

Federal Compliance Audit

City of Bath, Maine

June 30, 2018



Proven Expertise and Integrity

CITY OF BATH, MAINE
Annual Financial Report
June 30, 2018

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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, 2018, 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, 2018, 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 55 through 60 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual fund statements, schedules and the Schedule of Expenditures of Federal Awards 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, schedules and the Schedule of Expenditures of Federal Awards 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 27, 2018, 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 27, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(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, 2018. 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 \$792,088 from \$30.69 million to \$31.48 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by \$4,122,306 for governmental activities to a balance of \$6.99 million at the end of this year.

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

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Assets:		
Current Assets	\$ 27,669,677	\$ 31,095,595
Capital Assets	36,523,951	34,050,920
Total Assets	<u>64,193,628</u>	<u>65,146,515</u>
Deferred Outflows of Resources	<u>2,790,426</u>	<u>3,497,974</u>
Liabilities:		
Current Liabilities	6,272,388	5,145,260
Long-term Debt Outstanding	26,970,030	30,901,405
Total Liabilities	<u>33,242,418</u>	<u>36,046,665</u>
Deferred Inflows of Resources	<u>2,261,007</u>	<u>1,909,283</u>
Net Position:		
Net Investment in Capital Assets	17,466,220	12,649,869
Restricted	7,027,957	6,929,912
Unrestricted	6,986,452	11,108,760
Total Net Position	<u>\$ 31,480,629</u>	<u>\$ 30,688,541</u>

Revenues and Expenses

Revenues for the City's governmental activities increased by 0.83%, while the total expenses increased by 4.38%. Most revenue and expense categories were consistent with prior year amounts.

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

	<u>2018</u>	<u>2017</u>
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 4,435,083	\$ 4,386,790
Operating grants and contributions	625,727	524,281
Capital grants and contributions	90,235	239,218
<i>General revenues:</i>		
Taxes	27,445,686	27,254,515
Grants and contributions not restricted to specific programs	2,026,205	1,874,836
Miscellaneous	2,305,385	2,344,893
Total Revenues	<u>36,928,320</u>	<u>36,624,533</u>
Expenses		
General government	2,289,075	1,663,787
Public works and wastewater treatment	4,354,027	4,972,944
Public safety	4,151,854	4,047,256
Parks and recreation	746,772	766,947
Health, welfare, and transportation	300,287	270,487
Education	10,059,652	9,698,303
Intergovernmental	1,744,231	1,671,485
Unclassified	8,596,048	8,183,868
Interest on debt	516,330	382,005
Capital outlay	1,945,883	1,591,998
Total Expenses	<u>34,704,159</u>	<u>33,249,080</u>
Excess (deficiency) before special items	2,224,161	3,375,453
Special item: (loss) sale of land/gain sale of school blding	<u>(1,432,073)</u>	<u>139,598</u>
Change in Net Position	792,088	3,515,051
Net Position - July 1, restated	<u>30,688,541</u>	<u>27,173,490</u>
Net Position - June 30	<u>\$ 31,480,629</u>	<u>\$ 30,688,541</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>2018</u>	<u>2017</u>
General Fund:		
Nonspendable	\$ 32,840	\$ 19,729
Committed	10,814,042	10,618,505
Assigned	165,022	267,680
Unassigned	3,198,708	2,508,916
Total General Fund	<u>\$ 14,210,612</u>	<u>\$ 13,414,830</u>
Sewer Utility Fund:		
Committed	\$ 1,330,645	\$ 919,061
Total Sewer Utility Fund	<u>\$ 1,330,645</u>	<u>\$ 919,061</u>
TIF Funds:		
Restricted	\$ 3,131,251	\$ 3,038,977
Total TIF Funds	<u>\$ 3,131,251</u>	<u>\$ 3,038,977</u>
Landfill Fund:		
Committed	\$ 1,056,777	\$ 3,650,742
Total Landfill Fund	<u>\$ 1,056,777</u>	<u>\$ 3,650,742</u>
Capital Projects Funds:		
Committed	\$ 1,000,046	\$ 1,278,650
Total Capital Projects Funds	<u>\$ 1,000,046</u>	<u>\$ 1,278,650</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 782,017	\$ 816,464
Restricted	112,018	265,552
Committed	146,132	136,539
Assigned	436,633	356,822
Unassigned	(465,307)	(493,867)
Permanent Funds:		
Nonspendable	3,002,671	2,801,301
Restricted	-	7,618
Total Nonmajor Funds	<u>\$ 4,014,164</u>	<u>\$ 3,890,429</u>

The general fund total fund balance increased by \$795,782 from the prior fiscal year due to unrealized gain on investment market value. The sewer utility fund increased by \$411,584 from the prior year due to a deferred payment on debt. The TIF funds increased by \$92,274 from the prior year. The landfill fund decreased by \$2,593,965 from the prior year, due to spending bond proceeds for the cell expansion and the capital projects funds decreased by \$278,604 from the prior year. The nonmajor fund balances increased by \$123,735 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 \$1,180,776. 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 over budget by \$31,338. This is attributable to overage in winter storm clean up in public works. All other expenses were close to budget or offset overages with underages.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the City increased by \$2,473,031 from the prior year. The increase is the result of current year capital additions of \$4,258,791 less depreciation of \$1,724,025 and property disposals of \$61,735.

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

	<u>2018</u>	<u>2017</u>
Land	\$ 1,902,870	\$ 1,902,870
Construction in progress	1,157,873	2,416,970
Buildings and improvements	4,402,598	4,423,631
Machinery, furniture & equipment	1,370,686	1,185,261
Vehicles	25,926,711	1,541,915
Infrastructure	1,763,213	22,580,273
Total	<u>\$ 36,523,951</u>	<u>\$ 34,050,920</u>

Debt

At June 30, 2018, the City had \$20,061,591 in bonds, notes and capital leases outstanding versus \$22,964,465 outstanding last year, a decrease of 12.64% 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, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 9,063,848
Investments	14,324,086
Receivables:	
Taxes receivable	696,325
Tax liens	418,435
Accounts receivable, net of allowance of \$65,211	871,923
Notes receivable	1,257,017
Inventory	24,233
Prepaid	8,607
Long-term receivable from RSU #1	1,005,203
Capital assets, not being depreciated	3,060,743
Capital assets, net of depreciation	33,463,208
Total assets	64,193,628
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	2,516,144
Deferred outflows related to OPEB	274,282
Total deferred outflows of resources	2,790,426
LIABILITIES	
Accounts payable	825,878
Accrued expenses	285,101
Accrued interest	143,188
Noncurrent liabilities:	
Due within one year	5,018,221
Due in more than one year	26,970,030
Total liabilities	33,242,418
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,261,007
Total deferred inflows of resources	2,261,007
NET POSITION	
Net investment in capital assets	17,466,220
Restricted for:	
Permanent funds:	
Expendable	-
Nonexpendable	3,002,671
Community development	782,017
Grants	112,018
TIF Districts	3,131,251
Unrestricted	6,986,452
Total net position	\$ 31,480,629

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

CITY OF BATH, MAINE
Statement of Activities
For the year ended June 30, 2018

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 Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 2,289,075	\$ 93,398	\$ 402,782	\$ -	\$ (1,792,895)
Public works and wastewater treatment	4,354,027	3,135,622	-	90,235	(1,128,170)
Public safety	4,151,854	717,943	11,206	-	(3,422,705)
Parks and recreation	746,772	437,030	-	-	(309,743)
Health, welfare, and transportation	300,287	51,090	88,451	-	(160,746)
Education	10,059,652	-	-	-	(10,059,652)
Intergovernmental	1,744,231	-	-	-	(1,744,231)
Unclassified	8,596,048	-	123,288	-	(8,472,760)
Interest on debt	516,330	-	-	-	(516,330)
Capital outlay	1,945,883	-	-	-	(1,945,883)
Total governmental activities	34,704,159	4,435,083	625,727	90,235	(29,553,115)
Total primary government	\$ 34,704,159	\$ 4,435,083	\$ 625,727	\$ 90,235	(29,553,115)
General revenues:					
Property taxes, levied for general purposes					26,149,573
Contributions in lieu of taxes					63,322
Motor vehicle excise taxes					1,232,791
Grants and contributions not restricted to specific programs:					
Homestead and BETE exemption					1,466,502
Other State/Federal aid					(6,248)
State Revenue Sharing					565,951
Unrestricted investment earnings (loss), net					1,614,291
Other					691,094
Special item - Loss on Sale of City Property (Intergovernmental)					(1,432,073)
Total general revenues and special items					30,345,203
Change in net position					792,088
Net position - beginning, restated					30,688,541
Net position - ending					\$ 31,480,629

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

CITY OF BATH, MAINE
Balance Sheet
Governmental Funds
June 30, 2018

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 8,671,921	\$ 75,898	\$ -	\$ 300	\$ 108,595	\$ 207,134	\$ 9,063,848
Investments	10,814,042	-	-	562,469	-	2,947,575	14,324,086
Receivables:							
Taxes receivable	696,325	-	-	-	-	-	696,325
Tax liens	418,435	-	-	-	-	-	418,435
Accounts receivable, net of allowance of \$65,211	303,057	499,090	-	64,490	-	5,286	871,923
Notes receivable	-	475,000	-	-	-	782,017	1,257,017
Interfund loans receivable	-	289,983	3,291,251	434,120	891,451	151,385	5,058,190
Inventory	24,233	-	-	-	-	-	24,233
Prepaid	8,607	-	-	-	-	-	8,607
Receivable from RSU #1 for debt service payment	1,005,203	-	-	-	-	-	1,005,203
Total assets	\$ 21,941,823	\$ 1,339,971	\$ 3,291,251	\$ 1,061,379	\$ 1,000,046	\$ 4,093,397	\$ 32,727,867
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 665,878	\$ -	\$ 160,000	\$ -	\$ -	\$ -	\$ 825,878
Accrued expenditures	253,371	9,326	-	4,602	-	17,802	285,101
Interfund loans payable	4,996,759	-	-	-	-	61,431	5,058,190
Total liabilities	5,916,008	9,326	160,000	4,602	-	79,233	6,169,169
Deferred Inflows of Resources:							
Deferred tax revenue	810,000	-	-	-	-	-	810,000
Deferred debt service payments from RSU #1	1,005,203	-	-	-	-	-	1,005,203
Total deferred inflows of resources	1,815,203	-	-	-	-	-	1,815,203
Fund Balances:							
Nonspendable	32,840	-	-	-	-	3,784,688	3,817,528
Restricted	-	-	3,131,251	-	-	112,018	3,243,269
Committed	10,814,042	1,330,645	-	1,056,777	1,000,046	146,132	14,347,642
Assigned	165,022	-	-	-	-	436,633	601,655
Unassigned	3,198,708	-	-	-	-	(465,307)	2,733,401
Total fund balances	14,210,612	1,330,645	3,131,251	1,056,777	1,000,046	4,014,164	24,743,495
Total liabilities, deferred inflows of resources and fund balances	\$ 21,941,823	\$ 1,339,971	\$ 3,291,251	\$ 1,061,379	\$ 1,000,046	\$ 4,093,397	\$ 32,727,867

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, 2018

Total Fund Balances	\$ 24,743,495
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	36,523,951
Long-term receivable from RSU #1 for bonds held in the City's name.	1,005,203
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	810,000
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(373,614)
Other post-employment benefits	(1,414,767)
Net pension liability, including related deferred outflows and inflows	(4,141,337)
Accrued interest	(143,188)
Landfill closure	(4,140,000)
Bonds payable	(21,389,114)
Net position of governmental activities	\$ 31,480,629

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, 2018

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
Revenues:							
Taxes	\$ 18,757,685	\$ -	\$ 7,043,129	\$ 877,000	\$ 782,872	\$ -	\$ 27,460,686
Licenses and permits	93,398	-	-	-	-	-	93,398
Intergovernmental	2,142,642	13,457	-	90,235	-	495,833	2,742,167
Charges for services	763,101	2,283,775	-	806,689	-	488,120	4,341,685
Investment income (loss), net	1,185,200	-	-	147,298	-	281,793	1,614,291
Other revenues	355,052	-	-	-	164,844	171,198	691,094
Total revenues	23,297,078	2,297,232	7,043,129	1,921,222	947,716	1,436,943	36,943,320
Expenditures:							
Current:							
General government	1,345,899	-	67,692	988,280	-	14,530	2,416,401
Public works and wastewater treatment	1,605,017	1,261,742	85,000	-	-	-	2,951,759
Public safety	3,897,654	-	-	-	-	12,517	3,910,171
Parks and recreation	-	-	-	-	-	684,382	684,382
Health, welfare and transportation	86,922	-	-	-	-	213,365	300,287
Education	10,059,652	-	-	-	-	-	10,059,652
Intergovernmental	1,744,231	-	-	-	-	-	1,744,231
Unclassified	2,656,966	-	5,069,069	-	-	870,013	8,596,048
Debt service	498,118	562,668	1,216,697	669,410	545,779	-	3,492,672
Capital outlays	-	1,388,759	294,704	2,857,497	1,601,979	-	6,142,939
Total expenditures	21,894,459	3,213,169	6,733,162	4,515,187	2,147,758	1,794,807	40,298,542
Excess (deficiency) of revenues over (under) expenditures	1,402,619	(915,937)	309,967	(2,593,965)	(1,200,042)	(357,864)	(3,355,222)
Other financing sources (uses):							
Transfers in	28,760	-	-	-	300,438	510,359	839,557
Transfers out	(635,597)	-	(175,200)	-	-	(28,760)	(839,557)
Proceeds from bonds/notes/capital leases	-	1,327,521	-	-	621,000	-	1,948,521
Total other financing sources (uses)	(606,837)	1,327,521	(175,200)	-	921,438	481,599	1,948,521
Special item:							
Loss on Sale of City Property (Intergovernmental)	-	-	(42,493)	-	-	-	(42,493)
Net change in fund balances	795,782	411,584	92,274	(2,593,965)	(278,604)	123,735	(1,449,194)
Fund balances, beginning of year	13,414,830	919,061	3,038,977	3,650,742	1,278,650	3,890,429	26,192,689
Fund balances, end of year	\$ 14,210,612	\$ 1,330,645	\$ 3,131,251	\$ 1,056,777	\$ 1,000,046	\$ 4,014,164	\$ 24,743,495

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, 2018

Net change in fund balances - total governmental funds (from Statement 5)	\$	(1,449,194)
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those position is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlays (\$4,258,791) were more than depreciation expense (\$1,724,025) and capital asset disposals (\$61,735).</p>		
		2,473,031
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue.</p>		
		(15,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the decrease in accrued interest (\$23,360) and net pension liability with related deferred inflows and outflows (\$155,774) combined with the increase in other post-employment benefits (\$73,549) and accrued compensated absences (\$31,007).</p>		
		218,370
<p>Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments on leases.</p>		
		11,206
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (\$3,512,667) were more than debt proceeds (\$1,948,521).</p>		
		1,564,146
<p>The City has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #1 when the debt service payments are due. The City has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was (\$1,003,860) with principal amounts paid off during the year totaling (\$559,555) with a net change in accrued interest of (\$1,343).</p>		
		(570,891)
<p>The City had land that was held for sale which was sold during the fiscal year to Regional School Unit No. 1. This amount was not included in the governmental funds as it was a long-term asset.</p>		
		(1,389,580)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This represents the increase in landfill liability.</p>		
		(50,000)
Change in net position of governmental activities (see Statement 2)		\$ 792,088

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, 2018

	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	\$ 18,554,728	\$ 18,554,728	\$ 18,757,685	\$ 202,957	\$ -	\$ -	\$ -	\$ -
Licenses and permits	84,750	84,750	93,398	8,648	-	-	-	-
Intergovernmental	2,052,302	2,052,302	2,142,642	90,340	-	-	13,457	13,457
Charges for services	827,000	827,000	763,101	(63,899)	2,213,500	2,213,500	2,283,775	70,275
Investment income (loss), net	410,000	410,000	1,185,200	775,200	-	-	-	-
Other revenues	172,500	172,500	340,030	167,530	-	-	-	-
Total revenues	22,101,280	22,101,280	23,282,056	1,180,776	2,213,500	2,213,500	2,297,232	83,732
Expenditures:								
Current:								
General government	1,383,402	1,383,402	1,345,899	37,503	-	-	-	-
Public works	1,502,564	1,502,564	1,605,017	(102,453)	-	-	-	-
Public safety	3,919,385	3,919,385	3,897,654	21,731	-	-	-	-
Health and welfare	67,650	67,650	86,922	(19,272)	-	-	-	-
Education	10,059,652	10,059,652	10,059,652	-	-	-	-	-
Intergovernmental	1,744,231	1,744,231	1,744,231	-	-	-	-	-
Administration	-	-	-	-	117,500	117,500	106,045	11,455
Treatment plant	-	-	-	-	959,889	959,889	864,647	95,242
Maintenance	-	-	-	-	307,504	307,504	291,050	16,454
Unclassified	2,687,660	2,687,660	2,656,966	30,694	-	-	-	-
Debt service	498,577	498,577	498,118	459	713,387	713,387	562,668	150,719
Capital	-	-	-	-	115,000	115,000	1,388,759	(1,273,759)
Total expenditures	21,863,121	21,863,121	21,894,459	(31,338)	2,213,280	2,213,280	3,213,169	(999,889)
Excess (deficiency) of revenues over (under) expenditures	238,159	238,159	1,387,597	1,149,438	220	220	(915,937)	(916,157)
Other financing sources (uses):								
Transfers in	25,000	25,000	28,760	3,760	-	-	-	-
Transfers out	(363,159)	(363,159)	(635,597)	(272,438)	-	-	-	-
Proceeds from bonds/notes/ capital leases	-	-	-	-	-	-	1,327,521	1,327,521
Utilization of prior year fund balance	100,000	100,000	-	(100,000)	-	-	-	-
Total other financing sources (uses)	(238,159)	(238,159)	(606,837)	(368,678)	-	-	1,327,521	1,327,521
Net change in fund balances - budgetary basis	-	-	780,760	780,760	220	220	411,584	411,364
Reconciliation to GAAP basis:								
Fuel revenues for fuel tank reserve			15,022					
Net change in fund balances			795,782				411,584	
Fund balances, beginning of year			13,414,830				919,061	
Fund balances, end of year			\$ 14,210,612				\$ 1,330,645	

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements
June 30, 2018

THE REPORTING ENTITY

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

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

Bath Local Development Corporation (Bath LDC)

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

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

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

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

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The City reports the following major governmental funds:

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

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

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

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

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

C. Budget

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

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

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

D. Cash, Cash Equivalents and Investments

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Cash, Cash Equivalents and Investments, continued

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

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

E. Inventories and Prepaid Items

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

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

F. Interfund Receivables and Payables

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

G. Transactions Between Funds

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

H. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$48,421 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, 2018.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Capital Assets

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

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

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

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

J. Compensated Absences

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

K. Long-term Obligations

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Net Position

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

M. Deferred Outflows and Inflows of Resources

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

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

N. Fund Balances

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

N. Fund Balances, continued

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

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

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

O. Encumbrances

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

P. Pensions

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

Q. OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the City's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

R. 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.

S. 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, 2018:

Capital assets	\$ 68,457,432
Accumulated depreciation	(31,933,481)
Bonds payable	(20,061,591)
Long-term receivable from RSU #1 for debt service	1,003,860
<hr/>	
Total net investment in capital assets	\$ 17,466,220

T. Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.”* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. 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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

PROPERTY TAX

Property taxes for the current year were committed on August 30, 2017, 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 \$211,160 for the year ended June 30, 2018.

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

PROPERTY TAX, CONTINUED

The following summarizes the levy:

	<u>2018</u>	<u>2017</u>
Assessed value (excluding Homestead exemption)	\$ 1,219,825,300	\$ 1,223,541,700
Tax rate (per \$1,000)	21.35	21.10
Commitment	27,298,452	25,816,730
Supplemental taxes assessed	-	-
	27,298,452	25,816,730
Less:		
Abatements	105,468	119,554
Collections	26,482,315	25,041,192
	\$ 710,669	\$ 655,984
Due date - current year	October 15, 2017	October 15, 2016
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.40%	97.46%
Taxes and liens receivable - current year	\$ 696,325	\$ 655,984
Taxes and liens receivable - prior years	418,435	401,361
	\$ 1,114,760	\$ 1,057,345

DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City will not be able to recover its deposits. The City does not have a policy covering custodial credit risk for deposits. However, the City maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2018, the City's deposits amounting to \$9,063,848 and cash equivalents of \$1,174,789 were comprised of bank deposits of \$8,228,849. Of these bank deposits, \$1,101,245 was covered by federal depository insurance and \$7,127,604 was collateralized with securities held by the financial institution's agent but not in the City's name. The cash equivalents of \$1,174,789 were covered by the Securities Investor Protection Corporation (SIPC).

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

DEPOSITS AND INVESTMENTS, CONTINUED

Account Type	Bank Balance
Checking accounts	\$ 302,086
Savings accounts	673,814
Money market accounts	1,174,789
Certificates of deposit	7,252,948
	\$ 9,403,638

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does not have a policy for custodial credit risk for investments. The City's investments of \$14,324,086 are not exposed to custodial credit risk because those securities are registered in the City's name and are held by the City's brokerage firm.

At June 30, 2018, 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	\$ 5,489	\$ 5,489	\$ -	\$ -	\$ -
Fixed income	154,630	154,630	-	-	-
Debt securities:					
Corporate bonds	3,749,974	-	523,000	2,541,536	685,438
Tax exempt bonds	40,325	-	-	40,325	-
Brokered certificates of deposit	174,269	-	140,184	34,085	-
Equity securities:					
Preferred stock	15,084	15,084	-	-	-
Common stock - domestic	9,478,831	9,478,831	-	-	-
Common stock - foreign	658,628	658,628	-	-	-
Real Estate Investment Trusts	46,855	46,855	-	-	-
	\$ 14,324,086	\$ 10,359,518	\$ 663,184	\$ 2,615,946	\$ 685,438

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, 2018:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

DEPOSITS AND INVESTMENTS, CONTINUED

	June 30, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Investments by fair value level				
Debt securities				
Corporate bonds	\$ 3,749,974	\$ -	\$ 3,749,974	\$ -
Tax exempt bonds	40,325	-	40,325	-
Brokered certificates of deposit	174,269	-	174,269	-
Total debt securities	<u>3,964,568</u>	<u>-</u>	<u>3,964,568</u>	<u>-</u>
Equity securities				
Common stock	10,137,459	10,137,459	-	-
Preferred stock	15,084	15,084	-	-
Mutual funds and exchange-traded funds	160,119	160,119.27	-	-
Real estate investment trusts	46,855	46,855	-	-
Total equity securities	<u>10,359,518</u>	<u>10,359,518</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>14,324,086</u>	<u>\$ 10,359,518</u>	<u>\$ 3,964,568</u>	<u>\$ -</u>
Cash equivalents measured at the net asset value (NAV)				
Money market mutual funds	<u>1,174,789</u>			
Total cash equivalents measured at the NAV	<u>1,174,789</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 15,498,875</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2018 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk – Statutes for the State of Maine authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. As of June 30, 2017, the City's investments in corporate bonds were rated AAA (\$201,314), AA+ (\$99,760), A (\$406,856), A- (\$297,300), BBB+ (\$499,777) and BBB (\$995,008) by Standard & Poor's Rating Service. The City's holdings in tax-exempt bonds and negotiable certificates of deposit totaling \$214,594 were not rated.

Credit ratings were not available for certain other corporate bond holdings totaling \$1,249,959.

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities	Balance June 30, 2017	Increases	Decreases/ Adjustments	Balance June 30, 2018
Capital Assets, not being depreciated				
Land	\$ 1,902,870	-	-	\$ 1,902,870
Construction in Progress	2,416,970	2,995,609	4,254,706	1,157,873
Total capital assets not being depreciated	4,319,840	2,995,609	4,254,706	3,060,743
Capital Assets, being depreciated				
Building & Improvements	12,625,240	278,354	-	12,903,594
Machinery, Furniture & Equipment	3,512,915	421,264	44,665	3,889,514
Infrastructure	40,233,400	4,254,706	-	44,488,106
Vehicles	4,084,321	563,564	532,410	4,115,475
Total capital assets being depreciated	60,455,876	5,517,888	577,075	65,396,689
Less accumulated depreciation for:				
Building & Improvements	8,201,609	299,387	-	8,500,996
Machinery, Furniture & Equipment	2,327,655	234,152	42,978	2,518,829
Infrastructure	17,653,127	908,268	-	18,561,395
Vehicles	2,542,405	282,218	472,362	2,352,261
Total accumulated depreciation	30,724,796	1,724,025	515,340	31,933,481
Total capital assets being depreciated, net	29,731,080	3,793,863	61,735	33,463,208
Governmental activities capital assets, net	\$ 34,050,920	6,789,472	4,316,441	\$ 36,523,951

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

Governmental activities:

General government	\$ 85,329
Public works and wastewater treatment	1,349,500
Parks and recreation	235,129
Public safety	54,007

Total depreciation expense – governmental activities \$ 1,724,025

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

INTERFUND BALANCES, ADVANCES AND TRANSFERS

Individual interfund loans receivable and payable and interfund transfers at June 30, 2018 were as follows:

	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>	Transfers <u>In (Out)</u>
General Fund	\$ -	\$ 4,996,759	\$ (606,837)
Sewer Utility Fund	289,983	-	
TIF Fund	3,291,251	-	(175,200)
Capital Projects	891,451	-	300,438
Landfill Fund	4,341,120	-	-
Nonmajor governmental funds:			
City Special Purpose	-	60,277	275,159
Community Development	46,706	-	-
Transportation Programs	78,721	-	74,200
Bath Local Development Corp.	-	1,155	161,000
Nonmajor permanent funds	25,958	-	(28,760)
Total interfund balances and transfers	\$ 5,058,190	\$ 5,058,190	\$ 0

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

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance <u>(Restated)</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 22,953,259	\$ 621,000	\$ 3,512,668	\$ 20,061,591	\$ 3,415,309
Capital leases	11,206	-	11,206	-	-
Other post-employment benefits	1,341,218	347,831	-	1,689,049	-
Net pension liability	6,029,594	-	1,633,120	4,396,474	-
Accrued compensated absences	342,607	31,007	-	373,614	373,614
Landfill closure and postclosure care costs	4,090,000	50,000	-	4,140,000	-
Governmental activity long-term liabilities	\$ 34,767,884	\$ 1,049,838	\$ 5,156,994	\$ 30,660,728	\$ 3,788,923

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

SHORT-TERM DEBT

On November 3, 2015, the Voters approved the issuance of a \$8,500,000 sewer bonds for upgrades to the sewer treatment plant and the infrastructure. The City had two bonds anticipation notes outstanding to cover construction until the permanent bonds are in place. The two BANs include \$2,000,000 with SRF State Revolving Loan Fund and \$3,000,000 with Androscoggin Bank to be funded by Rural Development. Bond anticipation note activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Tax anticipation notes SRF	\$ -	\$ 195,521	\$ -	\$ 195,521
Tax anticipation notes RD	\$ -	\$ 1,132,000	\$ -	\$ 1,132,000

LONG-TERM DEBT

Long-term debt payable at June 30, 2018 is comprised of the following:

	<u>Date of Issue</u>	<u>Original Amount Issued</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2018</u>
Governmental activities:					
2002 Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	\$328,209
2004 General obligation bonds	6/1/04	1,840,000	9/1/19	varies	240,000
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	140,000
2008 SRF sewer bond	5/1/08	1,400,000	4/1/2023	1.00%	466,666
2008 general obligation bond	1/30/08	6,500,000	1/15/23	varies	825,000
2009 general obligation bond series B	9/5/08	635,000	10/15/28	varies	420,000
2009 general obligation bond series C	9/8/08	1,365,000	10/15/18	6.75%	940,000
2009 AARA Clean Water Revolving Loan	7/1/09	57,488	4/1/19	0.00%	4,157
2011 General Obligation Bond	5/1/11	3,950,000	5/1/31	varies	1,580,000
2011 GOB Series B	3/1/11	2,392,271	11/1/2030	varies	846,006
2011 GOB Series B	3/1/11	2,882,729	11/1/2030	varies	1,003,860 (1)
2011 SRF GOB	3/1/11	1,883,600	11/1/2031	varies	1,318,520
2014 SRF Clean Water Revolving Loan	2014	651,500	2033	1%	488,625
2014 GOB Bath Savings	2014	128,000	2020	2.84%	36,570
2015 GOB Equipment	2015	222,000	2021	varies	64,235
2015 GOB Road Bond and Refin	2015	4,456,000	2029	varies	2,700,000
2015 GOB Equipment	2015	665,265	2024	varies	303,428
2015 GOB Bath Savings	2015	1,205,000	2025	varies	878,223
2016 GOB Bath Savings	2016	715,500	2025	varies	512,187
2017 GOB Bath Savings	2017	6,475,500	2025	varies	6,300,000
2017 GOB Equipment	2017	60,000	2025	varies	44,905
2018 GOB Equipment	2018	621,000	2028	varies	621,000
Total governmental activities					\$ 20,061,591

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

LONG-TERM DEBT, CONTINUED

(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 \$1,003,860, 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 \$1,343 for a total long-term receivable of \$1,005,203.

The annual principal and interest requirements to amortize general long-term debt outstanding as of June 30, 2018 are as follows:

Year(s) Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,690,700	\$ 537,955	\$ 4,228,655
2020	2,675,063	434,737	3,109,800
2021	2,160,873	370,952	2,531,825
2022	2,095,175	316,040	2,411,214
2023-2027	6,043,334	913,666	6,957,000
2028-2032	3,113,875	228,907	3,342,782
2033-2037	282,572	22,017	304,592
Totals	\$20,061,591	\$ 2,824,274	\$22,885,868

LANDFILL CLOSURE AND POSTCLOSURE COSTS

The City of Bath is currently operating a landfill for residential and commercial sanitary waste, demolition debris, and other materials. In 1991, the City entered into a consent decree with the State of Maine for the development and implementation of a corrective action plan and application to re-license with a proposed vertical expansion. The City met all terms of the consent decree and received approval from the State on the new license and vertical expansion. As part of the corrective action plan, the City closed certain sections of the 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, 2018, the landfill had reached approximately 69.79% 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, 2018, of

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

LANDFILL CLOSURE AND POSTCLOSURE COSTS, CONTINUED

\$2,520,566 for closure, and an estimate for post closure costs of \$1,605,115. This results in a total of \$4,125,681 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 \$562,469 is reflected as a cash equivalent and investment in the City's Landfill Fund. It is the intent of the City Council to earmark additional funding for landfill closure costs on an annual basis.

OVERLAPPING DEBT

The City of Bath, Maine is situated in Sagadahoc County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Sagadahoc County, for which the City of Bath would be proportionally responsible in the event the County defaulted, amounted to \$1,053,520 at June 30, 2018, which is 20.70% of the County's total debt of \$5,089,469.

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 \$3,207,529 at June 30, 2018, which is 57.19% of the RSU's total debt of \$5,608,550 not funded by the State of Maine.

LIMITATION ON MUNICIPAL SPENDING

The City's charter provides for a limitation on expenditures each year based upon the annual increase in the National Consumer Price Index ("CPI") as determined by the United States Department of Labor. Exceptions to the limitations are made for proceeds of new bond issues approved by public referendum, debt service required to support new bonded indebtedness, expenditures of Federal and State grants, expenditures for programs mandated and funded by the Federal and State governments, expenditures of insurance proceeds for replacement of covered assets, and emergency appropriations by the City Council in accordance with the City's charter. The expenditures of the City of Bath, Maine for the year ended June 30, 2018 were made in accordance with the above charter limitations.

SIGNIFICANT TAXPAYER

For the year ended June 30, 2018, the City of Bath received \$10,813,181 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 41.88% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2018, a significant portion (\$4,711,035) were funds collected as part of a Credit Enhancement Agreement in a Tax Increment Financing (TIF) District. As such, only \$6,102,146 of taxes were collected for the purposes of financing the City's operational and capital budgets.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

FUND BALANCE COMPONENTS

As of June 30, 2018, fund balances components consisted of the following:

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:			
Inventory and prepaid items	\$ 32,840	\$ -	\$ 32,840
Notes receivable and interfund advances	-	782,017	782,017
Principal for permanent funds	-	3,002,671	3,002,671
Total nonspendable	32,840	3,747,289	3,817,528
Restricted:			
TIF Districts	-	3,131,251	3,131,251
Grants and other purposes	-	112,018	112,018
Permanent funds	-	-	-
Total restricted	-	3,243,269	3,243,269
Committed:			
Capital Reserves	11,457,364	-	11,457,364
Sewer utility	-	1,330,645	1,330,645
Landfill - operations	-	494,308	494,308
Landfill - set aside for closure	-	562,469	562,469
Capital projects	-	1,000,046	1,000,046
Bath Local Development Corporation	-	146,132	146,132
Total committed	11,457,364	3,533,600	14,990,964
Assigned:			
Subsequent budget	150,000	-	150,000
Fuel tank reserves	15,022	-	15,022
Grants and other purposes	-	436,633	436,633
Total assigned	165,022	436,633	601,655
Unassigned	2,555,386	(465,307)	2,090,079
Total fund balances	\$ 14,210,612	\$ 10,495,484	\$ 24,743,495

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

DEFICIT FUND BALANCES

Several City Special Revenue Funds had deficit fund balances at June 30, 2018. The City's deficit fund balances are as follows:

Recreation Programs	\$ 175,790
Skate Park Committee	53,366
Bath Youth Meeting House	<u>236,151</u>
	<u>\$ 465,307</u>

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

EXPENDITURES OVER APPROPRIATIONS

The City had the following overspent appropriations as of June 30, 2018:

Public Work	\$ 102,453
Health Welfare	<u>19,272</u>

DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

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

Benefits Provided

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

DEFINED BENEFIT PENSION PLAN, CONTINUED

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

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45%. During the year ended June 30, 2018, the retirement system consisted of 283 participating employers.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The City's 2C plan members and 3C plan members are required to contribute 7.5% and 9.0% respectively of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 8.9% for the 2C plan and 11.4% for the 3C plan of covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The City's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2018 was \$626,860.

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

At June 30, 2018, the City reported a liability of \$4,396,474 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 1.073784%, which was a decrease of 0.061026% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized total pension revenue of \$299,566. At June 30, 2018, 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, 2018

DEFINED BENEFIT PENSION PLAN, CONTINUED

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 211,219
Changes of assumptions	374,113	-
Net difference between projected and actual earnings on pension plan investments	1,515,151	1,636,043
Changes in proportion and differences between contributions and proportionate share of contributions	-	413,745
Contributions subsequent to the measurement date	626,880	-
Total	\$ 2,516,144	\$ 2,261,007

\$626,880 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, 2018. 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
Plan year ended June 30:	
2018	\$ (351,823)
2019	249,912
2020	29,496
2021	(299,329)
2022	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2017, 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, 2018

DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions (Continued)

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

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

Asset Valuation Method

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

Amortization

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% to 9.0% per year.

Mortality Rates - For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females is used.

Cost of Living Benefit Increases – 2.2% for participating local districts.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2017 are summarized in the following table:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions (Continued)

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2017. 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, 2017 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	\$ 8,820,678	\$ 4,396,474	\$ 1,065,734

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

DEFINED BENEFIT PENSION PLAN, CONTINUED

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2017, this was 4 years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings

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

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

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

Pension Plan Fiduciary Net Position

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

DEFERRED COMPENSATION PLAN

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

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

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

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

RISK MANAGEMENT

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

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

OTHER POST-EMPLOYMENT BENEFITS

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The City and City retirees contribute to the City's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the City and/or the City retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the City concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

Employees Covered by Benefit Terms

At January 1, 2018, the following employees were covered by the benefit terms:

Active members	6
Retirees and spouses	<u>0</u>
Total	<u>6</u>

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
POS C	\$1,044.20	\$2,342.30
<u>Medicare</u>		
Medicare-Eligible Retirees	\$527.65	\$1,055.29

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported a liability of \$1,689,049 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2018 and was determined by an actuarial valuation as of that date. The City's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

For the year ended June 30, 2018, the City recognized OPEB expense of \$73,549. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 927	\$ -
Changes of assumptions	4,639	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	\$ 5,566	\$ -

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MMEHT	
Plan year ended June 30:		
2018	\$	796
2019		796
2020		796
2021		796
2022		796
Thereafter		1,586

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of January 1, 2018. The discount rate determination is based on the high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.44% per annum for December 31, 2018 was based upon a measurement date of December 31, 2017. The sensitivity of net OPEB liability to changes in discount rate are as follows:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

	1% Decrease	Discount Rate	1% Increase
	2.44%	3.44%	4.44%
Total OPEB liability	\$ 32,215	\$ 27,424	\$ 23,532
Plan fiduciary net position	-	-	-
Net OPEB liability	\$ 32,215	\$ 27,424	\$ 23,532
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%	 0.00%	 0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 23,315	\$ 27,424	\$ 32,599
Plan fiduciary net position	-	-	-
Net OPEB liability	\$ 23,315	\$ 27,424	\$ 32,599
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%	 0.00%	 0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2017. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Assumptions

The actuarial assumptions used in the January 1, 2018 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2017 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 3.44% per annum.

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

Administrative and claims expense - 3% per annum.

Medical and drug trends were blended to develop non-Medicare and Medicare trends based on experience weight as listed below.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

FYE	Non-Medicare		Medicare		Non-Medicare	Medicare
	Medical	Drug	Medical	Drug	Blended	Blended
2018	8.20%	9.60%	4.93%	9.60%	8.46%	8.27%
2019	7.90%	9.20%	4.87%	9.20%	8.15%	8.00%
2020	7.60%	8.80%	4.80%	8.80%	7.83%	7.72%
2021	7.30%	8.40%	4.73%	8.40%	7.51%	7.44%
2022	7.00%	8.00%	4.67%	8.00%	7.20%	7.15%
2023	6.70%	7.60%	4.60%	7.60%	6.88%	6.85%
2024	6.40%	7.20%	4.53%	7.20%	6.56%	6.55%
2025	6.10%	6.80%	4.47%	6.80%	6.24%	6.24%
2026	5.80%	6.40%	4.40%	6.40%	5.92%	5.93%
2027	5.50%	6.00%	4.33%	6.00%	5.60%	5.61%
2028	5.20%	5.60%	4.27%	5.60%	5.28%	5.29%
2029	4.90%	5.20%	4.20%	5.20%	4.96%	4.97%
2030	4.60%	4.80%	4.13%	4.80%	4.64%	4.65%
2031	4.30%	4.40%	4.07%	4.40%	4.32%	4.33%
2032	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Age	Tier 1 (Those hired before 7/1/14)		Tier 2 (Those hired on or after 7/1/14)	
	No Additional Employer Payment	With Additional Employer Payment	No Additional Employer Payment	With Additional Employer Payment
55	5%	5%	5%	5.5%
56	5%	5%	5%	5.5%
57	5%	5%	5%	5.5%
58	5%	5%	5%	5.5%
59	20%	20%	5%	5.5%
60	20%	25%	5%	5.5%
61	20%	25%	5%	5.5%
62	20%	25%	5%	5.5%
63	20%	25%	5%	5.5%
64	20%	25%	20%	25%
65	25%	45%	20%	40%
66	25%	30%	20%	25%
67	25%	30%	20%	25%
68	25%	30%	20%	25%
69	25%	30%	20%	25%
70	100%	100%	100%	100%

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Rates of Turnover - Termination rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Years of Service	Revised
0	25.0%
1	20.0%
2	15.0%
3	12.0%
4	10.0%
5	9.0%
6	6.0%
7+	4.0%

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2017.

Participation Rates -

Age	No Additional Employer Payment	With Additional Employer Payment
55	5%	80%
56	8%	80%
57	11%	80%
58	14%	80%
59	17%	80%
60	20%	80%
61	22%	90%
62	24%	90%
63	26%	90%
64	29%	90%
65	32%	90%
66	34%	90%
67	36%	90%
68	38%	90%
69	40%	90%
70	50%	90%

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected.

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Significant actuarial assumptions employed by the actuary for Claim and Expense Assumptions as of January 1, 2018 are as follows:

Monthly Per Capita Claims and Expense Cost - For all medical and prescription drug benefits for the year 2018 is expressed per adult covered beneficiary.

Age	POS A				POS 200			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$311	\$565	\$99	\$122	\$296	\$538	\$95	\$118
45	\$411	\$585	\$128	\$146	\$391	\$557	\$123	\$141
50	\$539	\$674	\$163	\$173	\$513	\$641	\$157	\$166
55	\$694	\$824	\$203	\$202	\$660	\$784	\$195	\$195
60	\$878	\$971	\$248	\$234	\$835	\$923	\$239	\$226
64	\$1,045	\$986	\$288	\$262	\$993	\$938	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	POS C				PPO 500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$306	\$556	\$99	\$122	\$289	\$524	\$95	\$118
45	\$404	\$575	\$128	\$146	\$381	\$542	\$123	\$141
50	\$530	\$662	\$163	\$173	\$499	\$624	\$157	\$166
55	\$683	\$811	\$203	\$202	\$643	\$764	\$195	\$195
60	\$863	\$955	\$248	\$234	\$813	\$899	\$239	\$226
64	\$1,027	\$969	\$288	\$262	\$968	\$913	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Age	PPO 1000				PPO 1500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$281	\$510	\$95	\$118	\$273	\$495	\$95	\$118
45	\$371	\$528	\$123	\$141	\$360	\$512	\$123	\$141
50	\$486	\$608	\$157	\$166	\$472	\$589	\$157	\$166
55	\$627	\$744	\$195	\$195	\$608	\$722	\$195	\$195
60	\$792	\$876	\$239	\$226	\$768	\$850	\$239	\$226
64	\$943	\$890	\$278	\$253	\$914	\$863	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	PPO 2500			
	Medical		Rx	
	Male	Female	Male	Female
40	\$261	\$474	\$95	\$118
45	\$345	\$491	\$123	\$141
50	\$452	\$565	\$157	\$166
55	\$583	\$692	\$195	\$195
60	\$737	\$815	\$239	\$226
64	\$877	\$828	\$278	\$253
65	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432

Claims reflect all medical and prescription plans offered based on completed incurred experience through June 30, 2017 and projected to 2018 and associate enrollment in the various programs options offered.

Annual administrative and claims adjudication expenses are assumed to be \$430 per period for the year 2018.

Claims below age 65 have been loaded 4.3% for medical and 2.8% for drugs for the cost of children enrolled as dependent of eligible retirees. This figure is based on the expected cost for children of the current retirees. This assumption implicitly assumes that future retirees will have the same child distribution as current retirees.

No covered persons under 65 are assumed to be on Medicare and participants age 65 or older are assumed to be enrolled in Medicare.

Affordable Care Act (ACA) and Healthcare Marketplace - A 2.5% load has been built in to reflect the potential impact of changes from the ACA and its impact on the marketplace and program costs. Some key items are PCORI fees, the extra government subsidies for Medicare Part D that can be enrolled in through an Employer Group Waiver Program, minimum loss ratio requirements that impacted some fully insured programs, federal

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

premium taxes, taxes and requirements on providers in the healthcare system, dynamics of the marketplace with Exchanges, Accountable Care Organizations, etc, and the potential impact of the Excise Tax associated with high-costs employer sponsored health plans.

Medical Plan Election - employees will continue in their current medical plan for their entire career.

Second-to-Die Spousal Life Insurance - not explicitly valued and was estimated to impact roughly 0.2% of the Plan's total liability.

Dependent Children - no liability assumed for dependent children's benefits.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB 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 OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2018 was \$119,717.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB 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 in the June 30, 2017 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2018

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the City office at 55 Front Street, Bath, Maine 04530.

CONTINGENCIES

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

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

COMPARATIVE DATA/RECLASSIFICATIONS

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

RESTATEMENT

The beginning governmental activities net position as of July 1, 2017 has been restated for the effects of GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other than Pensions."* The net OPEB liability as of July 1, 2017 has been increased by \$396,153 from \$945,065 to \$1,341,218. This restatement decreased the beginning governmental activities net position by \$396,153 from \$31,084,694 to \$30,688,541.

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	40.43%
2011	1/1/11	\$ -	1,965,984	1,965,984	0.00%	4,753,104	41.36%
2012	1/1/11	\$ -	1,965,984	1,965,984	0.00%	4,847,374	40.56%
2013	1/1/11	\$ -	1,965,984	1,965,984	0.00%	5,267,709	37.32%
2014	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,425,740	27.30%
2015	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,583,092	26.50%
2017	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,756,941	25.70%
2018	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,491,363	26.94%

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

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

LAST 10 FISCAL YEARS*

<u>PLD Plan:</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	1.07%	1.13%	1.21%	1.37%	1.57%
Proportionate share of the net pension liability (asset)	\$ 4,396,474	\$ 3,871,912	\$ 3,871,912	\$ 2,109,700	\$ 4,831,637
Covered-employee payroll	\$ 5,491,363	\$ 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	80.06%	67.26%	69.35%	38.91%	91.72%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	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

SCHEDULE OF CONTRIBUTIONS

LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>					
Contractually required contribution	\$ 626,880	\$ 550,362	\$ 532,505	\$ 496,072	\$ 475,274
Contributions in relation to the contractually required contribution	<u>(626,880)</u>	<u>(550,362)</u>	<u>(532,505)</u>	<u>(496,072)</u>	<u>(475,274)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 5,717,958	\$ 5,491,363	\$ 5,756,941	\$ 5,583,092	\$ 5,421,904
Contributions as a percentage of covered- employee payroll	10.96%	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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	Increase (Decrease)		
Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)	
<u> </u>	<u> </u>	<u> </u>	
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 1,341,218	\$ -	\$ 1,341,218
Changes for the year:			
Service cost	31,950	-	31,950
Interest	50,996	-	50,996
Changes of benefits	-	-	-
Differences between expected and actual experience	136,819	-	136,819
Changes of assumptions	176,646	-	176,646
Contributions - employer	-	48,580	(48,580)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(48,580)	(48,580)	-
Administrative expense	-	-	-
Net changes	<u>347,831</u>	<u>-</u>	<u>347,831</u>
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 1,689,049</u>	<u>\$ -</u>	<u>\$ 1,689,049</u>

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

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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*

	2018
<u>Total OPEB liability</u>	
Service cost (BOY)	31,950
Interest (includes interest on service cost)	50,996
Changes of benefit terms	-
Differences between expected and actual experience	136,819
Changes of assumptions	176,646
Benefit payments, including refunds of member contributions	(48,580)
Net change in total OPEB liability	\$ 347,831
Total OPEB liability - beginning	\$ 1,341,218
Total OPEB liability - ending	\$ 1,689,049
<u>Plan fiduciary net position</u>	
Contributions - employer	48,580
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(48,580)
Administrative expense	-
Net change in fiduciary net position	-
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	\$ -
Net OPEB liability - ending	\$ 1,689,049
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	\$ 4,373,268
Net OPEB liability as a percentage of covered payroll	38.6%

* 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

SCHEDULE OF CONTRIBUTIONS

LAST 10 FISCAL YEARS*

	<u>2018</u>
<u>MMEHT:</u>	
Employer contributions	\$ 48,580
Benefit payments	(48,580)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 4,373,268
Contributions as a percentage of covered- employee payroll	0.00%

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

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

GENERAL FUND

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

CITY OF BATH, MAINE
General Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 8,671,921	\$ 11,372,067
Investments	10,814,042	10,454,008
Receivables:		
Taxes receivable	696,325	635,759
Tax liens	418,435	421,164
Accounts receivable, net of allowance of \$48,421	303,057	355,492
Inventory	24,233	5,830
Prepaid	8,607	13,899
Receivable from RSU #1 for debt service payment	1,005,203	1,576,094
Total assets	\$ 21,941,823	\$ 24,834,313
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 665,878	\$ 762,928
Accrued expenditures	253,371	302,835
Interfund loans payable	4,996,759	7,952,626
Total liabilities	5,916,008	9,018,389
Deferred inflows of resources:		
Deferred tax revenue	810,000	825,000
Deferred debt service payments from RSU #1	1,005,203	1,576,094
Total deferred inflows of resources	1,815,203	2,401,094
Fund balance:		
Nonspendable - inventory and prepaids	32,840	19,729
Committed	10,814,042	10,618,505
Assigned	165,022	267,680
Unassigned	3,198,708	2,508,916
Total fund balance	14,210,612	13,414,830
Total liabilities, deferred inflows of resources and fund balance	\$ 21,941,823	\$ 24,834,313

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, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018		Variance positive (negative)	2017 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 17,273,892	\$ 17,378,644	\$ 104,752	\$ 17,126,109
Excise taxes	1,145,836	1,232,791	86,955	1,237,118
Interest and costs on taxes	80,000	82,928	2,928	80,906
Contributions in lieu of taxes	55,000	63,322	8,322	59,307
Total taxes	18,554,728	18,757,685	202,957	18,503,440
Licenses, permits and fees:				
Non-business licenses	8,000	6,581	(1,419)	7,919
Health, building, plumbing and electrical permits	35,000	41,283	6,283	71,532
Vehicle, boat and recreation vehicle registrations	22,250	21,638	(612)	21,937
Other	19,500	23,896	4,396	15,369
Total licenses, permits and fees	84,750	93,398	8,648	116,757
Intergovernmental:				
State revenue sharing	555,800	565,951	10,151	552,738
State homestead exemption	382,379	382,379	-	285,800
State BETE exemption	1,084,123	1,084,123	-	952,369
Other state revenue	30,000	54,345	24,345	31,806
Other federal revenue	-	55,844	55,844	-
Total intergovernmental	2,052,302	2,142,642	90,340	1,822,713
Investment income (loss), net	410,000	1,185,200	775,200	1,120,214
Charges for services:				
Ambulance service	675,000	598,140	(76,860)	653,368
Cemetery sales	57,000	45,158	(11,842)	44,429
Parking City lots	70,000	89,115	19,115	81,584
Police duty and fees	25,000	30,688	5,688	51,319
Total charges for services	827,000	763,101	(63,899)	830,700
Other revenues:				
Parking and traffic violations	27,000	16,159	(10,841)	18,625
Cable television franchise	105,000	119,977	14,977	117,520
Rents and leases	25,000	37,398	12,398	25,114
Sale of property	-	-	-	139,598
Miscellaneous	15,500	166,496	150,996	20,176
Total other revenues	172,500	340,030	167,530	321,033
Total revenues	22,101,280	23,282,056	1,180,776	22,714,857

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, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018		Variance positive (negative)	2017 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	152,363	165,543	(13,180)	169,545
Professional services	172,450	151,690	20,760	183,588
City council	71,400	64,713	6,687	56,727
City clerk	144,446	151,853	(7,407)	140,500
Elections	14,610	12,508	2,102	18,463
Central services	166,000	161,819	4,181	132,597
City Hall management and utilities	143,167	135,313	7,854	134,474
Finance	272,503	269,284	3,219	260,194
Assessor	131,235	128,197	3,038	126,407
Public education government cable	45,553	42,187	3,366	42,670
Planning and community development	69,675	62,792	6,883	63,879
Total general government	1,383,402	1,345,899	37,503	1,329,044
Public works:				
General	1,017,068	1,133,892	(116,824)	992,549
Forestry	71,108	65,645	5,463	59,483
Cemetery and parks	414,388	405,480	8,908	383,623
Total public works	1,502,564	1,605,017	(102,453)	1,435,655
Public safety:				
Fire and ambulance	1,638,030	1,644,312	(6,282)	1,554,153
Police	1,542,177	1,527,017	15,160	1,512,703
Other public safety	90,387	84,933	5,454	84,598
Codes enforcement	94,791	92,938	1,853	92,391
Street lights	130,000	124,289	5,711	129,004
Fire hydrant rental	424,000	424,165	(165)	424,165
Total public safety	3,919,385	3,897,654	21,731	3,797,014
Health and welfare:				
General assistance	67,650	86,922	(19,272)	65,389
Total health and welfare	67,650	86,922	(19,272)	65,389

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, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018		Variance positive (negative)	2017 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	10,059,652	10,059,652	-	9,698,303
Intergovernmental--county tax	1,744,231	1,744,231	-	1,671,485
Unclassified:				
Employee benefits	2,111,475	2,016,076	95,399	1,952,159
Insurances	393,000	348,302	44,698	317,742
Special events and support	183,185	187,120	(3,935)	173,782
Overlay/abatements and write-offs	-	105,468	(105,468)	131,375
Total unclassified	2,687,660	2,656,966	30,694	2,575,058
Debt service:				
Principal	498,577	498,118	459	611,373
Interest and fees	-	-	-	-
Total debt service	498,577	498,118	459	611,373
Total expenditures	21,863,121	21,894,459	(31,338)	21,183,321
Excess (deficiency) of revenues over (under)				
expenditures	238,159	1,387,597	1,149,438	1,531,536
Other financing sources (uses):				
Utilization of prior year fund balance	100,000	-	(100,000)	-
Transfers in	25,000	28,760	3,760	25,939
Transfers out	(363,159)	(635,597)	(272,438)	(355,940)
Proceeds from Long Term Debt	-	-	-	-
Total other financing sources (uses)	(238,159)	(606,837)	(368,678)	(330,001)
Net change in fund balance - budgetary basis	-	780,760	780,760	1,201,535
Reconciliation to GAAP basis:				
Fuel revenues for fuel tank reserve		15,022		18,079
Net change in fund balances - GAAP basis		795,782		1,219,614
Fund balance, beginning of year		13,414,830		12,195,216
Fund balance, end of year		\$ 14,210,612		\$ 13,414,830

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, 2018

	Fund Balance, Beginning of Year	Revenues				Capital Outlay	Debt Service	Capital Lease & Bond Proceeds	Transfers In (Out)	Fund Balance, End of Year
		Property Taxes	Intergovern- mental	Investment Earnings	Other					
City capital projects:										
Capital fund - City	\$ 538,599	\$ 190,964	\$ -	\$ -	\$ 1,500	\$ 47,425	\$ 158,530	\$ -	\$ 525,108	
Cemetery and parks capital	94,214	81,065	-	-	-	70,600	40,564	16,500	80,615	
Commercial/Front pump station	12,355	-	-	-	-	-	-	-	12,355	
Fire and ambulance capital projects	31,760	247,084	-	-	-	293,267	163,164	195,000	17,413	
Police capital improvements	16,841	36,015	-	-	-	33,109	29,779	20,500	10,468	
Public works capital improvements	576,621	151,421	-	-	146,344	1,067,043	112,420	351,000	267,438	313,361
Recreation capital improvements	8,260	76,323	-	-	17,000	90,535	41,322	38,000	33,000	40,726
Total capital projects	\$ 1,278,650	\$ 782,872	\$ -	\$ -	\$ 164,844	\$ 1,601,979	\$ 545,779	\$ 621,000	\$ 300,438	\$ 1,000,046

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, 2018

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
ASSETS			
Cash and cash equivalents	\$ 77,411	\$ 129,723	\$ 207,134
Investments	100,585	2,846,990	2,947,575
Accounts receivable	5,286	-	5,286
Notes receivable	782,017	-	782,017
Interfund loans receivable	125,427	25,958	151,385
Total assets	\$ 1,090,726	\$ 3,002,671	\$ 4,093,397
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenditures	17,802	-	17,802
Interfund loans payable	61,431	-	61,431
Total liabilities	79,233	-	79,233
Fund balances:			
Nonspendable	782,017	3,002,671	3,784,688
Restricted	112,018	-	112,018
Committed	146,132	-	146,132
Assigned	436,633	-	436,633
Unassigned	(465,307)	-	(465,307)
Total fund balances	1,011,493	3,002,671	4,014,164
Total liabilities and fund balances	\$ 1,090,726	\$ 3,002,671	\$ 4,093,397

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, 2018

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 495,833	\$ -	\$ 495,833
Charges for services	488,120	-	488,120
Investment income	22,703	59,174	81,877
Realized/unrealized gain (loss) on investments	-	199,916	199,916
Other revenue	160,986	10,212	171,198
Total revenues	1,167,641	269,302	1,436,943
Expenditures:			
General government	14,530	-	14,530
Public safety	12,517	-	12,517
Parks and recreation	684,382	-	684,382
Health, welfare and transportation	213,365	-	213,365
Unclassified	823,223	46,790	870,013
Debt service	-	-	-
Total expenditures	1,748,017	46,790	1,794,807
Excess (deficiency) of revenues over (under) expenditures	(580,376)	222,512	(357,864)
Other financing sources (uses):			
Transfers in	510,359	-	510,359
Transfers out	-	(28,760)	(28,760)
Total other financing sources (uses)	510,359	(28,760)	481,599
Net change in fund balances	(70,017)	193,752	123,735
Fund balances, beginning	1,081,510	2,808,919	3,890,429
Fund balances, ending	\$ 1,011,493	\$ 3,002,671	\$ 4,014,164

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, 2018

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Total
ASSETS					
Cash and cash equivalents	\$ 19,482	\$ -	\$ 8,771	\$ 49,158	\$ 77,411
Investments	10,050		-	90,535	100,585
Accounts receivable	5,286	-	-	-	5,286
Notes receivable	-	782,017	-	-	782,017
Interfund loans receivable	46,706	-	78,721	-	125,427
Total assets	\$ 81,524	\$ 782,017	\$ 87,492	\$ 139,693	\$ 1,090,726
LIABILITIES AND FUND BALANCES (DEFICITS)					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	-
Accrued expenditures	14,693	-	3,109	-	17,802
Escrow	-	-	-	-	-
Interfund loans payable	-	60,277	-	1,154	61,431
Total liabilities	14,693	60,277	3,109	1,154	79,233
Fund balances (deficits):					
Nonspendable - long-term receivables	-	782,017	-	-	782,017
Restricted	95,505	(60,277)	76,790	-	112,018
Committed	-	-	7,593	138,539	146,132
Assigned	436,633	-	-	-	436,633
Unassigned	(465,307)	-	-	-	(465,307)
Total fund balances (deficits)	66,831	721,740	84,383	138,539	1,011,493
Total liabilities and fund balances	\$ 81,524	\$ 782,017	\$ 87,492	\$ 139,693	\$ 1,090,726

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, 2018

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Total
Revenues:					
Intergovernmental	\$ 4,600	\$ 402,782	\$ 88,451	\$ -	\$ 495,833
Charges for services	437,030		51,090	-	488,120
Investment income	19,512	-	1,191	2,000	22,703
Other revenue	121,838	38,392	756	-	160,986
Total revenues	582,979	441,174	141,488	2,000	1,167,641
Expenditures:					
General government	14,530	-	-	-	14,530
Public safety	12,517	-	-	-	12,517
Parks and recreation	684,382	-	-	-	684,382
Health, welfare and transportation	150	-	213,215	-	213,365
Unclassified	11,088	651,135	-	161,000	823,223
Debt service	-	-	-	-	-
Total expenditures	722,667	651,135	213,215	161,000	1,748,017
Excess (deficiency) of revenues over (under) expenditures	(139,688)	(209,961)	(71,727)	(159,000)	(580,376)
Other financing sources (uses):					
Transfers in (out)	275,159	-	74,200	161,000	510,359
Total other financing sources (uses)	275,159	-	74,200	161,000	510,359
Net change in fund balances	135,471	(209,961)	2,473	2,000	(70,017)
Fund balances (deficits), beginning	(68,640)	931,701	81,910	136,539	1,081,510
Fund balances (deficits), ending	\$ 66,831	\$ 721,740	\$ 84,383	\$ 138,539	\$ 1,011,493

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, 2018

	Fund Balances (Deficits) June 30, 2017		Revenues Expenditures		Revenues Over (Under) Expenditures		Transfers In (Out)	Fund Balances (Deficits) June 30, 2018				
City Special Purpose Funds:												
Cemetery and Parks	\$	35,618	\$	8,707	\$	3,560	\$	5,147	\$	-	\$	40,765
Forestry Trust		1,589		6,366		2,500		3,866		-		5,455
DARE		14,155		23		5,158		(5,135)		-		9,020
Fire Department		1,146		-		-		-		-		1,146
Forestry Grants		(1,358)		1,450		-		1,450		-		92
General Assistance - Almoner Fund		43,765		4,226		150		4,076		-		47,841
Lambert Park Community Center		62,532		26,984		11,088		15,896		(33,000)		45,428
Planning Grants		9,607		-		-		-		-		9,607
Police Grants		7,076		11,206		7,359		3,847				10,923
McMann Field Replacement		98,638		7,945		-		7,945		10,000		116,583
Recreation - Other		32,260		16,846		6,729		10,117		(10,000)		32,377
Other City programs		93,785		107,022		14,530		92,492		-		186,277
Recreation (Fund 12)		(197,923)		320,780		523,735		(202,955)		225,088		(175,790)
Skate park committee		(53,366)		-		-		-		-		(53,366)
Bath Youth Meeting House (Fund 13)		(242,424)		52,284		74,732		(22,448)		28,721		(236,151)
Armory Building (Fund 13)		4,921		18,800		73,126		(54,326)		54,350		4,945
Swimming Pool Fund		21,339		340		-		340		-		21,679
Total City Special Purpose	\$	(68,640)	\$	582,979	\$	722,667	\$	(139,688)	\$	275,159	\$	66,831
Transportation Programs:												
Bath City Bus	\$	66,939	\$	103,012	\$	153,161	\$	(50,149)	\$	60,000	\$	76,790
Trolley		14,971		38,476		60,054		(21,578)		14,200		7,593
Total Transportation Programs	\$	81,910	\$	141,488	\$	213,215	\$	(71,727)	\$	74,200	\$	84,383

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, 2018

	Bailey Evening School	Beneficiary Trust	Cemetery Trusts	Mausoleum Trusts	Forestry Trust	Old Folks Home	School Trusts	Total
ASSETS								
Cash and cash equivalents	\$ 17,697	\$ 110,820	\$ 1,206	\$ -	\$ -	\$ -	\$ -	\$ 129,723
Investments	273,168	391,542	1,979,934	79,609	35,595	57,291	29,851	2,846,990
Interfund loans receivable	-	-	42,328	(16,370)	-	-	-	25,958
Total assets	\$ 290,865	\$ 502,362	\$ 2,023,468	\$ 63,239	\$ 35,595	\$ 57,291	\$ 29,851	\$ 3,002,671
LIABILITIES AND FUND BALANCES								
Liabilities:								
Interfund loans payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-	-
Fund balances:								
Nonspendable - principal	290,866	502,362	2,023,468	63,239	35,595	57,290	29,851	3,002,671
Restricted	-	-	-	-	-	-	-	-
Total fund balances	290,866	502,362	2,023,468	63,239	35,595	57,290	29,851	3,002,671
Total liabilities and fund balances	\$ 290,866	\$ 502,362	\$ 2,023,468	\$ 63,239	\$ 35,595	\$ 57,290	\$ 29,851	\$ 3,002,671

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, 2018

	Bailey Evening School	Beneficiary Trust	Cemetery Trusts	Mausoleum Trusts	Forestry Trust	Old Folks Home	School Trusts	Total
Revenues:								
Investment income	\$ 5,943	\$ 8,334	\$ 40,402	\$ 1,631	\$ 1,083	\$ 1,171	\$ 610	\$ 59,174
Realized gain (loss) on investments	3,615	4,886	24,577	992	659	712	371	35,812
Unrealized gain (loss) on investments	16,683	22,438	113,596	4,564	1,825	3,286	1,712	164,104
Perpetual care contributions	-	-	10,212			-	-	10,212
Total revenues	26,241	35,658	188,787	7,187	3,567	5,169	2,693	269,302
Expenditures:								
Current:								
Distribution of income	4,066	5,808	-	-	741	801	417	11,833
Other	1,876	2,536	12,755	16,885	342	370	193	34,957
Total expenditures	5,942	8,344	12,755	16,885	1,083	1,171	610	46,790
Excess of revenues over expenditures	20,299	27,314	176,032	(9,698)	2,484	3,998	2,083	222,512
Other financing uses:								
Transfers out	-	-	(27,644)	(1,116)		-	-	(28,760)
Total other financing uses	-	-	(27,644)	(1,116)	-	-	-	(28,760)
Net change in fund balances	20,299	27,314	148,388	(10,814)	2,484	3,998	2,083	193,752
Fund balances, beginning of year	270,567	475,048	1,875,080	74,053	33,111	53,292	27,768	2,808,919
Fund balances, end of year	\$ 290,866	\$ 502,362	\$ 2,023,468	\$ 63,239	\$ 35,595	\$ 57,290	\$ 29,851	\$ 3,002,671

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, 2018

	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	\$ 315,000	\$ -	315,000	\$ -
2002 SRF Landfill/Pumping Station Bonds	Var.	2003	2022	107,500	435,709	-	107,500	328,209
2004 General Obligation Bonds	Var.	2004	2020	Var.	360,000	-	120,000	240,000
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	157,500	-	17,500	140,000
2008 General Obligation Bond	Var.	2008	2018	400,000	400,000	-	400,000	-
2008 General Obligation Bond	Var.	2008	2023	165,000	990,000	-	165,000	825,000
2008 SRF Sewer Bond	1.000%	2008	2023	93,333	560,000	-	93,334	466,666
2009 General Obligation Bond Series B	Var.	2009	2029	20,000	450,000	-	30,000	420,000
2010 General Obligation Bond Series C	6.750%	2009	2019	Var.	1,000,000	-	60,000	940,000
2009 AARA Clean Water Revolving Loan	0.000%	2009	2019	4,156	8,313	-	4,156	4,157
2011 General Obligation Bond	Var.	2011	2031	Var.	1,915,000	-	335,000	1,580,000
2011 GOB Series B	Var.	2011	2030	Var.	1,016,766	-	170,760	846,006
2011 SRF GOB	Var.	2011	2031	Var.	1,412,700	-	94,180	1,318,520
2013 SRF GOB Clean Water Revolving Loan Fund	1.000%	2013	2033	Var.	521,200	-	32,575	488,625
2013 GOB Equipment Bath Savings	2.840%	2012	2020	Var.	54,856	-	18,286	36,570
2014 GOB Equipment	Var.	2013	2020	Var.	88,807	-	24,572	64,235
2014 GOB Road Bond and Refinance	Var.	2014	2028	Var.	3,140,000	-	440,000	2,700,000
2015 Bath Savings Bank	Var.	2015	2025	Var.	990,213	-	111,990	878,223
2015 Equipment GOB Bath Savings	Var.	2015	2025	Var.	423,502	-	120,074	303,428
2016 Equipment GOB Bath Savings	Var.	2016	2025	Var.	615,278	-	103,091	512,187
2017 GOB	Var.	2017	2036	Var.	6,475,000	-	175,000	6,300,000
2017 Equipment GOB	Var.	2017	2022	Var.	60,000	-	15,095	44,905
2018 Equipment GOB	Var.	2018	2028	Var.		621,000	-	621,000
Total City issues					21,389,844	621,000	2,953,113	19,057,731
School issues:								
2008 General Obligation Bond	Var.	2008	2018	280,000	280,000	-	280,000	-
2011 GOB Series B	Var.	2011	2030	Var.	1,283,415	-	279,555	1,003,860
Total School issues					1,563,415	-	559,555	1,003,860
Total long-term debt					\$ 22,953,259	\$ 621,000	\$ 3,512,668	\$ 20,061,591

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes	\$ 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	\$ 18,757,685
Licenses and permits	124,046	94,999	88,635	95,303	97,289	130,212	186,367	164,139	116,757	93,398
Intergovernmental revenues	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	2,142,642
Charges for services	724,055	681,626	520,417	684,714	720,747	700,922	761,208	870,502	830,700	763,101
Investment income	102,215	1,640	24,891	134,612	832,701	1,516,078	402,468	(302,653)	1,120,214	1,185,200
Other revenues (1)	226,623	223,713	163,624	9,893,856	430,218	194,007	238,953	294,206	346,972	368,790
Total revenues	18,149,876	17,877,174	17,479,693	27,894,031	20,012,998	20,936,223	20,510,033	20,887,783	22,740,796	23,310,816
Expenditures:										
General government	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	1,345,899
Public safety	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	3,897,654
Public works	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	1,605,017
Health and welfare	54,324	66,744	62,794	79,161	84,607	74,798	54,234	70,562	65,389	86,922
Recreation	181,389	180,886	182,588	178,022	168,153	167,257	166,651	172,107	173,782	187,120
Education (3)	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	10,059,652
Intergovernmental	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	1,744,231
Unclassified (2)	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	3,105,443
Debt service	735,607	705,476	515,118	461,652	489,567	354,395	532,271	628,897	611,373	498,118
Total expenditures	17,837,383	17,652,472	17,700,941	18,081,167	19,685,806	20,178,745	21,930,836	21,110,921	21,539,261	22,530,056

(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

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

Year	Current Tax Levy	Current Tax Collections	Total Current Year Collections as a Percent of Total Tax Levy	Total All Taxes and Liens Outstanding June 30,	Percent of Delinquent Taxes and Liens to Tax Levy
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%
2018	27,298,452	26,590,287	97.41%	1,114,760	4.08%

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		
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%
2018	1,046,423,000	173,402,300	1,219,825,300	947,500,000	128.74%

Table D

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

Year	Total	City Mil Rate	School Mil Rate	County Mil Rate
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
2018	21.19	9.17	10.93	1.80

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

	Estimated Population	Assessed Value (In Thousands)	Gross Bonded Debt (1)	Ratio of Gross Bonded Debt to Assessed Value	Gross Bonded Debt per Capita
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
2018	8,514	1,219,825	20,061,593	1.64%	2,356

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

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

Year	Principal	Interest	Total Debt Service (1)	Total General Fund Expenditures	Ratio of Debt Service to Total General Fund Expenditures
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%
2018	3,512,667	516,330	4,028,997	21,894,459	18.40%

(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, 2018

Name	Type of Operation	Assessed Valuation	Amount of Tax	% of Net Tax Levy
Bath Iron Works	Ship building & repair	\$ 506,472,200	\$ 10,813,181	41.88%
BathRes LLC	Hotel	15,137,100	323,177	1.25%
Bath Savings	Banking Institution	10,835,200	231,332	0.90%
Bath Supermarket Improvements	Retail Space	10,540,300	225,035	0.87%
Sagadahoc Real Estate Assoc	Office space	9,553,400	203,965	0.79%
Central Maine Power	Electric Utility Company	8,880,900	189,607	0.73%
Dorks R Us	Hotel	7,898,700	168,637	0.65%
Bath Inline Improvements	Retail Space	6,564,200	140,146	0.54%
EWT LLC	Residential Housing	6,543,700	139,708	0.54%
Hillhouse Inc	Nursing Home	5,425,200	115,828	0.45%
Totals		\$ 587,850,900	\$ 12,550,616	48.61%

CITY OF BATH, MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2018

<u>Federal Grantor/ Pass-thru Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-thru Grantor Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Agriculture</u>				
Rural Development	10.760	N/A	\$ 995,734	\$ -
Total U.S. Department of Agriculture			995,734	-
<u>U.S. Department of Transportation</u>				
Passed through Maine Department of Public Safety:				
Impaired Driving Grant	20.600	N/A	\$ 1,859	-
Distracted Driving HVE	20.600	N/A	2,520	-
			<u>4,379</u>	<u>-</u>
Passed through Maine Department of Transportation:				
Bath Shuttle Bus System	20.509	ME-18-X-059	77,757	-
Safe Routes to School	20.205	N/A	49,667	-
			<u>127,424</u>	<u>-</u>
Total U.S. Department of Transportation			131,803	-
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Maine Department of Economic & Community Development:				
Housing Assistance	14.228	N/A	410,609	410,609
Total U.S. Department of Housing and Urban Development			410,609	410,609
<u>US Department of Homeland Security</u>				
FEMA Disaster Grants	97.044	N/A	55,844	-
Total U.S. Department of Justice			55,844	-
<u>Environmental Protection Agency</u>				
Direct Program:				
Brownfields Grant	66.818	N/A	32,257	-
Passed through Maine Department of Environmental Protection:				
Clean Water State Revolving Funds	66.458	N/A	199,823	-
Total Environmental Protection Agency			232,080	-
Total Federal Financial Assistance			\$ 1,826,070	\$ 410,609

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BATH, MAINE

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of the City of Bath, Maine under programs of the federal government for the year ended June 30, 2018. The federal awards activity presented in the Schedule includes all federal awards received directly from federal agencies as well as federal awards passed through other government agencies. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the Schedule presents only a selected portion of the operations of the The City of Bath, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Bath, Maine.

2. Summary of Significant Accounting Policies

a. Expenditures presented on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Major Programs - Federal

The following programs were considered major programs as defined by the Uniform Guidance and also Type A programs as defined by the Uniform Guidance. These programs were tested due to the Agency being classified as low-risk as defined in the Uniform Guidance:

<u>Program</u>	<u>CFDA #</u>
Rural Development	10.760



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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 27, 2018.

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.

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.

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www.rhrsmith.com

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.

A handwritten signature in black ink that reads "RHR Smith & Company". The letters are cursive and fluidly connected.

Buxton, Maine
December 27, 2018



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

City Council
City of Bath
Bath, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Bath, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bath, Maine's major federal programs for the year ended June 30, 2018. The City of Bath, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bath, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bath, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Bath, Maine's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of Bath, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the City of Bath, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bath, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bath, Maine's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
December 27, 2018

CITY OF BATH, MAINE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.760	Rural Development

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None