

CITY OF BATH, MAINE

Annual Financial Report

For the Year Ended June 30, 2009

CITY OF BATH, MAINE
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For the Year ended June 30, 2009

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Certified Public Accountants and Business Consultants

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 aggregate remaining fund information of the City of Bath, Maine as of and for the year ended June 30, 2009, 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.

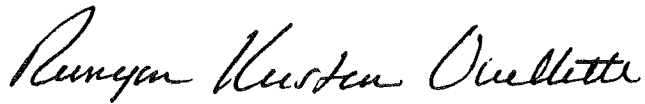
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 aggregate remaining fund information of the City of Bath, Maine as of June 30, 2009 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 a report dated January 18, 2010, on our consideration of the City of Bath, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

The Management's Discussion and Analysis and the Schedule of Funding Progress -- Retiree Healthcare Plan, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bath, Maine's basic financial statements. The combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Remya Keaton Ouellette".

January 18, 2010
South Portland, Maine

CITY OF BATH, MAINE
Management's Discussion and Analysis
June 30, 2009

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, 2009, with selected comparative information for the year ended June 30, 2009. 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 9,266 (2000 census).

In addition to standard municipal departments, such as Police, Fire, Cemeteries/Parks, and Public Works, the City acts as fiscal agent for the Bath Youth Meeting House/Skate Park and the Midcoast Center for Higher Education (MCHE). Each of these separate, non-profit entities are operated by their own Board of Directors, and are working toward operating as self-sustaining entities without the City of Bath assistance.

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.

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

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 only 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 Fund, and the Capital Projects Fund. Non-major governmental fund statements begin with Exhibit C-1 of the financial statements (page 49), and include 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

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 2009	FY 2008
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
ASSETS		
Current & other assets	\$ 19,414,233	15,548,251
Depreciable capital assets, net	24,816,429	30,497,091
Non-depreciable capital assets, net	<u>2,835,176</u>	<u>6,756,406</u>
<i>Total Assets</i>	<u>47,065,838</u>	<u>52,801,748</u>
LIABILITIES		
Non-current liabilities:		
Due within 1 year	3,644,048	3,737,424
Due in more than 1 year	32,967,818	34,082,604
Other liabilities	<u>2,588,937</u>	<u>4,269,083</u>
<i>Total Liabilities</i>	<u>\$ 39,200,803</u>	<u>42,089,111</u>
NET ASSETS		
Invested in capital assets, net of related debt	5,900,606	8,858,469
Restricted for:		
Permanent funds:		
Expendable	18,191	18,191
Nonexpendable	1,571,825	1,745,624
Unrestricted	<u>374,413</u>	<u>90,353</u>
<i>Total Net Assets</i>	<u>\$ 7,865,035</u>	<u>10,712,637</u>

The decrease pertaining to the City's net assets of \$7,865,035 is due to the one time special item of transferring assets, liabilities and equity to Regional School Union #1 and to the governmental activities of the City. Key components of this are shown below, and in Statement 2 of the financial statements.

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

City of Bath's Changes in Net Assets
Governmental Activities

	<u>2009</u>	<u>2008</u>
REVENUES:		
Program Revenues:		
Charge for services	\$ 4,218,949	7,230,247
Operating grants and contributions	801,596	10,431,989
Capital grants and contributions	830,865	321,395
General Revenues:		
Property and excise taxes, levied for general purposes	21,260,096	20,353,627
Grants and contributions not restricted to specific programs	1,544,480	1,362,430
Unrestricted investment earnings	51,646	406,052
Loss on disposal of assets	-	(20,207)
Other	<u>311,689</u>	<u>465,061</u>
<i>Total program and general revenues</i>	29,019,321	40,550,594
EXPENSES:		
General government	2,314,586	2,342,465
Public works and wastewater	4,392,935	7,001,888
Public Safety	3,387,267	3,179,266
Parks and recreation	744,007	769,417
Health, welfare, and transportation	230,959	201,968
Education	7,921,924	18,985,057
Intergovernmental	1,633,038	1,626,955
Unclassified	5,909,511	4,960,113
Interest on debt	741,162	828,620
Capital outlay	<u>1,946,082</u>	<u>13,682</u>
<i>Total Expenses</i>	29,221,471	39,909,431
(Decrease) Increase in net assets	(202,150)	641,163
Special Item:		
Transfer of assets, liabilities and equity to RSU#1	(2,645,452)	-
Net Assets Beginning	<u>10,712,637</u>	<u>10,071,474</u>
Net Assets Ending	<u>\$ 7,865,035</u>	<u>10,712,637</u>

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

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 different budgets to actual differences are intergovernmental revenue, and public works applied materials expense in the general fund. In the sewer fund bond proceeds and residential fees as well as capital expenditures. The intergovernmental revenue exceeded budget due to receiving a grant from the state of Maine that was unanticipated. The public works applied materials expense exceeded budget due to the cost of salt and the hard winter weather. The sewer fund bond proceeds and the capital expenditures both exceeded budget as more infrastructure repair and work was completed in this fiscal year than anticipated. The Residential fees in the sewer fund were lower than budget due to less consumption than the previous year.

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 State of Maine legislature is very focused on school regionalization during the 2009 and 2010 school years. The City of Bath and surrounding Union 47 have been sharing a superintendent since the beginning of FY 2008, and a majority of the voters in Bath and Union 47 approved the new LD 910 to merge the two districts. The consolidation became effective on July 1, 2008. The FY 2009 financial statements will be the first to exclude the School Department, as it is part of Regional School Unit #1 and will be included on their financial statements.
- The City receives a significant portion of its tax base from Bath Iron Works (BIW). For the 2008-2009 tax year (taxes were due October 15, 2008), BIW represented about 40% of total property taxes assessed (see Table G for more information). While the City collected a little over \$7.96 million in real estate and personal property tax revenue from BIW, roughly \$4.55 million were funds collected as part of a Tax Increment Financing (TIF) District. Because of the TIF, only about \$3.41 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.
- The City conducted a revaluation on all property during 2005; the reason for this was to restore equity to the values of all properties in the City. Residents saw the results of the revaluation on their property tax bills payable on October 15, 2005. When the City conducted the revaluation, there were some notable results. As expected, the mil rate dropped from 25.75 to 14.5. This was due to the increases in property values. The City's mil rate (or property tax rate) is based upon assessed value of a property. If the assessment increases, the mil rate can decrease in order to levy the proper amount of tax revenue. In this year's revaluation, some residents' property tax bills actually decreased due to a small increase in valuation; offset by a large decrease in the mil rate.

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

- 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 for two years. 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. During FY 2009, the City council passed an LD1 override, and allowed the LD1 limit to be permanently increased by approximately \$266,000. The City is a full-service community with almost no growth due to its age. When municipal expenses increase, the City exceeds 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.
- 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 \$3.5 million and the closure fund contains \$325,000.
- 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 \$2 million of new debt and made repayments of about \$2.5 million during fiscal year 2009. Overall outstanding debt is nearly \$23 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 \$450,000 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 declined \$17,000 to (\$356,000) at the end of FY 2009. The City continues to work with the MCHE board in order 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.

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

- 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, but increased its negative fund balance in fiscal year 2009. 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, 2009 fund balance was (\$263,000). 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 continues to show moderated declines each year, the FY 2009 figures were approximately \$975,000. State municipal revenue sharing is expected to decrease \$200,000 in subsequent FY 2010. The City expected this and budgeted accordingly.
- The City will begin a greater emphasis on information reporting in the coming years. Information reporting improvements include the following:
 - The City began producing an Annual Report after a seven-year absence of such a report. The report is both a Charter and State statutory requirement. It should report on each department of the City, contain budget summaries, and show operational outputs, such as the number of violations, permits or licenses issued in certain departments.
 - 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 2009 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.

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

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

Juli Millett, *Finance Director*
Finance Office, 1st Floor, City Hall
55 Front St.
Bath, ME 04530
Tel.: 207.443.8338 or 207.443.8340
Fax: 207.443.8397
Email: jmillett@cityofbath.com

BASIC FINANCIAL STATEMENTS

CITY OF BATH, MAINE
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,226,776
Investments	1,403,266
Receivables:	
Taxes receivable	915,666
Tax liens	366,807
Accounts receivable	812,356
Notes receivable	527,247
Due from other governments	5,939
Inventory	16,146
Receivable from RSU #1 for debt service payments	9,140,030
Capital assets, not being depreciated	2,835,176
Capital assets, net of depreciation	24,816,429
Total assets	47,065,838
LIABILITIES	
Accounts payable	1,435,352
Accrued expenses	374,360
Accrued compensated absences	200,680
Other post-employment benefits	197,104
Accrued interest	381,441
Noncurrent liabilities:	
Due within one year	3,644,048
Due in more than one year	32,967,818
Total liabilities	39,200,803
NET ASSETS	
Invested in capital assets, net of related debt	5,900,606
Restricted for:	
Permanent funds:	
Expendable	18,191
Nonexpendable	1,571,825
Unrestricted	374,413
Total net assets	\$ 7,865,035

See accompanying notes to financial statements.

CITY OF BATH, MAINE
Statement of Activities
For the year ended June 30, 2009

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	\$ 2,314,586	168,430	690,348	-	(1,455,808)
Public works and wastewater treatment	4,392,935	2,511,601	-	250,000	(1,631,334)
Public safety	3,387,267	686,580	25,538	-	(2,675,149)
Parks and recreation	744,007	379,703	-	-	(364,304)
Health, welfare, and transportation	230,959	20,861	54,645	-	(155,453)
Education	7,921,924	-	-	-	(7,921,924)
Intergovernmental	1,633,038	-	-	-	(1,633,038)
Unclassified	5,909,511	451,774	31,065	-	(5,426,672)
Interest on debt	741,162	-	-	-	(741,162)
Capital outlay	1,946,082	-	-	580,865	(1,365,217)
Total governmental activities	29,221,471	4,218,949	801,596	830,865	(23,370,061)
Total primary government	\$ 29,221,471	4,218,949	801,596	830,865	(23,370,061)

General revenues:	
Property taxes, levied for general purposes	20,218,675
Contributions in lieu of taxes	67,947
Motor vehicle excise taxes	973,474
Grants and contributions not restricted to specific programs:	
Homestead and BETE exemption	419,390
Other State/federal aid	130,714
State Revenue Sharing	994,376
Unrestricted investment earnings	51,646
Other	311,689
Total general revenues	23,167,911
Change in net assets before special item	(202,150)
Special item:	
Transfer of assets, liabilities and equity to Regional School Unit #1	(2,645,452)
Change in net assets	(2,847,602)
Net assets - beginning	10,712,637
Net assets - ending	\$ 7,865,035

See accompanying notes to financial statements.

CITY OF BATH, MAINE
Balance Sheet
Governmental Funds
June 30, 2009

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 4,434,899	-	1,379,068	-	109,011	303,798	6,226,776
Investments	-	-	-	-	-	1,403,266	1,403,266
Receivables:							
Taxes receivable	915,666	-	-	-	-	-	915,666
Tax liens	361,557	5,250	-	-	-	-	366,807
Accounts receivable	196,603	492,551	-	63,447	43,200	16,555	812,356
Notes receivable	-	-	-	-	-	527,247	527,247
Due from other governments	-	-	-	-	-	5,939	5,939
Interfund loans receivable	-	-	333,181	439,045	2,370,146	175,494	3,317,866
Inventory	16,146	-	-	-	-	-	16,146
Receivable from RSU #1 for debt service payments	9,140,030	-	-	-	-	-	9,140,030
Total assets	\$ 15,064,901	497,801	1,712,249	502,492	2,522,357	2,432,299	22,732,099
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	774,048	175,248	48,464	56,732	274,267	106,593	1,435,352
Accrued expenditures	222,083	12,981	-	627	-	21,890	257,581
Escrow	-	-	-	-	-	116,779	116,779
Interfund loans payable	2,074,558	157,267	-	-	-	1,086,041	3,317,866
Deferred tax revenue	997,000	-	-	-	-	-	997,000
Deferred debt service payments from RSU #1	9,140,030	-	-	-	-	-	9,140,030
Total liabilities	13,207,719	345,496	48,464	57,359	274,267	1,331,303	15,264,608
Fund balances:							
Reserved for noncurrent receivables	-	-	-	-	-	527,247	527,247
Reserve for encumbrances	-	-	-	-	-	-	-
Reserved for inventory	16,146	-	-	-	-	-	16,146
Reserved for non-expendable principal	-	-	-	-	-	1,571,825	1,571,825
Unreserved, reported in:							
General fund - designated	120,531	-	-	-	-	-	120,531
General fund - undesignated	1,720,505	-	-	-	-	-	1,720,505
Special revenues - designated	-	-	-	-	-	6,894	6,894
Special revenues - undesignated	-	152,305	1,663,785	445,133	-	(1,023,161)	1,238,062
Capital projects	-	-	-	-	2,248,090	-	2,248,090
Permanent funds	-	-	-	-	-	18,191	18,191
Total fund balances	1,857,182	152,305	1,663,785	445,133	2,248,090	1,100,996	7,467,491
Total liabilities and fund balances	\$ 15,064,901	497,801	1,712,249	502,492	2,522,357	2,432,299	

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 27,651,605

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

 Deferred tax revenue 997,000

 Deferred debt service payments from RSU #1 9,140,030

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

 Accrued compensated absences (200,680)

 Other post-employment benefits (197,104)

 Accrued interest (381,441)

 Note payable to Regional School Unit #1 (390,837)

 Landfill closure (4,030,000)

 Capital leases (113,113)

 Bonds payable (32,077,916)

Net assets of governmental activities

\$ 7,865,035

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, 2009

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
Revenues:							
Taxes	\$ 15,428,457	-	4,746,606	570,156	325,877	-	21,071,096
Licenses and permits	124,046	-	-	-	-	-	124,046
Inter-governmental	1,544,480	-	23,525	250,000	580,865	778,071	3,176,941
Charges for services	724,055	1,788,237	-	685,889	-	896,722	4,094,903
Investment income	102,215	11,079	11,601	14,051	39,370	(126,670)	51,646
Other revenues	170,264	2,665	820	-	14,540	120,933	309,222
Total revenues	18,093,517	1,801,981	4,782,552	1,520,096	960,652	1,669,056	28,827,854
Expenditures:							
Current:							
General government	1,224,846	-	-	-	-	931,649	2,156,495
Public works and wastewater treatment	1,360,824	1,171,700	-	861,083	-	-	3,393,607
Public safety	3,213,553	-	-	-	-	37,687	3,251,240
Parks and recreation	-	-	-	-	-	653,933	653,933
Health, welfare and transportation	54,324	-	-	-	-	177,372	231,696
Education	7,921,924	-	-	-	-	-	7,921,924
Inter-governmental	1,633,038	-	-	-	-	-	1,633,038
Unclassified	1,410,777	-	3,827,640	-	-	582,635	5,821,052
Debt service	735,607	814,886	779,109	962,576	-	-	3,292,178
Capital outlays	-	1,705,220	700,851	1,024,825	2,197,030	78,968	5,706,894
Total expenditures	17,554,893	3,691,806	5,307,600	2,848,484	2,197,030	2,462,244	34,062,057
Excess (deficiency) of revenues over (under) expenditures	538,624	(1,889,825)	(525,048)	(1,328,388)	(1,236,378)	(793,188)	(5,234,203)
Other financing sources (uses):							
Transfers in	69,689	-	-	321,130	-	458,591	849,410
Transfers out	(282,490)	(40,000)	(224,000)	-	(265,130)	(37,790)	(849,410)
Funding RSU #1 fund deficit	(100,000)	-	-	-	-	-	(100,000)
Premium on issuance of debt	-	-	2,467	-	-	-	2,467
Proceeds from bonds/notes	-	1,400,000	2,000,000	-	-	-	3,400,000
Total other financing sources (uses)	(312,801)	1,360,000	1,778,467	321,130	(265,130)	420,801	3,302,467
Net change in fund balances before special item	225,823	(529,825)	1,253,419	(1,007,258)	(1,501,508)	(372,387)	(1,931,736)
Special item:							
Transfer of funds to Regional School Unit #1	490,837	-	-	-	(1,039,789)	(662,363)	(1,211,315)
Net change in fund balances	716,660	(529,825)	1,253,419	(1,007,258)	(2,541,297)	(1,034,750)	(3,143,051)
Fund balances, beginning of year	1,140,522	682,130	410,366	1,452,391	4,789,387	2,135,746	10,610,542
Fund balances, end of year	\$ 1,857,182	152,305	1,663,785	445,133	2,248,090	1,100,996	7,467,491

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, 2009

Net change in fund balances - total governmental funds (from Statement 4)	\$	(3,143,051)
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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 (\$3,760,812) exceeded depreciation expense (\$1,241,514).		2,519,298
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		189,000
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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 (\$12,501) and other post-employment benefits (\$197,104) and the decrease in accrued interest (\$9,608).		(199,997)
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Bond and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and 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 proceeds (\$2,000,000) and change in cash held in escrow at financial institutions (\$1,400,000) exceeded repayments (\$2,651,285).		(748,715)
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This is the effect of the special item on the governmental activities (See note disclosure for more information):		
Receivable for debt service payments		10,125,040
Capital assets (\$18,496,657) net of depreciation (\$6,375,467)		(12,121,190)
Accrued compensated absences		960,146
Capital leases		92,704

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 \$490,837. During the year, the City paid \$100,000.		(390,837)
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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.		(130,000)
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Change in net assets of governmental activities (see Statement 2)	\$	(2,847,602)
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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, 2009

	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			
Revenues:									
Taxes	\$ 15,563,148	15,563,148	15,428,457	(134,691)	-	-	-	-	-
Licenses and permits	114,680	114,680	124,046	9,366	-	-	-	-	-
Intergovernmental	1,493,942	1,493,942	1,544,480	50,538	-	-	-	-	-
Charges for services	673,250	673,250	724,055	50,805	1,917,217	1,917,217	1,788,237	(128,980)	
Investment income	175,000	175,000	102,215	(72,785)	6,000	6,000	11,079	5,079	
Other revenues	206,125	206,125	156,934	(49,191)	1,000	1,000	2,665	1,665	
Total revenues	18,226,145	18,226,145	18,080,187	(145,958)	1,924,217	1,924,217	1,801,981	(122,236)	
Expenditures:									
Current:									
General government	1,263,173	1,304,070	1,224,846	79,224	-	-	-	-	-
Public works	1,259,953	1,291,226	1,360,824	(69,598)	-	-	-	-	-
Public safety	3,240,205	3,341,633	3,213,553	128,080	-	-	-	-	-
Health and welfare	49,075	59,075	54,324	4,751	-	-	-	-	-
Education	7,921,924	7,921,924	7,921,924	-	-	-	-	-	-
Intergovernmental	1,633,038	1,633,038	1,633,038	-	-	-	-	-	-
Administration	-	-	-	-	105,970	107,325	93,666	13,659	
Treatment plant	-	-	-	-	855,760	877,090	833,797	43,293	
Maintenance	-	-	-	-	265,097	242,412	244,237	(1,825)	
Unclassified	1,910,250	1,726,652	1,410,777	315,875	-	-	-	-	-
Debt service	736,487	736,487	735,607	880	-	-	-	-	-
Capital	-	-	-	-	845,470	845,470	814,886	30,584	
Total expenditures	18,014,105	18,014,105	17,554,893	459,212	3,038,577	3,038,577	3,691,806	(653,229)	
Excess (deficiency) of revenues over (under) expenditures	212,040	212,040	525,294	313,254	(1,114,360)	(1,114,360)	(1,889,825)	(775,465)	
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	67,000	67,000	69,689	2,689	-	-	-	-	-
Funding RSU #1 fund deficit	(279,040)	(279,040)	(282,490)	(3,450)	(40,000)	(40,000)	(40,000)	-	-
Utilization of prior year fund balance	-	-	(100,000)	(100,000)	-	-	-	-	-
Proceeds from bonds/notes	-	-	-	-	374,360	374,360	-	(374,360)	
Total other financing sources (uses)	(212,040)	(212,040)	(312,801)	(100,761)	1,114,360	1,114,360	1,360,000	245,640	
Net change in fund balances - budgetary basis	-	-	212,493	212,493	-	-	(529,825)	(529,825)	
Reconciliation to GAAP basis:									
Fuel revenues for fuel tank reserve	-	-	13,330	-	-	-	-	-	-
Special item:									
Transfer of funds to Regional School Unit #1	-	-	490,837	-	-	-	-	-	-
Net change in fund balance - GAAP basis	-	-	716,660	716,660	-	-	(529,825)	(529,825)	
Fund balance, beginning of year	-	-	1,140,522	1,140,522	-	-	682,130	682,130	
Fund balance, end of year	\$ -	\$ -	1,857,182	1,857,182	-	-	152,305	152,305	

See accompanying notes to financial statements.

CITY OF BATH, MAINE
Notes to Basic Financial Statements

THE REPORTING ENTITY

The City of Bath 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. As of July 1, 2008, the Bath School Department joined Regional School Unit #1 and is no longer a department of the City of Bath.

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. 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.

Midcoast Center for Higher Education (MCHE)

The City has elected to report the Midcoast Center for Higher Education as a blended Component Unit in the special revenue funds. MCHE was established by the City Council to convert the former Midcoast Hospital into a Community College and space for related businesses. The board of directors for the MCHE includes the City Manager, two members of the City Council, and up to six other members.

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 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. 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Bath 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, as are the fiduciary fund financial statements. 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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. 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 date 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.

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

PROPERTY TAX, CONTINUED

The following summarizes the levy:

	<u>2009</u>	<u>2008</u>
Assessed value (excluding Homestead exemption)	\$ 1,168,412,000	1,139,019,600
<u>Tax rate (per \$1,000)</u>	<u>17.20</u>	<u>16.70</u>
Commitment	20,096,686	19,021,627
Supplemental taxes assessed	-	-
	<u>20,096,686</u>	<u>19,021,627</u>
Less:		
Abatements	43,394	27,089
Collections	19,261,510	18,318,598
	<u>20,096,686</u>	<u>19,021,627</u>
<u>Current year taxes and liens receivable at end of year</u>	<u>\$ 791,782</u>	<u>675,940</u>
Due date - current year	October 15, 2008	October 15, 2007
Interest rate on delinquent taxes	11.00%	12.00%
Collection rate	96.06%	96.50%
Taxes and liens receivable - current year	791,782	675,940
<u>Taxes and liens receivable - prior years</u>	<u>485,441</u>	<u>392,974</u>
<u>Total taxes and liens receivables</u>	<u>\$ 1,277,223</u>	<u>1,068,914</u>

DEPOSITS AND INVESTMENTS

As of June 30, 2009, the City had the following investments:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
U.S. Treasury Notes	\$ 25,177	0.126
Federal Home Loan Banks	131,227	2.442
Federal Farm Credit Bank	26,633	3.877
Corporate bonds	321,273	1.488
Common stock	676,343	N/A
Mutual funds	132,770	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, 2009, none of the City’s bank balance of \$6,235,209 was exposed to custodial credit risk because it was uninsured and uncollateralized and \$1,252,673 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.

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

DEPOSITS AND INVESTMENTS, CONTINUED

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, 2009, the City's investments were rated by Standard & Poor's as follows:

	<u>Credit Rating</u>
Federal Home Loan Banks	AAA
Federal Farm Credit Bank	AAA
Corporate bonds:	
Citigroup	AA2
General Electric Credit	AA2
GE Capital Corp	AA2
International Lease Finance	BAA3
Morgan Stanley Dean Witter	A2
GBC Verizon Communications	A3
WM Wrigley Jr Co	WR

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2009</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,158,348	-	228,684	1,929,664
Construction in progress	4,598,058	1,881,913	5,574,459	905,512
Total capital assets not being depreciated	6,756,406	1,881,913	5,803,143	2,835,176
Capital assets, being depreciated:				
Buildings and building improvements	28,742,648	65,403	15,746,224	13,061,827
Machinery, furniture and equipment	2,829,186	206,318	669,713	2,365,791
Infrastructure	22,388,549	5,690,635	-	28,079,184
Vehicles	3,251,249	27,815	471,706	2,807,358
Total capital assets being depreciated	57,211,632	5,990,171	16,887,643	46,314,160
Less accumulated depreciation for:				
Buildings and building improvements	10,625,005	491,469	5,550,510	5,565,964
Machinery, furniture and equipment	1,948,820	106,767	454,361	1,601,226
Infrastructure	11,764,515	484,030	-	12,248,545
Vehicles	2,376,201	159,248	453,453	2,081,996
Total accumulated depreciation	26,714,541	1,241,514	6,458,324	21,497,731
Total capital assets being depreciated, net	30,497,091	4,748,657	10,429,319	24,816,429
Governmental activities capital assets, net	\$ 37,253,497	6,630,570	16,232,462	27,651,605

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

CAPITAL ASSETS, CONTINUED

As of July 1, 2008, the Bath School Department joined Regional School Unit #1. As part of the agreement, the City transferred all School Department capital assets to the new School Unit. The cost of the assets transferred was \$18,496,657 with accumulated depreciation of \$6,375,467 for a net book value of \$12,121,190.

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

Governmental activities:	
General government	\$ 149,285
Public works and wastewater treatment	868,697
Parks and recreation	90,074
Public safety	133,458
Total depreciation expense – governmental activities	\$ 1,241,514

INTERFUND BALANCES AND TRANSFERS

Individual interfund loans receivable and payable and interfund transfers at June 30, 2009 were as follows:

	<u>Interfund loan receivable</u>	<u>Interfund loan payable</u>	<u>Transfers in (out)</u>
General Fund	\$ -	2,074,558	(212,801)
Sewer Utility Fund	-	157,267	(40,000)
TIF Fund	333,181	-	(224,000)
Capital Projects	2,370,146	-	(265,130)
Landfill Fund	439,045	-	321,130
Nonmajor governmental funds:			
City Special Purpose	-	278,263	246,716
Community Development	-	441,595	-
Transportation Programs	16	-	93,875
Bath Local Development Corp.	97,582	-	118,000
Midcoast Center for Higher Education	-	360,647	-
Nonmajor permanent funds	77,896	5,536	(37,790)
Total interfund balances and transfers	\$ 3,317,866	3,317,866	-

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

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

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Governmental activities:					
General obligation bonds	\$ 33,604,334	2,000,000	3,526,418	32,077,916	3,454,684
Note payable to RSU #1	-	490,837	100,000	390,837	100,000
Capital leases	315,694	-	202,581	113,113	89,364
Other post-employment benefits	-	197,104	-	197,104	-
Accrued compensated absences	1,148,325	12,501	960,146	200,680	-
Landfill closure and postclosure care costs	3,900,000	130,000	-	4,030,000	-
Governmental activity long-term liabilities	\$ 38,968,353	2,830,442	4,789,145	37,009,650	3,644,048

As of July 1, 2008, the Bath School Department joined Regional School Unit #1. All School Department liabilities were transferred to the new School Unit with the exception of the bonds that are in the name of the City. The value of liabilities transferred was \$92,704 of capital leases and \$960,146 of accrued compensated absences.

LONG-TERM DEBT

Long-term debt payable at June 30, 2009 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>2009</u>
Governmental activities:					
Sewer separation bonds	12/1/89	780,000	12/1/09	varies	20,000
Sewer improvement bonds	10/1/92	3,311,000	10/1/12	4.12%	662,200
Wastewater upgrade bonds	10/1/97	6,300,000	10/1/17	varies	2,835,000
Library bonds	5/28/98	500,000	11/1/12	varies	143,000
Sewer and street improvement TIF bonds	11/1/99	4,500,000	11/1/19	varies	2,475,000
Middle school renovation	8/1/01	5,600,000	8/1/21	varies	3,640,000 (3)
Middle school renovation SSRRF	10/1/02	1,000,000	10/1/11	0.00%	165,030 (3)
City capital improvement bonds	8/1/01	1,020,000	8/1/21	varies	650,000
Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	1,305,000
General obligation bonds	9/1/02	4,000,000	9/1/22	varies	2,680,000
General obligation bonds	6/1/04	1,840,000	9/1/19	varies	1,340,000
2004 Note – Bath Savings Institute	12/3/04	550,000	12/3/24	5.50%	472,833
Building renovation note	3/13/06	1,000,000	11/30/11	5.125%	400,686 (1)
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	297,500
2006 general obligation refunding - City	7/18/06	1,710,000	10/1/09	varies	420,000
2006 general obligation refunding - School	7/18/06	3,570,000	10/1/16	varies	2,815,000 (3)
2008 SRF sewer bond	5/1/08	1,400,000	4/1/23	1%	1,306,667 (2)
2008 general obligation bond	1/30/08	6,500,000	1/15/18	varies	5,930,000
2008 general obligation bond	1/30/08	2,800,000	1/15/23	varies	2,520,000 (3)
2009 general obligation bond series B	9/5/08	635,000	10/15/28	varies	635,000
2009 general obligation bond series C	9/8/08	1,365,000	10/15/18	6.75%	1,365,000
Total governmental activities					\$ 32,077,916

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

SIGNIFICANT TAXPAYER

For the year ended June 30, 2009, the City of Bath received \$7,958,418 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 39.60% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2009, a significant portion (\$4,550,640) were funds collected as part of a Tax Increment Financing (TIF) District. As such, only \$3,407,778 were taxes collected for the purposes of financing the City's and School's operational and capital budgets.

RESERVED AND DESIGNATED FUND BALANCES

At June 30, 2009, various funds reported reserved fund balances as follows:

General Fund - inventory	\$ 16,146
Special Revenue Funds – noncurrent receivables	527,247
Permanent Funds - Trust principal	1,571,825
Total reserved fund balances	\$ 2,115,218

At June 30, 2009, various funds reported designated fund balances as follows:

General Fund - public works fuel tanks	\$ 120,531
Transportation programs (special revenue)	6,894
Total designated fund balances	\$ 127,425

DEFICIT FUND BALANCES

Several City Special Revenue Funds had deficit fund balances at June 30, 2009. The City's deficit fund balances are as follows: Community Development Funds, Chesebrough Fund, Homeland Security Grant, Lambert Park Community Center, Recreation, Skate Park Committee, Skateboard Park, Other City Special Revenue Programs, Bath City Bus, and the Trolley. 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 bond proceeds and TIF appropriations.

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.

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

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

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, 2009 were as follows:

	<u>Special #2C</u>	<u>Special #3C</u>
Employer payroll rate(s):		
Normal cost	9.60%	12.60%
Pooled UAL	-5.60%	-7.30%
Total payroll rate	4.00%	5.30%
Monthly IUUAL available:		
Payment/(Credit)	\$ (67,971)	(60,037)
Member contribution rate(s)	6.5%	8.0%

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 20 years. For the years ended June 30, 2009 and 2008, the credit offset current employer contributions by \$201,813 and \$174,863 respectively, resulting in no City contributions being required for the 2009 and 2008 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, 2009 and 2008, employee contributions to the plan totaled \$315,757 and \$276,181, respectively.

DEFERRED COMPENSATION PLAN

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.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City either carries commercial insurance or participates in a public entity risk pool. Currently, the City participates in 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, 2009.

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

SCHOOL ADMINISTRATIVE REORGANIZATION (SPECIAL ITEM)

As of July 1, 2008, the Bath School Department has merged with the School Departments of Woolwich, West Bath, Phippsburg, and Arrowsic to form Regional School Unit #1 or RSU #1. The City has transferred all assets and liabilities, with the exception of the bonds payable which remain in the name of the City of Bath, to Regional School Unit #1. The City has recorded a receivable for the amount of outstanding bonds that were issued on behalf of the Bath School Department. The effects of the special item are as follows:

	Governmental <u>Activities</u>	Governmental <u>Funds</u>
Capital assets	\$ 18,496,657	-
Accumulated depreciation	(6,375,467)	-
Receivable from RSU #1 for debt service payments	(10,125,040)	(10,125,040)
Deferred debt service payments from RSU #1	-	10,125,040
Accrued compensated absences	(960,146)	-
Capital leases	(92,704)	-
Note payable to RSU #1	490,837	-
Fund balances:		
General Fund	(490,837)	(490,837)
Special Revenue Funds	662,363	662,363
Capital Project Funds	1,039,789	1,039,789
Total transferred to RSU #1	\$ 2,645,452	1,211,315

COMMITMENTS

The City has entered into contracts in connection with construction projects. The following is a summary of the commitments at June 30, 2009:

	Contract <u>Total</u>	Percentage <u>Complete</u>	Billed <u>to Date</u>	Balance <u>Remaining</u>
Construction – Wing Farm	\$ 1,060,000	0.00%	-	1,060,000
Construction – Sidewalks	704,977	87.23%	614,977	90,000

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

OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the City of Bath 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 Health Trust contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in May 2009.

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

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

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 65,691
Amortization of unfunded	127,548
<u>Interest</u>	<u>3,865</u>
Annual required contribution	\$ 197,104

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 year ending June 30, 2009 was as follows:

Annual required contribution	\$ 197,104
Actual contribution	-
Percent contributed	0.00%
Actuarial accrued liability	\$ 2,293,780
<u>Plan assets</u>	<u>-</u>
Unfunded actuarial accrued liability	\$ 2,293,780
Covered payroll	4,164,479
Unfunded actuarial accrued liability as a percentage of covered payroll	55.08%

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

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

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 (only one year available) 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	1/1/09
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%

CITY OF BATH, MAINE
Required Supplementary Information

Schedule of Funding Progress
Retiree Healthcare Plan

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]
06/30/09	\$ -	\$2,293,780	\$2,293,780	0.00%	\$4,164,479	55.08%

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, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 4,434,899	8,645,978
Investments	-	936,130
Receivables:		
Taxes receivable	915,666	795,304
Tax liens	361,557	273,610
Accounts receivable, net of allowance of \$85,400	196,603	178,696
Inventory	16,146	17,354
Receivable from RSU #1 for debt service payments	9,140,030	-
Total assets	\$ 15,064,901	10,847,072
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	774,048	350,969
Accrued expenditures	222,083	165,135
Accrued teacher summer salaries	-	1,044,750
Interfund loans payable	2,074,558	7,337,696
Deferred tax revenue	997,000	808,000
Deferred debt service payments from RSU #1	9,140,030	-
Total liabilities	13,207,719	9,706,550
Fund balance:		
Reserved for encumbrances	-	14,739
Reserved for inventory	16,146	17,354
Unreserved:		
Designated - City	120,531	107,201
Undesignated - School	-	(490,837)
Undesignated - City	1,720,505	1,492,065
Total fund balance	1,857,182	1,140,522
Total liabilities and fund balance	\$ 15,064,901	10,847,072

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, 2009
(with comparative actual amounts for the year ended June 30, 2008)

	2009		Variance positive (negative)	2008 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 14,454,048	14,265,011	(189,037)	13,959,228
Excise taxes	985,600	973,474	(12,126)	1,026,244
Interest and costs on taxes	70,000	122,025	52,025	77,376
Contributions in lieu of taxes	53,500	67,947	14,447	67,694
Total taxes	15,563,148	15,428,457	(134,691)	15,130,542
Licenses, permits and fees:				
Non-business licenses	7,200	8,698	1,498	8,418
Health, building, plumbing and electrical permits	63,780	63,605	(175)	68,971
Vehicle, boat and recreation vehicle registrations	25,000	24,088	(912)	48,915
Other	18,700	27,655	8,955	24,618
Total licenses, permits and fees	114,680	124,046	9,366	150,922
Intergovernmental:				
State revenue sharing	1,050,000	994,376	(55,624)	1,132,656
State homestead exemption	217,563	213,011	(4,552)	212,473
State BETE exemption	206,379	206,379	-	-
State and Federal education subsidies	-	-	-	6,331,521
Other state revenue	20,000	130,714	110,714	17,301
Other federal revenue	-	-	-	13,883
Total intergovernmental	1,493,942	1,544,480	50,538	7,707,834
Investment income	175,000	102,215	(72,785)	278,480
Charges for services:				
Ambulance service	564,500	604,638	40,138	496,082
School Department tuitions	-	-	-	2,994,978
Cemetery sales	48,000	37,475	(10,525)	39,035
Parking City lots	35,000	59,364	24,364	36,162
Police duty and fees	25,750	22,578	(3,172)	28,488
Total charges for services	673,250	724,055	50,805	3,594,745
Other revenues:				
Parking and traffic violations	24,000	11,444	(12,556)	20,455
Cable television franchise	75,000	86,368	11,368	80,224
School Department	-	-	-	13,222
Rents and leases	16,000	22,022	6,022	22,954
Sale of property	20,000	8,171	(11,829)	14,000
Miscellaneous	71,125	28,929	(42,196)	1,702
Total other revenues	206,125	156,934	(49,191)	152,557
Total revenues	18,226,145	18,080,187	(145,958)	27,015,080

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued
(with comparative actual amounts for the year ended June 30, 2008)

	2009		Variance positive (negative)	2008 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	\$ 149,868	143,816	6,052	166,525
Professional services	158,240	140,473	17,767	109,217
City council	81,512	53,160	28,352	61,822
City clerk	100,304	106,879	(6,575)	94,086
Elections	22,000	14,492	7,508	19,012
Central services	175,000	171,960	3,040	156,852
City Hall management and utilities	143,564	139,995	3,569	121,511
Finance	218,237	212,748	5,489	213,645
Assessor	110,773	108,827	1,946	104,727
Public education government cable	48,732	40,804	7,928	43,027
Planning and community development	95,840	91,692	4,148	87,926
Total general government	1,304,070	1,224,846	79,224	1,178,350
Public works:				
General	880,071	955,522	(75,451)	942,614
Solid waste	-	-	-	1,571
Forestry	49,239	50,027	(788)	44,400
Cemetery and parks	361,916	355,275	6,641	332,172
Total public works	1,291,226	1,360,824	(69,598)	1,320,757
Public safety:				
Fire and ambulance	1,328,100	1,294,718	33,382	1,248,871
Police	1,334,728	1,287,862	46,866	1,227,625
Other public safety	77,840	70,619	7,221	74,168
Codes enforcement	91,165	83,929	7,236	78,568
Street lights	145,000	111,625	33,375	111,974
Fire hydrant rental	364,800	364,800	-	364,870
Total public safety	3,341,633	3,213,553	128,080	3,106,076
Health and welfare:				
General assistance	59,075	54,324	4,751	29,238
Total health and welfare	59,075	54,324	4,751	29,238

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

	2009		Variance positive (negative)	2008 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	\$ 7,921,924	7,921,924	-	16,973,815
Intergovernmental--county tax	1,633,038	1,633,038	-	1,626,955
Unclassified:				
Employee benefits	965,222	897,796	67,426	862,840
Insurances	303,000	287,158	15,842	279,952
Special events and support	184,186	181,389	2,797	178,864
Overlay/abatements and write-offs	274,244	44,434	229,810	27,089
Total unclassified	1,726,652	1,410,777	315,875	1,348,745
Debt service:				
Principal	532,500	532,500	-	542,118
Interest and fees	203,987	203,107	880	123,886
Total debt service	736,487	735,607	880	666,004
Total expenditures	18,014,105	17,554,893	459,212	26,249,940
Excess (deficiency) of revenues over (under) expenditures	212,040	525,294	313,254	765,140
Other financing sources (uses):				
Transfers in	67,000	69,689	2,689	169,018
Transfers out	(279,040)	(282,490)	(3,450)	(349,954)
Funding RSU #1 fund deficit	-	(100,000)	(100,000)	-
Total other financing sources (uses)	(212,040)	(312,801)	(100,761)	(180,936)
Net change in fund balance - budgetary basis	-	212,493	212,493	584,204
Reconciliation to GAAP basis:				
Fuel revenues for fuel tank reserve		13,330		-
Special item:				
Transfer of funds to Regional School Unit #1		490,837		-
Net change in fund balances - GAAP basis		716,660		584,204
Fund balance, beginning of year		1,140,522		556,318
Fund balance, end of year	\$	1,857,182		1,140,522

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, 2009

	Fund balance beginning of year	Revenues				Capital outlay	Bond Proceeds	Transfers in (out)	Special Item: Transfer of funds to RSU #1	Fund balance end of year
		Property taxes	Intergovernmental	Investment earnings	Other					
City capital projects:										
Capital fund - City	\$ 116,915	17,810	-	1,719	-	76,776	-	11,995	-	71,663
Capital improvement projects	513,252	90,001	40,628	3,091	-	196,211	-	(273,742)	-	177,019
Streets and sidewalks phase II	31,278	-	-	-	-	-	-	-	-	31,278
Cemetery and parks capital	135,559	99,218	-	-	16,250	159,094	-	46,965	-	138,898
Commercial/Front pump station	31,599	-	-	-	-	-	-	(17,744)	-	13,855
Fire and ambulance capital projects	(105,800)	25,000	43,200	-	(5,000)	95,044	-	126,414	-	(11,230)
Landfill equipment	68,634	-	-	-	-	-	-	(68,634)	-	-
Landfill improvements	2,232,855	-	-	-	-	-	-	(2,232,855)	-	-
Landfill vertical height	(219,172)	-	-	-	-	-	-	219,172	-	-
Police capital improvements	9,705	30,658	-	-	-	27,351	-	-	-	13,012
Public works capital improvements	926,249	20,775	497,037	34,560	3,290	1,532,879	-	1,870,906	-	1,819,938
Recreation capital improvements	8,524	42,415	-	-	-	109,675	-	52,393	-	(6,343)
Total City capital projects	3,749,598	325,877	580,865	39,370	14,540	2,197,030	-	(265,130)	-	2,248,090
School capital projects:										
Capital improvements	1,039,789	-	-	-	-	-	-	-	(1,039,789)	-
Total School capital projects	1,039,789	-	-	-	-	-	-	-	(1,039,789)	-
Total capital projects	\$ 4,789,387	325,877	580,865	39,370	14,540	2,197,030	-	(265,130)	(1,039,789)	2,248,090

ALL OTHER GOVERNMENTAL FUNDS

CITY OF BATH, MAINE
Other Governmental Funds
Combining Balance Sheet
June 30, 2009

		Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
ASSETS				
Cash and cash equivalents	\$	189,408	114,390	303,798
Investments		-	1,403,266	1,403,266
Accounts receivable		16,555	-	16,555
Due from other governments		5,939	-	5,939
Notes receivable		527,247	-	527,247
Interfund loans receivable		97,598	77,896	175,494
Total assets	\$	836,747	1,595,552	2,432,299
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable		106,593	-	106,593
Accrued expenditures		21,890	-	21,890
Escrow		116,779	-	116,779
Interfund loans payable		1,080,505	5,536	1,086,041
Total liabilities		1,325,767	5,536	1,331,303
Fund balances (deficits):				
Reserved for noncurrent receivables		527,247	-	527,247
Reserved for unexpendable principal		-	1,571,825	1,571,825
Unreserved, reported in:				
Special revenues - designated		6,894	-	6,894
Special revenues - undesignated		(1,023,161)	-	(1,023,161)
Permanent funds		-	18,191	18,191
Total fund balances (deficits)		(489,020)	1,590,016	1,100,996
Total liabilities and fund balances	\$	836,747	1,595,552	2,432,299

CITY OF BATH, MAINE
Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2009

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 778,071	-	778,071
Charges for services	896,722	-	896,722
Investment income	5,936	52,074	58,010
Realized/unrealized gain (loss) on investments	-	(184,680)	(184,680)
Other revenue	114,314	6,619	120,933
Total revenues	1,795,043	(125,987)	1,669,056
Expenditures:			
General government	931,649	-	931,649
Public safety	37,687	-	37,687
Parks and recreation	653,933	-	653,933
Health, welfare and transportation	177,372	-	177,372
Education	-	-	-
Unclassified	572,613	10,022	582,635
Capital outlay	78,968	-	78,968
Total expenditures	2,452,222	10,022	2,462,244
Excess (deficiency) of revenues over (under) expenditures	(657,179)	(136,009)	(793,188)
Other financing sources (uses):			
Transfers in	458,591	-	458,591
Transfers out	-	(37,790)	(37,790)
Total other financing sources (uses)	458,591	(37,790)	420,801
Net change in fund balances before special item	(198,588)	(173,799)	(372,387)
Special item:			
Transfer of funds to Regional School Unit #1	(662,363)	-	(662,363)
Net change in fund balances	(860,951)	(173,799)	(1,034,750)
Fund balances, beginning	371,931	1,763,815	2,135,746
Fund balances (deficits), ending	\$ (489,020)	1,590,016	1,100,996

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, 2009

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Midcoast Center For Higher Education	School Special Purpose	Total
ASSETS							
Cash and cash equivalents	\$ 126,902	-	6,703	55,803	-	-	189,408
Accounts receivable	1,950	-	-	-	14,605	-	16,555
Due from other governments	-	-	5,939	-	-	-	5,939
Notes receivable	-	527,247	-	-	-	-	527,247
Interfund loans receivable	-	-	16	97,582	-	-	97,598
Total assets	\$ 128,852	527,247	12,658	153,385	14,605	-	836,747
LIABILITIES AND FUND BALANCES (DEFICIT)							
Liabilities:							
Accounts payable	12,782	86,233	3,498	-	4,080	-	106,593
Accrued expenditures	15,290	334	2,266	2,080	1,920	-	21,890
Escrow	112,753	-	-	-	4,026	-	116,779
Interfund loans payable	278,263	441,595	-	-	360,647	-	1,080,505
Total liabilities	419,088	528,162	5,764	2,080	370,673	-	1,325,767
Fund balances (deficits):							
Reserved for noncurrent receivables	-	527,247	-	-	-	-	527,247
Unreserved:							
Designated	-	-	6,894	-	-	-	6,894
Undesignated	(290,236)	(528,162)	-	151,305	(356,068)	-	(1,023,161)
Total fund balances (deficits)	(290,236)	(915)	6,894	151,305	(356,068)	-	(489,020)
Total liabilities and fund balances	\$ 128,852	527,247	12,658	153,385	14,605	-	836,747

CITY OF BATH, MAINE
Nonmajor Special Revenues Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2009

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Midcoast Center For Higher Education	School Special Purpose	Total
Revenues:							
Intergovernmental	\$ 33,078	690,348	54,645	-	-	-	778,071
Investment income	127	-	489	5,320	-	-	5,936
Charges for services	379,703	44,384	20,861	-	451,774	-	896,722
Other revenue	74,386	-	298	-	39,630	-	114,314
Total revenues	487,294	734,732	76,293	5,320	491,404	-	1,795,043
Expenditures:							
General government	5,130	926,519	-	-	-	-	931,649
Public safety	37,687	-	-	-	-	-	37,687
Parks and recreation	653,933	-	-	-	-	-	653,933
Health, welfare and transportation	-	-	177,372	-	-	-	177,372
Education	-	-	-	-	-	-	-
Unclassified	12,275	-	-	112,810	447,528	-	572,613
Capital outlay	17,907	-	-	-	61,061	-	78,968
Total expenditures	726,932	926,519	177,372	112,810	508,589	-	2,452,222
Deficiency of revenues under expenditures	(239,638)	(191,787)	(101,079)	(107,490)	(17,185)	-	(657,179)
Other financing sources (uses):							
Transfers in (out)	246,716	-	93,875	118,000	-	-	458,591
Total other financing sources (uses)	246,716	-	93,875	118,000	-	-	458,591
Net change in fund balances before special item	7,078	(191,787)	(7,204)	10,510	(17,185)	-	(198,588)
Special item: Transfer of funds to Regional School Unit #1	-	-	-	-	-	(662,363)	(662,363)
Net change in fund balances	7,078	(191,787)	(7,204)	10,510	(17,185)	(662,363)	(860,951)
Fund balances (deficits), beginning	(297,314)	190,872	14,098	140,795	(338,883)	662,363	371,931
Fund balances (deficits), ending	\$ (290,236)	(915)	6,894	151,305	(356,068)	-	(489,020)

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, 2009

	Fund balances		Revenues			Fund balances	
	(deficits)	June 30, 2008	Revenues	Expenditures	over (under) expenditures	Transfers in (out)	(deficits) June 30, 2009
City Special Purpose Funds:							
Almoner Fund	\$ 12,489	-	-	-	-	8,101	20,590
Cable TV Capital Fund	20,892	8,413	9,873	(1,460)	-	-	19,432
Chesebrough Fund	1,282	-	7,479	(7,479)	-	-	(6,197)
Comprehensive Planning	12,098	25	5,130	(5,105)	-	-	6,993
DARE	26,344	6,572	10,221	(3,649)	-	-	22,695
Druid Park	3,578	-	1,018	(1,018)	-	-	2,560
Fire Department training	9,645	17,300	10,586	6,714	-	-	16,359
Forestry Trust	22,574	2,587	-	2,587	-	-	25,161
Forestry Recovery Grant	11,915	7,880	4,796	3,084	-	-	14,999
Homeland Security Grant	(4,800)	-	-	-	-	-	(4,800)
Police Grants	64,175	18,966	16,880	2,086	-	-	66,261
Lambert Park Community Center	(25,274)	22,107	8,034	14,073	-	-	(11,201)
McMann Field Renovation	813	43	-	43	-	-	856
Mens Softball League	2,169	4,750	4,820	(70)	-	-	2,099
Other City programs	(12,129)	72,329	63,511	8,818	-	-	(3,311)
Recreation (Fund 12)	(189,060)	245,595	445,296	(199,701)	198,615	-	(190,146)
Recreation - Lacrosse	1,095	2,290	2,598	(308)	-	-	787
Recreation - Soccer	22,186	9,305	4,565	4,740	-	-	26,926
Skate park committee	(58,366)	-	-	-	-	-	(58,366)
Skateboard Park Fund (Fund 13)	(239,886)	68,985	132,125	(63,140)	40,000	-	(263,026)
Swimming Pool Fund	20,946	147	-	147	-	-	21,093
Total City Special Purpose	(297,314)	487,294	726,932	(239,638)	246,716		(290,236)
Transportation Programs:							
Bath City Bus	(31,850)	62,806	115,034	(52,228)	43,875	-	(40,203)
Park and Ride Vehicle Reserve	90,992	-	-	-	-	-	90,992
Trolley	(45,044)	13,487	62,338	(48,851)	50,000	-	(43,895)
Total Transportation Programs	14,098	76,293	177,372	(101,079)	93,875		6,894

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, 2009

	Bailey	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total
ASSETS							
Cash and cash equivalents	\$ -	113,195	1,195	-	-	-	114,390
Investments	156,963	211,173	988,103	30,918	16,109		1,403,266
Interfund loans receivable	-	-	77,896	-	-	-	77,896
Total assets	\$ 156,963	324,368	1,067,194	30,918	16,109		1,595,552
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund loans payable	-	5,536	-	-	-	-	5,536
Total liabilities	-	5,536	-	-	-	-	5,536
Fund balances:							
Reserved for nonexpendable principal	156,963	318,832	1,049,003	30,918	16,109		1,571,825
Unreserved, reported in:							
Permanent funds	-	-	18,191	-	-	-	18,191
Total fund balances	156,963	318,832	1,067,194	30,918	16,109		1,590,016
Total liabilities and fund balances	\$ 156,963	324,368	1,067,194	30,918	16,109		1,595,552

CITY OF BATH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2009

	Bailey						
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total	
Revenues:							
Investment income	\$ 5,278	11,861	33,353	1,040	542	52,074	
Realized gain (loss) on investments	(8,783)	(11,636)	(59,243)	(1,730)	(901)	(82,293)	
Unrealized gain (loss) on investments	(11,416)	(15,343)	(72,209)	(2,248)	(1,171)	(102,387)	
Perpetual care contributions	-	-	6,619	-	-	6,619	
Total revenues	(14,921)	(15,118)	(91,480)	(2,938)	(1,530)	(125,987)	
Expenditures:							
Current:							
Distribution of income	-	-	-	838	-	838	
Other	1,025	1,377	6,475	202	105	9,184	
Total expenditures	1,025	1,377	6,475	1,040	105	10,022	
Deficiency of revenues under expenditures	(15,946)	(16,495)	(97,955)	(3,978)	(1,635)	(136,009)	
Other financing uses:							
Transfers out	(4,253)	(8,101)	(25,000)	-	(436)	(37,790)	
Total other financing uses	(4,253)	(8,101)	(25,000)	-	(436)	(37,790)	
Net change in fund balances	(20,199)	(24,596)	(122,955)	(3,978)	(2,071)	(173,799)	
Fund balances, beginning of year	177,162	343,428	1,190,149	34,896	18,180	1,763,815	
Fund balances, end of year	\$ 156,963	318,832	1,067,194	30,918	16,109	1,590,016	

LONG-TERM DEBT

CITY OF BATH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2009

	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:								
1988 Sewer Separation Bonds	Var.	1988	2008	\$ 100,000	100,000	-	100,000	-
1989 Sewer Separation Bonds	Var.	1989	2009	40,000	60,000	-	40,000	20,000
1992 Sewer Improvement Bonds	4.1%	1992	2012	165,550	827,750	-	165,550	662,200
1997 Wastewater Treatment Upgrade Bonds	Var.	1997	2017	315,000	3,150,000	-	315,000	2,835,000
1998 Library Bonds	Var.	1998	2012	35,700	178,700	-	35,700	143,000
1999 Sewer and Street Improvement TIF Bonds	Var.	1999	2020	225,000	2,700,000	-	225,000	2,475,000
2001 Capital Improvement Bonds	Var.	2001	2021	55,000	700,000	-	50,000	650,000
2002 SRF Landfill/Pumping Station Bonds	Var.	2002	2022	107,500	1,412,500	-	107,500	1,305,000
2002 General Obligation Bonds	Var.	2002	2021	Var.	2,900,000	-	220,000	2,680,000
2004 General Obligation Bonds	Var.	2004	2020	Var.	1,465,000	-	125,000	1,340,000
2004 Note Payable-MCHE	5.500%	2004	2024	Var.	491,670	-	18,837	472,833
Building Renovation Note	5.125%	2006	2011	Var.	428,674	-	27,988	400,686 (1)
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	315,000	-	17,500	297,500
2006 General Obligation Refunding Bond	Var.	2006	2009	Var.	850,000	-	430,000	420,000
2008 General Obligation Bond	Var.	2008	2018	400,000	4,000,000	-	400,000	3,600,000
2008 General Obligation Bond	Var.	2008	2023	Var.	2,500,000	-	170,000	2,330,000
2008 SRF Sewer Bond	1.000%	2008	2023	93,333	1,400,000	-	93,333	1,306,667 (2)
2009 General Obligation Bond Series B	Var.	2009	2029	20,000	-	635,000	-	635,000
2010 General Obligation Bond Series C	6.750%	2009	2019	Var.	-	1,365,000	-	1,365,000
Total City issues					23,479,294	2,000,000	2,541,408	22,937,886
School issues:								
2001 Middle School Improvement Bonds	Var.	2001	2021	280,000	3,920,000	-	280,000	3,640,000
2001 Middle School Improvement SSRF Bonds	0.0%	2002	2012	55,010	220,040	-	55,010	165,030
2006 General Obligation Refunding Bond	Var.	2006	2016	Var.	3,185,000	-	370,000	2,815,000
2008 General Obligation Bond	Var.	2008	2018	280,000	2,800,000	-	280,000	2,520,000
Total School issues					10,125,040	-	985,010	9,140,030
Total long-term debt				\$ 33,604,334	33,604,334	2,000,000	3,526,418	32,077,916

(1) This note is on a draw down basis. As of June 30, 2009, the City has drawn down \$500,000.

(2) This note is on a draw down basis. As of June 30, 2009, the City has drawn down \$1,339,570.

STATISTICAL TABLES

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
Taxes	\$ 10,424,973	10,474,542	11,223,961	12,623,047	13,428,379	13,659,493	13,404,814	15,307,788	15,130,542	15,428,457
Licenses and permits	104,177	75,633	65,284	95,088	79,168	90,128	132,935	150,943	150,922	124,046
Intergovernmental revenues	6,370,566	6,718,329	6,854,712	6,485,027	6,619,956	6,455,023	7,153,492	7,122,131	7,707,834	1,544,480
Charges for services	4,481,163	4,482,088	4,238,843	4,425,659	4,703,368	4,647,438	4,591,096	4,626,184	3,594,745	724,055
Investment income	550,927	570,285	315,152	158,518	109,238	152,877	211,305	331,063	278,480	102,215
Other revenues (1)	434,039	253,024	346,531	383,032	349,374	265,411	393,962	547,403	321,575	226,623
Total revenues	22,365,845	22,573,901	23,044,483	24,170,371	25,289,483	25,280,370	25,887,604	28,085,512	27,184,098	18,149,876
Expenditures:										
General government	971,283	998,919	1,011,882	1,024,780	1,054,390	1,058,485	1,102,444	1,197,766	1,178,350	1,224,846
Public safety	2,657,547	2,792,139	2,809,960	2,734,664	2,760,277	2,751,019	3,171,253	3,046,429	3,106,076	3,213,553
Public works	1,497,650	1,518,166	1,567,059	1,590,076	1,659,323	1,825,791	1,788,654	1,856,280	1,320,757	1,360,824
Health and welfare	73,585	81,328	66,390	61,036	75,691	98,495	106,539	101,382	29,238	54,324
Recreation	181,013	172,638	174,920	187,331	208,803	212,641	192,226	198,194	178,864	181,389
Education	13,180,043	13,793,905	14,579,337	15,323,583	15,923,794	16,012,109	16,660,276	16,804,196	16,973,815	7,921,924
Intergovernmental	644,385	677,633	1,019,100	1,217,279	1,111,526	1,172,705	1,340,856	1,931,215	1,626,955	1,633,038
Unclassified (2)	1,227,622	1,302,140	1,300,652	1,407,474	1,366,646	1,314,909	1,468,356	1,623,623	1,519,835	1,511,878
Debt service	1,476,562	1,433,149	1,407,211	1,242,189	1,248,880	1,236,907	1,259,955	1,210,959	666,004	735,607
Total expenditures	21,909,690	22,770,017	23,936,511	24,788,412	25,409,330	25,683,061	27,090,559	27,970,044	26,599,894	17,837,383

(1) Does not include fund balance appropriations

(1) Includes transfers in

(2) Includes transfers out

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
2000	\$ 10,180,993	9,941,617	97.65%	512,981	5.04%
2001	12,416,277	12,188,495	98.17%	541,158	4.36%
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	19,304,904	96.06%	1,277,223	6.36%

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		
2000	\$ 401,231,000	96,076,900	497,307,900	484,500,000	102.64%
2001	453,416,200	134,110,500	587,526,700	518,250,000	113.37%
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%

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
2000	21.00	8.50	11.17	1.33
2001	21.00	7.80	11.80	1.40
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	8.60	6.27	1.83
2009	17.20	6.71	8.77	1.72

(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
2000	9,825	\$ 497,308	25,826,450	5.19%	2,629
2001	9,266	599,986	30,305,200	5.05%	3,271
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	1,136,019	33,604,334	2.96%	3,627
2009	9,266	1,168,412	32,077,916	2.75%	3,462

(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
2000	\$ 1,916,250	1,313,878	3,230,128	21,909,690	14.74%
2001	2,141,250	1,204,416	3,345,666	22,770,017	14.69%
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%

(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, 2009

Name	Type of operation	Assessed valuation	Amount of tax	% of net tax levy
Bath Iron Works	Ship building & repair	\$ 462,698,700	7,958,418	39.60%
Thomas Walsh	Motor - Hotel	11,131,800	191,467	0.95%
Bath Supermarket Improvements	Retail Space	10,540,300	181,293	0.90%
Sagadahoc Real Estate Assoc	Office space	9,786,000	168,319	0.84%
Bath Savings	Banking Institution	8,868,200	152,533	0.76%
Bath Inline Improvements	Retail Space	7,471,600	128,512	0.64%
Northwood Housing	Residential housing	7,086,900	121,895	0.61%
EWT LLC	Residential Housing	6,625,000	113,950	0.57%
Central Maine Power	Electric Utility Company	5,156,000	88,683	0.44%
Security National Properties	Navy/shipbuilding	5,001,000	86,017	0.43%
Totals		\$ 534,365,500	9,191,087	45.73%