

CITY OF BATH, MAINE
Annual Financial Report
For the Year Ended June 30, 2007

CITY OF BATH, MAINE
Annual Financial Report
Year ended June 30, 2007

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Independent Auditor's Report

City Council
City of Bath, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City of Bath, Maine as of and for the year ended June 30, 2007, 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 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, 2007 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 December 14, 2007 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, as listed in the table of contents, is not a required part of the basic financial statements but is 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 "Remy Kerstan Ouelletts".

December 14, 2007
South Portland, Maine

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, 2007, with selected comparative information for the year ended June 30, 2006. 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 School Department, 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 beginning to operate as self-sustaining entities without City of Bath assistance.

Adoption of New Accounting Standards

The Governmental Accounting Standards Board (GASB) was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities. The Foundation is responsible for selecting the members of the GASB and its Advisory Council, funding their activities, and exercising general oversight-with the exception of the GASB's resolution of technical issues.

The GASB's function is important because external financial reporting can demonstrate financial accountability to the public and is the basis for investment, credit and many legislative and regulatory decisions.

The most significant accounting standard to be implemented in the City of Bath in recent years is GASB Statement 34 - "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*" This standard is commonly referred to as 'GASB 34'.

According to GASB, GASB 34 "...establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past." In short, GASB 34 requires governments to retain some of the information they traditionally reported, but also requires them to "reach beyond the familiar to new and different information."

The major reporting standards under GASB 34 relate to the reporting of 'Capital Assets' (vehicles, office equipment, furniture, buildings) and 'Infrastructure Assets' (streets, sidewalks, sewer lines).

In order to bring the City into compliance with GASB 34 reporting standards, an outside company was brought in to complete both the Capital Asset reporting and the Infrastructure reporting in time for the 2004 audit. By doing this, implementation of the Capital Asset reporting standard was delayed, but the Infrastructure reporting was one year early. Reporting on both types of assets has now been fully implemented and integrated into the 2007 audit.

In summary, the City of Bath met the reporting obligations of GASB 34 in the 2004 audit, and will continue to improve and fully implement the internal asset reporting process in order to present accurate information in the current and future audits.

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, Sewer Utility, etc). The remaining statements are fiduciary funds for which the City manages as special purpose funds, or acts as an agent for the benefit of an entity outside of municipal government.

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 the Net Assets have changed from the prior fiscal year to the current fiscal year.

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

- **Governmental Activities** – Most of the City's basic services, such as General Government, Public Works, Public Safety, Education and Capital Outlay 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 two kinds of funds – governmental and fiduciary - use different accounting methods:

- **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 this audit and include the City's primary operating fund – the General Fund, as well as the Sewer Utility Fund, the TIF Fund and the City Bond Projects. Non-major governmental fund statements begin with Exhibit C-1 of this audit (page 49) and include Special Purpose Funds, Community Development Funds, Transportation Programs, Bath Local Development Corporation, Midcoast Center for Higher Education and School Special Purpose. Permanent Funds begin with Exhibit E-1 of this Audit Report (page 59) and include the Bailey Evening School, Beneficiary Trust, Cemetery Trusts, Old Folks Home, and School Trusts.

- **Fiduciary Funds** – These are assets held by the City as an agent or on behalf of others, and are accounted for on the accrual basis. Fiduciary Funds can be found on Statement 7 and Schedules 2-6. These assets, because of a trust arrangement, can be used only for the trust beneficiaries. The City excludes these activities from its other financial statements because it cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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 this audit.

	FY 2007	FY 2006
	Governmental	Governmental
	Activities	Activities
ASSETS		
Current & Other Assets	\$9,397,298	\$11,341,964
Depreciable capital assets, net	31,379,621	30,362,717
Non-depreciable capital assets, net	<u>2,589,296</u>	<u>2,390,817</u>
Total Assets	<u>43,366,215</u>	<u>44,095,498</u>
LIABILITIES		
Non-current Liabilities:		
Due w/in 1 year	\$2,845,707	\$ 2,953,679
Due more than 1 year	26,673,424	29,172,567
Other Liabilities	<u>3,775,610</u>	<u>3,588,495</u>
Total Liabilities	<u>33,294,741</u>	<u>35,714,741</u>
NET ASSETS		
invested in capital assets, net of related debt	8,074,786	4,907,288
Restricted for:		
Permanent funds:		
Expendable	7,391	7,391
Nonexpendable	1,816,062	1,693,162
Unrestricted	<u>173,235</u>	<u>1,772,916</u>
Total Net Assets	<u>\$10,071,474</u>	<u>\$ 8,380,757</u>

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

Any increase or decrease pertaining to the City's net assets of \$10,071,474 is due to the governmental activities of the City. Key components of this are shown below, and in Statement 2 of this audit.

City of Bath's Changes in Net Assets
Governmental Activities

	<u>2007</u>	<u>2006</u>
REVENUES:		
Program Revenues:		
Charge for services	\$7,230,375	\$ 7,028,505
Operating grants and contributions	10,528,496	10,224,805
Capital grants and contributions	1,149,323	103,601
General Revenues:		
Property and excise taxes, levied for general purposes	19,571,338	17,557,406
Grants and contributions not restricted to specific programs	1,144,535	1,119,498
Unrestricted investment earnings	515,210	280,765
Loss on Disposal of Assets	(32,696)	(59,512)
Other	<u>771,780</u>	<u>692,928</u>
<i>Total Program and General revenues and transfers</i>	40,878,361	36,947,996
EXPENSES:		
General government	2,579,914	1,881,109
Public works and wastewater	4,282,964	3,846,247
Public Safety	3,213,181	3,447,861
Parks and recreation	621,272	596,547
Health, welfare, and transportation	208,983	224,445
Education	20,451,476	20,274,473
Intergovernmental	1,931,215	1,340,856
Unclassified	4,551,121	4,068,000
Interest on debt	651,919	731,159
Capital outlay	<u>695,599</u>	<u>1,195,665</u>
<i>Total Expenses</i>	39,187,644	37,606,362
Increase (decrease) in net assets	1,690,717	(658,366)
Net Assets Beginning	<u>8,380,757</u>	<u>9,039,123</u>
<i>Net Assets Ending</i>	<u>\$10,071,474</u>	<u>\$ 8,380,757</u>

FINANCIAL HIGHLIGHTS AND LOOKING FORWARD

- Each year, it is a primary goal of the City Manager and Council to keep the mill 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 will become effective on July 1, 2008.
- One notable item seen in this audit for the second year is the accrued salaries for the teachers in the school department. Generally accepted accounting principles (GAAP) require the City to recognize the teachers' salaries to be paid during July and August during the fiscal year in which the teachers performed the work. For example, a teacher that worked during the 2006-2007 school year (which ends prior to June 30) would be paid through July and August of 2007. These salaries need to be expensed in the year they are worked, which would be fiscal year ending June 30, 2007. This liability to the school department is approximately \$1.45 million at the end of FY 2007. Due to this liability, the school department is still reporting a negative \$544,219 general fund balance. This has improved from (\$1,221,619) reported as of June 30th, 2006 due to a surplus of nearly \$677,400 in the school department's budget. Originally, the school department intended to regain a positive fund balance in five years; management believes this time will be shorter due to frugal budgeting and budget oversight.
- The City receives a significant portion of its tax base from Bath Iron Works (BIW). For the 2006 tax year (taxes were due October 15, 2006), BIW represented about 38 percent of total property taxes assessed (see Table G for more information). While the City collected a little over \$6.9 million in real estate and personal property tax revenue from BIW, roughly \$3.77 million were funds collected as part of a Tax Increment Financing (TIF) District. Because of the TIF, only about \$3.1 million was retained by the City for the purposes of financing the City and School's 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.
- 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 local property tax cap. During FY 2007, the City was allowed approximately \$376,000 in increased spending under the property tax cap.
- The City continues to explore economic development opportunities throughout the City, and welcome developers and business owners to include the City on its discussions of business startup, expansion, or relocation. The community response to economic development is very mixed. Large development projects cause much public debate over retaining Bath's small-town charm and shipbuilding heritage, or expanding the taxable economic base in order to hold property taxes down.

- 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 goal is to reduce the financial burden of service delivery to taxpayers in Bath, while maintaining an acceptable level of service delivery. One area that has been explored is a regional ambulance service.
- The City of Bath landfill continues to operate at a brisk pace, filling up available space more quickly than anticipated. In June, 2007, the City Council voted to close the landfill in December, 2008. However, when the bond issue to fund closure was presented to voters in November, 2007, the referendum was defeated. 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 only \$305,000. The 2007 budget and this audit include the landfill operations as part of the general fund, but operations and capital have been moved to a separate enterprise fund for the FY 2008 budget. Management made this change in order to more accurately monitor the financial activities associated with the landfill. Subsequent to FY 2007, the City budgeted an additional \$187,500 toward landfill closure.
- 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 has implemented such a plan for the FY 2008 budget. (This will be seen in the FY 2008 audit.)
- The City issued \$5.28 million of new debt and made repayments of about \$8.3 million during fiscal year 2007. Most of that debt service was voter approved, and thus exempt from the expenditure limitation. Overall outstanding debt is nearly \$25.5 million. Statement 1 of this audit shows the City's debt liabilities due with one year, and the amount due 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 \$390,000 in rental income from its numerous tenants. However, the MCHE has much remaining vacant space. The City and MCHE are working together to evaluate all space and market it to appropriate tenants. The MCHE's fund balance has declined \$145,000 from (\$110,329) at the end of FY 2006 to (\$255,632) at the end of FY 2007. The City is in the process of working with the MCHE board in order to institute a five-year capital improvements plan, more accurate expense budgeting, and closer discussions of rental rates in hopes of improving this declining fund balance.
- The Bath Youth Meeting House/Skate Park continues to improve its operations and be a vital resource for recreation and growth for the youth of Bath. The facility is working towards sustaining itself financially, but increased its negative fund balance in fiscal year 2007. Since the City operates on a year ending June 30 fiscal year, and the Skate Park operates on a calendar year fiscal year, a clearer picture of the entity's financial condition will not be available until its calendar year closes, and then reflected in next year's City audit. [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 ongoing review of fee structures for revenue generating entities such as the Waste Water Treatment Plant, Planning and Codes, Ambulance Services, and the Landfill. Due to an improving economy nationally we have seen interest on investments increase more than 50% over the last two years, and it is expected to continue in a positive direction. Excise taxes on motor vehicle registrations have been showing moderate gains each year. State municipal revenue sharing is expected to increase \$184,000 in the next year, while State Aid for Education is supposed to increase significantly over the next four years due to LD1.

- The City will begin a greater emphasis on information reporting in the coming years. Information reporting improvements include the following:
 - The School Department switched to a zero-based budgeting process for the fiscal year 2007 budget. A zero-based budget is more time consuming to produce, but is an attempt to better analyze budget requests without an implicit commitment to sustaining past levels of funding.
 - The City began producing an Annual Report after a seven-year absence of such 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 number of violations, permits or licenses issued in a certain department.
 - 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, there are no plans at this time to adopt a formal strategic planning process in Bath. 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 a program would be beneficial to the City of Bath in delivering services during lean budget years.
 - The municipal side created a five-year Capital Improvement Plan (CIP) for the FY 2008 budget, which reports current and future proposed capital projects and purchases. The CIP will help better track capital funding sources, improve capital asset tracking, and be a much-needed budgetary planning tool.

Cautionary Note Regarding Forward-Looking Statements

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

CITY OF BATH FINANCE DEPARTMENT

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BASIC FINANCIAL STATEMENTS

CITY OF BATH, MAINE
Statement of Net Assets
June 30, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,100,873
Investments	1,666,038
Receivables:	
Taxes receivable	622,236
Tax liens	210,476
Accounts receivable	612,540
Notes receivable	650,280
Due from other governments	490,024
Inventory	44,831
Capital assets, not being depreciated	2,589,296
Capital assets, net of depreciation	31,379,621
Total assets	43,366,215
LIABILITIES	
Accounts payable	553,663
Accrued expenses	387,259
Accrued teacher summer salaries	1,453,399
Accrued compensated absences	1,101,447
Accrued interest	279,842
Noncurrent liabilities:	
Due within one year	2,845,707
Due in more than one year	26,673,424
Total liabilities	33,294,741
NET ASSETS	
Invested in capital assets, net of related debt	8,074,786
Restricted for:	
Permanent funds:	
Expendable	7,391
Nonexpendable	1,816,062
Unrestricted	173,235
Total net assets	\$ 10,071,474

See accompanying notes to financial statements.

CITY OF BATH, MAINE
Statement of Activities
For the year ended June 30, 2007

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net as.
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 2,579,914	49,187	1,263,476	-	(1,267,251)
Public works and wastewater treatment	4,282,964	2,023,502	-	-	(2,259,462)
Public safety	3,213,181	582,964	28,493	-	(2,601,724)
Parks and recreation	621,272	258,909	-	-	(362,363)
Health, welfare, and transportation	208,983	7,961	97,617	-	(103,405)
Education	20,451,476	3,927,147	9,129,124	-	(7,395,205)
Intergovernmental	1,931,215	-	-	-	(1,931,215)
Unclassified	4,551,121	380,705	9,786	924	(4,159,706)
Interest on debt	651,919	-	-	-	(651,919)
Capital outlay	695,599	-	-	1,148,399	452,800
Total governmental activities	39,187,644	7,230,375	10,528,496	1,149,323	(20,279,450)
Total primary government	\$ 39,187,644	7,230,375	10,528,496	1,149,323	(20,279,450)

General revenues:

Property taxes, levied for general purposes	18,346,815
Contributions in lieu of taxes	48,923
Motor vehicle excise taxes	1,024,6
Licenses and permits	150,9

Grants and contributions not restricted to specific programs:

Homestead exemption	200,175
Other State/federal aid	5,337
State Revenue Sharing	939,023
Unrestricted investment earnings	515,210
Loss on disposal of assets	(32,696)
Other	771,780
Total general revenues	21,970,167

Change in net assets 1,690,717

Net assets - beginning 8,380,757

Net assets - ending \$ 10,071,474

See accompanying notes to financial statements.

CITY OF BATH, MAINE

Balance Sheet
Governmental Funds
June 30, 2007

	General	Sewer Utility Fund	TIF Funds	Capital Projects	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 4,614,230	-	-	97,748	388,895	5,100,873
Investments	2,694	-	-	-	1,663,344	1,666,038
Receivables:						
Taxes receivable	622,236	-	-	-	-	622,236
Tax liens	202,046	8,430	-	-	-	210,476
Accounts receivable	212,016	377,010	-	-	23,514	612,540
Notes receivable	-	-	-	-	650,280	650,280
Due from other governments	31,113	-	-	-	458,911	490,024
Interfund loans receivable	-	505,579	576,368	1,730,714	839,954	3,652,615
Inventory	25,513	-	-	-	19,318	44,831
Total assets	\$ 5,709,848	891,019	576,368	1,828,462	4,044,216	13,049,913
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	158,525	51,436	1,882	97,728	244,092	553,663
Accrued expenditures	285,013	9,081	-	-	93,016	387,110
Accrued teacher summer salaries	1,453,399	-	-	-	-	1,453,399
Interfund loans payable	2,657,444	-	-	-	995,171	3,652,615
Taxes collected in advance	149	-	-	-	-	149
Deferred tax revenue	599,000	-	-	-	-	599,000
Total liabilities	5,153,530	60,517	1,882	97,728	1,332,279	6,645,936
Reserves:						
Reserved for noncurrent receivables	-	-	-	-	650,280	650,280
Reserved for inventory	25,513	-	-	-	19,318	44,831
Reserved for non-expendable principal	-	-	-	-	1,816,062	1,816,062
Unreserved, reported in:						
General fund - designated	107,201	-	-	-	-	107,201
General fund - undesignated - School	(544,219)	-	-	-	-	(544,219)
General fund - undesignated - City	967,823	-	-	-	-	967,823
Special revenues - designated	-	446,644	-	-	73,153	519,797
Special revenues - undesignated	-	383,858	574,486	-	145,733	1,104,077
Capital projects	-	-	-	1,730,734	-	1,730,734
Permanent funds	-	-	-	-	7,391	7,391
Total fund balances	556,318	830,502	574,486	1,730,734	2,711,937	6,403,977
Total liabilities and fund balances	\$ 5,709,848	891,019	576,368	1,828,462	4,044,216	

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

33,968,917

Other long-term assets are not available to pay for current period expenditures

and, therefore, are deferred in the funds.

599,000

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

Accrued compensated absences

(1,101,447)

Accrued interest

(279,842)

Landfill closure

(3,625,000)

Capital leases

(423,376)

Bonds payable

(25,470,755)

Net assets of governmental activities

\$ 10,071,474

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, 2007

	General	Sewer Utility Fund	TIF Funds	Capital Projects	Other Governmental Funds	Total
Revenues:						
Taxes	\$ 15,307,788	-	3,770,778	299,829	-	19,378,395
Licenses and permits	150,943	-	-	-	-	150,943
Intergovernmental	8,915,550	-	-	123,849	2,758,405	11,797,804
Charges for services	4,626,184	1,453,709	-	-	1,150,482	7,230,375
Investment income	331,063	4,387	-	3,748	176,012	515,210
Other revenues	293,612	15	-	172,434	305,719	771,780
Total revenues	29,625,140	1,458,111	3,770,778	599,860	4,390,618	39,844,507
Expenditures:						
Current:						
General government	1,197,766	-	-	-	1,307,710	2,505,476
Public works and wastewater treatment	1,856,280	1,018,746	-	-	-	2,875,026
Public safety	3,046,429	-	-	-	37,202	3,083,631
Parks and recreation	-	-	-	-	622,141	622,141
Health, welfare and transportation	101,382	-	-	-	105,893	207,275
Education	18,597,615	-	-	-	2,003,529	20,601,144
Intergovernmental	1,931,215	-	-	-	-	1,931,215
Unclassified	1,421,464	-	2,907,685	-	535,109	4,864,258
Debt service	6,490,959	586,279	733,353	-	-	7,810,591
Capital outlays	263,711	269,547	43,035	1,940,081	12,021	2,528,395
Total expenditures	34,906,821	1,874,572	3,684,073	1,940,081	4,623,605	47,029,152
Excess (deficiency) of revenues over (under) expenditures	(5,281,681)	(416,461)	86,705	(1,340,221)	(232,987)	(7,184,645)
Other financing sources (uses):						
Transfers in	296,000	-	-	75,000	182,364	553,364
Transfers out	(400,353)	(40,000)	(75,000)	-	(38,011)	(553,364)
Proceeds from capital lease	263,711	-	-	-	-	263,711
Proceeds from bonds/notes	5,280,000	-	-	600,000	-	5,880,000
Total other financing sources (uses)	5,439,358	(40,000)	(75,000)	675,000	144,353	6,143,711
Net change in fund balances	157,677	(456,461)	11,705	(665,221)	(88,634)	(1,040,934)
Fund balances, beginning of year	398,641	1,286,963	562,781	2,395,955	2,800,571	7,444,911
Fund balances, end of year	\$ 556,318	830,502	574,486	1,730,734	2,711,937	6,403,977

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, 2007

	General Fund				Sewer Utility Fund			
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 15,467,915	15,467,915	15,307,788	(160,127)	-	-	-	-
Licenses and permits	131,023	131,023	150,943	19,920	-	-	-	-
Intergovernmental	7,398,087	7,398,087	7,122,131	(275,956)	-	-	-	-
Charges for services	4,111,024	4,111,024	4,626,184	515,160	1,424,000	1,453,709	29,709	
Investment income	175,000	175,000	331,063	156,063	7,000	4,387	(2,613)	
Other revenues	294,350	294,350	251,403	(42,947)	20,000	20,000	15	(19,985)
Total revenues	27,577,399	27,577,399	27,789,512	212,113	1,451,000	1,458,111	7,111	
Expenditures:								
Current:								
General government	1,189,518	1,290,757	1,197,766	92,991	-	-	-	-
Public works	1,804,014	1,853,137	1,856,280	(3,143)	-	-	-	-
Public safety	2,956,226	3,090,479	3,046,429	44,050	-	-	-	-
Health and welfare	101,598	107,717	101,382	6,335	-	-	-	-
Education	17,152,300	17,152,300	16,804,196	348,104	-	-	-	-
Intergovernmental	1,939,623	1,939,623	1,931,215	8,408	-	-	-	-
Administration	-	-	-	-	103,375	103,375	74,220	29,155
Treatment plant	-	-	-	-	778,813	778,813	720,140	58,673
Maintenance	-	-	-	-	247,607	247,607	224,386	23,221
Unclassified	2,178,480	2,002,831	1,421,464	581,367	-	-	-	-
Debt service	1,207,870	1,212,870	1,210,959	1,911	586,279	586,279	586,279	-
Capital	-	-	-	-	78,000	78,000	269,547	(191,547)
Total expenditures	28,529,629	28,649,714	27,569,691	1,080,023	1,794,074	1,874,572	(80,498)	
Excess (deficiency) of revenues over (under) expenditures	(952,230)	(1,072,315)	219,821	1,292,136	(343,074)	(416,461)	(73,387)	
Other financing sources (uses):								
Transfers in	260,000	260,000	296,000	36,000	-	-	-	-
Transfers out	(405,503)	(415,418)	(400,353)	15,065	(40,000)	(40,000)	(40,000)	-
Utilization of prior year fund balance	1,097,733	1,227,733	-	(1,227,733)	383,074	383,074	-	(383,074)
Total other financing sources (uses)	952,230	1,072,315	(104,353)	(1,176,668)	343,074	(40,000)	(383,074)	
Net change in fund balances - budgetary basis	-	-	115,468	115,468	-	(456,461)	(456,461)	
Reconciliation to GAAP basis:								
Fuel revenues for fuel tank reserve	-	-	42,209	-	-	-	-	-
Net change in fund balance - GAAP basis	-	-	157,677	157,677	-	(456,461)	(456,461)	
Fund balance, beginning of year	-	-	398,641	398,641	-	1,286,963	1,286,963	
Fund balance, end of year	\$ -	\$ -	\$ 556,318	\$ 556,318	\$ -	\$ 830,502	\$ 830,502	

18 See accompanying notes to financial statements.

CITY OF BATH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 150,891
Total assets	150,891
LIABILITIES	
Due to student groups	150,891
Total liabilities	150,891
NET ASSETS	
Held in trust	\$ -

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, education and community development.

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

Bath Local Development Corporation (Bath LDC)

The City has elected to report the Bath Local Development Corporation as a blended Component Unit in the special revenue funds. The Bath LDC was established by the City Council to assist and promote economic development for companies located or attempting to locate in the City of Bath. 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.

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 nonfiduciary 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. 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.

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 TIF Funds and Capital Projects are also considered major.

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the City holds for others in an agency capacity.

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 School Lunch Program food and supplies and vehicle fuel for consumption by City, School 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:

	<u>Threshold</u>	<u>Useful Life</u>
Land and improvements	\$ 25,000	N/A
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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Capital Assets, continued

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

F. Compensated Absences

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

G. Long-term Obligations

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

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

H. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

I. Encumbrances

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

J. Use of Estimates

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2007:

Capital assets	\$ 59,168,160
Accumulated depreciation	(25,199,243)
Bonds payable	(25,470,755)
Capital leases payable	(423,376)
<u>Total invested in capital assets net of related debt</u>	<u>\$ 8,074,786</u>

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The revenues and expenditures of the General Fund and the Sewer Utility Fund (a Special Revenue Fund) are controlled by a formal integrated budgetary accounting system. Historically, the budget has been prepared on a modified accrual basis of accounting, except for teachers' summer pay, which is budgeted on a cash basis.

Budgetary vs. GAAP Basis of Accounting

The City's General Fund budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for on-behalf payments which are only accounted for under GAAP accounting purposes.

As required by accounting principles generally accepted in the United States of America (GAAP), the City has recorded a revenue and expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the City. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$1,793,419. These amounts have been included as an intergovernmental revenue and an education expenditure on Statements 2 and 4 (GAAP basis). There is no effect on the fund balance at the end of the year.

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

PROPERTY TAX

Property taxes for the current year were committed on August 8, 2006, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$509,252 for the year ended June 30, 2007.

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

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

The following summarizes the levy:

	<u>2007</u>	<u>2006</u>
Assessed value (excluding Homestead exemption)	\$ 1,126,383,500	1,125,227,600
Tax rate (per \$1,000)	16.20	14.50
Commitment	18,247,413	16,315,800
Supplemental taxes assessed	-	-
	18,247,413	16,315,800
Less:		
Abatements	63,584	39,536
Collections	17,674,363	15,780,960
	509,466	495,304
Current year taxes and liens receivable at end of year \$		
Due date - current year	October 16, 2006	October 15, 2005
Interest rate on delinquent taxes	11.00%	6.75%
Collection rate	97.21%	96.96%
Taxes and liens receivable - current year	509,466	495,304
Taxes and liens receivable - prior years	314,815	329,704
	\$ 824,281	825,008
Total taxes and liens receivables		

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

DEPOSITS AND INVESTMENTS

As of June 30, 2007, the City had the following investments:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
U.S. Treasury Notes	\$ 25,541	2.126
Federal Home Loan Banks	228,088	3.820
Federal National Mortgage Association	97,688	1.696
Corporate bonds	275,156	1.468
Common stock	964,884	N/A
2a7-like investment pool	2,694	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, 2007, \$641,534 of the City’s bank balance of \$5,297,970 was exposed to custodial credit risk because it was uninsured and uncollateralized and \$1,577,814 was collateralized by underlying securities held by the related bank in the City’s name.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City currently does not have an investment policy for custodial credit risk.

Credit risk – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. U.S. Treasury Notes, common stock, and the 2a7-like investment pool are not rated. As of June 30, 2007, the City’s investments were rated by Standard & Poor’s as follows:

	<u>Credit Rating</u>
Federal Home Loan Banks	AAA
Federal National Mortgage Association	AAA
Corporate bonds:	
General Electric	AAA
Southwestern Bell	A
Proctor & Gamble	AA-
John Hancock Financial	AAA
Associates Corp of North America	AA
Morgan Stanley Dean Witter	AA-

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

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance June 30, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2007</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,158,348	-	-	2,158,348
<u>Construction in progress</u>	<u>232,469</u>	<u>425,478</u>	<u>226,999</u>	<u>430,948</u>
Total capital assets not being depreciated	2,390,817	425,478	226,999	2,589,296
Capital assets, being depreciated:				
Buildings and building improvements	26,759,422	1,902,136	-	28,661,558
Machinery, furniture and equipment	2,324,822	254,539	-	2,579,361
Infrastructure	21,822,555	340,994	-	22,163,549
<u>Vehicles</u>	<u>3,059,083</u>	<u>161,198</u>	<u>45,885</u>	<u>3,174,396</u>
Total capital assets being depreciated	53,965,882	2,658,867	45,885	56,578,864
Less accumulated depreciation for:				
Buildings and building improvements	8,963,114	816,712	-	9,779,826
Machinery, furniture and equipment	1,658,294	149,007	-	1,807,301
Infrastructure	10,812,963	475,478	-	11,288,441
<u>Vehicles</u>	<u>2,168,794</u>	<u>168,070</u>	<u>13,189</u>	<u>2,323,675</u>
Total accumulated depreciation	23,603,165	1,609,267	13,189	25,199,243
Total capital assets being depreciated, net	30,362,717	1,049,600	32,696	31,379,621
Total governmental activities capital assets, net	\$ 32,753,534	1,475,078	259,695	33,968,917

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

Governmental activities:	
General government	\$ 74,284
Public works and wastewater treatment	958,996
Public safety	117,166
Education	458,821
Total depreciation expense – governmental activities	\$ 1,609,267

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

INTERFUND BALANCES AND TRANSFERS

Individual interfund loans receivable and payable and interfund transfers at June 30, 2007 were as follows:

	<u>Interfund loan receivable</u>	<u>Interfund loan payable</u>	<u>Transfers in (out)</u>
General Fund	\$ -	2,657,444	(104,353)
Sewer Utility Fund	505,579	-	(40,000)
TIF Fund	576,368	-	(75,000)
Capital Projects	1,730,714	-	75,000
Nonmajor governmental funds:			
City Special Purpose	83,749	322,516	221,998
Community Development	-	419,706	-
Transportation Programs	70,827	-	29,441
Bath Local Development Corp.	165,702	-	7,000
Midcoast Center for Higher Education	-	252,086	(18,000)
School Special Purpose	463,745	-	(58,075)
Nonmajor permanent funds	55,931	863	(38,011)
Total interfund balances and transfers	\$ 3,652,615	3,652,615	-

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

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance (restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 28,472,884	5,280,000	8,282,129	25,470,755	2,623,703
Capital leases	473,362	263,711	313,697	423,376	222,004
Accrued compensated absences	1,012,047	89,400	-	1,101,447	-
Landfill closure and postclosure care costs	3,180,000	445,000	-	3,625,000	-
Governmental activity long-term liabilities	\$ 33,138,293	6,078,111	8,595,826	30,620,578	2,845,707

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

SHORT-TERM DEBT

The City issues tax anticipation notes to cover cash shortfalls during the year. Tax anticipation note activity for the year ended June 30, 2007, was as follows:

	Beginning balance	Additions	Reductions	Ending balance
<u>Tax anticipation notes</u>	\$ -	3,400,000	3,400,000	-

LONG-TERM DEBT

Long-term debt payable at June 30, 2007 is comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	June 30, 2007
Governmental activities:					
Sewer separation bonds	12/1/88	2,000,000	12/1/08	varies	200,000
Sewer separation bonds	12/1/89	780,000	12/1/09	varies	100,000
Sewer improvement bonds	10/1/92	3,311,000	10/1/12	4.12%	993,300
Wastewater upgrade bonds	10/1/97	6,300,000	10/1/17	varies	3,465,000
Library bonds	5/28/98	500,000	11/1/12	varies	214,400
Sewer and street improvement TIF bonds	11/1/99	4,500,000	11/1/19	varies	2,925,000
Middle school renovation	8/1/01	5,600,000	8/1/21	varies	4,200,000
Middle school renovation SSRRF	10/1/02	1,000,000	10/1/11	0.00%	275,050
City capital improvement bonds	8/1/01	1,020,000	8/1/21	varies	750,000
Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	1,520,000
General obligation bonds	9/1/02	4,000,000	9/1/22	varies	3,120,000
General obligation bonds	6/1/04	1,840,000	9/1/19	varies	1,590,000
2004 Note – Bath Savings Institute	12/3/04	550,000	12/3/24	5.50%	509,428
Building renovation note	3/13/06	1,000,000	11/30/11	5.125%	441,077 (1)
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	332,500
<u>2006 general obligation refunding</u>	<u>7/18/06</u>	<u>5,280,000</u>	<u>10/1/16</u>	<u>4.375%</u>	<u>4,835,000</u>
<u>Total governmental activities</u>					<u>\$ 25,470,755</u>

(1) This note is on a draw down basis. As of June 30, 2007, the City has drawn down \$500,000. The remaining \$500,000 has yet to be drawn down.

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

LONG-TERM DEBT, CONTINUED

The annual principal and interest requirements to amortize general long-term debt outstanding as of June 30, 2007 are as follows:

Year(s) ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,623,703	959,934	3,583,637
2009	2,628,790	858,174	3,486,964
2010	2,524,142	759,222	3,283,364
2011	2,064,774	673,781	2,738,555
2012	2,070,701	597,534	2,668,235
2013-2017	8,757,689	1,913,061	10,670,750
2018-2022	4,417,696	501,212	4,918,908
2023-2026	383,260	16,955	400,215
Totals	\$ 25,470,755	6,279,873	31,750,628

LANDFILL CLOSURE AND POSTCLOSURE COSTS

The City of Bath is currently operating a landfill for residential and commercial sanitary waste, demolition debris, and other materials. In 1991, the City entered into a consent decree with the State of Maine for the development and implementation of a corrective action plan and application to re-license with a proposed vertical expansion. The City met all terms of the consent decree and received approval from the State on the new license and vertical expansion. As part of the corrective action plan, the City closed certain sections of the landfill and prepared to make improvements that would extend the useful life of the facility. On November 6, 2001, voters approved the City Council's authorization of \$8,140,000 in general obligation bonds. Of this bond issuance, \$3,000,000 was to provide funds for landfill improvements, otherwise referred to as the Landfill Project. In September 2002 (the "2002 Bonds"), \$1,200,000 was issued to finance the Landfill Project. An additional amount of \$600,000 was financed through the State Revolving Loan Program (SRF) jointly through the Maine Municipal Bond Bank and the Maine Department of Environmental Protection. Another bond issuance in June 2004 (the "2004 Bonds") provided the remaining \$1,200,000 previously authorized for the Landfill Project. At June 30, 2007, the City had unspent capital project funds of \$305,000 set aside for closure. At June 30, 2007, the landfill had reached approximately 66.16% capacity of the current configuration (post Landfill project expansion). The estimated cost for closure after it reaches existing capacity is approximately \$3,500,000. Post closure costs, such as monitoring and maintenance for 30 years is estimated to be \$1,862,000. As such, the City has recognized a liability based on the percentage used as of June 30, 2007, of \$2,393,000 for closure, and an estimate for post closure costs of \$1,232,000. This results in a total of \$3,625,000 estimated liability of closure and post closure costs in the government-wide financial statements. The actual closure and post closure costs may vary from this estimate due to inflation, changes in technology, recycling, engineering estimates, expansion of the existing landfill, or changes in landfill laws and regulations.

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

CAPITAL LEASES

The City of Bath has entered into various lease agreements as lessee for various equipment. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of its inception. The value of assets capitalized under these leases as of June 30, 2007 was \$745,564

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2007:

<u>Fiscal year ending</u>	<u>Capital leases</u>
2008	\$ 239,828
2009	139,024
2010	74,235
Total minimum lease payments	453,087
<u>Less: amount representing interest</u>	29,711
<u>Present value of future minimum lease payments</u>	<u>\$ 423,376</u>

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

The State of Maine currently reimburses the City for a portion of financing costs of school buildings and school bus purchases. Continuation of such reimbursements is dependent upon continued appropriations by the State Legislature.

OVERLAPPING DEBT

The City of Bath is situated in Sagadahoc County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Sagadahoc County, for which the City of Bath would be proportionally responsible in the event the county defaulted, amounted to \$2,881,903 at June 30, 2007, which is 22.89% of the County's total debt of \$12,590,228.

LIMITATION ON MUNICIPAL SPENDING

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

The expenditures of the City of Bath for the year ended June 30, 2007 were made in accordance with the above charter limitations.

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

SIGNIFICANT TAXPAYER

For the year ended June 30, 2007, the City of Bath received \$6,929,139 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 37.97% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2007, a significant portion (\$2,907,685) were funds collected as part of a Tax Increment Financing (TIF) District. As such, only \$4,021,454 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, 2007, various funds reported reserved fund balances as follows:

General Fund:	
Reserved for inventory	\$ 25,513
<u>Total General Fund</u>	<u>25,513</u>
Special Revenue Funds:	
Reserved for noncurrent receivables	650,280
Reserved for inventory	19,318
<u>Total Special Revenue Funds</u>	<u>669,598</u>
Permanent Funds - Trust principal	1,816,062
<u>Total reserved fund balances</u>	<u>\$ 2,511,173</u>

At June 30, 2007, various funds reported designated fund balances as follows:

General Fund:	
Public works fuel tanks	\$ 107,201
<u>Total General Fund designated</u>	<u>107,201</u>
Special Revenue Funds:	
Sewer capital	446,644
Park and ride vehicle	73,153
<u>Total Special Revenue designated</u>	<u>519,797</u>
<u>Total designated fund balances</u>	<u>\$ 626,998</u>

DEFICIT FUND BALANCES

Several City and School Special Revenue Funds had deficit fund balances at June 30, 2007. The City's deficit fund balances are as follows: fire department training, homeland security grant, Lambert Park community center, recreation, skate park committee, skateboard park fund, other community development grants, Bath City Bus, and the trolley. The School's deficit fund balance was in recertification and regionalization. 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.

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

MAINE STATE RETIREMENT SYSTEM (MSRS) - CONSOLIDATED RETIREMENT PENSION PLAN

Description of the Plan - The City contributes to the Maine State Retirement System Consolidated Plan, a cost sharing, multiple employer retirement system established by the Maine State Legislature. The Maine State 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 State 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 State Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute a percentage of their annual covered salary. The City is required to contribute an actuarially determined rate. Employer and member rates for the year ended June 30, 2007 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)	\$ (83,818)	(98,736)
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, 2007 and 2006, the credit offset current employer contributions by \$182,554 and \$166,999 respectively, resulting in no City contributions being required for the 2007 and 2006 fiscal years. The contribution rates of plan members and the City are established and may be amended by the Maine State Retirement System Board of Trustees. For the years ended June 30, 2007 and 2006, employee contributions to the plan totaled \$187,192 and \$261,420, respectively.

MAINE STATE RETIREMENT - TEACHERS PLAN

Description of Plan - All school teachers, plus other qualified educators, participate in the Maine State Retirement System Teachers Group. The Teachers Group is a cost-sharing plan with a special funding situation established by the Maine State Legislature. The Maine State 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 State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers Group. That report may be obtained by writing to Maine State Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State of Maine Department of Education to contribute the employer contribution, which amounts to \$1,793,419 (19.14%) and \$1,799,224 (19.15%) for the fiscal years 2007 and 2006, respectively. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 19.14% (fiscal year 2007) and 19.15% (fiscal year 2006) of their compensation. This cost is charged to the applicable grant. For the years ended June 30, 2007 and 2006, employee contributions to the teachers plan totaled \$743,435 and \$751,125, 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, 2007.

SCHOOL ADMINISTRATIVE REORGANIZATION

On June 6, 2007 the Maine House and Senate enacted the two-year state budget including the school administrative reorganization legislation “School Administrative Reorganization” (“SAR”) as Public Law 2007, Chapter 240. The law sets forth state policy to ensure that schools are organized as units in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All school units and municipal school units (collectively School Administrative Units or “SAU”) are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the unit would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to create a maximum of 80 school units or the number of units appropriate to achieve administrative efficiencies.

The law requires existing SAUs to file a “Notice of Intent” with the Commissioner by August 31, 2007. The Notice of Intent must elect either to engage in planning and negotiating with other SAUs for the purpose of developing a reorganization plan to form a regional school unit (“RSU”), or the intent to submit an alternative plan to achieve efficiencies. The Notice of Intent is subject to approval by the Commissioner of Education (the “Commissioner”), including approval of the election to file an alternative plan. SAUs are then required to submit a reorganization plan, or, if a SAU is exempted by the members of the general public, develop the reorganization plans. Reorganization plans approved by the Department of Education (“DOE”) are submitted to the voters in the proposed RSU. If the reorganization plan is approved by the voters, elections will then be held for seats on the RSU school board.

All reorganization plans are subject to voter approval. A SAU whose plan is approved by the Commissioner in December, 2007 must hold a referendum on the plan on or before January 15, 2008. A SAU whose plan is received or revised after December 15, 2007 and approved by the Commissioner in December, 2007 but has exercised due diligence and acted in good faith in developing a reorganization plan, must hold a referendum of the plan on June 10, 2008. The DOE will fund the cost of a referendum held on or before January 15, 2008. SAU’s, not otherwise exempt, that fail to approve a reorganization plan by November 4, 2008 and to implement that plan by July 1, 2009 will face financial penalties, starting on July 1, 2009. Penalties for SAUs that do not form appropriate RSUs by the beginning of FY 2010 include:

- A 50% reduction in minimum subsidy (the special education minimum);
- A 50% reduction in system administration costs includable for purposes of the funding model;
- Less favorable consideration in approval and funding for school construction;
- Loss of eligibility for transition adjustments; and
- The percentage of state subsidy will not increase to the highest level as called for in the four-year “ramp-up” of state funding for education (i.e., GPA will be consistent with a statewide average contribution of 53.86% instead of the 55% overall state share).

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, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 4,614,230	5,668,204
Investments	2,694	8,355
Receivables:		
Taxes receivable	622,236	651,391
Tax liens	202,046	173,617
Accounts receivable	212,016	62,424
Due from other governments	31,113	156,805
Inventory	25,513	9,846
Total assets	\$ 5,709,848	6,730,642
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	158,525	381,122
Accrued expenditures	285,013	208,463
Accrued teacher summer salaries	1,453,399	1,392,702
Interfund loans payable	2,657,444	3,792,703
Taxes collected in advance	149	11
Deferred tax revenue	599,000	557,000
Total liabilities	5,153,530	6,332,001
Fund balance:		
Reserved for encumbrances	-	1,106
Reserved for inventory	25,513	9,846
Unreserved:		
Designated - School	-	147,733
Designated - City	107,201	1,014,992
Undesignated - School	(544,219)	(1,369,352)
Undesignated - City	967,823	594,316
Total fund balance	556,318	398,641
Total liabilities and fund balance	\$ 5,709,848	6,730,642

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, 2007
(with comparative actual amounts for the year ended June 30, 2006)

	2007		Variance positive (negative)	2006 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 14,185,215	14,140,688	(44,527)	12,292,416
Excise taxes	1,182,700	1,024,657	(158,043)	1,008,537
Interest and costs on taxes	30,000	93,520	63,520	36,072
Contributions in lieu of taxes	70,000	48,923	(21,077)	67,789
Total taxes	15,467,915	15,307,788	(160,127)	13,404,814
Licenses, permits and fees:				
Non-business licenses	7,200	8,365	1,165	8,281
Health, building, plumbing and electrical permits	43,123	96,088	52,965	56,882
Vehicle, boat and recreation vehicle registrations	21,000	25,005	4,005	27,211
Other	59,700	21,485	(38,215)	40,561
Total licenses, permits and fees	131,023	150,943	19,920	132,935
Intergovernmental:				
State revenue sharing	1,250,000	939,023	(310,977)	886,051
State homestead exemption	200,175	200,175	-	179,668
State and Federal education subsidies	5,893,112	5,898,627	5,515	6,033,994
Other state revenue	35,000	64,506	29,506	29,589
Other federal revenue	19,800	19,800	-	24,190
Total intergovernmental	7,398,087	7,122,131	(275,956)	7,153,492
Investment income	175,000	331,063	156,063	211,305
Charges for services:				
Ambulance service	570,000	542,370	(27,630)	583,045
Landfill scales	450,000	521,155	71,155	806,374
School Department tuitions	3,008,474	3,473,427	464,953	3,094,659
Cemetery sales	42,550	48,638	6,088	64,429
Parking City lots	33,000	34,950	1,950	34,880
Police duty and fees	7,000	5,644	(1,356)	7,709
Total charges for services	4,111,024	4,626,184	515,160	4,591,096
Other revenues:				
Parking and traffic violations	35,000	22,760	(12,240)	27,590
Cable television franchise	75,000	77,290	2,290	76,793
School Department	17,000	23,561	6,561	36,580
Recycled materials	90,000	65,768	(24,232)	103,668
Rents and leases	30,000	20,578	(9,422)	26,092
Sale of property	25,000	-	(25,000)	50
Miscellaneous	22,350	41,446	19,096	8,189
Total other revenues	294,350	251,403	(42,947)	278,962
Total revenues	27,577,399	27,789,512	212,113	25,772,604

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

	2007		Variance positive (negative)	2006 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	\$ 167,839	164,727	3,112	120,953
Professional services	136,600	111,434	25,166	106,597
City council	144,425	64,529	79,896	81,435
City clerk	95,891	94,038	1,853	90,153
Elections	13,000	15,472	(2,472)	14,880
Central services	146,000	151,720	(5,720)	140,566
City Hall management and utilities	101,351	121,455	(20,104)	115,273
Finance	195,345	197,732	(2,387)	113,852
Treasurer and tax collection	-	-	-	79,888
Assessor	124,288	121,627	2,661	117,471
Public education government cable	52,310	45,474	6,836	35,679
Planning and community development	113,708	109,558	4,150	85,697
Total general government	1,290,757	1,197,766	92,991	1,102,444
Public works:				
General	773,868	776,840	(2,972)	755,448
Solid waste	623,957	596,717	27,240	565,092
Recycling	73,470	88,377	(14,907)	82,629
Forestry	40,578	41,040	(462)	32,774
Cemetery and parks	341,264	353,306	(12,042)	352,711
Total public works	1,853,137	1,856,280	(3,143)	1,788,654
Public safety:				
Fire and ambulance	1,236,946	1,259,962	(23,016)	1,123,455
Ambulance write offs	-	-	-	205,389
Police	1,211,906	1,178,772	33,134	1,260,984
Other public safety	82,091	79,470	2,621	83,411
Codes enforcement	90,736	79,722	11,014	80,751
Street lights	110,000	109,273	727	106,240
Fire hydrant rental	358,800	339,230	19,570	311,023
Total public safety	3,090,479	3,046,429	44,050	3,171,253
Health and welfare:				
General assistance	107,717	101,382	6,335	106,539
Total health and welfare	107,717	101,382	6,335	106,539

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

	2007		Variance positive (negative)	2006 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	\$ 17,152,300	16,804,196	348,104	16,660,276
Intergovernmental--county tax	1,939,623	1,931,215	8,408	1,340,856
Unclassified:				
Employee benefits	927,831	852,768	75,063	795,798
Insurances	366,660	306,918	59,742	316,029
Special events and support	199,088	198,194	894	192,226
Overlay/abatements and write-offs	509,252	63,584	445,668	39,536
Total unclassified	2,002,831	1,421,464	581,367	1,343,589
Debt service:				
Principal	915,700	915,700	-	915,700
Interest and fees	297,170	295,259	1,911	344,255
Total debt service	1,212,870	1,210,959	1,911	1,259,955
Total expenditures	28,649,714	27,569,691	1,080,023	26,773,566
Excess (deficiency) of revenues over (under) expenditures	(1,072,315)	219,821	1,292,136	(1,000,962)
Other financing sources (uses):				
Transfers in	260,000	296,000	36,000	115,000
Transfers out	(415,418)	(400,353)	15,065	(316,993)
Utilization of fund balance	1,227,733	-	(1,227,733)	-
Total other financing sources (uses)	1,072,315	(104,353)	(1,176,668)	(201,993)
Net change in fund balance - budgetary basis	-	115,468	115,468	(1,202,955)
Reconciliation to GAAP basis:				
Change in accrued teacher summer salaries		-		(29,295)
Fuel revenues for fuel tank reserve		42,209		64,992
Net change in fund balance - GAAP basis		157,677		(1,167,258)
Fund balance, beginning of year		398,641		1,565,899
Fund balance, end of year	\$	556,318		398,641

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, 2007

	Fund balance beginning of year	Revenues				Capital outlay	Bond Proceeds	Transfers in (out)	Fund balance end of year
		Property taxes	Intergovernmental	Investment earnings	Other				
City capital projects:									
Capital fund - City	\$ 139,996	35,000	-	-	2,200	46,885	-	130,311	
Capital improvement projects	589,872	15,000	35,709	3,748	23,234	572,672	250,000	419,891	
Streets and sidewalks phase II	91,087	-	-	-	-	59,809	-	31,278	
Cemetery and parks capital	123,051	18,500	-	-	-	27,976	-	113,575	
Commercial/Front pump station	21,599	-	-	-	-	340,000	-	31,599	
Fire and ambulance capital projects	50,808	35,000	-	-	5,000	15,391	350,000	75,417	
Landfill equipment	67,310	40,000	-	-	-	38,676	-	68,634	
Landfill improvements	208,071	-	-	-	-	447,045	-	(238,974)	
Landfill vertical height	2,493	-	-	-	-	221,665	-	(219,172)	
Police capital improvements	17,673	39,500	-	-	-	41,776	-	15,397	
Public works capital improvements	1,069,791	73,900	88,140	-	142,000	111,477	-	1,262,354	
Recreation capital improvements	1,458	42,929	-	-	-	16,709	-	27,678	
Total City capital projects	2,383,209	299,829	123,849	3,748	172,434	1,940,081	600,000	1,717,988	
School capital projects:									
Capital improvements	12,746	-	-	-	-	-	-	12,746	
Total School capital projects	12,746	-	-	-	-	-	-	12,746	
Total capital projects	\$ 2,395,955	299,829	123,849	3,748	172,434	1,940,081	600,000	1,730,734	

ALL OTHER GOVERNMENTAL FUNDS

CITY OF BATH, MAINE
Other Governmental Funds
Combining Balance Sheet
June 30, 2007

		Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
ASSETS				
Cash and cash equivalents	\$	283,854	105,041	388,895
Investments		-	1,663,344	1,663,344
Accounts receivable		23,514	-	23,514
Due from other governments		458,911	-	458,911
Notes receivable		650,280	-	650,280
Inventory		19,318	-	19,318
Interfund loans receivable		784,023	55,931	839,954
Total assets	\$	2,219,900	1,824,316	4,044,216
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable		244,092	-	244,092
Accrued expenditures		93,016	-	93,016
Interfund loans payable		994,308	863	995,171
Total liabilities		1,331,416	863	1,332,279
Fund balances:				
Reserved for inventory		19,318	-	19,318
Reserved for noncurrent receivables		650,280	-	650,280
Reserved for unexpendable principal		-	1,816,062	1,816,062
Unreserved, reported in:				
Special revenues - designated		73,153	-	73,153
Special revenues - undesignated		145,733	-	145,733
Permanent funds		-	7,391	7,391
Total fund balances		888,484	1,823,453	2,711,937
Total liabilities and fund balances	\$	2,219,900	1,824,316	4,044,216

CITY OF BATH, MAINE
Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 2,758,405	-	2,758,405
Charges for services	1,150,482	-	1,150,482
Investment income	16,125	56,032	72,157
Realized/unrealized gain (loss) on investments	-	103,855	103,855
Other revenue	293,315	12,404	305,719
Total revenues	4,218,327	172,291	4,390,618
Expenditures:			
General government	1,307,710	-	1,307,710
Public safety	37,202	-	37,202
Parks and recreation	622,141	-	622,141
Health, welfare and transportation	105,893	-	105,893
Education	2,003,529	-	2,003,529
Unclassified	523,729	11,380	535,109
Capital outlay	12,021	-	12,021
Total expenditures	4,612,225	11,380	4,623,605
Excess (deficiency) of revenues over (under) expenditures	(393,898)	160,911	(232,987)
Other financing sources (uses):			
Transfers in	182,364	-	182,364
Transfers out	-	(38,011)	(38,011)
Total other financing sources (uses)	182,364	(38,011)	144,353
Net change in fund balances	(211,534)	122,900	(88,634)
Fund balances, beginning	1,100,018	1,700,553	2,800,571
Fund balances, ending	\$ 888,484	1,823,453	2,711,937

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, 2007

	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	\$ 23,702	-	4,200	47,388	-	208,564	283,854
Investments	-	-	-	-	-	-	-
Accounts receivable	15,377	5,067	417	-	2,653	-	23,514
Due from other governments	-	346,592	-	-	-	112,319	458,911
Notes receivable	-	650,280	-	-	-	-	650,280
Inventory	-	-	-	-	-	19,318	19,318
Interfund loans receivable	83,749	-	70,827	165,702	-	463,745	784,023
Total assets	\$ 122,828	1,001,939	75,444	213,090	2,653	803,946	2,219,900

LIABILITIES AND FUND BALANCES (DEFICIT)							
Liabilities:							
Accounts payable	14,963	214,473	886	-	1,898	11,872	244,092
Accrued expenditures	14,339	1,271	1,405	-	4,301	71,700	93,016
Interfund loans payable	322,516	419,706	-	-	252,086	-	994,308
Total liabilities	351,818	635,450	2,291	-	258,285	83,572	1,331,416

Fund balances (deficit):							
Reserved for noncurrent receivables	-	650,280	-	-	-	-	650,280
Reserved for inventory	-	-	-	-	-	19,318	19,318
Unreserved:							
Designated	-	-	73,153	-	-	-	73,153
Undesignated	(228,990)	(283,791)	-	213,090	(255,632)	701,056	145,733
Total fund balances (deficit)	(228,990)	366,489	73,153	213,090	(255,632)	720,374	888,484

Total liabilities and fund balances	\$ 122,828	1,001,939	75,444	213,090	2,653	803,946	2,219,900
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CITY OF BATH, MAINE
Nonmajor Special Revenues Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Midcoast Center For Higher Education	School Special Purpose	Total
Revenues:							
Intergovernmental	\$ 18,479	1,263,476	38,448	-	924	1,437,078	2,758,405
Investment income	891	-	3,596	5,279	-	6,359	16,125
Charges for services	258,909	49,187	7,961	-	380,705	453,720	1,150,482
Other revenue	81,682	-	-	-	11,180	200,453	293,315
Total revenues	359,961	1,312,663	50,005	5,279	392,809	2,097,610	4,218,327
Expenditures:							
General government	-	1,307,710	-	-	-	-	1,307,710
Public safety	37,202	-	-	-	-	-	37,202
Parks and recreation	622,141	-	-	-	-	-	622,141
Health, welfare and transportation	5,510	-	100,383	-	-	-	105,893
Education	-	-	-	-	-	2,003,529	2,003,529
Unclassified	3,617	-	-	-	520,112	-	523,729
Capital outlay	12,021	-	-	-	-	-	12,021
Total expenditures	680,491	1,307,710	100,383	-	520,112	2,003,529	4,612,225
Excess (deficiency) of revenues over (under) expenditures	(320,530)	4,953	(50,378)	5,279	(127,303)	94,081	(393,898)
Other financing sources (uses):							
Transfers in (out)	221,998	-	29,441	7,000	(18,000)	(58,075)	182,364
Total other financing sources (uses)	221,998	-	29,441	7,000	(18,000)	(58,075)	182,364
Net change in fund balances	(98,532)	4,953	(20,937)	12,279	(145,303)	36,006	(211,534)
Fund balances (deficit), beginning	(130,458)	361,536	94,090	200,811	(110,329)	684,368	1,100,018
Fund balances (deficit), ending	\$ (228,990)	\$ 366,489	\$ 73,153	\$ 213,090	\$ (255,632)	\$ 720,374	\$ 888,484

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, 2007

	Fund balances			Revenues		Revenues		Fund balances (deficit)
	June 30, 2006	Revenues	Expenditures	over (under)	Transfers in (out)	June 30, 2007		
City Special Purpose Funds:								
Almoner Fund	\$ 1,882	43	5,510	(5,467)	7,686	4,101		
Cable TV Capital Fund	12,559		-	12,500	-	25,059		
Chesbrough Fund	7,638	3,238	3,128	110	-	7,748		
Comprehensive Planning	11,917	100	-	100	-	12,017		
DARE	26,471	-	-	-	-	26,471		
Fire Department training	(1,586)	497	4,880	(4,383)	-	(5,969)		
Forestry Trust	18,837	3,150	-	3,150	-	21,987		
Forestry Recovery Grant	12,404	-	489	(489)	-	11,915		
Homeland Security Grant	(4,800)	-	-	-	-	(4,800)		
Police Grants	78,516	19,397	32,322	(12,925)	-	65,591		
Lambert Park Community Center	(37,376)	16,078	12,021	4,057	-	(33,319)		
McMann Field Renovation	318	317	-	317	-	635		
Mens Softball League	5,577	1,531	3,613	(2,082)	-	3,495		
Other City programs	9,041	59,658	72,822	(13,164)	-	(4,123)		
Recreation (Fund 12)	(117,370)	154,418	405,490	(251,072)	214,312	(154,130)		
Recreation - Lacrosse	994	1,964	921	1,043	-	2,037		
Recreation - Soccer	20,741	10,848	8,550	2,298	-	23,039		
Skate park committee	(58,366)	-	-	-	-	(58,366)		
Skateboard Park Fund (Fund 13)	(137,135)	75,160	130,745	(55,585)	-	(192,720)		
Swimming Pool Fund	19,280	1,062	-	1,062	-	20,342		
Total City Special Purpose	(130,458)	359,961	680,491	(320,530)	221,998	(228,990)		
Community Development Programs:								
Housing Rehab Loans	685,205	49,187	99,208	(50,021)	-	635,184		
Hyde Park Project	2,871	-	-	-	-	2,871		
Other Community Development Grants	(326,540)	1,263,476	1,208,502	54,974	-	(271,566)		
Total Community Development Programs	361,536	1,312,663	1,307,710	4,953	-	366,489		
Transportation Programs:								
Bath City Bus	3,125	49,038	96,736	(47,698)	29,441	(15,132)		
Park and Ride Vehicle Reserve	90,965	27	-	27	-	90,992		
Trolley	-	940	3,647	(2,707)	-	(2,707)		
Total Transportation Programs	94,090	50,005	100,383	(50,378)	29,441	73,153		

CITY OF BATH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds, Continued
For the year ended June 30, 2007

	Fund balances (deficit) June 30, 2006	Revenues	Expenditures	Revenues over (under) Expenditures	Transfers in (out)	Fund balances (deficit) June 30, 2007
Bath Local Development Corporation	\$ 200,811	5,279	-	5,279	7,000	213,090
Midcoast Center for Higher Education	(110,329)	392,809	520,112	(127,303)	(18,000)	(255,632)
School Special Purpose Funds:						
School Lunch Program	303,067	618,367	654,695	(36,328)	-	266,739
Adult Basic Education	(31,424)	43,492	10,808	32,684	-	1,260
Bailey Evening School	107,130	61,661	129,013	(67,352)	61,429	101,207
Carl Perkins -Bailey	2,362	8,406	10,768	(2,362)	-	-
CMTC-Bailey	5,066	4,175	7,508	(3,333)	-	1,733
Advanced Placement Incentive	406	-	-	-	-	406
Auditorium Fund	2,939	14,522	9,505	5,017	-	7,956
Cable TV Fund	2,676	-	1,354	(1,354)	-	1,322
Carl Perkins -Adult Education	-	10,274	10,274	-	-	-
Carl Perkins - Vocational	5,204	43,839	48,406	(4,567)	-	637
Computer purchase	33,453	53,930	58,216	(4,286)	-	29,167
Curriculum	20,888	18,375	4,682	13,693	-	34,581
Driver Education	13,878	33,200	31,289	1,911	-	15,789
Drug Free School Title IV	4,388	11,273	15,661	(4,388)	-	-
Katrina Funds	13,000	-	498	(498)	-	12,502
Learning Results Professional Dev.	(1)	15,640	15,639	1	-	-
Local Entitlement	426	316,707	298,572	18,135	-	18,561
Maine Youth Suicide Prevention	906	700	201	499	-	1,405
McKinney Grant	29,016	53,655	58,288	(4,633)	-	24,383
Medicaid	36,623	134,384	5,479	128,905	(120,000)	45,528
Melmac Foundation	3,267	16,875	9,124	7,751	-	11,018
Preschool Grant	1,516	2,594	2,646	(52)	-	1,464
Recertification	2,525	-	7,048	(7,048)	-	(4,523)
Regionalization	-	23,750	37,240	(13,490)	-	(13,490)
Staff-in-service	22,998	13,000	3,045	9,955	-	32,953
Strategic Planning Grant	183	-	183	-	-	-
Title IA	26,822	368,116	363,919	4,197	-	31,019
Title IIA - Teacher Quality	43,725	118,118	113,700	4,418	-	48,143
Title IID - Technology	10,155	5,041	11,204	(6,163)	-	3,992
Title V - Innovative	6,619	3,080	9,605	(6,525)	-	94
Title VI - Rural Low Income	(397)	48,739	48,342	397	-	-
Other	16,952	55,697	26,617	29,080	496	46,528
Total School Special Purpose Funds	684,368	2,097,610	2,003,529	94,081	(58,075)	720,374
Total Special Revenue Funds	\$ 1,100,018	4,218,327	4,612,225	(393,898)	182,364	888,484

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, 2007

	Bailey					
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total
ASSETS						
Cash and cash equivalents	\$ -	103,850	1,191	-	-	105,041
Investments	185,719	249,675	1,172,311	36,581	19,058	1,663,344
Interfund loans receivable	-	-	55,931	-	-	55,931
Total assets	\$ 185,719	353,525	1,229,433	36,581	19,058	1,824,316
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund loans payable	-	863	-	-	-	863
Total liabilities	-	863	-	-	-	863
Fund balances:						
Reserved for nonexpendable principal	185,719	352,662	1,222,042	36,581	19,058	1,816,062
Unreserved, reported in:						
Permanent funds	-	-	7,391	-	-	7,391
Total fund balances	185,719	352,662	1,229,433	36,581	19,058	1,823,453
Total liabilities and fund balances	\$ 185,719	353,525	1,229,433	36,581	19,058	1,824,316

CITY OF BATH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	Bailey					
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total
Revenues:						
Investment income	\$ 5,994	10,447	37,795	1,181	615	56,032
Realized gain (loss) on investments	4,213	5,672	27,598	830	432	38,745
Unrealized gain (loss) on investments	7,256	9,756	45,924	1,429	745	65,110
Perpetual care contributions	-	-	12,404	-	-	12,404
Total revenues	17,463	25,875	123,721	3,440	1,792	172,291
Expenditures:						
Current:						
Distribution of income	-	-	-	951	-	951
Other	1,165	1,567	7,347	230	120	10,429
Total expenditures	1,165	1,567	7,347	1,181	120	11,380
Excess (deficiency) of revenues over (under) expenditures	16,298	24,308	116,374	2,259	1,672	160,911
Other financing sources (uses):						
Transfers in (out)	(4,829)	(7,686)	(25,000)	-	(496)	(38,011)
Total other financing sources (uses)	(4,829)	(7,686)	(25,000)	-	(496)	(38,011)
Net change in fund balances	11,469	16,622	91,374	2,259	1,176	122,900
Fund balances, beginning of year	174,250	336,040	1,138,059	34,322	17,882	1,700,553
Fund balances, end of year	\$ 185,719	352,662	1,229,433	36,581	19,058	1,823,453

LONG-TERM DEBT

CITY OF BATH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2007

	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:								
1986 Police Facility Bonds	6.5%	1986	2006	\$ 50,000	50,000	-	50,000	-
1988 Sewer Separation Bonds	Var.	1988	2008	100,000	300,000	-	100,000	200,000
1989 Sewer Separation Bonds	Var.	1989	2009	40,000	140,000	-	40,000	100,000
1992 Sewer Improvement Bonds	4.1%	1992	2012	165,550	1,158,850	-	165,550	993,300
1995 Landfill/BIW Settlement Bonds	Var.	1995	2010	420,000	1,680,000	-	1,680,000	-
1997 Wastewater Treatment Upgrade Bonds	Var.	1997	2017	315,000	3,780,000	-	315,000	3,465,000
1998 Library Bonds	Var.	1998	2012	35,700	250,100	-	35,700	214,400
1999 Sewer and Street Improvement IIF Bonds	Var.	1999	2020	225,000	3,150,000	-	225,000	2,925,000
2001 Capital Improvement Bonds	Var.	2001	2021	55,000	800,000	-	50,000	750,000
2002 SRF Landfill/Pumping Station Bonds	Var.	2002	2022	107,500	1,627,500	-	107,500	1,520,000
2002 General Obligation Bonds	Var.	2002	2021	Var.	3,340,000	-	220,000	3,120,000
2004 General Obligation Bonds	Var.	2004	2020	Var.	1,715,000	-	125,000	1,590,000
2004 Note Payable	5.500%	2004	2024	Var.	526,374	-	16,946	509,428
Building Renovation Note	5.125%	2006	2011	Var.	1,000,000	-	558,923	441,077 (1)
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	350,000	-	17,500	332,500
2006 General Obligation Refunding Bond	4.375%	2006	2009	Var.	-	1,710,000	425,000	1,285,000
Total City issues					19,867,824	1,710,000	4,132,119	17,445,705
School issues:								
1996 High School Improvement Bonds	Var.	1996	2017	345,000	3,795,000	-	3,795,000	-
2001 Middle School Improvement Bonds	Var.	2001	2021	280,000	4,480,000	-	280,000	4,200,000
2001 Middle School Improvement SSRRF Bonds	0.0%	2002	2012	55,010	330,060	-	55,010	275,050
2006 General Obligation Refunding Bond	4.375%	2006	2016	Var.	-	3,570,000	20,000	3,550,000
Total School issues					8,605,060	3,570,000	4,150,010	8,025,050
Total long-term debt				\$	28,472,884	5,280,000	8,282,129	25,470,755

(1) This note is on a draw down basis. As of June 30, 2007, the City has drawn down \$500,000.

SCHEDULES

CITY OF BATH, MAINE
School Department
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual--Budgetary Basis
For the year ended June 30, 2007
(with comparative amounts for the year ended June 30, 2006)

	2007		Variance positive (negative)	2006
	Budget	Actual		Actual
Revenues:				
Property taxes	\$ 7,959,981	7,959,981	-	7,338,881
Tuition	3,008,474	3,473,427	464,953	3,094,659
State and Federal subsidies	5,893,112	5,898,627	5,515	6,033,994
Other	17,000	23,561	6,561	36,580
Total revenues	16,878,567	17,355,596	477,029	16,504,114
Expenditures:				
System-wide:				
School Board	95,404	76,311	19,093	95,787
Administration	447,074	432,720	14,354	471,186
Staff services/student assessment	235,429	195,107	40,322	165,248
Health services	-	-	-	183,690
Technology	366,750	342,592	24,158	360,735
Transportation	265,294	285,647	(20,353)	358,098
Maintenance	145,045	139,040	6,005	161,396
Total system-wide	1,554,996	1,471,417	83,579	1,796,140
Elementary instruction:				
Office of Principal	268,865	260,715	8,150	288,013
Instruction	2,617,462	2,587,818	29,644	2,653,482
Special resources	629,408	656,729	(27,321)	745,773
Support services and co-curricular	144,036	168,213	(24,177)	86,084
Maintenance	401,849	510,825	(108,976)	462,374
Total elementary instruction	4,061,620	4,184,300	(122,680)	4,235,726
Intermediate instruction:				
Office of Principal	241,435	241,241	194	230,767
Instruction	1,845,605	1,830,632	14,973	1,673,682
Special resources	406,414	377,480	28,934	385,577
Support services and co-curricular	308,357	294,641	13,716	261,008
Maintenance	505,573	422,749	82,824	387,913
Total intermediate instruction	3,307,384	3,166,743	140,641	2,938,947
Secondary instruction:				
Office of Principal	308,082	317,852	(9,770)	382,371
Instruction	2,821,693	2,718,887	102,806	2,752,137
Special resources	335,192	351,365	(16,173)	269,765
Support services and co-curricular	746,021	746,366	(345)	551,668
Maintenance	582,239	529,509	52,730	420,932
Total secondary instruction	4,793,227	4,663,979	129,248	4,376,873

CITY OF BATH, MAINE
School Department
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued

	2007		Variance positive (negative)	2006
	Budget	Actual		Actual
Expenditures, continued:				
Vocational instruction:				
Office of Principal	138,769	124,358	14,411	132,857
Instruction	742,504	702,533	39,971	685,186
Support services and co-curricular	44,939	51,682	(6,743)	47,728
Maintenance	237,940	204,759	33,181	283,400
Total vocational instruction	1,164,152	1,083,332	80,820	1,149,171
Special education:				
Office of Director	297,730	275,384	22,346	134,498
Instruction	768,002	758,090	9,912	709,609
Special resources	53,408	53,659	(251)	46,408
Other	70,596	70,409	187	161,194
Total special education	1,189,736	1,157,542	32,194	1,051,709
Debt service:				
Principal	680,010	680,010	-	680
Interest	401,175	396,873	4,302	431,100
Total debt service	1,081,185	1,076,883	4,302	1,111,710
Total expenditures	17,152,300	16,804,196	348,104	16,660,276
Excess (deficiency) of revenues over (under) expenditures	(273,733)	551,400	825,133	(156,162)
Other financing sources (uses):				
Transfers in	145,000	145,000	-	-
Transfers out	(19,000)	(19,000)	-	(19,000)
Budgeted use of fund balance	147,733	-	(147,733)	-
Total other financing sources (uses)	273,733	126,000	(147,733)	(19,000)
Net change in fund balance - budgetary basis	-	677,400	677,400	(175,162)
Reconciliation to GAAP basis:				
Change in accrued teacher summer salaries		-		(29,295)
Net change in fund balance - GAAP basis		677,400		(204,457)
Fund balance, beginning of year		(1,221,619)		(1,017,162)
Fund balance, end of year	\$	(544,219)		(1,221,619)

BATH SCHOOL DEPARTMENT
High School Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Fund Balances
For the year ended June 30, 2007

	Balances June 30, 2006	Receipts	Disbursements	Balances June 30, 2007
Accommodation account	\$ -	10,176	10,176	-
AD petty cash	94	2,360	2,437	17
Amnesty International	42	-	42	-
Art	1,119	2,708	3,555	272
Band	1,138	4,041	4,756	423
BIW annual scholarship	1,500	1,000	1,500	1,000
Cap and Gown	(216)	3,186	2,970	-
Chorus account	2	-	2	-
Civil Rights	53	-	-	53
Class of 2000	2,070	-	-	2,070
Class of 2001	3,491	-	-	3,491
Class of 2005	1,760	-	-	1,760
Class of 2006	(570)	955	385	-
Class of 2007	5,089	624	960	4,753
Class of 2008	5,126	9,617	10,222	4,521
Class of 2009	2,636	4,080	75	6,641
Class of 2010	-	2,335	22	2,313
Computer Disk	138	72	50	160
Copier Usage	66	-	-	66
Courtyard account	-	350	-	350
Debate Team	136	-	76	60
Drama account/O'Leary	-	3,020	2,766	254
Dudley Award	1,040	-	-	1,040
English Book	90	43	65	68
Foreign Language	283	369	337	315
Foreign Language Lab	1,500	-	-	1,500
Guidance software	2,835	9,509	10,152	2,192
Health Services Account	1,650	-	-	1,650
Industrial Arts	1,154	1,801	2,200	755
Interest accrued (checking)	-	292	292	-
Interest accrued (savings)	2,213	205	-	2,418
Kaleidoscope account	94	-	-	94
Let's Talk	1,361	-	-	1,361
Library Fund account	1,980	704	952	1,732
Maine Army National Guard Award	1,007	-	-	1,007
Mathematics account	324	814	491	647
MELMAC account	-	1,000	-	1,000
Memories of Morse II	89	-	-	89
Message board account	496	-	-	496
MOHIBA account	-	12,351	10,631	1,720
Monahan Fund	270	-	-	270
MSSO account	333	-	-	333
National Honor Society account	1,620	1,332	1,176	1,776

BATH SCHOOL DEPARTMENT
High School Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Fund Balances, Continued
For the year ended June 30, 2007

	Balances June 30, 2006	Receipts	Disbursements	Balances June 30, 2007
One Act Play account	\$ -	2,877	2,877	-
Pennies for a Promise	-	500	500	-
Pepsi account	-	2,591	2,591	-
Photography account	342	41	-	383
Physical Education Mat account	2	1,281	1,283	-
Principal	3,252	4,833	4,781	3,304
Publication Workshop	306	-	-	306
Reny Award account	4,000	3,000	2,000	5,000
Replace Equipment/Hatch	453	-	449	4
Rewards account	141	575	650	66
Science account	2,454	1,400	2,264	1,590
SCLC account	1,583	-	564	1,019
Social Studies	1,143	250	100	1,293
Sophomore Awareness	61	9	62	8
Spring Show	-	316	316	-
Stage improvement (Class of '88)	2,000	3,645	3,686	1,959
STP	90	-	-	90
Student parking fees	11	734	-	745
Teacher Flower Fund	1,196	624	1,711	109
Textbook charges	105	40	23	122
Theatre Boosters	1,362	458	970	850
Trigorin Project	190	40	30	200
Trophy case	507	-	-	507
Trophy Case '41	1,000	-	-	1,000
Wellness account	14	100	81	33
Yearbook ads	-	4,775	4,775	-
Yearbook sales	15,541	26,624	27,055	15,110
Totals	\$ 77,766	127,657	123,058	82,365

Note: The total balance is represented by cash in bank.

BATH SCHOOL DEPARTMENT
Junior High School Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Fund Balances
For the year ended June 30, 2007

	Balances June 30, 2006	Receipts	Disbursements	Balances June 30, 2007
6 Gold	\$ 17	200	-	217
7/8 Purple	(1,443)	3,667	2,467	(243)
7/8 Black	(820)	4,639	3,575	244
7/8 Red	3,535	2,729	3,838	2,426
7/8 Green	2,115	1,728	2,485	1,358
Band	1,639	3,643	2,971	2,311
Basketball	774	5,330	6,397	(293)
Book Fair	1,889	2,738	2,417	2,210
Cheer	(114)	-	-	(114)
Chorus	1,236	4,623	4,839	1,020
E.E. Club	531	384	280	635
Ex. learning	328	-	385	(57)
Int Bball	226	-	434	(208)
Kyle's Fund	3,555	-	-	3,555
Library	227	449	588	88
NJHS	(172)	111	236	(297)
Princ Acct	2,577	16,549	22,835	(3,709)
St. Council	2,496	6,808	6,849	2,455
Sunshine	66	511	108	469
Yearbook	4,224	7,410	5,395	6,239
Totals	\$ 22,886	61,519	66,099	18,306

Note: The total balance is represented by cash in bank.

BATH SCHOOL DEPARTMENT
Vocational School Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Fund Balances
For the year ended June 30, 2007

	Balances June 30, 2006	Receipts	Disbursements	Balances June 30, 2007
Childcare	\$ (2)	4,247	4,201	44
Director's Acc	4,263	12,954	10,194	7,023
School Store	-	3,145	2,742	403
Culinary Arts	7,476	6,315	5,284	8,507
Culinary Arts Student	550	-	550	-
Vica	1,385	6,511	6,883	1,013
Building Const	4,653	2,636	2,022	5,267
Building Const Student	300	-	300	-
Automotive	781	-	-	781
HOSA	1,041	13,185	13,225	1,001
Bldg Bridges	226	-	226	-
BRVC Scholarship	4,065	-	515	3,550
1950 Scholarship	3,950	-	-	3,950
NV-THS	(295)	-	-	(295)
MOUS	808	875	833	850
Computer Repair	8	-	8	-
Drafting Grant	632	-	632	-
Class of '49 / Culinary Arts	6,000	-	-	6,000
Class of '47	-	4,000	-	4,000
Sunshine Fund	-	650	404	246
Totals	\$ 35,841	54,518	48,019	42,340

Note: The total balance is represented by cash in bank.

BATH SCHOOL DEPARTMENT
Dike Newell School Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Fund Balances
For the year ended June 30, 2007

	Balances June 30, 2006	Receipts	Disbursements	Balances June 30, 2007
Music	\$ 129	-	124	5
Slush	468	3,598	2,997	1,069
Artists	-	-	-	-
RIF	1,864	-	1,762	102
Kindergarten	-	859	720	139
Grade 1	526	-	-	526
Grade 2	433	-	227	206
Grade 3	1,516	-	1,516	-
Grade 4	932	-	932	-
Grade 5	311	-	311	-
Library	1,155	109	971	293
Holly Book Fund	-	600	476	124
Playground	935	-	39	896
Sunshine	22	370	10	382
Annie Palmer	33	-	-	33
Clothing/supply fund	-	390	-	390
Oxfam	-	204	204	-
Jump Rope for Heart	-	773	773	-
Science 2A	3	-	3	-
Science 2B	2	-	2	-
Science 3A	136	-	136	-
Science 3B	21	-	21	-
Totals	\$ 8,486	6,903	11,224	4,165

Note: The total balance is represented by cash in bank.

BATH SCHOOL DEPARTMENT
Fisher Mitchell School Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Fund Balances
For the year ended June 30, 2007

	Balances June 30, 2006	Receipts	Disbursements	Balances June 30, 2007
Sunshine	\$ 44	495	224	315
Library	877	89	223	743
PTA Arts	192	-	-	192
Nurses Account	153	-	-	153
Grade 5	1,288	2,757	2,994	1,051
Slush	(214)	4,534	3,444	876
Grade 3	-	1,516	1,456	60
Grade 4	-	932	886	46
Grade 5	-	311	189	122
Science 3A	-	136	-	136
Science 3B	-	21	-	21
Totals	\$ 2,340	10,791	9,416	3,715

Note: The total balance is represented by cash in bank.

BATH SCHOOL DEPARTMENT
Huse Kindergarten
Statement of Cash Receipts, Disbursements and Changes in Fund Balances
For the year ended June 30, 2007

	Balances June 30, 2006	Receipts	Disbursements	Balances June 30, 2007
Soda Fund	\$ 1,214	-	1,214	-
Totals	\$ 1,214	-	1,214	-

Note: The total balance is represented by cash in bank.

STATISTICAL TABLES

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Taxes	\$ 10,280,078	10,200,686	10,424,973	10,474,542	11,223,961	12,623,047	13,428,379	13,659,493	13,404,814	15,307,788
Licenses and permits	59,911	62,403	104,177	75,633	65,284	95,088	79,168	90,128	132,935	150,943
Intergovernmental revenues	5,516,207	5,954,752	6,370,566	6,718,329	6,854,712	6,485,027	6,619,956	6,465,023	7,153,492	7,122,131
Charges for services	3,597,275	4,113,947	4,481,163	4,482,088	4,238,843	4,425,659	4,703,368	4,647,438	4,591,096	4,626,184
Investment income	469,068	436,509	550,927	570,285	315,152	158,518	109,238	152,877	211,305	331,063
Other revenues (1)	369,014	511,081	434,039	253,024	346,531	383,032	349,374	265,411	393,962	547,403
Total revenues	20,291,553	21,279,378	22,365,845	22,573,901	23,044,483	24,170,371	25,289,483	25,280,370	25,887,604	28,085,512
Expenditures:										
General government	905,020	944,131	971,283	998,919	1,011,882	1,024,780	1,054,390	1,058,485	1,102,444	1,197,766
Public safety	2,364,012	2,452,530	2,657,547	2,792,139	2,809,960	2,734,664	2,760,277	2,751,019	3,171,253	3,046,429
Public works	1,263,152	1,286,141	1,497,650	1,518,166	1,567,059	1,590,076	1,659,323	1,825,791	1,788,654	1,856,280
Health and welfare	92,370	72,505	73,585	81,328	66,390	61,036	75,691	98,495	106,539	101,382
Recreation	157,594	165,235	181,013	172,638	174,920	187,331	208,803	212,641	192,226	198,194
Education	12,336,879	12,768,668	13,180,043	13,793,905	14,579,337	15,323,583	15,923,794	16,012,109	16,660,276	16,804,196
Intergovernmental	630,200	646,140	644,385	677,633	1,019,100	1,217,279	1,111,526	1,172,705	1,340,856	1,931,215
Unclassified (2)	1,095,800	1,328,365	1,227,622	1,302,140	1,300,652	1,407,474	1,366,646	1,314,909	1,468,356	1,623,623
Debt service	1,671,944	1,494,136	1,476,562	1,433,149	1,407,211	1,242,189	1,248,880	1,236,907	1,259,955	1,210,959
Total expenditures	20,516,971	21,157,851	21,909,690	22,770,017	23,936,511	24,788,412	25,409,330	25,683,061	27,090,559	27,970,044

(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
1998	\$ 9,832,934	9,477,817	96.39%	635,143	6.46%
1999	9,823,727	9,574,136	97.46%	551,355	5.61%
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%

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		
1998 (1) \$	391,047,800	86,279,100	477,326,900	468,550,000	101.87%
1999	393,854,000	87,620,300	481,474,300	484,000,000	99.48%
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%

(1) Does not include Homestead valuation exemption and TIF Captured Assessed Value

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
1998	20.60	7.84	11.41	1.35
1999	20.60	7.76	11.46	1.38
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

(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
1998	9,825	\$ 477,327	25,188,250	5.28%	2,564
1999	9,825	481,474	27,742,700	5.76%	2,824
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

(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
1998	\$ 1,628,550	1,242,470	2,871,020	20,516,971	13.99%
1999	1,945,550	1,220,049	3,165,599	21,157,851	14.96%
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	34,906,821	10.31%

(1) Includes education and special revenue fund debt service

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

CITY OF BATH, MAINE
Ten Largest Taxpayers
For the year ended June 30, 2007

Name	Type of operation	Assessed valuation	Amount of tax	% of net tax levy
Bath Iron Works	Ship building & repair	\$ 427,724,630	6,929,139	37.97%
Thomas P. Walsh, Inc.	Motor - Hotel	10,619,074	172,029	0.94%
Super Bath Route 1 LLC	Retail space	9,975,988	161,611	0.89%
Security National Properties, LLC	Office space	5,000,988	81,016	0.44%
Bath Route 1, LLC	Retail space	4,709,815	76,299	0.42%
Hillhouse Inc	Nursing home	4,557,099	73,825	0.40%
Northwood Housing	Residential housing	4,317,593	69,945	0.38%
Central Maine Power	Utility	3,757,284	60,868	0.33%
Harris Golf, Inc	Golf course	3,484,630	56,451	0.31%
Computer Sciences Corporation	Computers and tech support	3,169,877	51,352	0.28%
Totals		\$ 477,316,975	7,732,535	42.38%

