

**CITY OF BATH, MAINE**

**Annual Financial Report**

**For the Year Ended June 30, 2011**

CITY OF BATH, MAINE  
Annual Financial Report  
For the Year ended June 30, 2011

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## Independent Auditor's Report

City Council  
City of Bath, Maine

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bath, Maine's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, and the respective budgetary comparisons for the General Fund and Sewer Utility Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2012, on our consideration of the City of Bath, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bath, Maine's financial statements as a whole. The combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.



February 2, 2012  
South Portland, Maine

**CITY OF BATH, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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The objective of Management's Discussion and Analysis (MD&A) is to help readers of the City of Bath's financial statements better understand the financial position and operating activities for the year ended June 30, 2011, with selected comparative information for the year ended June 30, 2010. Unless otherwise indicated, all fiscal years referred to in this document end June 30th.

This discussion has been prepared by the City of Bath Finance Department and should be read in conjunction with the financial statements and the notes to the financial statements.

#### **THE CITY OF BATH**

The City of Bath, Maine is located 39 miles northeast of Maine's largest city, Portland, and 8 miles east of Maine's largest town, Brunswick. Bath is an urban and coastal community with a maritime and ship building heritage. The City is home to Bath Iron Works, a General Dynamics Corp. company, and has a population of 8,514 (2010 census).

#### **USING THIS ANNUAL REPORT**

The City of Bath's financial statements in this audit are actually a series of separate statements. The *Statement of Net Assets* and the *Statement of Activities* provide an overview of the government as a whole and its activities. The *Fund Financial Statements* immediately follow. These fund statements provide a more detailed look at the governmental funds (General Fund, Landfill, Sewer Utility, etc).

#### **The Statement of Net Assets and the Statement of Activities**

These statements attempt to provide a financial picture of the City of Bath as a whole. All of the revenues for the audited year are included, regardless of when the money is actually received. These government-wide financial statements are prepared using an accounting method called economic resources measurement focus and accrual basis.

The Statement of Net Assets provides a picture of the difference between assets and liabilities (including infrastructure), representing a measure of the current financial condition of the City. Increases or decreases in net assets from year to year can suggest whether the City's financial condition is improving or deteriorating. However, other non-quantitative factors need to be considered when analyzing overall financial well-being, such as changes in the City's property tax base, quality of education, infrastructure condition, and negative or positive impacts of legislative decisions.

The Statement of Activities provides a look at how net assets have changed from the prior fiscal year to the current fiscal year.

The Statement of Net Assets and the Statement of Activities includes:

- Governmental Activities – Most of the City's basic services, such as General Government, Public Works, Public Safety, Capital Outlay and Assessment for Education are included here. Property taxes, excise taxes, intergovernmental revenue (primarily from the State of Maine), various City fees, and interest on investments are reported as well.

## Reporting the City's Most Significant Funds

### Fund Financial Statements

The fund financial statements provide details of the City's significant funds. These statements begin with the *Balance Sheet – Governmental Funds*. Some funds are required to be established by state law (Sewer Utility Fund, TIF Funds) and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's has one type of fund – governmental:

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end that are available for spending. These funds are reported using an accounting method called current financial resources measurement focus and modified accrual basis. Modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. Governmental funds are broken into 'major' and 'non-major' funds. Major governmental funds are listed on Statements 3 and 4 on pages 15 and 16 of the financial statements and include the City's primary operating fund, the General Fund, as well as the Sewer Utility Fund, the TIF Funds, Landfill Fund, and the Capital Projects Fund. Non-major governmental fund statements begin with Exhibit C-1 of the financial statements (page 49), and include City Special Purpose Funds, Community Development Funds, Transportation Programs, Bath Local Development Corporation, and Midcoast Center for Higher Education. Permanent Funds begin with Exhibit E-1 of the financial statements (page 59) and include the Bailey Evening School, Beneficiary Trust, Cemetery Trusts, Old Folks Home, and School Trusts.

CITY OF BATH, MAINE  
Management's Discussion and Analysis, Continued

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**THE CITY AS A WHOLE**

The analysis below focuses on the net assets of the City's governmental activities. The information is a condensed version of the Statement of Net Assets contained in Statement 1 of the financial statements.

	FY 2011 Governmental Activities	FY 2010 Governmental Activities (Restated)
<b>ASSETS</b>		
Current & other assets	\$16,653,164	17,920,884
Depreciable capital assets, net	28,730,774	26,778,214
Non-depreciable capital assets, net	<u>3,210,309</u>	<u>2,456,420</u>
<i>Total Assets</i>	<u><b>48,594,247</b></u>	<u><b>47,155,518</b></u>
<b>LIABILITIES</b>		
Non-current liabilities:		
Due within one year	\$3,867,244	3,348,308
Due in more than one year	29,604,604	31,120,771
Other liabilities	<u>2,417,609</u>	<u>1,991,718</u>
<i>Total Liabilities</i>	<u><b>35,889,457</b></u>	<u><b>36,460,797</b></u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	9,840,082	7,511,412
Restricted for:		
Permanent funds:		
Expendable	19,314	18,191
Nonexpendable	1,863,628	1,646,888
Grants	213,073	176,188
TIFs	495,856	423,750
Unrestricted	<u>272,837</u>	<u>918,292</u>
<i>Total Net Assets</i>	<u><b>12,704,790</b></u>	<u><b>10,694,721</b></u>



CITY OF BATH, MAINE  
Management's Discussion and Analysis, Continued

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City of Bath's Changes in Net Assets  
Governmental Activities

	<u>2011</u>	<u>2010</u>
REVENUES:		
Program Revenues:		
Charge for services	\$4,274,539	4,309,516
Operating grants and contributions	11,504,268	1,275,277
Capital grants and contributions	373,010	903,769
General Revenues:		
Property and excise taxes, levied for general purposes	21,344,603	21,332,138
Grants and contributions not restricted to specific programs	1,375,614	1,528,165
Unrestricted investment earnings	292,727	193,337
Other	<u>366,354</u>	<u>436,268</u>
<i>Total Program and General Revenues</i>	<b><i>39,531,115</i></b>	<b><i>29,978,470</i></b>
EXPENSES:		
General government	3,253,943	2,024,952
Public works and wastewater	4,004,102	4,431,932
Public Safety	3,514,155	3,293,311
Parks and recreation	794,854	711,517
Health, welfare, and transportation	240,675	249,403
Education	7,801,667	7,796,147
Intergovernmental	1,516,599	1,544,081
Unclassified	15,203,144	5,897,748
Interest on debt	578,382	744,575
Capital outlay	<u>613,525</u>	<u>455,118</u>
<i>Total Expenses</i>	<b><i>37,521,046</i></b>	<b><i>27,148,784</i></b>
(Decrease) Increase in net assets	2,010,069	2,828,686
Net Assets Beginning	<u>10,694,721</u>	<u>7,865,035</u>
Net Assets Ending	<b><u>\$ 12,704,790</u></b>	<b><u>10,694,721</u></b>

CITY OF BATH, MAINE  
Management's Discussion and Analysis, Continued

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**BUDGETARY HIGHLIGHTS**

As is any budget document, the City's budget is a planning tool and the budget-to-actual analysis is not always perfect at the end of the fiscal year. Some examples of substantial budgets to actual differences are ambulance services in the general fund and in the sewer fund residential fees, as well as public works and unclassified expenditures. The ambulance billing was under budget due to a significant increase in uncollected accounts. The residential fees in the sewer fund were lower than budget due to less consumption than the previous year. Public works exceeded budget due to costs for salt and sanding, but many across the board savings were found in unclassified expenses, bringing that account in under budget.

**FINANCIAL HIGHLIGHTS AND LOOKING FORWARD**

- Each year, it is a primary goal of the City Manager and Council to keep the mil rate as low as possible and still be able to deliver a full spectrum of community services, at a quality level deserving of the citizens of Bath.
- Operating under the citizen approved expenditure limitation creates a budgetary constraint each year, but to date, has not significantly affected the City's ability to deliver services. Budgeting under the expenditure limitation forces the City to be creative in its delivery of services, but does delay needed capital improvements.
- The City receives a significant portion of its tax base from Bath Iron Works (BIW). For the 2010-2011 tax year (taxes were due October 15, 2010), BIW represented about 39% of total property taxes assessed (see Table G for more information). While the City collected a little over \$7.93 million in real estate and personal property tax revenue from BIW, roughly \$4.58 million were funds collected as part of a Tax Increment Financing (TIF) District. Because of the TIF, only about \$3.35 million was retained by the City for the purposes of financing the City operational and capital budgets. The City government maintains a positive relationship with BIW, and since BIW continues to be awarded long term shipbuilding contracts from the U.S. Government, the City looks forward to many prosperous years ahead, with BIW being one of the largest employers in the State.
- During FY 2005, the State legislature passed Law LD1, which was implemented in FY 2006. This legislation imposed local spending limitations and is based upon the core municipal expenditure commitment. The City has been LD1-compliant every year. LD1 incorporates the City's growth and new property and a State-calculated income factor, and uses these figures plus the City's taxable value and other inputs to calculate a local property tax cap. The City is a full-service community with almost no growth due to its age. When municipal expenses increase, the City may need to exceed the LD1 limitation because growth is not increasing at the same rate as those expenses.
- The City continues to explore economic development opportunities throughout the City and welcomes developers and business owners to include the City in their discussions of business startups, expansions, or relocations. The City explores development which it feels retains Bath's small-town charm and shipbuilding heritage, while also expanding the taxable economic base in order to hold property taxes down. The City has welcomed development in recent years including Wing Farm Business Park and a downtown hotel.

**CITY OF BATH, MAINE**  
**Management's Discussion and Analysis, Continued**

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- The City continues to identify and explore regional solutions to local problems, and look for mutually beneficial opportunities to cooperate with municipal neighbors in the Midcoast area. The City regionalized ambulance service with West Bath. The City has also regionalized general assistance with Brunswick and West Bath. The goal is to reduce the financial burden of service delivery to taxpayers in Bath, while maintaining an acceptable level of service delivery.
- The 2008 budget and financial statements were the first to separate the operations and capital expenses of the landfill. Management made this change in order to more accurately monitor the financial activities associated with the landfill. Management is operating under the assumption that the landfill will stay open for the foreseeable future, as the cost of closure is estimated at \$4 million.
- Due to the locally imposed expenditure limitation, the City is often unable to finance its capital needs with cash on hand. This creates a greater reliance on financing capital projects through the issuance of general obligation bonds or lease-purchase agreements. Bonds must be voter approved in order for the annual debt service payments to be exempt from the expenditure limitation. Management has noted the importance of a formal five-year capital improvement plan in order to budget and smooth cash needs, and continues to prepare the plan on an annual basis.
- The City issued \$4.225 million of new debt and made repayments of about \$5.1 million during fiscal year 2011. Overall outstanding debt is slightly over \$28 million. Statement 1 of the financial statements shows the City's debt liabilities due within one year and the amount due in more than one year. Exhibit F contains a listing of the City's bond issuances.
- The City's support of the Midcoast Center for Higher Education (MCHE) continues to be strong; the MCHE is currently receiving approximately \$474,000 in rental income from its numerous tenants. Approximately half of the space in this 60,000 square foot building is rented. The City and MCHE are working together to evaluate all space and market it to appropriate tenants. The MCHE's fund balance has decreased \$105,497 to (\$379,289) at the end of FY 2011. The City continues to institute a five-year capital improvement plan, more accurate expense budgeting, and closer discussions of rental rates in hopes of improving this declining fund balance.
- The Bath Youth Meeting House/Skate Park continues to improve its operations and be a vital resource for recreation and growth for the youth of Bath. The facility is working towards sustaining itself financially, and in fiscal year 2011 was close to break even in the fund. On July 1, 2008, the City assumed operations of the Skate Park; the goal is to operate at a break-even under the recreation department. The June 30, 2011 fund balance was (\$260,000). For more information, see Exhibit D-3, City Special Purpose Funds.
- The City is continually looking for new revenue streams in order to reduce the burden on property taxes. There is an ongoing review of fee structures. Excise taxes on motor vehicle registrations had been continuing to show moderate declines each year, the FY 2011 figures were approximately \$949,000 which was a reduction from fiscal year 2010. State municipal revenue sharing decreased \$65,000 in FY 2011. The City expected this and budgeted accordingly.

**CITY OF BATH, MAINE**  
**Management's Discussion and Analysis, Continued**

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- The City will begin a greater emphasis on information reporting in the coming years. Information reporting improvements include the following:
  - Tracking such operational outputs is a step towards developing a performance-based budget as part of a strategic planning initiative. While performance based budgeting and strategic planning is a popular trend among municipalities across the country. The City created a ten year strategic plan, adopted by the City Council. Strategic planning and performance based budgeting is an attempt to link budget dollars to goals/objectives, operational outputs, and measures of performance. The Finance Department will continue to monitor developments nationally to see if there are tie-ins with the City of Bath's Strategic Plan and performance based budgeting that would be beneficial to the City of Bath in delivering services during lean budget years.
  - The municipal side continues to create a five-year Capital Improvement Plan (CIP) for the FY 2011 budget, which reports current and future proposed capital projects and purchases. The CIP will help better track capital funding sources, improve capital asset tracking, and be a much-needed budgetary planning tool.

**Cautionary Note Regarding Forward-Looking Statements**

Certain information provided by the City of Bath, including written as outlined above, or oral statements made by its representatives, may contain forward-looking statements. All statements, other than statements of historical facts, that address activities, events, or developments that the City expects or anticipates, will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The City does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact:

**CITY OF BATH FINANCE DEPARTMENT**

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF BATH, MAINE**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,335,634
Investments	1,359,840
Receivables:	
Taxes receivable	766,828
Tax liens	264,905
Accounts receivable	772,972
Notes receivable	987,657
Due from other governments	454,986
Inventory	31,330
Prepaid	7,291
Long-term receivable from RSU #1	7,282,141
Land held for resale	1,389,580
Capital assets, not being depreciated	3,210,309
Capital assets, net of depreciation	28,730,774
<b>Total assets</b>	<b>48,594,247</b>
<b>LIABILITIES</b>	
Accounts payable	917,648
Accrued expenses	401,069
Accrued compensated absences	320,790
Other post-employment benefits	413,366
Accrued interest	364,736
Noncurrent liabilities:	
Due within one year	3,867,244
Due in more than one year	29,604,604
<b>Total liabilities</b>	<b>35,889,457</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	9,840,082
Restricted for:	
Permanent funds:	
Expendable	19,314
Nonexpendable	1,863,628
Grants	213,073
TIF Districts	495,856
Unrestricted	272,837
<b>Total net assets</b>	<b>\$ 12,704,790</b>

*See accompanying notes to financial statements.*

**CITY OF BATH, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2011**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 3,253,943	90,583	1,979,090	-	(1,184,270)
Public works and wastewater treatment	4,004,102	2,756,665	-	12,815	(1,234,622)
Public safety	3,514,155	474,728	18,161	-	(3,021,266)
Parks and recreation	794,854	431,100	-	-	(363,754)
Health, welfare, and transportation	240,675	47,472	57,359	-	(135,844)
Education	7,801,667	-	-	-	(7,801,667)
Intergovernmental	1,516,599	-	-	-	(1,516,599)
Unclassified	15,203,144	473,991	9,449,658	-	(5,279,495)
Interest on debt	578,382	-	-	-	(578,382)
Capital outlay	613,525	-	-	360,195	(253,330)
Total governmental activities	37,521,046	4,274,539	11,504,268	373,010	(21,369,229)
<b>Total primary government</b>	<b>\$ 37,521,046</b>	<b>4,274,539</b>	<b>11,504,268</b>	<b>373,010</b>	<b>(21,369,229)</b>

## General revenues:

Property taxes, levied for general purposes	20,338,791
Contributions in lieu of taxes	56,782
Motor vehicle excise taxes	949,030
Grants and contributions not restricted to specific programs:	
Homestead and BETE exemption	491,187
Other State/federal aid	55,714
State Revenue Sharing	828,713
Unrestricted investment earnings	292,727
Other	366,354
<b>Total general revenues</b>	<b>23,379,298</b>

Change in net assets 2,010,069

Net assets - beginning 10,694,721

**Net assets - ending \$ 12,704,790**

*See accompanying notes to financial statements.*

CITY OF BATH, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,564,160	-	-	175	109,315	661,984	3,335,634
Investments	2,439	-	-	-	-	1,357,401	1,359,840
Receivables:							
Taxes receivable	766,828	-	-	-	-	-	766,828
Tax liens	259,655	5,250	-	-	-	-	264,905
Accounts receivable	160,037	514,432	-	97,511	-	992	772,972
Notes receivable	-	-	-	-	-	987,657	987,657
Due from other governments	-	-	-	-	-	454,986	454,986
Interfund loans receivable	-	-	557,830	97,273	1,055,608	130,643	1,841,354
Interfund advance receivable	-	-	-	-	-	75,000	75,000
Inventory	31,330	-	-	-	-	-	31,330
Prepaid	7,291	-	-	-	-	-	7,291
Receivable from RSU #1 for debt service payment	7,282,141	-	-	-	-	-	7,282,141
<b>Total assets</b>	<b>\$ 11,073,881</b>	<b>519,682</b>	<b>557,830</b>	<b>194,959</b>	<b>1,164,923</b>	<b>3,668,663</b>	<b>17,179,938</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	84,573	61,118	61,974	59,131	234,070	416,782	917,648
Accrued expenditures	164,339	8,755	-	4,005	-	18,279	195,378
Escrow	-	-	-	-	-	205,691	205,691
Interfund loans payable	955,255	61,043	-	-	-	825,056	1,841,354
Interfund advance payable	-	-	-	-	-	75,000	75,000
Deferred tax revenue	761,500	-	-	-	-	-	761,500
Deferred debt service payments from RSU #1	7,282,141	-	-	-	-	-	7,282,141
<b>Total liabilities</b>	<b>9,247,808</b>	<b>130,916</b>	<b>61,974</b>	<b>63,136</b>	<b>234,070</b>	<b>1,540,808</b>	<b>11,278,712</b>
<b>Fund balances:</b>							
Nonspendable	38,621	-	-	-	-	2,926,285	2,964,906
Restricted	-	-	495,856	-	-	232,387	728,243
Committed	-	388,766	-	131,823	930,853	193,655	1,645,097
Assigned	439,106	-	-	-	-	-	439,106
Unassigned	1,348,346	-	-	-	-	(1,224,472)	123,874
<b>Total fund balances</b>	<b>1,826,073</b>	<b>388,766</b>	<b>495,856</b>	<b>131,823</b>	<b>930,853</b>	<b>2,127,855</b>	<b>5,901,226</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,073,881</b>	<b>519,682</b>	<b>557,830</b>	<b>194,959</b>	<b>1,164,923</b>	<b>3,668,663</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

More specifically, non-depreciable & depreciable capital assets as reported on Statement 1

31,941,083

Long-term receivable from RSU #1 for bonds held in the City's name.

7,282,141

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

761,500

Land held for sale

1,389,580

Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:

Accrued compensated absences

(320,790)

Other post-employment benefits

(413,366)

Accrued interest

(364,736)

Note payable to RSU #1

(190,837)

Landfill closure

(4,000,000)

Capital leases

(1,092,890)

Bonds payable

(28,188,121)

**Net assets of governmental activities**

**\$ 12,704,790**

See accompanying 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, 2011**

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
<b>Revenues:</b>							
Taxes	\$ 15,315,512	-	4,884,866	920,000	215,725	-	21,336,103
Licenses and permits	88,635	-	-	-	-	-	88,635
Intergovernmental	1,366,614	-	165,000	12,815	360,195	11,348,268	13,252,892
Charges for services	520,417	1,852,789	-	858,187	-	954,511	4,185,904
Investment income	24,891	11,023	-	-	(140)	256,953	292,727
Other revenues	138,624	2,938	-	-	37,850	186,942	366,354
<b>Total revenues</b>	<b>17,454,693</b>	<b>1,866,750</b>	<b>5,049,866</b>	<b>1,791,002</b>	<b>613,630</b>	<b>12,746,674</b>	<b>39,522,615</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	1,260,787	-	-	-	-	1,944,304	3,205,091
Public works and wastewater treatment	1,401,329	1,062,678	-	864,221	-	-	3,328,228
Public safety	3,317,232	-	-	-	-	23,685	3,340,917
Parks and recreation	-	-	-	-	-	654,977	654,977
Health, welfare and transportation	62,794	-	-	-	-	176,843	239,637
Education	7,801,667	-	-	-	-	-	7,801,667
Intergovernmental	1,516,599	-	-	-	-	-	1,516,599
Unclassified	1,545,883	-	3,792,261	-	-	9,777,878	15,116,022
Debt service	515,118	565,175	953,612	752,760	81,004	45,411	2,913,080
Capital outlays	-	143,573	1,195,877	91,701	2,861,773	401,359	4,694,283
<b>Total expenditures</b>	<b>17,421,409</b>	<b>1,771,426</b>	<b>5,941,750</b>	<b>1,708,682</b>	<b>2,942,777</b>	<b>13,024,457</b>	<b>42,810,501</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>33,284</b>	<b>95,324</b>	<b>(891,884)</b>	<b>82,320</b>	<b>(2,329,147)</b>	<b>(277,783)</b>	<b>(3,287,886)</b>
<b>Other financing sources (uses):</b>							
Transfers in	25,000	-	-	-	-	415,542	440,542
Transfers out	(279,532)	-	(136,010)	-	-	(25,000)	(440,542)
Funding RSU #1 fund deficit	(100,000)	-	-	-	-	-	(100,000)
Payment of refunding bonds	(2,025,000)	-	-	-	-	-	(2,025,000)
Proceeds from bonds/notes/ capital leases	2,025,000	93,000	1,100,000	-	1,246,428	175,000	4,639,428
<b>Total other financing sources (uses)</b>	<b>(354,532)</b>	<b>93,000</b>	<b>963,990</b>	<b>-</b>	<b>1,246,428</b>	<b>565,542</b>	<b>2,514,428</b>
<b>Net change in fund balances</b>	<b>(321,248)</b>	<b>188,324</b>	<b>72,106</b>	<b>82,320</b>	<b>(1,082,719)</b>	<b>287,759</b>	<b>(773,458)</b>
<b>Fund balances, beginning of year</b>	<b>2,147,321</b>	<b>200,442</b>	<b>423,750</b>	<b>49,503</b>	<b>2,013,572</b>	<b>1,840,096</b>	<b>6,674,684</b>
<b>Fund balances, end of year</b>	<b>\$ 1,826,073</b>	<b>388,766</b>	<b>495,856</b>	<b>131,823</b>	<b>930,853</b>	<b>2,127,855</b>	<b>5,901,226</b>

See accompanying 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, 2011**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	(773,458)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays (\$4,080,758) exceeded depreciation expense (\$1,374,309).

2,706,449

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.

8,500

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the increase in accrued compensated absences (\$32,534), other post-employment benefits (\$19,158) and accrued interest (\$4,082).

(55,774)

Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which lease proceeds (\$414,428) exceeded repayments on leases (\$103,421).

(311,007)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$5,133,238) exceeded proceeds (\$4,225,000).

908,238

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 \$7,282,141 with principal amounts paid off during the year totaling \$975,010, net of accrued interest \$102,131.

(872,879)

The City of Bath is funding the School Department's deficit balance that was transferred to Regional School Unit #1. The total amount to be funded is \$390,837. During the year, the City paid \$100,000.

100,000

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This represents the change in landfill liability.

300,000

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<b>Change in net assets of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>2,010,069</b>
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*See accompanying 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, 2011**

	General Fund				Sewer Utility Fund				Variance with final budget positive (negative)
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)	
	Original	Final			Original	Final			
<b>Revenues:</b>									
Taxes	\$ 15,372,840	15,372,840	15,315,512	(57,328)	-	-	-	-	-
Licenses and permits	78,400	78,400	88,635	10,235	-	-	-	-	-
Intergovernmental	1,295,661	1,295,661	1,366,614	70,953	-	-	-	-	-
Charges for services	713,000	713,000	520,417	(192,583)	1,921,691	1,921,691	1,852,789	(68,902)	
Investment income	50,000	50,000	24,891	(25,109)	10,000	10,000	11,023	1,023	
Other revenues	143,619	143,619	138,624	(4,995)	4,500	4,500	2,938	(1,562)	
<b>Total revenues</b>	<b>17,653,520</b>	<b>17,653,520</b>	<b>17,454,693</b>	<b>(198,827)</b>	<b>1,936,191</b>	<b>1,936,191</b>	<b>1,866,750</b>	<b>(69,441)</b>	
<b>Expenditures:</b>									
<b>Current:</b>									
General government	1,315,163	1,328,407	1,260,787	67,620	-	-	-	-	-
Public works	1,330,964	1,340,760	1,401,329	(60,569)	-	-	-	-	-
Public safety	3,300,533	3,333,237	3,317,232	16,005	-	-	-	-	-
Health and welfare	63,325	63,325	62,794	531	-	-	-	-	-
Education	7,801,667	7,801,667	7,801,667	-	-	-	-	-	-
Intergovernmental	1,516,599	1,516,599	1,516,599	-	-	-	-	-	-
Administration	-	-	-	-	93,000	86,551	81,244	5,307	
Treatment plant	-	-	-	-	866,920	871,210	774,925	96,285	
Maintenance	-	-	-	-	270,115	272,274	206,509	65,765	
Unclassified	1,911,110	1,855,366	1,545,883	309,483	-	-	-	-	
Debt service	525,119	525,119	515,118	10,001	565,156	565,156	565,175	(19)	
Capital	-	-	-	-	153,000	153,000	50,573	102,427	
<b>Total expenditures</b>	<b>17,764,480</b>	<b>17,764,480</b>	<b>17,421,409</b>	<b>343,071</b>	<b>1,948,191</b>	<b>1,948,191</b>	<b>1,678,426</b>	<b>269,765</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(110,960)</b>	<b>(110,960)</b>	<b>33,284</b>	<b>144,244</b>	<b>(12,000)</b>	<b>(12,000)</b>	<b>188,324</b>	<b>200,324</b>	
<b>Other financing sources (uses):</b>									
Transfers in	25,000	25,000	25,000	-	12,000	12,000	-	(12,000)	
Transfers out	(279,040)	(279,040)	(279,532)	(492)	-	-	-	-	
Funding RSU #1 fund deficit	-	-	(100,000)	(100,000)	-	-	-	-	
Utilization of prior year fund balance	365,000	365,000	-	(365,000)	-	-	-	-	
<b>Total other financing sources (uses)</b>	<b>110,960</b>	<b>110,960</b>	<b>(354,532)</b>	<b>(465,492)</b>	<b>12,000</b>	<b>12,000</b>	<b>-</b>	<b>(12,000)</b>	
<b>Net change in fund balance</b>			<b>(321,248)</b>				<b>188,324</b>		
<b>Fund balance, beginning of year</b>			<b>2,147,321</b>				<b>200,442</b>		
<b>Fund balance, end of year</b>			<b>1,826,073</b>				<b>388,766</b>		

*See accompanying notes to financial statements.*

CITY OF BATH, MAINE  
Notes to Basic Financial Statements

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THE REPORTING ENTITY

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

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

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

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

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

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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:

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

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

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

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

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

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

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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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.

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. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with maturity dates within three months of the date acquired by the City.

Investments are stated at fair value, which approximates market value.

**D. Inventories**

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

**E. 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.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**E. Capital Assets, continued**

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.

**F. 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.

**G. 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.

**H. Fund Equity**

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**H. Fund Equity, continued**

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.

**I. 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.

**J. 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.

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2011:

Capital assets	\$ 55,211,537
Accumulated depreciation	(23,270,454)
Bonds payable	(28,188,121)
Long-term receivable from RSU #1 for debt service	7,180,010
Capital leases payable	(1,092,890)

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**Total invested in capital assets net of related debt**      **\$ 9,840,082**

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STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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The revenues and expenditures of the General Fund and the Sewer Utility Fund (a Special Revenue Fund) are controlled by a formal integrated budgetary accounting system. Historically, the budget has been prepared on a modified accrual basis of accounting.



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

**PROPERTY TAX**

Property taxes for the current year were committed on August 30, 2010, 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 \$278,304 for the year ended June 30, 2011.

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

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

The following summarizes the levy:

	<u>2011</u>	<u>2010</u>
Assessed value (excluding Homestead exemption)	\$ 1,177,346,250	1,173,310,550
<u>Tax rate (per \$1,000)</u>	<u>17.20</u>	<u>17.20</u>
Commitment	20,250,356	20,180,941
<u>Supplemental taxes assessed</u>	<u>-</u>	<u>-</u>
	20,250,356	20,180,941
Less:		
Abatements	29,493	30,571
<u>Collections</u>	<u>19,551,669</u>	<u>19,511,824</u>
<b><u>Current year taxes and liens receivable at end of year</u></b>	<b><u>\$ 669,194</u></b>	<b><u>638,546</u></b>
Due date - current year	October 15, 2010	October 15, 2009
Interest rate on delinquent taxes	7.00%	9.00%
Collection rate	96.70%	96.84%
Taxes and liens receivable - current year	\$ 669,194	638,546
<u>Taxes and liens receivable - prior years</u>	<u>357,289</u>	<u>398,540</u>
<b><u>Total taxes and liens receivables</u></b>	<b><u>\$ 1,026,483</u></b>	<b><u>1,037,086</u></b>

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

**DEPOSITS AND INVESTMENTS**

As of June 30, 2011, the City had the following investments:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
Federal Farm Credit Bank	\$ 26,698	1.877
Federal Home Loan Banks	126,504	4.336
Corporate bonds	229,785	3.113
Common stock	974,414	N/A
Mutual funds	2,439	N/A

*Custodial credit risk- deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City currently does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the City’s bank balance of \$3,652,242 was exposed to custodial credit risk because it was uninsured and uncollateralized and \$2,612,976 was collateralized by underlying securities held by the related bank in the City’s name.

*Custodial credit risk- investments* – For investments, this is the risk 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. The City currently does not have an investment policy for custodial credit risk.

*Credit risk* – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. U.S. Treasury Notes, common stock, and corporate bonds with a maturity date of less than six months are not rated. As of June 30, 2011, the City’s investments were rated by Moody’s as follows:

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

*Interest rate risk* – The City does not have a deposit policy for interest rate risk.

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

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2011</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,980,676	22,750	-	2,003,426
Construction in progress	475,744	2,651,982	1,920,843	1,206,883
Total capital assets not being depreciated	2,456,420	2,674,732	1,920,843	3,210,309
Capital assets, being depreciated:				
Buildings and building improvements	13,061,827	240,193	-	13,302,020
Machinery, furniture and equipment	2,465,845	288,086	-	2,753,931
Infrastructure	30,423,399	1,718,456	-	32,141,855
Vehicles	3,195,669	1,080,134	472,381	3,803,422
Total capital assets being depreciated	49,146,740	3,326,869	472,381	52,001,228
Less accumulated depreciation for:				
Buildings and building improvements	6,048,364	487,174	-	6,535,538
Machinery, furniture and equipment	1,431,506	146,998	-	1,578,504
Infrastructure	12,853,649	551,245	-	13,404,894
Vehicles	2,035,007	188,892	472,381	1,751,518
Total accumulated depreciation	22,368,526	1,374,309	472,381	23,270,454
<b>Total capital assets being depreciated, net</b>	<b>26,778,214</b>	<b>1,952,560</b>	<b>-</b>	<b>28,730,774</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 29,234,634</b>	<b>4,627,292</b>	<b>1,920,843</b>	<b>31,941,083</b>

The City of Bath, Maine is holding land for resale within an industrial park. The value of the land at June 30, 2011 was \$1,389,580.

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

Governmental activities:	
General government	\$ 18,879
Public works and wastewater treatment	969,240
Parks and recreation	142,397
Public safety	157,275
Unclassified	86,518
<b>Total depreciation expense – governmental activities</b>	<b>\$ 1,374,309</b>

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

**INTERFUND BALANCES, ADVANCES AND TRANSFERS**

Individual interfund loans receivable and payable and interfund transfers at June 30, 2011 were as follows:

	Interfund loan <u>receivable</u>	Interfund loan <u>payable</u>	Transfers <u>in (out)</u>
General Fund	\$ -	955,255	(254,532)
Sewer Utility Fund	-	61,043	-
TIF Fund	557,830	-	(136,010)
Capital Projects	1,055,608	-	-
Landfill Fund	97,273	-	-
Nonmajor governmental funds:			
City Special Purpose	-	271,806	238,615
Community Development	-	239,415	-
Transportation Programs	-	13,932	60,917
Bath Local Development Corp.	45,840	-	116,010
Midcoast Center for Higher Education	-	292,792	-
Nonmajor permanent funds	84,803	7,111	(25,000)
<b>Total interfund balances and transfers</b>	<b>\$ 1,841,354</b>	<b>1,841,354</b>	<b>-</b>

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

Individual interfund advances receivable and payable at June 30, 2011 were as follows:

	Interfund advances <u>receivable</u>	Interfund advances <u>payable</u>
Bath Local Development Corp.	\$ 75,000	-
Midcoast Center for Higher Education	-	75,000
<b>Total interfund advances</b>	<b>\$ 75,000</b>	<b>75,000</b>

**CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 29,096,359	4,225,000	5,133,238	28,188,121	3,565,187
Note payable to RSU #1	290,837	-	100,000	190,837	100,000
Capital leases	781,883	414,428	103,421	1,092,890	202,057
Other post-employment benefits	394,208	19,158	-	413,366	-
Accrued compensated absences	288,256	32,534	-	320,790	-
Landfill closure and postclosure care costs	4,300,000	-	300,000	4,000,000	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 35,151,543</b>	<b>4,694,120</b>	<b>5,636,659</b>	<b>34,206,004</b>	<b>3,867,244</b>

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

**SHORT-TERM DEBT**

The City issues tax anticipation notes to cover cash short falls during the year. Tax anticipation note activity for the year ended June 30, 2011, was as follows:

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

**LONG-TERM DEBT**

Long-term debt payable at June 30, 2011 is comprised of the following:

	Date of <u>issue</u>	Original amount <u>issued</u>	Date of <u>maturity</u>	Interest <u>rate</u>	June 30, <u>2011</u>
<b>Governmental activities:</b>					
1992 Sewer improvement bonds	10/1/92	\$ 3,311,000	10/1/12	4.12%	331,100
1997 Wastewater upgrade bonds	10/1/97	6,300,000	10/1/17	varies	2,205,000
1998 Library bonds	5/28/98	500,000	11/1/12	varies	71,600
2001 Middle school renovation	8/1/01	5,600,000	8/1/21	varies	3,080,000 (2)
2001 Middle school renovation SSRRF	10/1/02	1,000,000	10/1/11	0.00%	55,010 (2)
2001 City capital improvement bonds	8/1/01	1,020,000	8/1/21	varies	550,000
2002 Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	1,090,000
2002 General obligation bonds	9/1/02	4,000,000	9/1/22	varies	2,240,000
2004 General obligation bonds	6/1/04	1,840,000	9/1/19	varies	1,090,000
2004 Note – Bath Savings Institute	12/3/04	550,000	12/3/24	5.50%	431,925
Building renovation note	3/13/06	1,000,000	11/30/11	5.125%	344,810 (1)
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	262,500
2006 general obligation refunding	7/18/06	3,570,000	10/1/16	4.375%	2,085,000 (2)
2008 SRF sewer bond	5/1/08	1,400,000	4/1/2023	1.00%	1,120,000
2008 general obligation bond	1/30/08	6,500,000	1/15/23	varies	4,790,000
2008 general obligation bond	1/30/08	2,800,000	1/15/18	varies	1,960,000 (2)
2009 general obligation bond series B	9/5/08	635,000	10/15/28	varies	595,000
2009 general obligation bond series C	9/8/08	1,365,000	10/15/18	6.75%	1,290,000
2009 AARA Clean Water Revolving Loan	7/1/09	57,488	4/1/19	0.00%	33,252
2010 Sidewalk Loan	3/1/10	400,000	2/1/20	4.24%	367,053
2011 General Obligation Bond	5/1/11	3,950,000	5/1/31	varies	3,950,000
2011 Bath Armory Note	8/11/10	175,000	8/11/20	4.07%	175,000
Custom House Line of Credit	6/30/10	100,000	N/A	4.07%	70,871
<b><u>Total governmental activities</u></b>					<b><u>\$ 28,188,121</u></b>

(1) This note is on a draw-down basis. As of June 30, 2011, the City has drawn down \$500,000. The remaining \$500,000 has yet to be drawn down.

(2) As of July 1, 2008, the Bath School Department joined Regional School Unit #1. RSU #1 will reimburse the City of Bath for all Bath School Department bonds payable when the debt service payments are due. The City has recorded a long-term receivable for \$7,180,010, 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 which totals \$102,131 for a total long-term receivable of \$7,282,141.

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

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**LONG-TERM DEBT, CONTINUED**

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The annual principal and interest requirements to amortize general long-term debt outstanding as of June 30, 2011 are as follows:

Year(s) ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,565,187	1,008,232	4,573,419
2013	3,103,011	881,943	3,984,954
2014	2,890,034	777,423	3,667,457
2015	2,893,674	682,512	3,576,186
2016	2,897,488	585,666	3,483,154
2017-2021	10,220,333	1,452,937	11,673,270
2022-2026	2,233,394	249,922	2,483,316
2027-2031	385,000	41,763	426,763
<b>Totals</b>	<b>\$ 28,188,121</b>	<b>5,680,398</b>	<b>33,868,519</b>

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**LANDFILL CLOSURE AND POSTCLOSURE COSTS**

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The City of Bath is currently operating a landfill for residential and commercial sanitary waste, demolition debris, and other materials. In 1991, the City entered into a consent decree with the State of Maine for the development and implementation of a corrective action plan and application to re-license with a proposed vertical expansion. The City met all terms of the consent decree and received approval from the State on the new license and vertical expansion. As part of the corrective action plan, the City closed certain sections of the landfill and prepared to make improvements that would extend the useful life of the facility. On November 6, 2001, voters approved the City Council's authorization of \$8,140,000 in general obligation bonds. Of this bond issuance, \$3,000,000 was to provide funds for landfill improvements, otherwise referred to as the Landfill Project. In September 2002 (the "2002 Bonds"), \$1,200,000 was issued to finance the Landfill Project. An additional amount of \$600,000 was financed through the State Revolving Loan Program (SRF) jointly through the Maine Municipal Bond Bank and the Maine Department of Environmental Protection. Another bond issuance in June 2004 (the "2004 Bonds") provided the remaining \$1,200,000 previously authorized for the Landfill Project. On January 30, 2008, the City issued \$4,500,000 in voter-approved debt for construction of a new cell and gas mitigation system. At June 30, 2011, the landfill had reached approximately 68.3% capacity of the current configuration (post Landfill project expansion). The estimated cost for closure after it reaches existing capacity is approximately \$3,500,000. Post closure costs, such as monitoring and maintenance for 30 years is estimated to be \$2,300,000. As such, the City has recognized a liability based on the percentage used as of June 30, 2011, of \$2,400,000 for closure, and an estimate for post closure costs of \$1,600,000. This results in a total of \$4,000,000 estimated liability of closure and post closure costs in the government-wide financial statements. The actual closure and post closure costs may vary from this estimate due to inflation, changes in technology, recycling, engineering estimates, expansion of the existing landfill, or changes in landfill laws and regulations.

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

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**CAPITAL LEASES**

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The City of Bath has entered into various lease agreements as lessee for various equipment. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of its inception. The value of assets capitalized under these leases as of June 30, 2011 was \$513,220.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2011

Fiscal year <u>ending</u>	<u>Capital leases</u>
2012	\$ 243,858
2013	216,117
2014	205,770
2015	166,578
2016	156,514
<u>2017-2020</u>	<u>272,128</u>
Total minimum lease payments	1,260,965
<u>Less: amount representing interest</u>	<u>(168,075)</u>
<b><u>Present value of future minimum lease payments</u></b>	<b><u>\$ 1,092,890</u></b>

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**NOTE PAYABLE TO REGIONAL SCHOOL UNIT #1**

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As of July 1, 2008, the Bath School Department joined Regional School Unit #1. At the time of the merger to create RSU #1, the Bath School Department had a deficit fund balance of \$490,837. The City of Bath has agreed to fund the \$490,837 deficit over a five year period at \$100,000 per year. The balance at June 30, 2011 is \$190,837.

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**OVERLAPPING DEBT**

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The City of Bath, Maine is situated in Sagadahoc County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Sagadahoc County, for which the City of Bath would be proportionally responsible in the event the County defaulted, amounted to \$2,109,440 at June 30, 2011, which is 20.60% of the County's total debt of \$10,240,000.

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**LIMITATION ON MUNICIPAL SPENDING**

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The City's charter provides for a limitation on expenditures each year based upon the annual increase in the National Consumer Price Index ("CPI") as determined by the United States Department of Labor. Exceptions to the limitations are made for proceeds of new bond issues approved by public referendum, debt service required to support new bonded indebtedness, expenditures of Federal and State grants, expenditures for programs mandated and funded by the Federal and State governments, expenditures of insurance proceeds for replacement of covered assets, and emergency appropriations by the City Council in accordance with the City's charter. The expenditures of the City of Bath, Maine for the year ended June 30, 2011 were made in accordance with the above charter limitations.

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

**SIGNIFICANT TAXPAYER**

For the year ended June 30, 2011, the City of Bath received \$7,928,779 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 39.2% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2011, a significant portion (\$4,580,186) were funds collected as part of a Tax Increment Financing (TIF) District. As such, only \$3,348,593 were taxes collected for the purposes of financing the City's operational and capital budgets.

**FUND BALANCE COMPONENTS**

As of June 30, 2011 fund balances components consisted of the following:

	General Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>			
Inventory and prepaid items	\$ 38,621	-	38,621
Notes receivable and interfund advances	-	1,062,657	1,062,657
Principal for permanent funds	-	1,863,628	1,863,628
<b>Total nonspendable</b>	<b>38,621</b>	<b>2,926,285</b>	<b>2,964,906</b>
<b>Restricted:</b>			
TIF Districts	-	495,856	495,856
Grants and other purposes	-	213,074	213,074
Permanent funds	-	19,314	19,314
<b>Total restricted</b>	<b>-</b>	<b>728,244</b>	<b>728,244</b>
<b>Committed:</b>			
Sewer utility	-	388,766	388,766
Landfill	-	131,823	131,823
Capital projects	-	930,853	930,853
Park and ride vehicle reserve	-	90,992	90,992
Bath Local Development Corporation	-	102,663	102,663
<b>Total committed</b>	<b>-</b>	<b>1,645,097</b>	<b>1,645,097</b>
<b>Assigned:</b>			
Subsequent budget	291,500	-	291,500
Fuel tank reserves	147,606	-	147,606
<b>Total assigned</b>	<b>439,106</b>	<b>-</b>	<b>439,106</b>
<b>Unassigned</b>	<b>1,348,346</b>	<b>(1,224,472)</b>	<b>123,874</b>
<b>Total fund balance</b>	<b>1,826,073</b>	<b>4,075,154</b>	<b>5,901,227</b>



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

**DEFICIT FUND BALANCES**

Several City Special Revenue Funds had deficit fund balances at June 30, 2011. The City's deficit fund balances are as follows: Fire Training; Forestry Recovery; Homeland Security; Recreation Programs; Skate Park Committee; Bath Youth Meeting House; Armory Building; Bath Bike & Pedestrian Plan; Bath City Bus; Trolley Funds; and the Recreation Capital Improvements Funds. All of these deficits will be funded by future operations and future grants. Also, Midcoast Center for Higher Education, which is reported as a blended component unit, had a deficit fund balance, which will be funded with future rents received.

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

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

**Funding Policy** - Plan members are required to contribute a percentage of their annual covered salary. The City is required to contribute an actuarially determined rate. Employer and member rates for the year ended June 30, 2011 were as follows:

	<u>Special #2C</u>	<u>Special #3C</u>
Employer payroll rate(s):		
Normal cost	9.30%	12.10%
Pooled UAL	-4.30%	-5.50%
<u>Total payroll rate</u>	<u>5.00%</u>	<u>6.60%</u>
Monthly IUUAL available:		
<u>Payment/(Credit)</u>	<u>\$ (58,355)</u>	<u>(51,542)</u>
<u>Member contribution rate(s)</u>	<u>6.5%</u>	<u>8.0%</u>

Prior to the Consolidated Plan, the City had a separate District plan. Effective July 1, 1996, the City elected to join the Consolidated Plan. Under the terms of joining the consolidated plan, the City has an Initial Unpooled Unfunded Actuarial Liability Credit (IUUAL). The credit is being amortized over an open 10 year period. For the years ended June 30, 2011 and 2010, the credit offset current employer contributions by \$289,743 and \$219,600 respectively, resulting in no City contributions being required for the 2011 and 2010 fiscal years. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. For the years ended June 30, 2011 and 2010, employee contributions to the plan totaled \$366,404 and \$344,753, respectively.

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

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DEFERRED COMPENSATION PLAN

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

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

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RISK MANAGEMENT

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

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchases, the City is not aware of any material actual or potential claims which should be recorded at June 30, 2011.

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OTHER POST-EMPLOYMENT BENEFITS

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

The City is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The City is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in October 2011 based on an actuarial valuation date of January 1, 2011.

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

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

**OTHER POST-EMPLOYMENT BENEFITS, CONTINUED**

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 38,900	31,048	31,048
Amortization of unfunded	109,320	101,038	101,038
Adjustment to ARC	(15,439)	(7,788)	-
<u>Interest</u>	<u>13,614</u>	<u>7,987</u>	<u>2,600</u>
Annual required contribution	\$ 146,395	132,285	134,686

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPEB liability, July 1	\$ 266,971	134,686	-
Annual required contribution	146,395	132,285	134,686
<u>Less: Actual contributions</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPEB Liability, June 30	413,366	266,971	134,686

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 146,395	132,285	134,686
Actual contribution	-	-	-
<u>Percent contributed</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Actuarial accrued liability	\$ 1,965,984	1,817,040	1,817,040
<u>Plan assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	\$ 1,965,984	1,817,040	1,817,040
Covered payroll	4,753,104	4,494,282	4,164,479
Unfunded actuarial accrued liability as a percentage of covered payroll	41.36%	40.43%	43.63%

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

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OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

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

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

Actuarial valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years

Actuarial assumptions:

Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

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SUBSEQUENT EVENTS

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After the fiscal year end, the City Council approved the issuance of a \$2,000,000 SRF loan to fund sewer project. The loan closed on October 1, 2011 at a rate of 1% for a period of 20 years. There is principal forgiveness of \$116,400.

The City Council also approved the refinance and finance of a 2011 General Obligation Bond. The Bond closed on December 1, 2011 and included a refinance of \$4,528,550, including the 2001 Bonds, and the outstanding balance on the Custom's House LOC. Also included in the refinance were capital leases for a compactor, a progator, a roll off truck and a fire truck. Included in the financing were new monies for the rest of the Custom's House LOC, Small School Roof, cemeteries truck, a new trolley, a fire station generator, 2 police vehicles and the demolition of the old YMCA building. The rate varies from 2-3.5% and the term is not to exceed 20 years.

In addition, on June 8, 2011, the City Council approved the issuance of a \$3,000,000 Tax Anticipation Note to cover short-term cash flows in anticipation of future tax revenues. The Tax Anticipation Note was issued July 11, 2011, bears an interest rate of 1.03% and is due on June 30, 2012.

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

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
2009	1/1/09	\$ -	\$ 1,817,040	\$ 1,817,040	0.00%	\$ 4,164,479	43.63%
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%

## **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, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,564,160	3,348,505
Investments	2,439	-
Receivables:		
Taxes receivable	766,828	742,204
Tax liens	259,655	294,882
Accounts receivable, net of allowance of \$16,263	160,037	187,012
Inventory	31,330	24,509
Prepaid	7,291	6,360
Receivable from RSU #1 for debt service payment	7,282,141	8,155,020
<b>Total assets</b>	<b>\$ 11,073,881</b>	<b>12,758,492</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	84,573	206,076
Accrued expenditures	164,339	221,240
Interfund loans payable	955,255	1,275,835
Deferred tax revenue	761,500	753,000
Deferred debt service payments from RSU #1	7,282,141	8,155,020
<b>Total liabilities</b>	<b>9,247,808</b>	<b>10,611,171</b>
Fund balance:		
Nonspendable - inventory and prepaids	38,621	30,869
Assigned	439,106	512,606
Unassigned	1,348,346	1,603,846
<b>Total fund balance</b>	<b>1,826,073</b>	<b>2,147,321</b>
<b>Total liabilities and fund balance</b>	<b>\$ 11,073,881</b>	<b>12,758,492</b>

**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, 2011**  
**(with comparative actual amounts for the year ended June 30, 2010)**

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 14,229,765	14,232,362	2,597	14,172,518
Excise taxes	958,100	949,030	(9,070)	978,637
Interest and costs on taxes	116,270	77,338	(38,932)	152,940
Contributions in lieu of taxes	68,705	56,782	(11,923)	58,024
Total taxes	15,372,840	15,315,512	(57,328)	15,362,119
Licenses, permits and fees:				
Non-business licenses	7,200	10,986	3,786	7,620
Health, building, plumbing and electrical permits	32,000	31,958	(42)	46,586
Vehicle, boat and recreation vehicle registrations	21,500	22,386	886	24,035
Other	17,700	23,305	5,605	16,758
Total licenses, permits and fees	78,400	88,635	10,235	94,999
Intergovernmental:				
State revenue sharing	784,000	828,713	44,713	895,294
State homestead exemption	168,646	169,022	376	220,235
State BETE exemption	322,015	322,165	150	300,339
Other state revenue	21,000	23,806	2,806	97,209
Other federal revenue	-	22,908	22,908	-
Total intergovernmental	1,295,661	1,366,614	70,953	1,513,077
Investment income	50,000	24,891	(25,109)	1,640
Charges for services:				
Ambulance service	585,000	381,839	(203,161)	531,409
Cemetery sales	42,500	45,689	3,189	56,651
Parking City lots	60,000	69,699	9,699	62,625
Police duty and fees	25,500	23,190	(2,310)	30,941
Total charges for services	713,000	520,417	(192,583)	681,626
Other revenues:				
Parking and traffic violations	15,000	12,327	(2,673)	7,635
Cable television franchise	84,000	71,993	(12,007)	64,668
Rents and leases	16,000	18,000	2,000	14,500
Sale of property	-	-	-	45,300
Miscellaneous	28,619	36,304	7,685	14,692
Total other revenues	143,619	138,624	(4,995)	146,795
Total revenues	17,653,520	17,454,693	(198,827)	17,800,256



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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	\$ 149,183	147,600	1,583	147,177
Professional services	151,450	163,219	(11,769)	143,762
City council	84,979	51,742	33,237	53,990
City clerk	105,085	106,651	(1,566)	104,410
Elections	18,300	11,606	6,694	18,942
Central services	185,200	158,847	26,353	167,423
City Hall management and utilities	144,547	135,087	9,460	138,156
Finance	232,175	230,524	1,651	221,867
Assessor	114,574	113,887	687	112,908
Public education government cable	46,401	44,021	2,380	42,306
Planning and community development	96,513	97,603	(1,090)	93,461
Total general government	1,328,407	1,260,787	67,620	1,244,402
Public works:				
General	913,973	975,006	(61,033)	881,628
Forestry	54,259	53,942	317	49,022
Cemetery and parks	372,528	372,381	147	373,883
Total public works	1,340,760	1,401,329	(60,569)	1,304,533
Public safety:				
Fire and ambulance	1,300,457	1,324,698	(24,241)	1,307,322
Police	1,375,697	1,332,343	43,354	1,277,953
Other public safety	79,329	77,165	2,164	76,395
Codes enforcement	87,754	85,997	1,757	83,026
Street lights	115,000	110,907	4,093	111,888
Fire hydrant rental	375,000	386,122	(11,122)	364,940
Total public safety	3,333,237	3,317,232	16,005	3,221,524
Health and welfare:				
General assistance	63,325	62,794	531	66,744
Total health and welfare	63,325	62,794	531	66,744

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	\$ 7,801,667	7,801,667	-	7,796,147
Intergovernmental--county tax	1,516,599	1,516,599	-	1,544,081
Unclassified:				
Employee benefits	1,051,326	987,694	63,632	948,950
Insurances	343,000	345,970	(2,970)	322,474
Special events and support	182,736	182,588	148	180,886
Overlay/abatements and write-offs	278,304	29,631	248,673	31,181
Total unclassified	1,855,366	1,545,883	309,483	1,483,491
Debt service:				
Principal	403,935	403,935	-	592,832
Interest and fees	121,184	111,183	10,001	112,644
Total debt service	525,119	515,118	10,001	705,476
Total expenditures	17,764,480	17,421,409	343,071	17,366,398
Excess (deficiency) of revenues over (under) expenditures	(110,960)	33,284	144,244	433,858
Other financing sources (uses):				
Utilization of prior year fund balance	365,000	-	(365,000)	-
Transfers in	25,000	25,000	-	76,918
Transfers out	(279,040)	(279,532)	(492)	(286,074)
Refunding of debt service	-	-	-	138,362
Funding RSU #1 fund deficit	-	(100,000)	(100,000)	(100,000)
Total other financing sources (uses)	110,960	(354,532)	(465,492)	(170,794)
Net change in fund balance - budgetary basis	-	(321,248)	(321,248)	263,064
Reconciliation to GAAP basis:				
Fuel revenues for fuel tank reserve		-		27,075
Net change in fund balances - GAAP basis		(321,248)		290,139
Fund balance, beginning of year		2,147,321		1,857,182
<b>Fund balance, end of year</b>	<b>\$</b>	<b>1,826,073</b>		<b>2,147,321</b>

## **CAPITAL PROJECT FUNDS**

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

CITY OF BATH, MAINE  
Capital Projects  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2011

	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	\$ 56,904	35,000	84,292	(140)	15,000	81,004	100,000	-	21,087	
Capital improvement projects	72,438	7,000	-	-	-	-	-	-	27,632	
Streets and sidewalks phase II	31,278	-	-	-	-	-	-	(31,278)	-	
Cemetery and parks capital	93,453	-	-	-	-	-	-	-	-	
Commercial/Front pump station	13,855	-	-	-	-	-	-	-	91,003	
Fire and ambulance capital projects	(19,047)	75,963	14,153	-	6,900	-	-	-	13,855	
Police capital improvements	20,876	23,642	-	-	-	-	917,000	-	-	
Public works capital improvements	1,757,560	43,491	256,750	-	15,950	-	16,500	-	20,934	
Recreation capital improvements	(13,745)	30,629	5,000	-	-	-	178,445	31,278	765,087	
							34,483	-	(8,745)	
<b>Total capital projects</b>	<b>\$ 2,013,572</b>	<b>215,725</b>	<b>360,195</b>	<b>(140)</b>	<b>37,850</b>	<b>81,004</b>	<b>1,246,428</b>	<b>-</b>	<b>930,853</b>	

**ALL OTHER GOVERNMENTAL FUNDS**

CITY OF BATH, MAINE  
Other Governmental Funds  
Combining Balance Sheet  
June 30, 2011

		Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$	214,135	447,849	661,984
Investments		-	1,357,401	1,357,401
Accounts receivable		992	-	992
Due from other governments		454,986	-	454,986
Notes receivable		987,657	-	987,657
Interfund loans receivable		45,840	84,803	130,643
Interfund advance receivable		75,000	-	75,000
<b>Total assets</b>	<b>\$</b>	<b>1,778,610</b>	<b>1,890,053</b>	<b>3,668,663</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable		416,782	-	416,782
Accrued expenditures		18,279	-	18,279
Escrow		205,691	-	205,691
Interfund loans payable		817,945	7,111	825,056
Interfund advance payable		75,000	-	75,000
<b>Total liabilities</b>		<b>1,533,697</b>	<b>7,111</b>	<b>1,540,808</b>
Fund balances (deficits):				
Nonspendable		1,062,657	1,863,628	2,926,285
Restricted		213,073	19,314	232,387
Committed		193,655	-	193,655
Unassigned		(1,224,472)	-	(1,224,472)
<b>Total fund balances</b>		<b>244,913</b>	<b>1,882,942</b>	<b>2,127,855</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>1,778,610</b>	<b>1,890,053</b>	<b>3,668,663</b>

**CITY OF BATH, MAINE**  
**Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2011**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 11,348,268	-	11,348,268
Charges for services	954,511	-	954,511
Investment income	7,918	43,627	51,545
Realized/unrealized gain (loss) on investments	-	205,408	205,408
Other revenue	172,701	14,241	186,942
<b>Total revenues</b>	<b>12,483,398</b>	<b>263,276</b>	<b>12,746,674</b>
Expenditures:			
General government	1,944,304	-	1,944,304
Public safety	23,685	-	23,685
Parks and recreation	654,977	-	654,977
Health, welfare and transportation	176,843	-	176,843
Unclassified	9,757,465	20,413	9,777,878
Debt service	45,411	-	45,411
Capital outlay	401,359	-	401,359
<b>Total expenditures</b>	<b>13,004,044</b>	<b>20,413</b>	<b>13,024,457</b>
Excess (deficiency) of revenues over (under) expenditures	(520,646)	242,863	(277,783)
Other financing sources (uses):			
Transfers in	415,542	-	415,542
Transfers out	-	(25,000)	(25,000)
Proceeds from bonds/notes/ capital leases	175,000	-	175,000
<b>Total other financing sources (uses)</b>	<b>590,542</b>	<b>(25,000)</b>	<b>565,542</b>
Net change in fund balances	69,896	217,863	287,759
Fund balances, beginning	175,017	1,665,079	1,840,096
<b>Fund balances, ending</b>	<b>\$ 244,913</b>	<b>1,882,942</b>	<b>2,127,855</b>

## **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, 2011**

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Midcoast Center For Higher Education	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 148,995	-	7,052	58,088	-	214,135
Accounts receivable			-	-	992	992
Due from other governments	21,754	430,838	2,394	-	-	454,986
Notes receivable	-	987,657	-	-	-	987,657
Interfund loans receivable	-	-	-	45,840	-	45,840
Interfund advance receivable	-	-	-	75,000	-	75,000
<b>Total assets</b>	<b>\$ 170,749</b>	<b>1,418,495</b>	<b>9,446</b>	<b>178,928</b>	<b>992</b>	<b>1,778,610</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>						
Liabilities:						
Accounts payable	10,018	397,122	2,268	-	7,374	416,782
Accrued expenditures	13,224	187	2,514	1,265	1,089	18,279
Escrow	201,665	-	-	-	4,026	205,691
Interfund loans payable	271,806	239,415	13,932	-	292,792	817,945
Interfund advance payable	-	-	-	-	75,000	75,000
<b>Total liabilities</b>	<b>496,713</b>	<b>636,724</b>	<b>18,714</b>	<b>1,265</b>	<b>380,281</b>	<b>1,533,697</b>
Fund balances (deficits):						
Nonspendable - long-term receivables	-	987,657	-	75,000	-	1,062,657
Restricted	213,073	-	-	-	-	213,073
Committed	-	-	90,992	102,663	-	193,655
Unassigned	(539,037)	(205,886)	(100,260)	-	(379,289)	(1,224,472)
<b>Total fund balances (deficits)</b>	<b>(325,964)</b>	<b>781,771</b>	<b>(9,268)</b>	<b>177,663</b>	<b>(379,289)</b>	<b>244,913</b>
<b>Total liabilities and fund balances</b>	<b>\$ 170,749</b>	<b>1,418,495</b>	<b>9,446</b>	<b>178,928</b>	<b>992</b>	<b>1,778,610</b>

**CITY OF BATH, MAINE**  
**Nonmajor Special Revenues Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2011**

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Midcoast Center For Higher Education	Total
<b>Revenues:</b>						
Intergovernmental	\$ 9,311,819	1,979,090	57,359	-	-	11,348,268
Charges for services	431,100	1,948	47,472	-	473,991	954,511
Investment income	5,921	-	98	1,899	-	7,918
Other revenue	13,325	113,604	-	-	45,772	172,701
<b>Total revenues</b>	<b>9,762,165</b>	<b>2,094,642</b>	<b>104,929</b>	<b>1,899</b>	<b>519,763</b>	<b>12,483,398</b>
<b>Expenditures:</b>						
General government	-	1,944,304	-	-	-	1,944,304
Public safety	23,685	-	-	-	-	23,685
Parks and recreation	654,977	-	-	-	-	654,977
Health, welfare and transportation	1,689	-	175,154	-	-	176,843
Unclassified	9,277,362	-	-	116,009	364,094	9,757,465
Debt service	-	-	-	-	45,411	45,411
Capital outlay	185,604	-	-	-	215,755	401,359
<b>Total expenditures</b>	<b>10,143,317</b>	<b>1,944,304</b>	<b>175,154</b>	<b>116,009</b>	<b>625,260</b>	<b>13,004,044</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(381,152)</b>	<b>150,338</b>	<b>(70,225)</b>	<b>(114,110)</b>	<b>(105,497)</b>	<b>(520,646)</b>
<b>Other financing sources (uses):</b>						
Transfers in (out)	238,615	-	60,917	116,010	-	415,542
Proceeds from bonds/notes/ capital leases	175,000	-	-	-	-	175,000
<b>Total other financing sources (uses)</b>	<b>413,615</b>	<b>-</b>	<b>60,917</b>	<b>116,010</b>	<b>-</b>	<b>590,542</b>
<b>Net change in fund balances</b>	<b>32,463</b>	<b>150,338</b>	<b>(9,308)</b>	<b>1,900</b>	<b>(105,497)</b>	<b>69,896</b>
<b>Fund balances (deficits), beginning</b>	<b>(358,427)</b>	<b>631,433</b>	<b>40</b>	<b>175,763</b>	<b>(273,792)</b>	<b>175,017</b>
<b>Fund balances (deficits), ending</b>	<b>\$ (325,964)</b>	<b>781,771</b>	<b>(9,268)</b>	<b>177,663</b>	<b>(379,289)</b>	<b>244,913</b>

**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, 2011**

	Fund balances			Revenues	Expenditures	Revenues over (under) expenditures	Transfers in (out)	Fund balances (deficits) June 30, 2011
	June 30, 2010	Revenues	(deficits)					
<b>City Special Purpose Funds:</b>								
Almoner Fund	\$ 21,874	6,134	1,689	4,445	-	-	26,319	
Cable TV Capital Fund	11,019	-	-	-	-	-	11,019	
Comprehensive Planning	5,216	-	-	-	-	-	5,216	
DARE	25,095	6,543	7,808	(1,265)	-	-	23,830	
Druid Park	843	-	251	(251)	-	-	592	
Fire Department training	(7,672)	-	133	(133)	-	-	(7,805)	
Forestry Trust	29,046	402	-	402	-	-	29,448	
Forestry Recovery Grant	(60)	-	-	-	-	-	(60)	
Homeland Security Grant	(2,300)	-	-	-	-	-	(2,300)	
Police Grants	7,419	17,956	15,744	2,212	-	-	9,631	
Lambert Park Community Center	3,782	25,639	7,979	17,660	-	-	21,442	
McMann Field Renovation	875	9	-	9	-	-	884	
Men's Softball League	2,928	3,328	5,419	(2,091)	-	-	837	
Other City programs	18,428	67,261	58,780	8,481	-	-	26,909	
Recreation (Fund 12)	(202,164)	274,089	477,924	(203,835)	198,615	-	(207,384)	
Recreation - Lacrosse	1,546	3,950	3,950	-	-	-	1,546	
Recreation - Soccer	26,959	-	2,746	(2,746)	-	-	24,213	
Skate park committee	(58,366)	-	-	-	-	-	(58,366)	
Bath Youth Meeting House (Fund 13)	(264,053)	69,521	105,907	(36,386)	40,000	-	(260,439)	
Armory Building (Fund 13)	-	175,000	177,625	(2,625)	-	-	(2,625)	
Bath Bike & Pedestrian Plan	-	9,000	9,058	(58)	-	-	(58)	
Efficiency Maine MRWEII Grant	-	268,304	268,304	-	-	-	-	
Efficiency Maine PACE Program	-	9,010,000	9,000,000	10,000	-	-	10,000	
Swimming Pool Fund	21,158	29	-	29	-	-	21,187	
<b>Total City Special Purpose</b>	<b>(358,427)</b>	<b>9,937,165</b>	<b>10,143,317</b>	<b>(206,152)</b>	<b>238,615</b>	<b>-</b>	<b>(325,964)</b>	
<b>Transportation Programs:</b>								
Bath City Bus	(43,922)	66,507	114,645	(48,138)	40,917	-	(51,143)	
Park and Ride Vehicle Reserve	90,992	-	-	-	-	-	90,992	
Trolley	(47,030)	38,422	60,509	(22,087)	20,000	-	(49,117)	
<b>Total Transportation Programs</b>	<b>40</b>	<b>104,929</b>	<b>175,154</b>	<b>(70,225)</b>	<b>60,917</b>	<b>-</b>	<b>(9,268)</b>	

## **NONMAJOR GOVERNMENTAL FUNDS**

### **PERMANENT FUNDS**

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

CITY OF BATH, MAINE  
 Nonmajor Permanent Funds  
 Combining Balance Sheet  
 June 30, 2011

	Bailey						
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total	
<b>ASSETS</b>							
Cash and cash equivalents	-	117,004	330,845	-	-	447,849	
Investments	186,814	251,150	863,469	36,796	19,172	1,357,401	
Interfund loans receivable	-	-	84,803	-	-	84,803	
<b>Total assets</b>	<b>\$ 186,814</b>	<b>368,154</b>	<b>1,279,117</b>	<b>36,796</b>	<b>19,172</b>	<b>1,890,053</b>	
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Interfund loans payable	-	7,111	-	-	-	7,111	
Total liabilities	-	7,111	-	-	-	7,111	
Fund balances:							
Nonspendable - principal	186,814	361,043	1,259,803	36,796	19,172	1,863,628	
Restricted	-	-	19,314	-	-	19,314	
Total fund balances	186,814	361,043	1,279,117	36,796	19,172	1,882,942	
<b>Total liabilities and fund balances</b>	<b>\$ 186,814</b>	<b>368,154</b>	<b>1,279,117</b>	<b>36,796</b>	<b>19,172</b>	<b>1,890,053</b>	

**CITY OF BATH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2011**

	Bailey					Total
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total
Revenues:						
Investment income	\$ 4,727	7,683	29,804	930	483	43,627
Realized gain (loss) on investments	1,256	1,632	8,600	247	129	11,864
Unrealized gain (loss) on investments	21,365	28,720	137,058	4,208	2,193	193,544
Perpetual care contributions	-	-	14,241	-	-	14,241
Total revenues	27,348	38,035	189,703	5,385	2,805	263,276
Expenditures:						
Current:						
Distribution of income	3,578	5,476	-	704	367	10,125
Other	1,148	1,543	7,253	226	118	10,288
Total expenditures	4,726	7,019	7,253	930	485	20,413
Excess of revenues over expenditures	22,622	31,016	182,450	4,455	2,320	242,863
Other financing uses:						
Transfers out	-	-	(25,000)	-	-	(25,000)
Total other financing uses	-	-	(25,000)	-	-	(25,000)
Net change in fund balances	22,622	31,016	157,450	4,455	2,320	217,863
Fund balances, beginning of year	164,192	330,027	1,121,667	32,341	16,852	1,665,079
<b>Fund balances, end of year</b>	<b>\$ 186,814</b>	<b>361,043</b>	<b>1,279,117</b>	<b>36,796</b>	<b>19,172</b>	<b>1,882,942</b>

**LONG-TERM DEBT**

**CITY OF BATH, MAINE**  
**Statement of Changes in Long-term Debt**  
**For the year ended June 30, 2011**

	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:								
1992 Sewer Improvement Bonds	4.1%	1992	2012	\$ 165,550	496,650	-	165,550	331,100
1997 Wastewater Treatment Upgrade Bonds	Var.	1997	2017	315,000	2,520,000	-	315,000	2,205,000
1998 Library Bonds	Var.	1998	2012	35,700	107,300	-	35,700	71,600
1999 Sewer and Street Improvement TIF Bonds	Var.	1999	2020	225,000	2,250,000	-	2,250,000	-
2001 Capital Improvement Bonds	Var.	2001	2021	55,000	600,000	-	50,000	550,000
2002 SRF Landfill/Pumping Station Bonds	Var.	2002	2022	107,500	1,197,500	-	107,500	1,090,000
2002 General Obligation Bonds	Var.	2002	2021	Var.	2,460,000	-	220,000	2,240,000
2004 General Obligation Bonds	Var.	2004	2020	Var.	1,215,000	-	125,000	1,090,000
2004 Note Payable-MICHE	5.500%	2004	2024	Var.	452,934	-	21,009	431,925
Building Renovation Note	5.125%	2006	2011	Var.	371,213	-	26,404	344,809
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	280,000	-	17,500	262,500
2008 General Obligation Bond	Var.	2008	2018	400,000	3,200,000	-	400,000	2,800,000
2008 General Obligation Bond	Var.	2008	2023	Var.	2,160,000	-	170,000	1,990,000
2008 SRF Sewer Bond	1.000%	2008	2023	93,333	1,213,334	-	93,333	1,120,001
2009 General Obligation Bond Series B	Var.	2009	2029	20,000	615,000	-	20,000	595,000
2010 General Obligation Bond Series C	6.750%	2009	2019	Var.	1,365,000	-	75,000	1,290,000
2009 AARA Clean Water Revolving Loan	0.000%	2009	2019	4,156	37,408	-	4,156	33,252
2010 Sidewalk Loan	4.240%	2010	2020	Var.	400,000	-	32,947	367,053
2011 General Obligation Bond	Var.	2011	2031	Var.	-	3,950,000	-	3,950,000
2011 Bath Armory	4.070%	2011	2021	Var.	-	175,000	-	175,000
2011 Custom's House Note	4.070%	2011	2020	Var.	-	100,000	-	175,000
<b>Total City issues</b>					<b>20,941,339</b>	<b>4,225,000</b>	<b>29,129</b>	<b>21,008,111</b>
<u>School issues:</u>								
2001 Middle School Improvement Bonds	Var.	2001	2021	280,000	3,360,000	-	280,000	3,080,000
2002 Middle School Improvement SRRF Bonds	0.0%	2002	2012	55,010	110,020	-	55,010	55,010
2006 General Obligation Refunding Bond	4.375%	2006	2016	Var.	2,445,000	-	360,000	2,085,000
2008 General Obligation Bond	Var.	2008	2018	280,000	2,240,000	-	280,000	1,960,000
<b>Total School issues</b>					<b>8,155,020</b>	<b>-</b>	<b>975,010</b>	<b>7,180,010</b>
<b>Total long-term debt</b>				<b>\$ 29,096,359</b>		<b>4,225,000</b>	<b>5,133,238</b>	<b>28,188,121</b>

(1) Customs House note \$250,000. As of year end drawn down \$100,000.



## STATISTICAL TABLES

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>										
Taxes	\$ 11,223,961	12,623,047	13,428,379	13,659,493	13,404,814	15,307,788	15,130,542	15,428,457	15,362,119	15,315,512
Licenses and permits	65,284	95,088	79,168	90,128	132,935	150,943	150,922	124,046	94,999	88,635
Intergovernmental revenues	6,854,712	6,485,027	6,619,956	6,465,023	7,153,492	7,122,131	7,707,834	1,544,480	1,513,077	1,366,614
Charges for services	4,238,843	4,425,659	4,703,368	4,647,438	4,591,096	4,626,184	3,594,745	724,055	681,626	520,417
Investment income	315,152	158,518	109,238	152,877	211,305	331,063	278,480	102,215	1,640	24,891
Other revenues (1)	346,531	383,032	349,374	265,411	393,962	547,403	321,575	226,623	223,713	163,624
<b>Total revenues</b>	<b>23,044,483</b>	<b>24,170,371</b>	<b>25,289,483</b>	<b>25,280,370</b>	<b>25,887,604</b>	<b>28,085,512</b>	<b>27,184,098</b>	<b>18,149,876</b>	<b>17,877,174</b>	<b>17,479,693</b>
<b>Expenditures:</b>										
General government	1,011,882	1,024,780	1,054,390	1,058,485	1,102,444	1,197,766	1,178,350	1,224,846	1,244,402	1,260,787
Public safety	2,809,960	2,734,664	2,760,277	2,751,019	3,171,253	3,046,429	3,106,076	3,213,553	3,221,524	3,317,232
Public works	1,567,059	1,590,076	1,659,323	1,825,791	1,788,654	1,856,280	1,320,757	1,360,824	1,304,533	1,401,329
Health and welfare	66,390	61,036	75,691	98,495	106,539	101,382	29,238	54,324	66,744	62,794
Recreation	174,920	187,331	208,803	212,641	192,226	198,194	178,864	181,389	180,886	182,588
Education (3)	14,579,337	15,323,583	15,923,794	16,012,109	16,660,276	16,804,196	16,973,815	7,921,924	7,796,147	7,801,667
Intergovernmental	1,019,100	1,217,279	1,111,526	1,172,705	1,340,856	1,931,215	1,626,955	1,633,038	1,544,081	1,516,599
Unclassified (2)	1,300,652	1,407,474	1,366,646	1,314,909	1,468,356	1,623,623	1,519,835	1,511,878	1,588,679	1,642,827
Debt service	1,407,211	1,242,189	1,248,880	1,236,907	1,259,955	1,210,959	666,004	735,607	705,476	515,118
<b>Total expenditures</b>	<b>23,936,511</b>	<b>24,788,412</b>	<b>25,409,330</b>	<b>25,683,061</b>	<b>27,090,559</b>	<b>27,970,044</b>	<b>26,599,894</b>	<b>17,837,383</b>	<b>17,652,472</b>	<b>17,700,941</b>

(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
2002	\$ 16,088,615	15,885,933	98.74%	519,755	3.23%
2003	17,822,650	17,532,672	98.37%	529,501	2.97%
2004	18,670,229	18,408,260	98.60%	472,017	2.53%
2005	19,254,866	18,774,056	97.50%	620,942	3.22%
2006	16,315,800	15,820,496	96.96%	825,008	5.06%
2007	18,247,413	17,737,947	97.21%	824,281	4.52%
2008	19,021,627	18,345,687	96.45%	1,068,914	5.62%
2009	20,096,686	19,293,028	96.00%	1,277,223	6.36%
2010	20,180,941	19,438,737	96.32%	1,037,126	5.14%
2011	20,250,356	19,581,162	96.70%	1,026,483	5.07%

**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		
2002	\$ 544,933,100	186,360,600	731,293,700	548,850,000	133.24%
2003	553,506,600	189,103,800	742,610,400	595,000,000	124.81%
2004	557,556,600	183,325,500	740,882,100	650,000,000	113.98%
2005	564,689,500	183,072,300	747,761,800	753,500,000	99.24%
2006	926,382,500	198,845,100	1,125,227,600	825,900,000	136.24%
2007	930,904,000	195,479,500	1,126,383,500	936,200,000	120.31%
2008	937,017,400	202,002,200	1,139,019,600	1,026,200,000	110.99%
2009	970,578,000	197,834,000	1,168,412,000	980,350,000	119.18%
2010	972,339,850	200,970,700	1,173,310,550	986,350,000	118.95%
2011	991,183,250	186,163,000	1,177,346,250	939,100,000	125.37%

**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
2002	22.00	7.40	12.51	2.09
2003	24.00	7.40	14.16	2.44
2004	25.20	7.91	14.87	2.42
2005	25.75	8.34	15.12	2.29
2006 (1)	14.50	5.42	8.40	0.68
2007	16.20	6.25	8.01	1.94
2008	16.70	6.27	8.60	1.83
2009	17.20	6.71	8.77	1.72
2010	17.20	7.02	8.50	1.68
2011	17.20	7.05	8.50	1.65

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

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

	Estimated population	Assessed value (in thousands)	Gross bonded debt (1)	Ratio of gross bonded debt to assessed value	Gross bonded debt per capita
2002	9,266	731,294	28,714,050	3.93%	3,099
2003	9,266	742,610	32,247,790	4.34%	3,480
2004	9,266	740,882	31,549,030	4.26%	3,405
2005	9,266	747,762	29,677,610	3.97%	3,203
2006	9,266	1,125,228	28,472,884	2.53%	3,073
2007	9,266	1,126,384	25,470,755	2.26%	2,749
2008	9,266	1,139,019	33,604,334	2.95%	3,627
2009	9,266	1,168,412	32,093,417	2.75%	3,464
2010	9,266	1,173,311	29,099,780	2.48%	3,140
2011	8,514	1,177,346	28,188,121	2.39%	3,311

(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
2002	\$	2,141,250	1,386,234	3,527,484	23,936,511	14.74%
2003		2,416,260	1,342,477	3,758,737	24,788,412	15.16%
2004		2,538,760	1,293,702	3,832,462	25,409,330	15.08%
2005		2,421,420	1,259,835	3,681,255	25,683,061	14.33%
2006		2,552,726	1,167,849	3,720,575	27,090,559	13.73%
2007 (2)		2,502,129	1,096,391	3,598,520	27,970,044	12.87%
2008		2,566,421	966,189	3,532,610	26,599,894	13.28%
2009 (3)		2,541,408	803,593	3,345,001	17,554,893	19.05%
2010		2,450,174	794,194	3,244,368	17,366,398	18.68%
2011		2,133,238	761,859	2,895,097	17,421,409	16.62%

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

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

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

**CITY OF BATH, MAINE  
Ten Largest Taxpayers  
For the year ended June 30, 2011**

Name	Type of operation	Assessed valuation	Amount of tax	% of net tax levy
Bath Iron Works	Ship building & repair	\$ 460,975,500	7,928,779	39.15%
Thomas Walsh	Motor - Hotel	11,265,200	193,761	0.96%
Bath Supermarket Improvements	Retail Space	10,540,300	181,293	0.90%
Sagadahoc Real Estate Assoc	Office space	9,577,800	164,738	0.81%
Bath Savings	Banking Institution	8,430,300	145,001	0.72%
Bath Inline Improvements	Retail Space	7,471,600	128,512	0.63%
Dorks R Us	Hotel	7,412,900	127,502	0.63%
Northwood Housing	Residential housing	7,085,700	121,874	0.60%
EWT LLC	Residential Housing	6,625,300	113,955	0.56%
Central Maine Power	Electric Utility Company	5,727,100	98,506	0.49%
<b>Totals</b>		<b>\$ 535,111,700</b>	<b>9,203,921</b>	<b>45.45%</b>