343,522 | 25,186,375 |
| Grants and contributions not restricted to specific programs | 1,595,442 | 1,144,540 |
| Miscellaneous | 119,662 | 1,048,690 |
| Total Revenues | <u>33,620,284</u> | <u>32,856,533</u> |
| Expenses | | |
| General government | 1,567,929 | 1,439,509 |
| Public works and wastewater treatment | 4,520,458 | 5,261,731 |
| Public safety | 4,045,075 | 3,708,752 |
| Parks and recreation | 843,135 | 781,003 |
| Health, welfare, and transportation | 256,727 | 249,956 |
| Education | 9,375,077 | 9,157,789 |
| Intergovernmental | 1,694,380 | 1,674,864 |
| Unclassified | 7,738,332 | 8,419,503 |
| Interest on debt | 450,960 | 441,327 |
| Capital outlay | 203,211 | 893,264 |
| Total Expenses | <u>30,695,284</u> | <u>32,027,698</u> |
| Change in Net Position | 2,925,001 | 828,835 |
| Net Position - July 1 | <u>24,644,642</u> | <u>23,815,807</u> |
| Net Position - June 30 | <u><u>\$ 27,569,643</u></u> | <u><u>\$ 24,644,642</u></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>2016</u> | <u>2015</u> |
|------------------------------|-----------------------------|-----------------------------|
| General Fund: | | |
| Nonspendable | \$ 35,484 | \$ 40,209 |
| Committed | 9,928,198 | 10,938,674 |
| Assigned | 249,601 | 327,512 |
| Unassigned | 1,981,933 | 1,104,870 |
| Total General Fund | <u><u>\$ 12,195,216</u></u> | <u><u>\$ 12,411,265</u></u> |
| Sewer Utility Fund: | | |
| Committed | <u>\$ 838,139</u> | <u>\$ 738,450</u> |
| Total Sewer Utility Fund | <u><u>\$ 838,139</u></u> | <u><u>\$ 738,450</u></u> |
| TIF Funds: | | |
| Restricted | <u>\$ 813,612</u> | <u>\$ 456,877</u> |
| Total TIF Funds | <u><u>\$ 813,612</u></u> | <u><u>\$ 456,877</u></u> |
| Landfill Fund: | | |
| Committed | <u>\$ 880,316</u> | <u>\$ 1,197,934</u> |
| Total Landfill Fund | <u><u>\$ 880,316</u></u> | <u><u>\$ 1,197,934</u></u> |
| Capital Projects Funds: | | |
| Committed | <u>\$ 1,336,419</u> | <u>\$ 1,810,608</u> |
| Total Capital Projects Funds | <u><u>\$ 1,336,419</u></u> | <u><u>\$ 1,810,608</u></u> |
| Nonmajor Funds: | | |
| Special Revenue Funds: | | |
| Nonspendable | \$ 851,086 | \$ 901,173 |
| Restricted | 127,902 | 149,746 |
| Committed | 135,677 | 133,615 |
| Assigned | 332,005 | 299,328 |
| Unassigned | (535,784) | (631,911) |
| Permanent Funds: | | |
| Nonspendable | 2,643,356 | 2,525,314 |
| Restricted | 7,618 | 7,618 |
| Total Nonmajor Funds | <u><u>\$ 3,561,860</u></u> | <u><u>\$ 3,384,883</u></u> |

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

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

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund.

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

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

Capital Asset and Debt Administration

Capital Assets

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

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

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

Debt

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

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

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

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF BATH, MAINE
Statement of Net Position
June 30, 2016

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

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

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

| Functions/programs | Expenses | Program Revenues | | | Net (expense) revenue and changes in net position | |
|---------------------------------------|---------------|----------------------|------------------------------------|----------------------------------|---|--|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | Primary Government | |
| | | | | | Governmental activities | |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 1,567,929 | \$ 164,139 | \$ 168,782 | \$ - | \$ (1,235,008) | |
| Public works and wastewater treatment | 4,520,458 | 2,927,201 | - | 88,179 | (1,505,078) | |
| Public safety | 4,045,075 | 811,532 | 14,642 | - | (3,218,901) | |
| Parks and recreation | 843,135 | 460,574 | - | - | (382,561) | |
| Health, welfare, and transportation | 256,727 | 68,391 | 74,572 | - | (113,764) | |
| Education | 9,375,077 | - | - | - | (9,375,077) | |
| Intergovernmental | 1,694,380 | - | - | - | (1,694,380) | |
| Unclassified | 7,738,332 | - | 109,814 | - | (7,628,518) | |
| Interest on debt | 450,960 | - | - | - | (450,960) | |
| Capital outlay | 203,211 | - | - | 673,832 | 470,621 | |
| Total governmental activities | 30,695,284 | 4,431,837 | 367,810 | 762,011 | (25,133,626) | |
| Total primary government | \$ 30,695,284 | \$ 4,431,837 | \$ 367,810 | \$ 762,011 | (25,133,626) | |

General revenues:

| | |
|---|----------------------|
| Property taxes, levied for general purposes | 25,109,950 |
| Contributions in lieu of taxes | 54,282 |
| Motor vehicle excise taxes | 1,179,290 |
| Grants and contributions not restricted to specific programs: | |
| Homestead and BETE exemption | 1,040,566 |
| Other State/Federal aid | (29,979) |
| State Revenue Sharing | 584,855 |
| Unrestricted investment earnings (loss), net | (227,209) |
| Other | 346,871 |
| Total general revenues | 28,058,626 |
| Change in net position | 2,925,001 |
| Net position - beginning | 24,644,642 |
| Net position - ending | \$ 27,569,643 |

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

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

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

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

CITY OF BATH, MAINE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

| | |
|--|----------------------|
| Total Fund Balances | \$ 19,625,562 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital position used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| More specifically, non-depreciable & depreciable capital position as reported on Statement 1 | 33,299,168 |
| Long-term receivable from RSU #1 for bonds held in the City's name. | 2,479,497 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 801,500 |
| Land held for sale | 1,389,580 |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds: | |
| Accrued compensated absences | (339,902) |
| Other post-employment benefits | (889,212) |
| Net pension liability, including related deferred outflows and inflows | (4,285,129) |
| Accrued interest | (162,700) |
| Landfill closure | (4,180,000) |
| Capital leases | (39,080) |
| Bonds payable | (20,129,641) |
| Net position of governmental activities | \$ 27,569,643 |

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

CITY OF BATH, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

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

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

CITY OF BATH, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2016

| | | |
|---|----|-----------|
| Net change in fund balances - total governmental funds (from Statement 5) | \$ | (374,455) |
|---|----|-----------|

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

| | | |
|---|--|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those position is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlays (\$2,663,519) were more than depreciation expense (\$1,632,849) and capital asset disposals (\$6,786). | | 1,023,884 |
|---|--|-----------|

| | | |
|--|--|----------|
| 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. | | (38,500) |
|--|--|----------|

| | | |
|---|--|-----------|
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the decrease in accrued interest (\$27,185) net of the increase in other post-employment benefits (\$63,868), accrued compensated absences (\$15,867) and net pension liability with related deferred inflows and outflows (\$241,073). | | (293,623) |
|---|--|-----------|

| | | |
|--|--|--------|
| Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments on leases. | | 46,273 |
|--|--|--------|

| | | |
|---|--|-----------|
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (\$3,782,630) and exceeded debt proceeds (\$715,500). | | 3,067,130 |
|---|--|-----------|

| | | |
|---|--|-----------|
| The City has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #1 when the debt service payments are due. The City has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$2,462,937 with principal amounts paid off during the year totaling \$938,165 with a net change in accrued interest of \$7,543. | | (945,708) |
|---|--|-----------|

| | | |
|--|--|---------|
| 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. | | 440,000 |
|--|--|---------|

| | | |
|--|-----------|------------------|
| Change in net position of governmental activities (see Statement 2) | \$ | 2,925,001 |
|--|-----------|------------------|

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

CITY OF BATH, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Budgeted Governmental Funds - Budget and Actual - Budgetary Basis
For the year ended June 30, 2016

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

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

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

THE REPORTING ENTITY

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

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

Bath Local Development Corporation (Bath LDC)

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The City reports the following major governmental funds:

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

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

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

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

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

C. Budget

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

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

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

D. Cash, Cash Equivalents and Investments

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Cash, Cash Equivalents and Investments, continued

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

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

E. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption and are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventories consist of vehicle fuel for consumption by the City and other regional governmental organizations.

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

F. Interfund Receivables and Payables

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

G. Transactions Between Funds

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

H. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$44,161 for the general fund accounts receivable and \$20,000 for the sewer utility fund accounts receivable (which are both part of other receivables on the balance sheet) as of June 30, 2016.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Capital Assets

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

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

J. Compensated Absences

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

K. Long-term Obligations

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Net Position

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

M. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

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

N. Fund Balances

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

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources that are subject to limitations the government imposes on itself at its highest level of decision-making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

N. Fund Balances, continued

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

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

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

O. Encumbrances

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

P. Pensions

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

Q. Use of Estimates

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

R. Net Investment in Capital Assets

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net investment in capital assets was calculated as follows at June 30, 2016:

| | |
|---|----------------------|
| Capital assets | \$ 62,477,875 |
| Accumulated depreciation | (29,178,707) |
| Bonds payable | (20,129,641) |
| Long-term receivable from RSU #1 for debt service | 2,462,937 |
| Capital leases payable | (39,080) |
| Total net investment in capital assets | \$ 15,593,384 |

S. Implementation of New Accounting Standards

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

S. Implementation of New Accounting Standards, continued

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

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

PROPERTY TAX

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

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

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

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

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

PROPERTY TAX, CONTINUED

The following summarizes the levy:

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

DEPOSITS AND INVESTMENTS

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

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

DEPOSITS AND INVESTMENTS, CONTINUED

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City will not be able to recover its deposits. The City does not have a policy covering custodial credit risk for deposits. However, the City maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2016, the City's deposits amounting to \$5,637,535 and cash equivalents of \$162,732 were comprised of bank deposits of \$5,695,434. Of these bank deposits, \$709,350 was covered by federal depository insurance and \$4,986,084 was collateralized with securities held by the financial institution's agent but not in the City's name. The cash equivalents of \$162,732 were covered by the Securities Investor Protection Corporation (SIPC).

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

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does not have a policy for custodial credit risk for investments. The City's investments of \$12,717,936 are not exposed to custodial credit risk because those securities are registered in the City's name and are held by the City's brokerage firm.

At June 30, 2016, the City had the following investments:

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

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

DEPOSITS AND INVESTMENTS, CONTINUED

Fair Value Hierarchy

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

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

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

Credit risk – Statutes for the State of Maine authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. As of June 30, 2016, the City's investments in corporate bonds were rated AA- (\$227,429), A+ (\$201,778), A (\$376,726), A- (\$567,306), BBB+ (\$509,899), BBB (\$1,085,562), BBB- (\$628,900), and BB- (\$148,875) by Standard & Poor's Rating Service. The City's holdings in tax-exempt bonds and negotiable certificates of deposit totaling \$245,685 were not rated.

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

DEPOSITS AND INVESTMENTS, CONTINUED

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

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

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

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

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

Governmental activities:

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

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

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

INTERFUND BALANCES, ADVANCES AND TRANSFERS

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

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

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

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, was as follows:

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

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

SHORT-TERM DEBT

On June 3, 2015, the City Council approved the issuance of a \$3,000,000 tax anticipation note to cover cash short falls during the year. Tax anticipation note activity for the year ended June 30, 2016, was as follows:

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

LONG-TERM DEBT

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

- (1) As of July 1, 2008, the Bath School Department joined Regional School Unit #1. RSU #1 will reimburse the City of Bath for all Bath School Department bonds payable when the debt service payments are due. The City has recorded a long-term receivable for \$2,462,937, which is the outstanding amount of bonds payable related to the School Department. The City also records a long-term receivable for the accrued interest on these bonds that totals \$16,560 for a total long-term receivable of \$2,479,497.

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

LONG-TERM DEBT, CONTINUED

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

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

CAPITAL LEASES

The City of Bath has entered into various lease agreements as lessee for various equipment. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of their inception. The value of assets capitalized under these leases as of June 30, 2016 was \$414,428.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2016:

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

LANDFILL CLOSURE AND POSTCLOSURE COSTS

The City of Bath is currently operating a landfill for residential and commercial sanitary waste, demolition debris, and other materials. In 1991, the City entered into a consent decree with the State of Maine for the development and implementation of a corrective action plan and application to re-license with a proposed vertical expansion. The City met all terms of the consent decree and received approval from the State on the new license and vertical expansion. As part of the corrective action plan, the City closed certain sections of the

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

LANDFILL CLOSURE AND POSTCLOSURE COSTS, CONTINUED

landfill and prepared to make improvements that would extend the useful life of the facility. On November 6, 2001, voters approved the City Council's authorization of \$8,140,000 in general obligation bonds. Of this bond issuance, \$3,000,000 was to provide funds for landfill improvements, otherwise referred to as the Landfill Project. In September 2002 (the "2002 Bonds"), \$1,200,000 was issued to finance the Landfill Project. An additional amount of \$600,000 was financed through the State Revolving Loan Program (SRF) jointly through the Maine Municipal Bond Bank and the Maine Department of Environmental Protection. Another bond issuance in June 2004 (the "2004 Bonds") provided the remaining \$1,200,000 previously authorized for the Landfill Project. On January 30, 2008, the City issued \$4,500,000 in voter-approved debt for construction of a new cell and gas mitigation system. At June 30, 2016, the landfill had reached approximately 70.44% capacity of the current configuration (post Landfill project expansion). The estimated cost for closure after it reaches existing capacity is approximately \$3,500,000. Post closure costs, such as monitoring and maintenance for 30 years is estimated to be \$2,300,000. As such, the City has recognized a liability based on the percentage used as of June 30, 2016, of \$2,550,000 for closure, and an estimate for post closure costs of \$1,630,000. This results in a total of \$4,180,000 estimated liability of closure and post closure costs in the government-wide financial statements. The actual closure and post closure costs may vary from this estimate due to inflation, changes in technology, recycling, engineering estimates, expansion of the existing landfill, or changes in landfill laws. Currently \$266,783 is reflected as a cash equivalent and investment in the City's Landfill Fund. It is the intent of the City Council to earmark additional funding for landfill closure costs on an annual basis.

OVERLAPPING DEBT

The City of Bath, Maine is situated in Sagadahoc County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Sagadahoc County, for which the City of Bath would be proportionally responsible in the event the County defaulted, amounted to \$1,318,393 at June 30, 2016, which is 20.42% of the County's total debt of \$6,456,382.

LIMITATION ON MUNICIPAL SPENDING

The City's charter provides for a limitation on expenditures each year based upon the annual increase in the National Consumer Price Index ("CPI") as determined by the United States Department of Labor. Exceptions to the limitations are made for proceeds of new bond issues approved by public referendum, debt service required to support new bonded indebtedness, expenditures of Federal and State grants, expenditures for programs mandated and funded by the Federal and State governments, expenditures of insurance proceeds for replacement of covered assets, and emergency appropriations by the City Council in accordance with the City's charter. The expenditures of the City of Bath, Maine for the year ended June 30, 2016 were made in accordance with the above charter limitations.

SIGNIFICANT TAXPAYER

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

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

FUND BALANCE COMPONENTS

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

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

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

DEFICIT FUND BALANCES

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

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

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

EXPENDITURES OVER APPROPRIATIONS

The City had the following overspent appropriations as of June 30, 2016:

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

DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

City employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative

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

DEFINED BENEFIT PENSION PLAN, CONTINUED

action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits, which are established by contract with PLD employers under applicable statutory provisions.

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

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The City's 2C plan members and 3C plan members are required to contribute 7.5% and 9.0% respectively of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 8.9% for the 2C plan and 11.4% for the 3C plan of covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The City's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2016 was \$532,584.

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

At June 30, 2016, the City reported a liability of \$3,871,912 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2015, the City's proportion was 1.213589%, which was a decrease of 0.157404% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized total pension expense of \$241,073. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

DEFINED BENEFIT PENSION PLAN, CONTINUED

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

\$532,584 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | PLD Plan |
|---------------------|--------------|
| Year ended June 30: | |
| 2016 | \$ (439,248) |
| 2017 | (439,248) |
| 2018 | (366,059) |
| 2019 | 298,754 |
| 2020 | - |
| Thereafter | - |

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2015, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions (Continued)

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

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

Asset Valuation Method

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

Amortization

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015 are as follows:

Investment Rate of Return - For the PLD Plan, 7.125% per annum, compounded annually.

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

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

Cost of Living Benefit Increases – 2.55% for participating local districts.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2015 are summarized in the following table:

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

DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions (Continued)

| Asset Class | PLD Plan | |
|-----------------|-------------------|--|
| | Target Allocation | Long-term Expected Real Rate of Return |
| US equities | 20% | 5.2% |
| Non-US equities | 20% | 5.5% |
| Private equity | 10% | 7.6% |
| Real assets: | | |
| Real estate | 10% | 3.7% |
| Infrastructure | 10% | 4.0% |
| Hard assets | 5% | 4.8% |
| Fixed income | 25% | 0.7% |

Discount Rate

The discount rate used to measure the collective total pension liability was 7.125% for 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2015 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 7.125% for the PLD Consolidated Plan.

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

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

DEFINED BENEFIT PENSION PLAN, CONTINUED

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2015 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2015, this was 4 years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan.

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

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

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2015 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (800) 451-9800.

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years.

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

DEFERRED COMPENSATION PLAN, CONTINUED

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

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

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

RISK MANAGEMENT

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

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchases, the City is not aware of any material actual or potential claims that should be recorded at June 30, 2016. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

OTHER POST-EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the City of Bath, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The City is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The City is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in July 2014 based on an actuarial valuation date of January 1, 2014.

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

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

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

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

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

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

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

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

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

Funding Status and Funding Progress – The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30 were as follows:

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

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

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

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

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

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

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

CONTINGENCIES

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

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

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

COMPARATIVE DATA/RECLASSIFICATIONS

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

SUBSEQUENT EVENTS

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

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

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

Schedule of Funding Progress
Retiree Healthcare Plan

| <u>Fiscal Year</u> | <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll [(b-a) /c]</u> |
|--------------------|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|---|
| 2010 | 1/1/09 | \$ - | 1,817,040 | 1,817,040 | 0.00% | 4,494,282 | 40.43% |
| 2011 | 1/1/11 | \$ - | 1,965,984 | 1,965,984 | 0.00% | 4,753,104 | 41.36% |
| 2012 | 1/1/11 | \$ - | 1,965,984 | 1,965,984 | 0.00% | 4,847,374 | 40.56% |
| 2013 | 1/1/11 | \$ - | 1,965,984 | 1,965,984 | 0.00% | 5,267,709 | 37.32% |
| 2014 | 1/1/14 | \$ - | 1,479,382 | 1,479,382 | 0.00% | 5,425,740 | 27.30% |
| 2015 | 1/1/14 | \$ - | 1,479,382 | 1,479,382 | 0.00% | 5,583,092 | 26.50% |
| 2016 | 1/1/14 | \$ - | 1,479,382 | 1,479,382 | 0.00% | 5,756,941 | 25.70% |

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

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

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

LAST 10 FISCAL YEARS*

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

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

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

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

SCHEDULE OF CONTRIBUTIONS

LAST 10 FISCAL YEARS*

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

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

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

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

Changes of Assumptions

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

GENERAL FUND

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

CITY OF BATH, MAINE
General Fund
Comparative Balance Sheet
June 30, 2016 and 2015

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

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

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Budgetary Basis
For the year ended June 30, 2016
(with comparative actual amounts for the year ended June 30, 2015)

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

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued
For the year ended June 30, 2016
(with comparative actual amounts for the year ended June 30, 2015)

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

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued
For the year ended June 30, 2016
(with comparative actual amounts for the year ended June 30, 2015)

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

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

CAPITAL PROJECTS FUNDS

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

CITY OF BATH, MAINE
Capital Projects
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

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

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

ALL OTHER GOVERNMENTAL FUNDS

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

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

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

CITY OF BATH, MAINE
Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

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

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

CITY OF BATH, MAINE
Nonmajor Special Revenues Funds
Combining Balance Sheet
June 30, 2016

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

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

CITY OF BATH, MAINE
Nonmajor Special Revenues Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

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

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

CITY OF BATH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
For the year ended June 30, 2016

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

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

NONMAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

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

CITY OF BATH, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2016

| | Bailey Evening School | Beneficiary Trust | Cemetery Trusts | Mausoleum Trusts | Forestry Trust | Old Folks Home | School Trusts | Total |
|--|-----------------------------|----------------------|---------------------|---------------------|-------------------|-------------------|------------------|---------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 110,655 | \$ 1,202 | \$ - | \$ - | \$ - | \$ - | \$ 111,857 |
| Investments | 259,010 | 348,661 | 1,739,279 | 70,890 | 31,697 | 51,016 | 26,582 | 2,527,134 |
| Interfund loans receivable | - | (186) | 12,168 | - | - | - | - | 11,982 |
| Total assets | \$ 259,010 | \$ 459,130 | \$ 1,752,649 | \$ 70,890 | \$ 31,697 | \$ 51,016 | \$ 26,582 | \$ 2,650,974 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Interfund loans payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | - | - | - | - | - | - | - | - |
| Fund balances: | | | | | | | | |
| Nonspendable - principal | 259,010 | 459,130 | 1,745,031 | 70,890 | 31,697 | 51,016 | 26,582 | 2,643,356 |
| Restricted | - | - | 7,618 | - | - | - | - | 7,618 |
| Total fund balances | 259,010 | 459,130 | 1,752,649 | 70,890 | 31,697 | 51,016 | 26,582 | 2,650,974 |
| Total liabilities and fund balances | \$ 259,010 | \$ 459,130 | \$ 1,752,649 | \$ 70,890 | \$ 31,697 | \$ 51,016 | \$ 26,582 | \$ 2,650,974 |

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, 2016

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

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

LONG-TERM DEBT

CITY OF BATH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2016

| | Interest Rate | Issue Date | Final Maturity Date | Annual Principal Payments | Balance, Beginning of Year | Current Period | | Balance, End of Year |
|--|------------------|---------------|---------------------------|---------------------------------|----------------------------------|----------------|--------------|----------------------------|
| | | | | | | Issued | Retired | |
| <u>General Obligation Bonds</u> | | | | | | | | |
| City issues: | | | | | | | | |
| 1997 Wastewater Treatment Upgrade Bonds | Var. | 1997 | 2017 | \$ 315,000 | \$ 945,000 | \$ - | \$ 315,000 | \$ 630,000 |
| 2002 SRF Landfill/Pumping Station Bonds | Var. | 2002 | 2022 | 107,500 | 650,709 | - | 107,500 | 543,209 |
| 2004 General Obligation Bonds | Var. | 2004 | 2020 | Var. | 600,000 | - | 120,000 | 480,000 |
| Building Renovation Note | 5.125% | 2006 | 2011 | Var. | 83,856 | - | 83,856 | - |
| Wastewater Revolving Loan Fund | 1.780% | 2006 | 2026 | 17,500 | 192,500 | - | 17,500 | 175,000 |
| 2008 General Obligation Bond | Var. | 2008 | 2018 | 400,000 | 1,200,000 | - | 200,000 | 1,000,000 |
| 2008 General Obligation Bond | Var. | 2008 | 2023 | Var. | 1,320,000 | - | 365,000 | 955,000 |
| 2008 SRF Sewer Bond | 1.000% | 2008 | 2023 | 93,333 | 746,667 | - | 93,333 | 653,334 |
| 2009 General Obligation Bond Series B | Var. | 2009 | 2029 | 20,000 | 500,000 | - | 55,000 | 445,000 |
| 2010 General Obligation Bond Series C | 6.750% | 2009 | 2019 | Var. | 1,110,000 | - | 25,000 | 1,085,000 |
| 2009 AARA Clean Water Revolving Loan | 0.000% | 2009 | 2019 | 4,156 | 16,626 | - | 4,156 | 12,470 |
| 2011 General Obligation Bond | Var. | 2011 | 2031 | Var. | 2,590,000 | - | 340,000 | 2,250,000 |
| 2011 GOB Series B | Var. | 2011 | 2030 | Var. | 1,513,743 | - | 271,790 | 1,241,953 |
| 2011 SRF GOB | Var. | 2011 | 2031 | Var. | 1,601,060 | - | 94,180 | 1,506,880 |
| 2013 SRF GOB Clean Water Revolving Loan Fund | 1.000% | 2013 | 2033 | Var. | 586,350 | - | 32,575 | 553,775 |
| 2013 GOB Equipment Bath Savings | 2.840% | 2013 | 2033 | Var. | 91,428 | - | 18,286 | 73,142 |
| 2014 GOB Equipment | Var. | 2014 | 2021 | Var. | 162,465 | - | 40,930 | 121,535 |
| 2014 GOB Road Bond and Refinance | Var. | 2014 | 2029 | Var. | 4,015,000 | - | 435,000 | 3,580,000 |
| 2015 Bath Savings Bank | Var. | 2015 | 2025 | Var. | 1,205,000 | - | 105,890 | 1,099,110 |
| 2015 Equipment GOB Bath Savings | Var. | 2015 | 2024 | Var. | 665,265 | - | 119,468 | 545,797 |
| 2016 Equipment GOB Bath Savings | Var. | 2016 | 2025 | Var. | - | 715,500 | - | 715,500 |
| Total City issues | | | | | 19,795,669 | 715,500 | 2,844,465 | 17,666,704 |
| School issues: | | | | | | | | |
| 2006 General Obligation Refunding Bond | 4.375% | 2006 | 2016 | Var. | 675,000 | - | 340,000 | 335,000 |
| 2008 General Obligation Bond | Var. | 2008 | 2018 | 280,000 | 840,000 | - | 280,000 | 560,000 |
| 2011 GOB Series B | Var. | 2011 | 2030 | Var. | 1,886,102 | - | 318,165 | 1,567,937 |
| Total School issues | | | | | 3,401,102 | - | 938,165 | 2,462,937 |
| Total long-term debt | | | | | \$ 23,196,771 | \$ 715,500 | \$ 3,782,630 | \$ 20,129,641 |

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

STATISTICAL TABLES

Table A

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 15,307,788 | \$ 15,130,542 | \$ 15,428,457 | \$ 15,362,119 | \$ 15,315,512 | \$ 15,705,846 | \$ 16,532,159 | \$ 17,208,440 | \$ 17,676,989 | \$ 18,207,985 |
| Licenses and permits | 150,943 | 150,922 | 124,046 | 94,999 | 88,635 | 95,303 | 97,289 | 130,212 | 186,367 | 164,139 |
| Intergovernmental revenues | 7,122,131 | 7,707,834 | 1,544,480 | 1,513,077 | 1,366,614 | 1,379,700 | 1,399,884 | 1,186,564 | 1,244,048 | 1,653,604 |
| Charges for services | 4,626,184 | 3,594,745 | 724,055 | 681,626 | 520,417 | 684,714 | 720,747 | 700,922 | 761,208 | 870,502 |
| Investment income | 331,063 | 278,480 | 102,215 | 1,640 | 24,891 | 134,612 | 832,701 | 1,516,078 | 402,468 | (302,653) |
| Other revenues (1) | 547,403 | 321,575 | 226,623 | 223,713 | 163,624 | 9,893,856 | 430,218 | 194,007 | 238,953 | 294,206 |
| Total revenues | 28,085,512 | 27,184,098 | 18,149,876 | 17,877,174 | 17,479,693 | 27,894,031 | 20,012,998 | 20,936,223 | 20,510,033 | 20,887,783 |
| Expenditures: | | | | | | | | | | |
| General government | 1,197,766 | 1,178,350 | 1,224,846 | 1,244,402 | 1,260,787 | 1,285,916 | 1,405,278 | 1,452,446 | 1,350,245 | 1,296,072 |
| Public safety | 3,046,429 | 3,106,076 | 3,213,553 | 3,221,524 | 3,317,232 | 3,391,781 | 3,535,382 | 3,555,031 | 3,644,915 | 3,675,015 |
| Public works | 1,856,280 | 1,320,757 | 1,360,824 | 1,304,533 | 1,401,329 | 1,375,780 | 1,483,810 | 1,545,955 | 1,617,761 | 1,472,145 |
| Health and welfare | 101,382 | 29,238 | 54,324 | 66,744 | 62,794 | 79,161 | 84,607 | 74,798 | 54,234 | 70,562 |
| Recreation | 198,194 | 178,864 | 181,389 | 180,886 | 182,588 | 178,022 | 168,153 | 167,257 | 166,651 | 172,107 |
| Education (3) | 16,804,196 | 16,973,815 | 7,921,924 | 7,796,147 | 7,801,667 | 8,142,008 | 8,580,112 | 8,894,294 | 9,157,789 | 9,375,077 |
| Intergovernmental | 1,931,215 | 1,626,955 | 1,633,038 | 1,544,081 | 1,516,599 | 1,489,840 | 1,575,666 | 1,649,188 | 1,674,864 | 1,694,380 |
| Unclassified (2) | 1,623,623 | 1,519,835 | 1,511,878 | 1,588,679 | 1,642,827 | 1,677,007 | 2,363,231 | 2,485,381 | 3,732,106 | 2,726,666 |
| Debt service | 1,210,959 | 666,004 | 735,607 | 705,476 | 515,118 | 461,652 | 489,567 | 354,395 | 532,271 | 628,897 |
| Total expenditures | 27,970,044 | 26,599,894 | 17,837,383 | 17,652,472 | 17,700,941 | 18,081,167 | 19,685,806 | 20,178,745 | 21,930,836 | 21,110,921 |

(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 |
|-------------|-----------------------------|--|--|---|--|
| 2007 | \$ 18,247,413 | \$ 17,737,947 | 97.21% | \$ 824,281 | 4.52% |
| 2008 | 19,021,627 | 18,345,687 | 96.45% | 1,068,914 | 5.62% |
| 2009 | 20,096,686 | 19,293,028 | 96.00% | 1,277,223 | 6.36% |
| 2010 | 20,180,941 | 19,438,737 | 96.32% | 1,037,126 | 5.14% |
| 2011 | 20,250,356 | 19,581,162 | 96.70% | 1,026,483 | 5.07% |
| 2012 | 21,023,132 | 20,433,216 | 97.19% | 988,183 | 4.70% |
| 2013 | 22,158,114 | 21,512,634 | 97.09% | 1,006,361 | 4.54% |
| 2014 | 23,267,940 | 22,581,573 | 97.05% | 1,062,888 | 4.57% |
| 2015 | 23,907,936 | 23,204,257 | 97.06% | 1,181,476 | 4.94% |
| 2016 | 24,986,622 | 24,323,998 | 97.35% | 1,050,121 | 4.20% |

Table C

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

| Year | Assessed Value | | | State Equalized Valuation | Ratio of Total Assessed Value to State Equalized Value |
|------|----------------|----------------|------------------|---------------------------------|---|
| | Real | Personal | Total | | |
| 2007 | \$ 930,904,000 | \$ 195,479,500 | \$ 1,126,383,500 | \$ 936,200,000 | 120.31% |
| 2008 | 937,017,400 | 202,002,200 | 1,139,019,600 | 1,026,200,000 | 110.99% |
| 2009 | 970,578,000 | 197,834,000 | 1,168,412,000 | 980,350,000 | 119.18% |
| 2010 | 972,339,850 | 200,970,700 | 1,173,310,550 | 986,350,000 | 118.95% |
| 2011 | 991,183,250 | 186,163,000 | 1,177,346,250 | 939,100,000 | 125.37% |
| 2012 | 992,067,250 | 182,409,400 | 1,174,476,650 | 905,000,000 | 129.78% |
| 2013 | 1,001,946,200 | 182,979,700 | 1,184,925,900 | 893,600,000 | 132.60% |
| 2014 | 1,005,205,900 | 179,516,100 | 1,184,722,000 | 882,250,000 | 134.28% |
| 2015 | 1,007,323,300 | 176,237,900 | 1,183,561,200 | 888,100,000 | 133.27% |
| 2016 | 1,030,689,500 | 176,393,700 | 1,207,083,200 | 897,900,000 | 134.43% |

Table D

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

| Year | Total | City Mil Rate | School Mil Rate | County Mil Rate |
|-------------|--------------|--------------------------|----------------------------|----------------------------|
| 2007 | \$ 16.20 | \$ 6.25 | \$ 8.01 | \$ 1.94 |
| 2008 | 16.70 | 6.27 | 8.60 | 1.83 |
| 2009 | 17.20 | 6.71 | 8.77 | 1.72 |
| 2010 | 17.20 | 7.02 | 8.50 | 1.68 |
| 2011 | 17.20 | 7.05 | 8.50 | 1.65 |
| 2012 | 17.90 | 7.41 | 8.87 | 1.62 |
| 2013 | 18.70 | 7.69 | 9.30 | 1.71 |
| 2014 | 19.64 | 8.23 | 9.62 | 1.78 |
| 2015 | 20.20 | 8.50 | 9.89 | 1.81 |
| 2016 | 20.70 | 8.93 | 9.97 | 1.80 |

Table E

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

| | Estimated Population | Assessed Value (In Thousands) | Gross Bonded Debt (1) | Ratio of Gross Bonded Debt to Assessed Value | Gross Bonded Debt per Capita |
|------|---------------------------------|--|--------------------------------------|---|---|
| 2007 | 9,266 | \$ 1,126,384 | \$ 25,470,755 | 2.26% | \$ 2,749 |
| 2008 | 9,266 | 1,139,019 | 33,604,334 | 2.95% | 3,627 |
| 2009 | 9,266 | 1,168,412 | 32,093,417 | 2.75% | 3,464 |
| 2010 | 9,266 | 1,173,311 | 29,099,780 | 2.48% | 3,140 |
| 2011 | 8,514 | 1,177,346 | 28,188,121 | 2.39% | 3,311 |
| 2012 | 8,514 | 1,174,477 | 28,765,614 | 2.45% | 3,379 |
| 2013 | 8,514 | 1,184,926 | 25,706,206 | 2.17% | 3,019 |
| 2014 | 8,514 | 1,184,722 | 24,982,892 | 2.11% | 2,934 |
| 2015 | 8,514 | 1,183,561 | 23,196,771 | 1.96% | 2,725 |
| 2016 | 8,514 | 1,207,083 | 20,129,640 | 1.67% | 2,364 |

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

Table F

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

| Year | Principal | Interest | Total Debt Service (1) | Total General Fund Expenditures | Ratio of Debt Service to Total General Fund Expenditures |
|-------------|------------------|-----------------|---------------------------------------|--|---|
| 2007 (2) | \$ 2,502,129 | \$ 1,096,391 | \$ 3,598,520 | \$ 27,970,044 | 12.87% |
| 2008 | 2,566,421 | 966,189 | 3,532,610 | 26,599,894 | 13.28% |
| 2009 (3) | 2,541,408 | 803,593 | 3,345,001 | 17,554,893 | 19.05% |
| 2010 | 2,450,174 | 794,194 | 3,244,368 | 17,366,398 | 18.68% |
| 2011 | 2,133,238 | 761,859 | 2,895,097 | 17,421,409 | 16.62% |
| 2012 | 2,292,534 | 772,930 | 3,065,464 | 17,821,177 | 17.20% |
| 2013 | 2,988,251 | 703,198 | 3,691,449 | 19,267,871 | 19.16% |
| 2014 | 2,474,912 | 636,591 | 3,111,503 | 19,690,874 | 15.80% |
| 2015 | 2,703,838 | 561,067 | 3,264,905 | 21,576,247 | 15.13% |
| 2016 | 2,844,465 | 568,462 | 3,412,927 | 20,771,269 | 16.43% |

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

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

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

Table G

CITY OF BATH, MAINE
Ten Largest Taxpayers
For the year ended June 30, 2016

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



Proven Expertise and Integrity

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

City Council
City of Bath
Bath, Maine

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
January 13, 2017