

Audited Financial Statements and  
Other Supplementary Information

City of Bath, Maine

June 30, 2017



*Proven Expertise and Integrity*

**CITY OF BATH, MAINE**  
**Annual Financial Report**  
**June 30, 2017**

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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, 2017, 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, 2017, 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 48 through 51 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 December 15, 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  
December 15, 2017

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**(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, 2017. 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 \$3,515,051 from \$27.57 million to \$31.08 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$3,972,228 for governmental activities to a balance of \$11.50 million at the end of this year.

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

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current Assets	\$ 31,095,595	\$ 25,081,470
Capital Assets	34,050,920	33,299,168
Total Assets	<u>65,146,515</u>	<u>58,380,638</u>
 <b>Deferred Outflows of Resources</b>	 <u>3,497,974</u>	 <u>2,226,105</u>
 <b>Liabilities:</b>		
Current Liabilities	5,145,260	5,027,186
Long-term Debt Outstanding	30,505,252	25,370,592
Total Liabilities	<u>35,650,512</u>	<u>30,397,778</u>
 <b>Deferred Inflows of Resources</b>	 <u>1,909,283</u>	 <u>2,639,322</u>
 <b>Net Position:</b>		
Net Investment in Capital Assets	12,649,869	15,593,384
Restricted	6,929,912	4,443,573
Unrestricted	11,504,913	7,532,685
Total Net Position	<u>\$ 31,084,694</u>	<u>\$ 27,569,643</u>

### Revenues and Expenses

Revenues for the City's governmental activities increased by 9.35%, while the total expenses increased by 8.32%. The most significant increases in revenues were in taxes and miscellaneous, primarily due to unrealized gain on investment market value, while expenses increased most notably in the capital outlay, unclassified, education and public works and wastewater treatment categories.

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

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
<i>Program revenues:</i>		
Charges for services	\$ 4,386,790	\$ 4,431,837
Operating grants and contributions	524,281	367,810
Capital grants and contributions	239,218	762,011
<i>General revenues:</i>		
Taxes	27,254,515	26,343,522
Grants and contributions not restricted to specific programs	1,874,836	1,595,442
Miscellaneous	2,344,893	119,662
Total Revenues	<u>36,624,533</u>	<u>33,620,284</u>
<b>Expenses</b>		
General government	1,663,787	1,567,929
Public works and wastewater treatment	4,972,944	4,520,458
Public safety	4,047,256	4,045,075
Parks and recreation	766,947	843,135
Health, welfare, and transportation	270,487	256,727
Education	9,698,303	9,375,077
Intergovernmental	1,671,485	1,694,380
Unclassified	8,183,868	7,738,332
Interest on debt	382,005	450,960
Capital outlay	1,591,998	203,211
Total Expenses	<u>33,249,080</u>	<u>30,695,284</u>
Excess (deficiency) before special items	3,375,453	2,925,001
Special item: gain on sale of school building	<u>139,598</u>	<u>-</u>
Change in Net Position	3,515,051	2,925,001
Net Position - July 1	<u>27,569,643</u>	<u>24,644,642</u>
Net Position - June 30	<u>\$ 31,084,694</u>	<u>\$ 27,569,643</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>2017</u>	<u>2016</u>
General Fund:		
Nonspendable	\$ 19,729	\$ 35,484
Committed	10,618,505	9,928,198
Assigned	267,680	249,601
Unassigned	2,508,916	1,981,933
Total General Fund	<u>\$ 13,414,830</u>	<u>\$ 12,195,216</u>
 Sewer Utility Fund:		
Committed	\$ 919,061	\$ 838,139
Total Sewer Utility Fund	<u>\$ 919,061</u>	<u>\$ 838,139</u>
 TIF Funds:		
Restricted	\$ 3,038,977	\$ 813,612
Total TIF Funds	<u>\$ 3,038,977</u>	<u>\$ 813,612</u>
 Landfill Fund:		
Committed	\$ 3,650,742	\$ 880,316
Total Landfill Fund	<u>\$ 3,650,742</u>	<u>\$ 880,316</u>
 Capital Projects Funds:		
Committed	\$ 1,278,650	\$ 1,336,419
Total Capital Projects Funds	<u>\$ 1,278,650</u>	<u>\$ 1,336,419</u>
 Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 816,464	\$ 851,086
Restricted	265,552	127,902
Committed	136,539	135,677
Assigned	356,822	332,005
Unassigned	(493,867)	(535,784)
Permanent Funds:		
Nonspendable	2,801,301	2,643,356
Restricted	7,618	7,618
Total Nonmajor Funds	<u>\$ 3,890,429</u>	<u>\$ 3,561,860</u>

The general fund total fund balance increased by \$1,219,614 from the prior fiscal year due to unrealized gain on investment market value. The sewer utility fund increased by \$80,922 from the prior year. The TIF funds increased by \$2,225,365 from the prior year due to bond proceeds for the riverwalk not yet spent. The landfill fund increased by \$2,770,426 from the prior year, also due to bond proceeds for the cell expansion not yet spent and the capital projects funds decreased by \$57,769 from the prior year. The nonmajor fund balances increased by \$328,569 from the prior fiscal year.

### **Budgetary Highlights**

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

The general fund actual revenues were over budget by \$986,819. This can be accounted for from unrealized gain investment increase in market value coupled with more than expected revenue in excise taxes and licenses.

The general fund actual expenditures were under budget by \$213,777. This is attributable to reduction in expenses for public safety, public works, 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, 2017, the net book value of capital assets recorded by the City increased by \$751,752 from the prior year. The increase is the result of current year capital additions of \$2,341,237 less depreciation of \$1,588,589 and property disposals of \$896.

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

	<b>2017</b>	<b>2016</b>
Land	\$ 1,902,870	\$ 1,902,870
Construction in progress	2,416,970	952,725
Buildings and improvements	4,423,631	4,096,578
Machinery, furniture & equipment	1,185,261	1,365,196
Vehicles	1,541,915	1,624,424
Infrastructure	22,580,273	23,357,375
Total	<u>\$ 34,050,920</u>	<u>\$ 33,299,168</u>

## **Debt**

At June 30, 2017, the City had \$22,964,466 in bonds, notes and capital leases outstanding versus \$20,168,721 outstanding last year, an increase of 13.86% 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, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 11,709,013
Investments	13,591,912
Receivables:	
Taxes receivable	635,759
Tax liens	421,164
Accounts receivable, net of allowance of \$65,211	935,880
Notes receivable	816,464
Inventory	5,830
Prepaid	13,899
Long-term receivable from RSU #1	1,576,094
Land held for resale	1,389,580
Capital assets, not being depreciated	4,319,840
Capital assets, net of depreciation	29,731,080
<b>Total assets</b>	<b>65,146,515</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	3,497,974
<b>Total deferred outflows of resources</b>	<b>3,497,974</b>
<b>LIABILITIES</b>	
Accounts payable	777,097
Accrued expenses	335,135
Accrued interest	166,548
Noncurrent liabilities:	
Due within one year	3,866,480
Due in more than one year	30,505,252
<b>Total liabilities</b>	<b>35,650,512</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,909,283
<b>Total deferred inflows of resources</b>	<b>1,909,283</b>
<b>NET POSITION</b>	
Net investment in capital assets	12,649,869
Restricted for:	
Permanent funds:	
Expendable	7,618
Nonexpendable	2,801,301
Community development	816,464
Grants	265,552
TIF Districts	3,038,977
Unrestricted	11,504,913
<b>Total net position</b>	<b>\$ 31,084,694</b>

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



**CITY OF BATH, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2017**

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	\$ 1,663,787	\$ 116,757	\$ 419,708	\$ -	\$	(1,127,322)
Public works and wastewater treatment	4,972,944	2,937,037	-	97,898		(1,938,009)
Public safety	4,047,256	786,271	9,553	-		(3,251,432)
Parks and recreation	766,947	466,400	-	-		(300,547)
Health, welfare, and transportation	270,487	80,325	82,912	-		(107,250)
Education	9,698,303	-	-	-		(9,698,303)
Intergovernmental	1,671,485	-	-	-		(1,671,485)
Unclassified	8,183,868	-	12,108	-		(8,171,760)
Interest on debt	382,005	-	-	-		(382,005)
Capital outlay	1,591,998	-	-	141,320		(1,450,678)
Total governmental activities	33,249,080	4,386,790	524,281	239,218		(28,098,791)
Total primary government	\$ 33,249,080	\$ 4,386,790	\$ 524,281	\$ 239,218		(28,098,791)
General revenues:						
Property taxes, levied for general purposes						25,958,090
Contributions in lieu of taxes						59,307
Motor vehicle excise taxes						1,237,118
Grants and contributions not restricted to specific programs:						
Homestead and BETE exemption						1,238,169
Other State/Federal aid						83,929
State Revenue Sharing						552,738
Unrestricted investment earnings (loss), net						1,466,191
Other						878,702
Special item - gain on sale of school building						139,598
Total general revenues and special items						31,613,842
Change in net position						
						3,515,051
Net position - beginning						
						27,569,643
Net position - ending						
					\$	31,084,694

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

**CITY OF BATH, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 11,372,067	\$ -	\$ -	\$ 300	\$ 108,840	\$ 227,806	\$ 11,709,013
Investments	10,454,008	-	-	415,171	-	2,722,733	13,591,912
Receivables:							
Taxes receivable	635,759	-	-	-	-	-	635,759
Tax liens	421,164	-	-	-	-	-	421,164
Accounts receivable, net of allowance of \$65,211	355,492	457,379	-	89,629	-	33,380	935,880
Notes receivable	-	-	-	-	-	816,464	816,464
Due from other governments	-	-	-	-	-	-	-
Interfund loans receivable	-	486,860	3,038,977	3,150,059	1,169,810	193,906	8,039,612
Inventory	5,830	-	-	-	-	-	5,830
Prepaid	13,899	-	-	-	-	-	13,899
Receivable from RSU #1 for debt service payment	1,576,094	-	-	-	-	-	1,576,094
<b>Total assets</b>	<b>\$ 24,834,313</b>	<b>\$ 944,239</b>	<b>\$ 3,038,977</b>	<b>\$ 3,655,159</b>	<b>\$ 1,278,650</b>	<b>\$ 3,994,289</b>	<b>\$ 37,745,627</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 762,928	\$ 14,169	\$ -	\$ -	\$ -	\$ -	\$ 777,097
Accrued expenditures	302,835	11,009	-	4,417	-	16,874	335,135
Interfund loans payable	7,952,626	-	-	-	-	86,986	8,039,612
Total liabilities	9,018,389	25,178	-	4,417	-	103,860	9,151,844
Deferred Inflows of Resources:							
Deferred tax revenue	825,000	-	-	-	-	-	825,000
Deferred debt service payments from RSU #1	1,576,094	-	-	-	-	-	1,576,094
Total deferred inflows of resources	2,401,094	-	-	-	-	-	2,401,094
Fund Balances:							
Nonspendable	19,729	-	-	-	-	3,617,765	3,637,494
Restricted	-	-	3,038,977	-	-	273,170	3,312,147
Committed	10,618,505	919,061	-	3,650,742	1,278,650	136,539	16,603,497
Assigned	267,680	-	-	-	-	356,822	624,502
Unassigned	2,508,916	-	-	-	-	(493,867)	2,015,049
Total fund balances	13,414,830	919,061	3,038,977	3,650,742	1,278,650	3,890,429	26,192,689
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 24,834,313</b>	<b>\$ 944,239</b>	<b>\$ 3,038,977</b>	<b>\$ 3,655,159</b>	<b>\$ 1,278,650</b>	<b>\$ 3,994,289</b>	<b>\$ 37,745,627</b>

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

**CITY OF BATH, MAINE**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2017**

Total Fund Balances	\$ 26,192,689
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	34,050,920
Long-term receivable from RSU #1 for bonds held in the City's name.	1,576,094
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	825,000
Land held for sale	1,389,580
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(342,607)
Other post-employment benefits	(945,065)
Net pension liability, including related deferred outflows and inflows	(4,440,903)
Accrued interest	(166,548)
Landfill closure	(4,090,000)
Capital leases	(11,206)
Bonds payable	(22,953,260)
<b>Net position of governmental activities</b>	<b>\$ 31,084,694</b>

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

**CITY OF BATH, MAINE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2017**

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
<b>Revenues:</b>							
Taxes	\$ 18,503,440	\$ -	\$ 7,144,599	\$ 827,000	\$ 755,976	\$ -	\$ 27,231,015
Licenses and permits	116,757	-	-	-	-	-	116,757
Intergovernmental	1,822,713	-	62,012	97,898	141,320	514,392	2,638,335
Charges for services	830,700	2,152,915	-	739,693	-	546,725	4,270,033
Investment income (loss), net	1,120,214	-	-	148,745	-	197,232	1,466,191
Other revenues	199,514	-	220,000	-	411,759	47,429	878,702
<b>Total revenues</b>	<b>22,593,338</b>	<b>2,152,915</b>	<b>7,426,611</b>	<b>1,813,336</b>	<b>1,309,055</b>	<b>1,305,778</b>	<b>36,601,033</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	1,329,044	-	36,000	-	-	19,344	1,384,388
Public works and wastewater treatment	1,435,655	1,278,516	85,000	1,032,525	-	-	3,831,696
Public safety	3,797,014	-	-	-	-	12,191	3,809,205
Parks and recreation	-	-	-	-	-	712,724	712,724
Health, welfare and transportation	65,389	-	-	-	-	205,098	270,487
Education	9,698,303	-	-	-	-	-	9,698,303
Intergovernmental	1,671,485	-	-	-	-	-	1,671,485
Unclassified	2,575,058	-	5,114,661	-	-	493,253	8,182,972
Debt service	611,373	492,926	955,291	632,276	522,143	-	3,214,009
Capital outlays	-	1,300,551	549,894	1,178,109	904,681	-	3,933,235
<b>Total expenditures</b>	<b>21,183,321</b>	<b>3,071,993</b>	<b>6,740,846</b>	<b>2,842,910</b>	<b>1,426,824</b>	<b>1,442,610</b>	<b>36,708,504</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,410,017</b>	<b>(919,078)</b>	<b>685,765</b>	<b>(1,029,574)</b>	<b>(117,769)</b>	<b>(136,832)</b>	<b>(107,471)</b>
<b>Other financing sources (uses):</b>							
Transfers in	25,939	-	-	-	-	491,340	517,279
Transfers out	(355,940)	-	(135,400)	-	-	(25,939)	(517,279)
Proceeds from bonds/notes/ capital leases	-	1,000,000	1,675,000	3,800,000	60,000	-	6,535,000
<b>Total other financing sources (uses)</b>	<b>(330,001)</b>	<b>1,000,000</b>	<b>1,539,600</b>	<b>3,800,000</b>	<b>60,000</b>	<b>465,401</b>	<b>6,535,000</b>
<b>Special item:</b>							
Proceeds from sale of school building	139,598	-	-	-	-	-	139,598
<b>Net change in fund balances</b>	<b>1,219,614</b>	<b>80,922</b>	<b>2,225,365</b>	<b>2,770,426</b>	<b>(57,769)</b>	<b>328,569</b>	<b>6,567,127</b>
<b>Fund balances, beginning of year</b>	<b>12,195,216</b>	<b>838,139</b>	<b>813,612</b>	<b>880,316</b>	<b>1,336,419</b>	<b>3,561,860</b>	<b>19,625,562</b>
<b>Fund balances, end of year</b>	<b>\$ 13,414,830</b>	<b>\$ 919,061</b>	<b>\$ 3,038,977</b>	<b>\$ 3,650,742</b>	<b>\$ 1,278,650</b>	<b>\$ 3,890,429</b>	<b>\$ 26,192,689</b>

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

**CITY OF BATH, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2017**

Net change in fund balances - total governmental funds (from Statement 5)	\$ 6,567,127
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 (\$2,341,237) were more than depreciation expense (\$1,588,589) and capital asset disposals (\$896).	751,752
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.	23,500
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 increase in accrued interest (\$3,848) combined with the increase in other post-employment benefits (\$55,853), accrued compensated absences (\$2,705) and net pension liability with related deferred inflows and outflows (\$155,774).	(218,180)
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.	27,874
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 (\$3,711,380) were less than debt proceeds (\$6,635,000).	(2,823,619)
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 \$1,563,415 with principal amounts paid off during the year totaling \$899,522 with a net change in accrued interest of \$3,881.	(903,403)
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.	90,000
<b>Change in net position of governmental activities (see Statement 2)</b>	<b>\$ 3,515,051</b>

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

CITY OF BATH, MAINE  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
All Budgeted Governmental Funds - Budget and Actual - Budgetary Basis  
For the year ended June 30, 2017

	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	\$ 18,344,600	\$ 18,344,600	\$ 18,503,440	\$ 158,840	\$ -	\$ -	\$ -	\$ -
Licenses and permits	86,750	86,750	116,757	30,007	-	-	-	-
Intergovernmental	1,820,669	1,820,669	1,822,713	2,044	-	-	-	-
Charges for services	767,500	767,500	830,700	63,200	1,989,000	1,989,000	2,152,915	163,915
Investment income (loss), net	407,500	407,500	1,120,214	712,714	-	-	-	-
Other revenues	301,019	301,019	321,033	20,014	-	-	-	-
Total revenues	21,728,038	21,728,038	22,714,857	986,819	1,989,000	1,989,000	2,152,915	163,915
Expenditures:								
Current:								
General government	1,326,346	1,326,346	1,329,044	(2,698)	-	-	-	-
Public works	1,460,352	1,460,352	1,435,655	24,697	-	-	-	-
Public safety	3,843,401	3,843,401	3,797,014	46,387	-	-	-	-
Health and welfare	72,050	72,050	65,389	6,661	-	-	-	-
Education	9,698,303	9,698,303	9,698,303	-	-	-	-	-
Intergovernmental	1,671,485	1,671,485	1,671,485	-	-	-	-	-
Administration	-	-	-	-	118,000	118,000	106,087	11,913
Treatment plant	-	-	-	-	931,618	931,618	869,444	62,174
Maintenance	-	-	-	-	298,548	298,548	302,985	(4,437)
Unclassified	2,713,504	2,713,504	2,575,058	138,446	-	-	-	-
Debt service	611,657	611,657	611,373	284	567,926	567,926	492,926	75,000
Capital	-	-	-	-	60,500	60,500	1,300,551	(1,240,051)
Total expenditures	21,397,098	21,397,098	21,183,321	213,777	1,976,592	1,976,592	3,071,993	(1,095,401)
Excess (deficiency) of revenues over (under) expenditures	330,940	330,940	1,531,536	1,200,536	12,408	12,408	(919,078)	(931,486)
Other financing sources (uses):								
Transfers in	25,000	25,000	25,939	939	-	-	-	-
Transfers out	(355,940)	(355,940)	(355,940)	-	-	-	-	-
Proceeds from bonds/notes/ capital leases	-	-	-	-	-	-	1,000,000	1,000,000
Utilization of prior year fund balance	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(330,940)	(330,940)	(330,001)	939	-	-	1,000,000	1,000,000
Net change in fund balances - budgetary basis	-	-	1,201,535	1,201,535	12,408	12,408	80,922	68,514
Reconciliation to GAAP basis:								
Fuel revenues for fuel tank reserve			18,079				-	
Net change in fund balances			1,219,614				80,922	
Fund balances, beginning of year			12,195,216				838,139	
Fund balances, end of year			\$ 13,414,830				\$ 919,061	

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

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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**THE REPORTING ENTITY**

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

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

**Bath Local Development Corporation (Bath LDC)**

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

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

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

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

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

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

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Government-wide and Fund Financial Statements**

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment 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, 2017**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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, 2017**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 \$45,211 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, 2017.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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, 2017**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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, 2017**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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, 2017**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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, 2017:

Capital assets	\$ 64,775,716
Accumulated depreciation	(30,724,796)
Bonds payable	(22,953,260)
Long-term receivable from RSU #1 for debt service	1,563,415
Capital leases payable	(11,206)
<b>Total net investment in capital assets</b>	<b>\$ 12,649,869</b>

**S. Implementation of New Accounting Standards**

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

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. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*. The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 77, *"Tax Abatement Disclosures"*. The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, *"Blending Requirements for Certain Component Units"*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, *"Irrevocable Split-Interest Agreements"*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements - in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 82, *"Pension Issues"*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

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**PROPERTY TAX**

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Property taxes for the current year were committed on September 2, 2016, 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 \$88,870 for the year ended June 30, 2017.

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.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**PROPERTY TAX, CONTINUED**

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

The following summarizes the levy:

	<u>2017</u>	<u>2016</u>
Assessed value (excluding Homestead exemption)	\$ 1,223,541,700	\$ 1,207,083,200
Tax rate (per \$1,000)	21.10	20.70
Commitment	25,816,730	24,986,622
Supplemental taxes assessed	-	-
	25,816,730	24,986,622
Less:		
Abatements	119,554	62,039
Collections	25,041,192	24,265,417
<b><u>Current year taxes and liens receivable at end of year</u></b>	<b><u>\$ 655,951</u></b>	<b><u>\$ 659,166</u></b>
Due date - current year	October 16, 2016	October 15, 2015
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.46%	97.35%
Taxes and liens receivable - current year	\$ 655,951	\$ 659,166
Taxes and liens receivable - prior years	400,972	390,955
<b><u>Total taxes and liens receivables</u></b>	<b><u>\$ 1,056,923</u></b>	<b><u>\$ 1,050,121</u></b>

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**DEPOSITS AND INVESTMENTS**

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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, 2017**

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**DEPOSITS AND INVESTMENTS, CONTINUED**

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**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, 2017, the City's deposits amounting to \$11,709,013 were comprised of bank deposits of \$11,968,545. Of these bank deposits, \$1,288,163 was covered by federal depository insurance and \$10,680,382 was collateralized with securities held by the financial institution's agent but not in the City's name.

Account Type	Bank Balance
Checking accounts	\$ 241,026
Savings accounts	1,001,253
Money market accounts	748,151
Certificates of deposit	9,978,115
	<u>\$ 11,968,545</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 total \$13,591,912, of which \$190,721 are FDIC insured and \$1,004,826 are covered by the Securities Investor Protection Corporation (SIPC). The remaining \$12,396,365 are registered in the City's name and are held by the City's brokerage firm.

At June 30, 2017, 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	\$ 4,826	\$ 4,826	\$ -	\$ -	\$ -
Foreign equity	308,100	308,100	-	-	-
Fixed income	158,071	158,071	-	-	-
Debt securities:					
Corporate bonds	4,724,528	-	1,621,418	2,641,102	462,008
Tax exempt bonds	40,994	-	-	40,994	-
Brokered certificates of deposit	190,721	-	50,067	140,654	-
Equity securities:					
Preferred stock	15,668	15,668	-	-	-
Common stock - domestic	8,013,404	8,013,404	-	-	-
Common stock - foreign	86,576	86,576	-	-	-
Real Estate Investment Trusts	49,024	49,024	-	-	-
	<u>\$ 13,591,912</u>	<u>\$ 8,635,669</u>	<u>\$ 1,671,485</u>	<u>\$ 2,822,750</u>	<u>\$ 462,008</u>

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

**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, 2017:

		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, 2017 Total			
<b>Investments by fair value level</b>				
<b>Debt securities</b>				
Corporate bonds	\$ 4,724,528	\$ -	\$ 4,724,528	\$ -
Tax exempt bonds	40,994	-	40,994	-
Brokered certificates of deposit	190,721	-	190,721	-
Total debt securities	4,956,243	-	4,956,243	-
<b>Equity securities</b>				
Common stock	8,099,980	8,099,980	-	-
Preferred stock	15,668	15,668	-	-
Mutual funds and exchange-traded funds	470,997	470,997	-	-
Real estate investment trusts	49,024	49,024	-	-
Total equity securities	8,635,669	8,635,669	-	-
Total investments by fair value level	13,591,912	\$ 8,635,669	\$ 4,956,243	\$ -
<b>Cash equivalents measured at the net asset value (NAV)</b>				
Money market mutual funds	-			
Total cash equivalents measured at the NAV	-			
Total investments and cash equivalents measured at fair value	\$ 13,591,912			

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 or cash equivalents that are measured at NAV per share (or its equivalent).

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, 2017, the City's investments in corporate bonds were rated AAA (\$207,302), AA- (\$225,554), A (\$537,608), A- (\$669,284), BBB+ (\$1,170,605), BBB (\$1,164,195), BBB- (\$650,072), and BB (\$99,908) by Standard & Poor's Rating Service. The City's holdings in tax-exempt bonds and negotiable certificates of deposit totaling \$231,715 were not rated.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**DEPOSITS AND INVESTMENTS, CONTINUED**

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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.

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**CAPITAL ASSETS**

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Capital asset activity for the year ended June 30, 2017 was as follows:

<b>Governmental Activities</b>	<b>Balance June 30, 2016</b>	<b>Increases</b>	<b>Decreases/ Adjustments</b>	<b>Balance June 30, 2017</b>
Capital Assets, not being depreciated				
Land	\$ 1,902,870	\$ -	\$ -	\$ 1,902,870
Construction in Progress	952,725	1,730,580	266,335	2,416,970
<b>Total capital assets not being depreciated</b>	<b>2,855,595</b>	<b>1,730,580</b>	<b>266,335</b>	<b>4,319,840</b>
Capital Assets, being depreciated				
Building & Improvements	11,977,872	647,368	-	12,625,240
Machinery, Furniture & Equipment	3,456,988	78,427	22,500	3,512,915
Infrastructure	40,233,400	-	-	40,233,400
Vehicles	3,954,020	151,197	20,896	4,084,321
<b>Total capital assets being depreciated</b>	<b>59,622,280</b>	<b>876,992</b>	<b>43,396</b>	<b>60,455,876</b>
Less accumulated depreciation for:				
Building & Improvements	7,881,294	319,790	(525)	8,201,609
Machinery, Furniture & Equipment	2,091,792	219,718	(16,145)	2,327,655
Infrastructure	16,876,025	776,871	(231)	17,653,127
Vehicles	2,329,596	272,210	59,401	2,542,405
<b>Total accumulated depreciation</b>	<b>29,178,707</b>	<b>1,588,589</b>	<b>42,500</b>	<b>30,724,796</b>
<b>Total capital assets being depreciated, net</b>	<b>30,443,573</b>	<b>(711,597)</b>	<b>896</b>	<b>29,731,080</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 33,299,168</b>	<b>\$ 1,018,983</b>	<b>\$ 267,231</b>	<b>\$ 34,050,920</b>

The City of Bath, Maine is holding land for resale within an industrial park. The value of the land at June 30, 2017 was \$1,389,580.

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

Governmental activities:

General government	\$ 83,901
Public works and wastewater treatment	1,222,666
Parks and recreation	230,050
Public safety	51,972

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**Total depreciation expense – governmental activities**      **\$ 1,588,589**

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**INTERFUND BALANCES, ADVANCES AND TRANSFERS**

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Individual interfund loans receivable and payable and interfund transfers at June 30, 2017 were as follows:

	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>	Transfers <u>In (Out)</u>
General Fund	\$ -	\$ 7,952,626	\$ (330,001)
Sewer Utility Fund	486,860	-	
TIF Fund	3,038,977	-	(135,400)
Capital Projects	1,169,810	-	-
Landfill Fund	3,150,059	-	-
Nonmajor governmental funds:			
City Special Purpose	-	85,831	295,940
Community Development	115,237	-	-
Transportation Programs	46,739	-	72,400
Bath Local Development Corp.	-	1,155	123,000
Nonmajor permanent funds	31,930	-	(25,939)
<b>Total interfund balances and transfers</b>	<b>\$ 8,039,612</b>	<b>\$ 8,039,612</b>	<b>\$ 0</b>

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

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 20,129,641	\$ 6,535,000	\$ 3,711,381	\$ 22,953,260	\$ 3,512,667
Capital leases	39,080	-	27,873	11,206	11,206
Other post-employment benefits	889,212	93,417	37,564	945,065	-
Net pension liability	3,871,912	3,028,804	871,122	6,029,594	-
Accrued compensated absences	339,902	2,705	-	342,607	342,607
Landfill closure and postclosure care costs	4,180,000	-	90,000	4,090,000	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 29,449,747</b>	<b>\$ 9,659,926</b>	<b>\$ 4,737,940</b>	<b>\$ 34,371,733</b>	<b>\$ 3,866,480</b>

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**SHORT-TERM DEBT**

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On June 3, 2016, 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, 2017, was as follows:

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

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**LONG-TERM DEBT**

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Long-term debt payable at June 30, 2017 is comprised of the following:

	Date of <u>Issue</u>	Original Amount <u>Issued</u>	Date of <u>Maturity</u>	Interest <u>Rate</u>	June 30, <u>2017</u>
Governmental activities:					
1997 Wastewater upgrade bonds	10/1/97	\$ 6,300,000	10/1/17	varies	\$ 315,000
2002 Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	435,709
2004 General obligation bonds	6/1/04	1,840,000	9/1/19	varies	360,000
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	157,500
2008 SRF sewer bond	5/1/08	1,400,000	4/1/2023	1.00%	560,000
2008 general obligation bond	1/30/08	6,500,000	1/15/23	varies	1,390,000
2008 general obligation bond	1/30/08	2,800,000	1/15/18	varies	280,000 (1)
2009 general obligation bond series B	9/5/08	635,000	10/15/28	varies	450,000
2009 general obligation bond series C	9/8/08	1,365,000	10/15/18	6.75%	1,000,000
2009 AARA Clean Water Revolving Loan	7/1/09	57,488	4/1/19	0.00%	8,314
2011 General Obligation Bond	5/1/11	3,950,000	5/1/31	varies	1,915,000
2011 GOB Series B	3/1/11	2,392,271	11/1/2030	varies	1,016,766
2011 GOB Series B	3/1/11	2,882,729	11/1/2030	varies	1,283,415 (1)
2011 SRF GOB	3/1/11	1,883,600	11/1/2031	varies	1,412,700
2014 SRF Clean Water Revolving Loan	2014	651,500	2033	1%	521,200
2014 GOB Bath Savings	2014	128,000	2020	2.84%	54,856
2015 GOB Equipment	2015	222,000	2021	varies	88,807
2015 GOB Road Bond and Refin	2015	4,456,000	2029	varies	3,140,000
2015 GOB Equipment	2015	665,265	2024	varies	423,502
2015 GOB Bath Savings	2015	1,205,000	2025	varies	990,213
2016 GOB Bath Savings	2016	715,500	2025	varies	615,278
2017 GOB Bath Savings	2017	6,475,500	2025	varies	6,475,000
2017 GOB Equipment	2017	60,000	2025	varies	60,000
<b><u>Total governmental activities</u></b>					<b><u>\$ 22,953,260</u></b>

- (1) As of July 1, 2008, the Bath School Department joined Regional School Unit #1. RSU #1 will reimburse the City of Bath for all Bath School Department bonds payable when the debt service payments are due. The City has recorded a long-term receivable for \$1,563,415, 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 \$12,679 for a total long-term receivable of \$1,576,094.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**LONG-TERM DEBT, CONTINUED**

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The annual principal and interest requirements to amortize general long-term debt outstanding as of June 30, 2017 are as follows:

Year(s) Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,512,667	\$ 644,779	\$ 4,157,446
2019	3,593,667	520,649	4,114,316
2020	2,578,030	419,690	2,997,720
2021	2,068,839	358,545	2,427,384
2022-2026	6,956,953	1,086,969	8,043,922
2027-2031	3,683,774	129,439	4,004,700
<u>2032-2033</u>	<u>559,330</u>	<u>39,375</u>	<u>598,705</u>
<b>Totals</b>	<b><u>\$22,953,260</u></b>	<b><u>\$ 3,390,933</u></b>	<b><u>\$26,344,193</u></b>

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**CAPITAL LEASES**

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The City of Bath has entered into various lease agreements as lessee for various equipment. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of their inception. The value of assets capitalized under these leases as of June 30, 2017 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, 2017:

<u>Fiscal Year</u> <u>Ending</u>	<u>Capital Leases</u>
2018	11,565
Less: amount representing interest	(359)
<b><u>Present value of future minimum lease payments</u></b>	<b><u>\$11,206</u></b>

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**LANDFILL CLOSURE AND POSTCLOSURE COSTS**

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

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**LANDFILL CLOSURE AND POSTCLOSURE COSTS, CONTINUED**

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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, 2017, the landfill had reached approximately 68.93% capacity of the current configuration (post Landfill project expansion). In November of 2016 the voters approved a \$3,800,000 bond for the construction and equipping of the last cell. 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, 2017, 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 \$415,171 is reflected as an investment in the City's Landfill Fund. It is the intent of the City Council to earmark additional funding for landfill closure costs on an annual basis.

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**OVERLAPPING DEBT**

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The City of Bath, Maine is situated in Sagadahoc County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Sagadahoc County, for which the City of Bath would be proportionally responsible in the event the County defaulted, amounted to \$1,193,972 at June 30, 2017, which is 20.71% of the County's total debt of \$5,765,194.

The City of Bath, Maine is also a member of Regional School Unit 1 and is therefore subject to annual assessment of its proportional share of education expenses. Long-term debt outstanding at RSU #1, for which the City of Bath would be proportionally responsible in the event the RSU defaulted, amounted to \$3,577,284 at June 30, 2017, which is 56.71% of the RSU's total debt of \$6,308,030 not funded by the State of Maine.

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**LIMITATION ON MUNICIPAL SPENDING**

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The City's charter provides for a limitation on expenditures each year based upon the annual increase in the National Consumer Price Index ("CPI") as determined by the United States Department of Labor. Exceptions to the limitations are made for proceeds of new bond issues approved by public referendum, debt service required to support new bonded indebtedness, expenditures of Federal and State grants, expenditures for programs mandated and funded by the Federal and State governments, expenditures of insurance proceeds for replacement of covered assets, and emergency appropriations by the City Council in accordance with the City's charter. The expenditures of the City of Bath, Maine for the year ended June 30, 2017 were made in accordance with the above charter limitations.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**SIGNIFICANT TAXPAYER**

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For the year ended June 30, 2017, the City of Bath received \$10,722,602 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 42.91% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2017, a significant portion (\$5,028,186) were funds collected as part of a Credit Enhancement Agreement in a Tax Increment Financing (TIF) District. As such, only \$5,694,416 of taxes were collected for the purposes of financing the City's operational and capital budgets.

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**TAX INCREMENT FINANCING DISTRICTS**

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The City of Bath has established three tax increment financing districts (TIFs) in accordance with M.R.S.A. Title 30-A, §5221-§5235 for a variety of economic development purposes, including business retention and expansion and public infrastructure improvement. The TIF districts were formed locally, as the City defined the districts and chose how much of the new taxes would go to what public and private projects over what period of time, subject to the approval of the City Council and ultimately by the Commissioner of the Maine Department of Economic and Community Development.

Any portion of the new property taxes generated by a specific project or projects within the defined geographic districts can be "captured" and utilized to pay for the City's new public infrastructure investment or direct economic development expense or returned to the developer in the form of a credit enhancement agreement for defined periods of up to 30 years. The City of Bath accounts for all the activity of the TIF districts including captured taxes and expenditures for approved purposes in separate TIF funds. The City has chosen to disclose information about its tax abatement (credit enhancement) agreements individually and negotiates property tax abatement agreements on an individual basis. The following is a brief description of and total amount of taxes abated for each tax increment financing district:

<b>TIF District</b>	<b>Original Assessed Value</b>	<b>Current Assessed Value</b>	<b>TIF Cap</b>	<b>New Taxes</b>	<b>Taxes Abated</b>
Bath Iron Works	\$ 194,186,300	\$264,265,000	100% RE; 50% Pers. Prop.	\$ 5,893,060	\$ 4,674,344
Wing Farm	9,327,200	60,267,000	75% RE; 100% Pers. Prop.	1,074,830	353,842
Downtown	77,996,500	84,468,400	100%	176,710	-

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities.



**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**FUND BALANCE COMPONENTS**

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As of June 30, 2017, fund balances components consisted of the following:

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:			
Inventory and prepaid items	\$ 19,729	\$ -	\$ 19,729
Notes receivable and interfund advances	-	816,464	816,464
Principal for permanent funds	-	2,801,301	2,801,301
<b>Total nonspendable</b>	<b>19,729</b>	<b>3,617,765</b>	<b>3,637,494</b>
Restricted:			
TIF Districts	-	3,038,977	3,038,977
Grants and other purposes	-	150,315	150,315
Interfund advances	-	115,237	115,237
Permanent funds	-	7,618	7,618
<b>Total restricted</b>	<b>-</b>	<b>3,312,147</b>	<b>3,312,147</b>
Committed:			
Capital Reserves	10,618,505	-	10,618,505
Sewer utility	-	919,061	919,061
Landfill - operations	-	3,235,571	3,235,571
Landfill - set aside for closure	-	415,171	415,171
Capital projects	-	1,278,650	1,278,650
Bath Local Development Corporation	-	136,539	136,539
<b>Total committed</b>	<b>10,618,505</b>	<b>5,984,992</b>	<b>16,603,497</b>
Assigned:			
Fuel tank reserves	267,680	-	267,680
Transportation programs	-	14,971	14,971
Grants and other purposes	-	341,851	341,851
<b>Total assigned</b>	<b>267,680</b>	<b>356,822</b>	<b>624,502</b>
<b>Unassigned</b>	<b>2,508,916</b>	<b>(493,867)</b>	<b>2,015,049</b>
<b>Total fund balances</b>	<b>\$13,414,830</b>	<b>\$12,777,859</b>	<b>\$26,192,689</b>

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**DEFICIT FUND BALANCES**

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Several City Special Revenue Funds had deficit fund balances at June 30, 2017. The City's deficit fund balances are as follows:

Recreation Programs	\$ 197,923
Skate Park Committee	53,366
Bath Youth Meeting House	242,424
Forestry Grants	<u>1,358</u>
	<u>\$ 495,071</u>

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

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**EXPENDITURES OVER APPROPRIATIONS**

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The City had the following overspent appropriations as of June 30, 2017:

General Government	\$ <u>2,698</u>
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**DEFINED BENEFIT PENSION PLAN**

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**Plan Description**

City employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

**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, 2017**

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**DEFINED BENEFIT PENSION PLAN, CONTINUED**

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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 8.0% and 9.5% respectively of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.1% 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, 2017 was \$550,362.

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

At June 30, 2017, the City reported a liability of \$6,029,594 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2016, 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, 2016, the City's proportion was 1.13481%, which was an increase of 0.078779% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized total pension expense of \$155,774. At June 30, 2017, 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, 2017**

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**DEFINED BENEFIT PENSION PLAN, CONTINUED**

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	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,092	\$ 387,816
Changes of assumptions	646,387	-
Net difference between projected and actual earnings on pension plan investments	2,228,133	927,319
Changes in proportion and differences between contributions and proportionate share of contributions	-	594,148
Contributions subsequent to the measurement date	550,362	-
Total	<u>\$ 3,497,974</u>	<u>\$ 1,909,283</u>

\$550,362 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:	
2017	\$ (31,660)
2018	46,604
2019	675,873
2020	347,513
2021	-
Thereafter	-

**Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2016, 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, 2017**

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DEFINED BENEFIT PENSION PLAN, CONTINUED

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**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 a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 are as follows:

*Investment Rate of Return* - For the PLD Plan, 6.875% per annum, compounded annually; 7.125% was used for the period ended June 30, 2015.

*Salary Increases, Merit and Inflation* - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year.

*Mortality Rates* - For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

*Cost of Living Benefit Increases* – 2.20%; 2.55% was used for the period ended June 30, 2015.

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

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**DEFINED BENEFIT PENSION PLAN, CONTINUED**

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**Actuarial Methods and Assumptions (Continued)**

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:

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%

*Discount Rate*

The discount rate used to measure the collective total pension liability was 6.875% for 2016. 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, 2016 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 6.875% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
City's proportionate share of the net pension liability	\$ 10,008,040	\$ 6,029,594	\$ 2,284,029

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**DEFINED BENEFIT PENSION PLAN, CONTINUED**

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**Changes in Net Pension Liability**

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2016 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016 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. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2016, this was 4 years for the PLD Consolidated Plan.

*Differences between Projected and Actual Investment Earnings on Pension Plan Investments*

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*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. The actuarial assumptions used for the year ended June 30, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*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. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. 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.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**DEFINED BENEFIT PENSION PLAN, CONTINUED**

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**Pension Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2016 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (800) 512-3100.

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**DEFERRED COMPENSATION PLAN**

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

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

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**RISK MANAGEMENT**

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The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City either carries commercial insurance or participates in a public entity risk pool. Currently, the City participates in 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, 2017. 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.

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**OTHER POST-EMPLOYMENT BENEFITS**

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



**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**OTHER POST-EMPLOYMENT BENEFITS, CONTINUED**

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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 August 2017 based on an actuarial valuation date of January 1, 2017.

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Normal cost	\$ 31,363	\$ 41,743	\$ 41,743
Amortization of unfunded	75,787	82,262	82,262
Adjustment to ARC	(51,423)	(47,730)	(43,609)
<u>Interest</u>	<u>37,690</u>	<u>35,470</u>	<u>32,619</u>
Annual required contribution	\$ 93,417	\$ 111,745	\$ 113,015

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPEB liability, July 1	\$ 889,212	\$ 825,344	\$ 754,083
Annual required contribution	93,417	111,745	113,015
Less: Employer contributions			
Administrative fee	(5,591)	(3,661)	(3,661)
Explicit premiums	(4,848)	-	-
Implicit premiums	(27,125)	(44,216)	(38,093)
OPEB Liability, June 30	\$ 945,065	\$ 889,212	\$ 825,344

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.

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**OTHER POST-EMPLOYMENT BENEFITS, CONTINUED**

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**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>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 93,417	\$ 111,745	\$ 113,015
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Actuarial accrued liability	\$ 1,362,926	1,479,382	1,479,382
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 1,362,926	1,479,382	1,479,382
Covered payroll	5,491,363	5,756,941	5,583,092
Unfunded actuarial accrued liability as a percentage of covered payroll	24.80%	25.70%	26.50%

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	1/1/17
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increases	2.75%
Healthcare inflation rate	4.00%

**CITY OF BATH, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2017**

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**CONTINGENCIES**

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

The City participates in various intergovernmental grant programs 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.

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**COMPARATIVE DATA/RECLASSIFICATIONS**

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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.

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**SUBSEQUENT EVENTS**

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At June 30, 2017, 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 December 15, 2017, which was the date the financial statements were available to be issued.

**CITY OF BATH, MAINE**  
**Required Supplementary Information**  
**June 30, 2017**

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

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2010	1/1/09	\$ -	1,817,040	1,817,040	0.00%	4,494,282	40.40%
2011	1/1/11	\$ -	1,965,984	1,965,984	0.00%	4,753,104	41.40%
2012	1/1/11	\$ -	1,965,984	1,965,984	0.00%	4,847,374	40.60%
2013	1/1/11	\$ -	1,965,984	1,965,984	0.00%	5,267,709	37.30%
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%
2017	1/1/17	\$ -	1,362,926	1,362,926	0.00%	5,491,363	24.80%

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

**CITY OF BATH, MAINE**  
**Required Supplementary Information**  
**June 30, 2017**

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

**LAST 10 FISCAL YEARS\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>				
Proportion of the net pension liability (asset)	1.13%	1.21%	1.37%	1.57%
Proportionate share of the net pension liability (asset)	\$ 3,871,912	\$ 3,871,912	\$ 2,109,700	\$ 4,831,637
Covered-employee payroll	\$ 5,756,941	\$ 5,583,092	\$ 5,421,904	\$ 5,267,709
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.26%	69.35%	38.91%	91.72%
Plan fiduciary net position as a percentage of the total pension liability	81.60%	88.30%	94.10%	87.50%

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

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

**CITY OF BATH, MAINE**  
**Required Supplementary Information**  
**June 30, 2017**

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**SCHEDULE OF CONTRIBUTIONS**

**LAST 10 FISCAL YEARS\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>				
Contractually required contribution	\$ 550,362	\$ 532,505	\$ 496,072	\$ 475,274
Contributions in relation to the contractually required contribution	<u>(550,362)</u>	<u>(532,505)</u>	<u>(496,072)</u>	<u>(475,274)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,491,363	\$ 5,756,941	\$ 5,583,092	\$ 5,421,904
Contributions as a percentage of covered-employee payroll	10.02%	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**  
**Required Supplementary Information**  
**June 30, 2017**

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**Changes of Assumptions**

There was a change in the investment rate of return assumption this year from 7.125% to 6.875%. Annual salary increases, including inflation, changed from 3.50% - 9.50% to 2.75% - 9.00%, for the PLD Consolidated Plan. There was also a change in the cost of living benefit increase from 2.55% to 2.20%. Finally, the mortality rates for active members, nondisabled retirees and recipients of disability benefits, were determined using the RP2014 Total Dataset Healthy Annuitant Mortality Table and the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, compared to the RP2000 Tables projected forward and the Revenue Ruling 96-7 Disabled Mortality Table used in the prior year.

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

## **GENERAL FUND**

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



**CITY OF BATH, MAINE**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,372,067	\$ 5,403,303
Investments	10,454,008	9,928,198
Receivables:		
Taxes receivable	635,759	659,166
Tax liens	421,164	390,955
Accounts receivable, net of allowance of \$45,211	355,492	206,092
Inventory	5,830	23,763
Prepaid	13,899	11,721
Receivable from RSU #1 for debt service payment	1,576,094	2,479,497
<b>Total assets</b>	<b>\$ 24,834,313</b>	<b>\$ 19,102,695</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 762,928	\$ 385,249
Accrued expenditures	302,835	372,129
Interfund loans payable	7,952,626	2,869,104
<b>Total liabilities</b>	<b>9,018,389</b>	<b>3,626,482</b>
Deferred inflows of resources:		
Deferred tax revenue	825,000	801,500
Deferred debt service payments from RSU #1	1,576,094	2,479,497
<b>Total deferred inflows of resources</b>	<b>2,401,094</b>	<b>3,280,997</b>
Fund balance:		
Nonspendable - inventory and prepaids	19,729	35,484
Committed	10,618,505	9,928,198
Assigned	267,680	249,601
Unassigned	2,508,916	1,981,933
<b>Total fund balance</b>	<b>13,414,830</b>	<b>12,195,216</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 24,834,313</b>	<b>\$ 19,102,695</b>

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

**CITY OF BATH, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual--Budgetary Basis**  
**For the year ended June 30, 2017**  
**(with comparative actual amounts for the year ended June 30, 2016)**

	2017		Variance positive (negative)	2016 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 17,089,000	\$ 17,126,109	\$ 37,109	\$ 16,873,399
Excise taxes	1,120,600	1,237,118	116,518	1,179,290
Interest and costs on taxes	80,000	80,906	906	101,014
Contributions in lieu of taxes	55,000	59,307	4,307	54,282
Total taxes	18,344,600	18,503,440	158,840	18,207,985
Licenses, permits and fees:				
Non-business licenses	7,000	7,919	919	8,744
Health, building, plumbing and electrical permits	32,000	71,532	39,532	114,308
Vehicle, boat and recreation vehicle registrations	22,250	21,937	(313)	22,003
Other	25,500	15,369	(10,131)	19,084
Total licenses, permits and fees	86,750	116,757	30,007	164,139
Intergovernmental:				
State revenue sharing	545,000	552,738	7,738	584,855
State homestead exemption	285,800	285,800	-	189,819
State BETE exemption	952,369	952,369	-	850,747
Other state revenue	37,500	31,806	(5,694)	28,183
Other federal revenue	-	-	-	-
Total intergovernmental	1,820,669	1,822,713	2,044	1,653,604
Investment income (loss), net	407,500	1,120,214	712,714	(302,653)
Charges for services:				
Ambulance service	625,000	653,368	28,368	710,376
Cemetery sales	50,500	44,429	(6,071)	58,970
Parking City lots	70,000	81,584	11,584	72,442
Police duty and fees	22,000	51,319	29,319	28,714
Total charges for services	767,500	830,700	63,200	870,502
Other revenues:				
Parking and traffic violations	25,000	18,625	(6,375)	25,620
Cable television franchise	100,000	117,520	17,520	105,183
Rents and leases	24,500	25,114	614	25,879
Sale of property	135,000	139,598	4,598	14,380
Miscellaneous	16,519	20,176	3,657	15,144
Total other revenues	301,019	321,033	20,014	186,206
Total revenues	21,728,038	22,714,857	986,819	20,779,783

**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, 2017**  
**(with comparative actual amounts for the year ended June 30, 2016)**

	2017		Variance positive (negative)	2016 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	158,583	169,545	(10,962)	149,079
Professional services	155,500	183,588	(28,088)	166,574
City council	74,446	56,727	17,719	55,393
City clerk	136,057	140,500	(4,443)	128,823
Elections	15,500	18,463	(2,963)	13,991
Central services	147,300	132,597	14,703	150,262
City Hall management and utilities	145,506	134,474	11,032	136,253
Finance	263,730	260,194	3,536	262,737
Assessor	117,551	126,407	(8,856)	124,370
Public education government cable	44,299	42,670	1,629	43,090
Planning and community development	67,874	63,879	3,995	65,500
Total general government	1,326,346	1,329,044	(2,698)	1,296,072
Public works:				
General	993,815	992,549	1,266	1,008,536
Forestry	66,246	59,483	6,763	61,937
Cemetery and parks	400,291	383,623	16,668	401,672
Total public works	1,460,352	1,435,655	24,697	1,472,145
Public safety:				
Fire and ambulance	1,599,312	1,554,153	45,159	1,518,841
Police	1,513,770	1,512,703	1,067	1,437,598
Other public safety	88,679	84,598	4,081	82,860
Codes enforcement	92,640	92,391	249	89,331
Street lights	125,000	129,004	(4,004)	131,230
Fire hydrant rental	424,000	424,165	(165)	415,155
Total public safety	3,843,401	3,797,014	46,387	3,675,015
Health and welfare:				
General assistance	72,050	65,389	6,661	70,562
Total health and welfare	72,050	65,389	6,661	70,562

**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, 2017**  
**(with comparative actual amounts for the year ended June 30, 2016)**

	2017		Variance positive (negative)	2016 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	9,698,303	9,698,303	-	9,375,077
Intergovernmental--county tax	1,671,485	1,671,485	-	1,694,380
Unclassified:				
Employee benefits	2,032,344	1,952,159	80,185	1,881,770
Insurances	418,000	317,742	100,258	443,205
Special events and support	174,290	173,782	508	172,107
Overlay/abatements and write-offs	88,870	131,375	(42,505)	62,039
Total unclassified	2,713,504	2,575,058	138,446	2,559,121
Debt service:				
Principal	611,657	611,373	284	628,897
Interest and fees	-	-	-	-
Total debt service	611,657	611,373	284	628,897
Total expenditures	21,397,098	21,183,321	213,777	20,771,269
Excess (deficiency) of revenues over (under) expenditures	330,940	1,531,536	1,200,596	8,514
Other financing sources (uses):				
Utilization of prior year fund balance	-	-	-	-
Transfers in	25,000	25,939	939	108,000
Transfers out	(355,940)	(355,940)	-	(339,652)
Proceeds from Long Term Debt	-	-	-	-
Total other financing sources (uses)	(330,940)	(330,001)	939	(231,652)
Net change in fund balance - budgetary basis	-	1,201,535	1,201,535	(223,138)
Reconciliation to GAAP basis:				
Fuel revenues for fuel tank reserve		18,079		7,089
Net change in fund balances - GAAP basis		1,219,614		(216,049)
Fund balance, beginning of year		12,195,216		12,411,265
<b>Fund balance, end of year</b>		<b>\$ 13,414,830</b>		<b>\$ 12,195,216</b>

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

## **CAPITAL PROJECTS FUNDS**

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

**CITY OF BATH, MAINE**  
**Capital Projects**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2017**

	Fund Balance, Beginning of Year	Property Taxes	Intergovern- mental	Investment Earnings	Other	Capital Outlay	Debt Service	Capital Lease & Bond Proceeds	Transfers In (Out)	Fund Balance, End of Year
City capital projects:										
Capital fund - City	\$ 226,170	\$ 198,529	\$ -	\$ -	\$ 387,949	\$ 175,778	\$ 98,413		\$ 142	\$ 538,599
Cemetery and parks capital	83,413	60,030	-	-	-	46,689	42,540	40,000	-	94,214
Commercial/Front pump station	12,355	-	-	-	-	-	-	-	-	12,355
Fire and ambulance capital projects	20,199	222,204	-	-	23,810	60,014	174,439	-	-	31,760
Police capital improvements	18,468	61,236	45,264	-	-	105,390	22,737	20,000	-	16,841
Public works capital improvements	968,335	150,292	79,056	-	-	490,796	130,266	-	-	576,621
Recreation capital improvements	7,479	63,685	17,000	-	-	26,014	53,748	-	(142)	8,260
<b>Total capital projects</b>	<b>\$ 1,336,419</b>	<b>\$ 755,976</b>	<b>\$ 141,320</b>	<b>\$ -</b>	<b>\$ 411,759</b>	<b>\$ 904,681</b>	<b>\$ 522,143</b>	<b>\$ 60,000</b>	<b>\$ -</b>	<b>\$ 1,278,650</b>

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

**ALL OTHER GOVERNMENTAL FUNDS**

**CITY OF BATH, MAINE**  
**Other Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2017**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 68,446	\$ 311,615	\$ 380,061
Investments	105,104	2,465,374	2,570,478
Accounts receivable	33,380	-	33,380
Notes receivable	816,464	-	816,464
Interfund loans receivable	161,976	31,930	193,906
<b>Total assets</b>	<b>\$ 1,185,370</b>	<b>\$ 2,808,919</b>	<b>\$ 3,994,289</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenditures	16,874	-	16,874
Interfund loans payable	86,986	-	86,986
<b>Total liabilities</b>	<b>103,860</b>	<b>-</b>	<b>103,860</b>
Fund balances:			
Nonspendable	816,464	2,801,301	3,617,765
Restricted	265,552	7,618	273,170
Committed	136,539	-	136,539
Assigned	356,822	-	356,822
Unassigned	(493,867)	-	(493,867)
<b>Total fund balances</b>	<b>1,081,510</b>	<b>2,808,919</b>	<b>3,890,429</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,185,370</b>	<b>\$ 2,808,919</b>	<b>\$ 3,994,289</b>

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



**CITY OF BATH, MAINE**  
**Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2017**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 514,392	\$ -	\$ 514,392
Charges for services	546,725	-	546,725
Investment income	16,421	55,342	71,763
Realized/unrealized gain (loss) on investments	-	125,469	125,469
Other revenue	15,313	32,116	47,429
Total revenues	1,092,851	212,927	1,305,778
Expenditures:			
General government	19,344	-	19,344
Public safety	12,191	-	12,191
Parks and recreation	712,724	-	712,724
Health, welfare and transportation	205,098	-	205,098
Unclassified	464,210	29,043	493,253
Debt service	-	-	-
Total expenditures	1,413,567	29,043	1,442,610
Excess (deficiency) of revenues over (under) expenditures	(320,716)	183,884	(136,832)
Other financing sources (uses):			
Transfers in	491,340	-	491,340
Transfers out	-	(25,939)	(25,939)
Total other financing sources (uses)	491,340	(25,939)	465,401
Net change in fund balances	170,624	157,945	328,569
Fund balances, beginning	910,886	2,650,974	3,561,860
<b>Fund balances, ending</b>	<b>\$ 1,081,510</b>	<b>\$ 2,808,919</b>	<b>\$ 3,890,429</b>

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

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

**CITY OF BATH, MAINE**  
**Nonmajor Special Revenues Funds**  
**Combining Balance Sheet**  
**June 30, 2017**

	<b>City Special Purpose</b>	<b>Community Development Funds</b>	<b>Transportation Programs</b>	<b>Bath Local Development Corporation</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,459	\$ -	\$ -	\$ 48,987	\$ 68,446
Investments	8,817		7,580	88,707	\$ 105,104
Accounts receivable	3,083	-	30,297	-	33,380
Notes receivable	-	816,464	-	-	816,464
Interfund loans receivable	-	115,237	46,739	-	161,976
<b>Total assets</b>	<b>\$ 31,359</b>	<b>\$ 931,701</b>	<b>\$ 84,616</b>	<b>\$ 137,694</b>	<b>\$ 1,185,370</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	-
Accrued expenditures	14,168	-	2,706	-	16,874
Escrow	-	-	-	-	-
Interfund loans payable	85,831	-	-	1,155	86,986
<b>Total liabilities</b>	<b>99,999</b>	<b>-</b>	<b>2,706</b>	<b>1,155</b>	<b>103,860</b>
Fund balances (deficits):					
Nonspendable - long-term receivables	-	816,464	-	-	816,464
Restricted	83,376	115,237	66,939	-	265,552
Committed	-	-	-	136,539	136,539
Assigned	341,851	-	14,971	-	356,822
Unassigned	(493,867)	-	-	-	(493,867)
<b>Total fund balances (deficits)</b>	<b>(68,640)</b>	<b>931,701</b>	<b>81,910</b>	<b>136,539</b>	<b>1,081,510</b>
<b>Total liabilities and fund balances</b>	<b>\$ 31,359</b>	<b>\$ 931,701</b>	<b>\$ 84,616</b>	<b>\$ 137,694</b>	<b>\$ 1,185,370</b>

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

**CITY OF BATH, MAINE**  
**Nonmajor Special Revenues Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2017**

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Total
Revenues:					
Intergovernmental	\$ 11,772	\$ 419,708	\$ 82,912	\$ -	\$ 514,392
Charges for services	466,400		80,325	-	546,725
Investment income	14,307	-	1,252	862	16,421
Other revenue	5,708	9,605	-	-	15,313
<b>Total revenues</b>	<b>498,187</b>	<b>429,313</b>	<b>164,489</b>	<b>862</b>	<b>1,092,851</b>
Expenditures:					
General government	19,344	-	-	-	19,344
Public safety	12,191	-	-	-	12,191
Parks and recreation	712,724	-	-	-	712,724
Health, welfare and transportation	1,500	-	203,598	-	205,098
Unclassified	8,802	332,408	-	123,000	464,210
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<b>754,561</b>	<b>332,408</b>	<b>203,598</b>	<b>123,000</b>	<b>1,413,567</b>
Excess (deficiency) of revenues over (under) expenditures	(256,374)	96,905	(39,109)	(122,138)	(320,716)
Other financing sources (uses):					
Transfers in (out)	295,940	-	72,400	123,000	491,340
<b>Total other financing sources (uses)</b>	<b>295,940</b>	<b>-</b>	<b>72,400</b>	<b>123,000</b>	<b>491,340</b>
Net change in fund balances	39,566	96,905	33,291	862	170,624
Fund balances (deficits), beginning	(108,206)	834,796	48,619	135,677	910,886
<b>Fund balances (deficits), ending</b>	<b>\$ (68,640)</b>	<b>\$ 931,701</b>	<b>\$ 81,910</b>	<b>\$ 136,539</b>	<b>\$ 1,081,510</b>

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

**CITY OF BATH, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**For the year ended June 30, 2017**

	Fund Balances (Deficits)		Revenues		Expenditures		Revenues Over (Under) Expenditures	Transfers In (Out)	Fund Balances (Deficits)
	June 30, 2016								June 30, 2017
City Special Purpose Funds:									
Cemetery and Parks	\$ 36,988	\$ 8,994	\$ 10,364	\$ (1,370)	\$ -	\$ 35,618			
Forestry Trust	640	949	-	949	-	1,589			
DARE	20,715	198	6,758	(6,560)	-	14,155			
Fire Department	1,146	-	-	-	-	1,146			
Forestry Grants	(4,338)	6,598	3,618	2,980	-	(1,358)			
General Assistance - Almoner Fund	40,053	5,212	1,500	3,712	-	43,765			
Lambert Park Community Center	52,481	28,853	8,802	20,051	(10,000)	62,532			
Planning Grants	9,607	-	-	-	-	9,607			
Police Grants	2,956	9,553	5,433	4,120	-	7,076			
McMann Field Replacement	80,611	17,791	-	17,791	236	98,638			
Recreation - Other	31,440	20,474	19,418	1,056	(236)	32,260			
Other City programs	107,272	1,011	19,344	(18,333)	5,000	93,939			
Recreation (Fund 12)	(200,776)	314,979	529,966	(214,987)	217,840	(197,923)			
Skate park committee	(58,366)	-	-	-	5,000	(53,366)			
Bath Youth Meeting House (Fund 13)	(255,387)	62,398	72,435	(10,037)	23,000	(242,424)			
Armory Building (Fund 13)	5,690	21,054	76,923	(55,869)	55,100	4,921			
Swimming Pool Fund	21,216	123	-	123	-	21,339			
Total City Special Purpose	\$ (108,052)	\$ 498,187	\$ 754,561	\$ (256,374)	\$ 295,940	\$ (68,486)			
Transportation Programs:									
Bath City Bus	\$ 53,430	\$ 95,933	\$ 142,424	\$ (46,491)	\$ 60,000	\$ 66,939			
Trolley	(4,811)	68,556	61,174	7,382	12,400	14,971			
Total Transportation Programs	\$ 48,619	\$ 164,489	\$ 203,598	\$ (39,109)	\$ 72,400	\$ 81,910			

*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, 2017**

	<b>Bailey Evening School</b>	<b>Beneficiary Trust</b>	<b>Cemetery Trusts</b>	<b>Mausoleum Trusts</b>	<b>Forestry Trust</b>	<b>Old Folks Home</b>	<b>School Trusts</b>	<b>Total</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 111,016	\$ 48,344	\$ -	\$ -	\$ -	\$ -	\$ 159,360
Investments	270,566	364,218	1,794,620	74,054	33,111	53,293	27,767	2,617,629
Interfund loans receivable	-	(186)	32,116			-	-	31,930
<b>Total assets</b>	<b>\$ 270,566</b>	<b>\$ 475,048</b>	<b>\$ 1,875,080</b>	<b>\$ 74,054</b>	<b>\$ 33,111</b>	<b>\$ 53,293</b>	<b>\$ 27,767</b>	<b>\$ 2,808,919</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Interfund loans payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:								
Nonspendable - principal	270,567	475,048	1,867,462	74,053	33,111	53,292	27,768	2,801,301
Restricted	-	-	7,618	-	-	-	-	7,618
<b>Total fund balances</b>	<b>270,567</b>	<b>475,048</b>	<b>1,875,080</b>	<b>74,053</b>	<b>33,111</b>	<b>53,292</b>	<b>27,768</b>	<b>2,808,919</b>
<b>Total liabilities and fund balances</b>	<b>\$ 270,567</b>	<b>\$ 475,048</b>	<b>\$ 1,875,080</b>	<b>\$ 74,053</b>	<b>\$ 33,111</b>	<b>\$ 53,292</b>	<b>\$ 27,768</b>	<b>\$ 2,808,919</b>

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

**CITY OF BATH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2017**

	Bailey Evening School	Beneficiary Trust	Cemetery Trusts	Mausoleum Trusts	Forestry Trust	Old Folks Home	School Trusts	Total
Revenues:								
Investment income	\$ 5,591	\$ 7,917	\$ 37,606	\$ 1,534	\$ 1,019	\$ 1,101	\$ 574	\$ 55,342
Realized gain (loss) on investments	374	506	2,516	103	68	74	38	3,679
Unrealized gain (loss) on investments	11,183	15,051	87,799	3,060	1,346	2,203	1,148	121,790
Perpetual care contributions	-	-	32,116			-	-	32,116
Total revenues	17,148	23,474	160,037	4,697	2,433	3,378	1,760	212,927
Expenditures:								
Current:								
Distribution of income	3,856	5,212		1,058	703	760	396	11,985
Other	1,735	2,344	11,667	476	316	342	178	17,058
Total expenditures	5,591	7,556	11,667	1,534	1,019	1,102	574	29,043
Excess of revenues over expenditures	11,557	15,918	148,370	3,163	1,414	2,276	1,186	183,884
Other financing uses:								
Transfers out	-	-	(25,939)			-	-	(25,939)
Total other financing uses	-	-	(25,939)	-	-	-	-	(25,939)
Net change in fund balances	11,557	15,918	122,431	3,163	1,414	2,276	1,186	157,945
Fund balances, beginning of year	259,010	459,130	1,752,649	70,890	31,697	51,016	26,582	2,650,974
Fund balances, end of year	\$ 270,567	\$ 475,048	\$ 1,875,080	\$ 74,053	\$ 33,111	\$ 53,292	\$ 27,768	\$ 2,808,919

*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, 2017**

	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	\$ 630,000	\$ -	315,000	\$ 315,000
2002 SRF Landfill/Pumping Station Bonds	Var.	2003	2022	107,500	543,209	-	107,500	435,709
2004 General Obligation Bonds	Var.	2004	2020	Var.	480,000	-	120,000	360,000
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	175,000	-	17,500	157,500
2008 General Obligation Bond	Var.	2008	2018	400,000	1,000,000	-	565,000	435,000
2008 General Obligation Bond	Var.	2008	2023	Var.	955,000	-	-	955,000
2008 SRF Sewer Bond	1.000%	2008	2023	93,333	653,334	-	93,334	560,000
2009 General Obligation Bond Series B	Var.	2009	2029	20,000	445,000	-	55,000	390,000
2010 General Obligation Bond Series C	6.750%	2009	2019	Var.	1,085,000	-	25,000	1,060,000
2009 AARA Clean Water Revolving Loan	0.000%	2009	2019	4,156	12,470	-	4,156	8,314
2011 General Obligation Bond	Var.	2011	2031	Var.	2,250,000	-	335,000	1,915,000
2011 GOB Series B	Var.	2011	2030	Var.	1,241,952	-	225,186	1,016,766
2011 SRF GOB	Var.	2011	2031	Var.	1,506,880	-	94,180	1,412,700
2013 SRF GOB Clean Water Revolving Loan Fund	1.000%	2013	2033	Var.	553,775	-	32,575	521,200
2013 GOB Equipment Bath Savings	2.840%	2012	2020	Var.	73,142	-	18,286	54,856
2014 GOB Equipment	Var.	2013	2020	Var.	121,535	-	32,728	88,807
2014 GOB Road Bond and Refinance	Var.	2014	2028	Var.	3,580,000	-	440,000	3,140,000
2015 Bath Savings Bank	Var.	2015	2025	Var.	1,099,110	-	108,897	990,213
2015 Equipment GOB Bath Savings	Var.	2015	2025	Var.	545,797	-	122,295	423,502
2016 Equipment GOB Bath Savings	Var.	2016	2025	Var.	715,500	-	100,222	615,278
2017 GOB	Var.	2017	2036	Var.	-	6,475,000	-	6,475,000
2017 Equipment GOB	Var.	2017	2022	Var.	-	60,000	-	60,000
Total City issues					17,666,704	6,535,000	2,811,859	21,389,845
School issues:								
2006 General Obligation Refunding Bond	4.375%	2006	2016	Var.	335,000	-	335,000	-
2008 General Obligation Bond	Var.	2008	2018	280,000	560,000	-	280,000	280,000
2011 GOB Series B	Var.	2011	2030	Var.	1,567,937	-	284,522	1,283,415
Total School issues					2,462,937	-	899,522	1,563,415
Total long-term debt					\$ 20,129,641	\$ 6,535,000	\$ 3,711,381	\$ 22,953,260

*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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Taxes	\$ 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	\$ 18,503,440
Licenses and permits	150,922	124,046	94,999	88,635	95,303	97,289	130,212	186,367	164,139	116,757
Intergovernmental revenues	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	1,822,713
Charges for services	3,594,745	724,055	681,626	520,417	684,714	720,747	700,922	761,208	870,502	830,700
Investment income	278,480	102,215	1,640	24,891	134,612	832,701	1,516,078	402,468	(302,653)	1,120,214
Other revenues (1)	321,575	226,623	223,713	163,624	9,893,856	430,218	194,007	238,953	294,206	346,972
<b>Total revenues</b>	<b>27,184,098</b>	<b>18,149,876</b>	<b>17,877,174</b>	<b>17,479,693</b>	<b>27,894,031</b>	<b>20,012,998</b>	<b>20,936,223</b>	<b>20,510,033</b>	<b>20,887,783</b>	<b>22,740,796</b>
<b>Expenditures:</b>										
General government	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	1,329,044
Public safety	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	3,797,014
Public works	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	1,435,655
Health and welfare	29,238	54,324	66,744	62,794	79,161	84,607	74,798	54,234	70,562	65,389
Recreation	178,864	181,389	180,886	182,588	178,022	168,153	167,257	166,651	172,107	173,782
Education (3)	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	9,698,303
Intergovernmental	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	1,671,485
Unclassified (2)	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	2,757,216
Debt service	666,004	735,607	705,476	515,118	461,652	489,567	354,395	532,271	628,897	611,373
<b>Total expenditures</b>	<b>26,599,894</b>	<b>17,837,383</b>	<b>17,652,472</b>	<b>17,700,941</b>	<b>18,081,167</b>	<b>19,685,806</b>	<b>20,178,745</b>	<b>21,930,836</b>	<b>21,110,921</b>	<b>21,539,261</b>

(1) Does not include fund balance appropriations

(1) Includes transfers in

(2) Includes transfers out

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

Table B

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

<b>Year</b>	<b>Current Tax Levy</b>	<b>Current Tax Collections</b>	<b>Total Current Year Collections as a Percent of Total Tax Levy</b>	<b>Total All Taxes and Liens Outstanding June 30,</b>	<b>Percent of Delinquent Taxes and Liens to Tax Levy</b>
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%
2017	25,816,730	25,160,779	97.46%	1,056,923	4.09%

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		
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%
2017	1,049,932,800	173,608,900	1,223,541,700	933,650,000	131.05%

Table D

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

<b>Year</b>	<b>Total</b>	<b>City Mil Rate</b>	<b>School Mil Rate</b>	<b>County Mil Rate</b>
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
2017	21.10	9.10	10.24	1.76

Table E

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

	<b>Estimated Population</b>	<b>Assessed Value (In Thousands)</b>	<b>Gross Bonded Debt (1)</b>	<b>Ratio of Gross Bonded Debt to Assessed Value</b>	<b>Gross Bonded Debt per Capita</b>
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
2017	8,514	1,223,542	22,953,260	1.88%	2,696

(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**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service (1)</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of Debt Service to Total General Fund Expenditures</b>
2008	\$ 2,566,421	\$ 966,189	\$ 3,532,610	\$ 26,599,894	13.28%
2009 (2)	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%
2017	2,811,858	499,027	3,310,885	21,183,321	15.63%

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

(2) 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, 2017**

<b>Name</b>	<b>Type of Operation</b>	<b>Assessed Valuation</b>	<b>Amount of Tax</b>	<b>% of Net Tax Levy</b>
Bath Iron Works	Ship building & repair	\$ 508,180,200	\$ 10,722,602	42.91%
BathRes LLC	Hotel	14,693,000	310,022	1.24%
Bath Savings	Banking Institution	10,556,700	222,746	0.89%
Bath Supermarket Improvements	Retail Space	10,540,300	222,400	0.89%
Sagadahoc Real Estate Assoc	Office space	9,591,300	202,376	0.81%
Central Maine Power	Electric Utility Company	9,343,600	197,150	0.79%
Dorks R Us	Hotel	7,967,600	168,116	0.67%
Northwood Housing	Residential housing	7,143,800	150,734	0.60%
Bath Inline Improvements	Retail Space	6,564,200	138,505	0.55%
EWT LLC	Residential Housing	6,546,200	138,125	0.55%
<b>Totals</b>		<b>\$ 591,126,900</b>	<b>\$ 12,472,776</b>	<b>49.92%</b>



*Proven Expertise and Integrity*

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

City Council  
City of Bath  
Bath, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bath, Maine as of and for the year ended June 30, 2017, 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 December 15, 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  
December 15, 2017