

CITY OF BATH, MAINE
Annual Financial Report
For the Year Ended June 30, 2006

CITY OF BATH, MAINE
Annual Financial Report
Year ended June 30, 2006

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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, 2006, 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, 2006 and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Sewer Utility Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 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.

Romya Kersteen Ouellette

January 9, 2007
South Portland, Maine

CITY OF BATH, MAINE
Management's Discussion and Analysis
June 30, 2006

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, 2006, with selected comparative information for the year ended June 30, 2005. 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/SkatePark 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 2006 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). 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 47) and include Special Purpose Funds, Community Development Funds, Transportation Programs, Bath Local Development Corporation, Midcoast Center for Higher Education and School Special Purpose. Capital Project Fund statements begin with Exhibit D-1 of this audit. Permanent Funds begin with Exhibit E-1 of this Audit Report (page 57) and include the Bailey Evening School, Beneficiary Trust, Cemetery Trusts, Old Folks Home, and School Trusts.

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

- **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 the City's other financial statements because the City 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 2006	FY 2005
	Governmental	Governmental
	Activities	Activities
ASSETS		
Current & Other Assets	\$ 11,341,964	\$ 12,393,701
Depreciable capital assets, net	30,362,717	30,013,920
Non-depreciable capital assets, net	<u>2,390,817</u>	<u>3,785,975</u>
<i>Total Assets</i>	<u>44,095,498</u>	<u>46,193,596</u>
LIABILITIES		
Non-current Liabilities:		
Due w/in 1 year	\$ 2,953,679	\$ 2,848,765
Due more than 1 year	29,172,567	32,019,455
Other Liabilities	<u>3,588,495</u>	<u>3,526,022</u>
<i>Total Liabilities</i>	<u>35,714,741</u>	<u>38,394,242</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,907,288	3,471,675
Restricted for:		
Permanent funds:		
Expendable	7,391	6,726
Nonexpendable	1,693,162	1,688,668
Unrestricted	<u>1,772,916</u>	<u>2,632,285</u>
<i>Total Net Assets</i>	<u>\$ 8,380,757</u>	<u>\$ 7,799,354</u>

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

Any increase or decrease pertaining to the City's net assets of \$8,380,757 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>2006</u>	<u>2005</u>
REVENUES:		
Program Revenues:		
Charge for services	\$ 7,028,505	6,504,592
Operating grants and contributions	10,224,805	9,171,170
Capital grants and contributions	103,601	216,313
General Revenues:		
Property and excise taxes, levied for general purposes	17,557,406	20,533,811
Grants and contributions not restricted to specific programs	1,119,498	1,320,959
Unrestricted investment earnings	280,765	212,809
Loss on Disposal of Assets	(59,512)	(34,332)
Other	<u>692,928</u>	<u>1,191,971</u>
<i>Total Program and General revenues and transfers</i>	36,947,996	39,117,293
EXPENSES:		
General government	1,881,109	2,081,863
Public works and wastewater	3,846,247	5,515,193
Public Safety	3,447,861	2,989,697
Parks and recreation	596,547	596,573
Health, welfare, and transportation	224,445	190,169
Education	20,274,473	19,384,988
Intergovernmental	1,340,856	1,172,705
Unclassified	4,068,000	6,377,721
Interest on debt	731,159	787,855
Capital outlay	<u>1,195,665</u>	<u>2,553,551</u>
<i>Total Expenses</i>	37,606,362	41,650,315
Increase (decrease) in net assets	(658,366)	(2,533,022)
Net Assets Beginning, as restated	<u>9,039,123</u>	<u>10,332,376</u>
<i>Net Assets Ending</i>	<u>\$ 8,380,757</u>	<u>\$ 7,799,354</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.

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

- 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.
- One notable item seen in this audit for the first time 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 2005-2006 school year (which ends prior to June 30) would be paid through July and August of 2006. These salaries need to be expensed in the year they are worked, which would be fiscal year ending June 30, 2006. This liability to the school department is approximately \$1.39 million at the end of FY 2006. This causes the School to have a negative undesignated fund balance at June 30, 2006 of nearly \$1.37 million. The school department is taking great steps to reduce this negative fund balance by budgeting a surplus each year in hopes of eliminating the deficit in five years.
- The City receives a significant portion of its tax base from Bath Iron Works (BIW). For the 2005 tax year (taxes were due October 15, 2005), BIW represented about 38 percent of total property taxes assessed (see Table G for more information). While the City collected a little over \$6.2 million in real estate and personal property tax revenue from BIW, roughly \$2.6 million were funds collected as part of a Tax Increment Financing (TIF) District. Because of the TIF, only about \$3.5 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 2006, the City was allowed approximately \$222,000 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.

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

- The City of Bath landfill continues to operate at a brisk pace, filling up available space more quickly than anticipated. A fee increase and other measures to extend the life of the landfill are being explored. At this time, the estimated closure and post-closure costs of the landfill as it exists on June 30, 2006, exceeds \$3.1 million. At the same time, only \$305,000 has been saved towards closure. In the next two years the City will need to look at incurring several million dollars debt in order to close the landfill, or expand its capacity.
- Due to the locally imposed expenditure limitation, the City has an inability to self-fund a capital improvement plan. 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.
- The City paid about \$2.8 million in debt service payments in fiscal year 2006. Most of that debt service was voter approved, and thus exempt from the expenditure limitation. Overall outstanding debt is nearly \$29 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 \$370,000 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. One obstacle to renting this space is the lack of an elevator in the MCHE. The City and MCHE are working together to explore the costs associated with installing an elevator for increased accessibility.
- During its inception, the City helped support the MCHE financially. It is the goal of both the MCHE and City that the MCHE work toward self-sustenance and a positive fund balance. The MCHE increased its deficit fund balance from approximately \$93,000 to \$110,000 during FY 2006. The City is working with the MCHE on rental strategies and evaluation of the rental space at the MCHE in hopes of balancing their revenue and expenses. One issue to be solved during FY 2007 is that of the fiscal year; the City is on a July fiscal year and the MCHE is on a calendar year for accounting purposes. This makes it difficult to budget together or reconcile revenues and expenses. Both the City and MCHE would like to change the MCHE to a July 1 fiscal year, and are working toward that goal during FY 2007. [For more information, see Exhibits D-1 and D-2 of this audit.]
- The Bath Youth Meeting House/SkatePark 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 2006. Since the City operates on a year ending June 30 fiscal year, and the SkatePark 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 only slightly in the next year or two, while State Aid for Education is supposed to increase significantly over the next four years due to LD1.

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

- The City will begin a greater emphasis on information reporting in the coming years. Information reporting improvements include the following:
 - The School Department will be switching 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 municipal side will begin 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 will begin putting together a true Capital Improvement Plan (CIP), which report current and future proposed capital projects and purchases, as well as results of past capital expenditures. 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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Ruth E. Moore, *Deputy Finance Director*
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BASIC FINANCIAL STATEMENTS

CITY OF BATH, MAINE
Statement of Net Assets
June 30, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,347,061
Investments	1,547,025
Receivables:	
Taxes receivable	651,391
Tax liens	182,823
Accounts receivable	358,228
Notes receivable	717,009
Due from other governments	411,817
Inventory	26,610
Cash held in escrow at financial institutions	1,100,000
Capital assets, not being depreciated	2,390,817
Capital assets, net of depreciation	30,362,717
Total assets	44,095,498
LIABILITIES	
Accounts payable	529,948
Accrued expenses	317,403
Accrued teacher summer salaries	1,392,702
Accrued compensated absences	1,012,047
Accrued interest	336,395
Noncurrent liabilities:	
Due within one year	2,953,679
Due in more than one year	29,172,567
Total liabilities	35,714,741
NET ASSETS	
Invested in capital assets, net of related debt	4,907,288
Restricted for:	
Permanent funds:	
Expendable	7,391
Nonexpendable	1,693,162
Unrestricted	1,772,916
Total net assets	\$ 8,380,757

See accompanying notes to financial statements.

CITY OF BATH, MAINE
Statement of Activities
For the year ended June 30, 2006

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 1,881,109	39,425	628,805	-	(1,212,879)
Public works and wastewater treatment	3,846,247	2,239,436	-	-	(1,606,811)
Public safety	3,447,861	625,634	164,121	-	(2,658,106)
Parks and recreation	596,547	273,291	-	-	(323,256)
Health, welfare, and transportation	224,445	8,734	38,926	-	(176,785)
Education	20,274,473	3,471,626	9,361,488	-	(7,441,359)
Intergovernmental	1,340,856	-	-	-	(1,340,856)
Unclassified	4,068,000	370,359	31,465	-	(3,666,176)
Interest on debt	731,159	-	-	-	(731,159)
Capital outlay	1,195,665	-	-	103,601	(1,092,064)
Total governmental activities	37,606,362	7,028,505	10,224,805	103,601	(20,249,451)
Total primary government	\$ 37,606,362	7,028,505	10,224,805	103,601	(20,249,451)

General revenues:

Property taxes, levied for general purposes	16,348,145
Contributions in lieu of taxes	67,789
Motor vehicle excise taxes	1,008,537
Licenses and permits	132,935
Grants and contributions not restricted to specific programs:	
Homestead exemption	179,668
Other State/federal aid	53,779
State Revenue Sharing	886,051
Unrestricted investment earnings	280,765
Loss on disposal of assets	(59,512)
Other	692,928
Total general revenues	19,591,085

Change in net assets (658,366)

Net assets - beginning, restated 9,039,123

Net assets - ending \$ 8,380,757

See accompanying notes to financial statements.

CITY OF BATH, MAINE
Balance Sheet
Governmental Funds
June 30, 2006

	General	Sewer Utility Fund	TIF Funds	Capital Projects	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 5,668,204	-	-	291,000	387,857	6,347,061
Investments	8,355	-	-	-	1,538,670	1,547,025
Receivables:						
Taxes receivable	651,391	-	-	-	-	651,391
Tax liens	173,617	9,206	-	-	-	182,823
Accounts receivable	62,424	258,985	-	20,508	16,311	358,228
Notes receivable	-	-	-	-	717,009	717,009
Due from other governments	156,805	-	-	33,332	221,680	411,817
Interfund loans receivable	-	1,073,474	562,781	2,090,591	854,824	4,581,670
Inventory	9,846	-	-	-	16,764	26,610
Total assets	\$ 6,730,642	1,341,665	562,781	2,435,431	3,753,115	14,823,634
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	381,122	45,621	-	39,476	63,729	529,948
Accrued expenditures	208,463	9,081	-	-	99,848	317,392
Accrued teacher summer salaries	1,392,702	-	-	-	-	1,392,702
Interfund loans payable	3,792,703	-	-	-	788,967	4,581,670
Taxes collected in advance	11	-	-	-	-	11
Deferred tax revenue	557,000	-	-	-	-	557,000
Total liabilities	6,332,001	54,702	-	39,476	952,544	7,378,723
Fund balances:						
Reserved for encumbrances	1,106	-	-	-	-	1,106
Reserved for noncurrent receivables	9,846	-	-	-	717,009	726,855
Reserved for inventory	-	-	-	-	16,764	16,764
Reserved for non-expendable principal	-	-	-	-	1,693,162	1,693,162
Unreserved, reported in:						
General fund - designated	1,162,725	-	-	-	-	1,162,725
General fund - undesignated - School	(1,369,352)	-	-	-	-	(1,369,352)
General fund - undesignated - City	594,316	-	-	-	-	594,316
Special revenues - designated	-	446,644	-	-	94,090	540,734
Special revenues - undesignated	-	840,319	562,781	-	272,155	1,675,255
Capital projects	-	-	-	2,395,955	-	2,395,955
Permanent funds	-	-	-	-	7,391	7,391
Total fund balances	398,641	1,286,963	562,781	2,395,955	2,800,571	7,444,911
Total liabilities and fund balances	\$ 6,730,642	1,341,665	562,781	2,435,431	3,753,115	

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 32,753,534

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 1,657,000

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

 Accrued compensated absences (1,012,047)

 Accrued interest (336,395)

 Landfill closure (3,180,000)

 Capital leases (473,362)

 Bonds payable (28,472,884)

Net assets of governmental activities **\$ 8,380,757**

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, 2006

	Sewer			Other		
	General	Utility Fund	TIF Funds	Capital Projects	Governmental Funds	Total
Revenues:						
Taxes	\$ 13,404,814	-	3,436,828	491,829	-	17,333,471
Licenses and permits	132,935	-	-	-	-	132,935
Intergovernmental	8,952,716	-	-	103,601	2,391,587	11,447,904
Charges for services	4,591,096	1,368,633	-	-	1,068,776	7,028,505
Investment income	211,305	6,091	-	7,149	56,220	280,765
Other revenues	343,954	31,085	-	19,455	298,434	692,928
Total revenues	27,636,820	1,405,809	3,436,828	622,034	3,815,017	36,916,508
Expenditures:						
Current:						
General government	1,102,444	-	-	-	706,488	1,808,932
Public works and wastewater treatment	1,788,654	1,033,284	-	-	-	2,821,938
Public safety	3,171,253	-	-	-	168,445	3,339,698
Parks and recreation	-	-	-	-	596,547	596,547
Health, welfare and transportation	106,539	-	-	-	117,906	224,445
Education	18,488,795	-	-	-	-	18,488,795
Intergovernmental	1,340,856	-	-	-	2,103,866	20,592,661
Unclassified	1,343,589	-	2,648,581	-	-	1,340,856
Debt service	1,259,955	599,495	749,415	-	406,792	4,398,962
Capital outlays	155,248	157,490	46,562	1,578,777	5,159	2,608,865
Total expenditures	28,757,333	1,790,269	3,444,558	1,578,777	4,105,203	39,676,140
Excess (deficiency) of revenues over (under) expenditures	(1,120,513)	(384,460)	(7,730)	(956,743)	(290,186)	(2,759,632)
Other financing sources (uses):						
Operating transfers--in	115,000	-	-	521,115	124,674	760,789
Operating transfers--out	(316,993)	(40,000)	(366,115)	-	(37,681)	(760,789)
Proceeds from capital lease	155,248	-	-	-	-	155,248
Proceeds from notes	-	-	-	250,000	-	250,000
Total other financing sources (uses)	(46,745)	(40,000)	(366,115)	771,115	86,993	405,248
Net change in fund balances	(1,167,258)	(424,460)	(373,845)	(185,628)	(203,193)	(2,354,384)
Fund balances, beginning of year	1,565,899	1,711,423	936,626	2,581,583	3,003,764	9,799,295
Fund balances, end of year	\$ 398,641	1,286,963	562,781	2,395,955	2,800,571	7,444,911

See accompanying notes to financial statements.

CITY OF BATH, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2006

Net change in fund balances - total governmental funds (from Statement 4)	\$	(2,354,384)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,504,189) and loss on disposal of assets (\$59,512) exceeded capital outlays (\$747,571).

(816,130)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

91,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

49,174

Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$332,496) exceeded proceeds (\$155,248).

177,248

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$2,554,726) and cash held in escrow at financial institutions (\$1,100,000) exceeded proceeds (\$1,350,000).

2,304,726

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

(110,000)

Change in net assets of governmental activities (see Statement 2)	\$	(658,366)
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See accompanying notes to financial statements.

CITY OF BATH, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Budgeted Governmental Funds - Budget and Actual - Budgetary Basis
For the year ended June 30, 2006

	General Fund			Sewer Utility Fund			Variance with final budget positive (negative)
	Budget		Actual	Budget		Actual	
	Original	Final		Original	Final		
Revenues:							
Taxes	\$ 13,650,208	13,650,208	13,404,814			(245,394)	
Licenses and permits	73,950	73,950	132,935			58,985	
Intergovernmental	7,448,823	7,448,823	7,153,492			(295,331)	
Charges for services	4,613,474	4,613,474	4,591,096			(22,378)	
Investment income	145,000	145,000	211,305	1,554,000	1,554,000	66,305	1,368,633
Other revenues	417,600	417,600	278,962	7,185	7,185	(138,638)	6,091
Total revenues	26,349,055	26,349,055	25,772,604	1,561,185	1,561,185	(576,451)	31,085
Expenditures:							
Current:							
General government							
Public works	1,196,796	1,196,796	1,102,444			94,352	
Public safety	1,898,959	1,898,959	1,788,654			110,305	
Health and welfare	2,938,354	2,938,354	3,171,253			(232,899)	
Education	81,521	81,521	106,539			(25,018)	
Intergovernmental	16,672,760	16,672,760	16,660,276			12,484	
Administration	1,340,856	1,340,856	1,340,856			-	
Treatment plant	-	-	-	96,875	96,875	-	92,658
Maintenance	-	-	-	718,800	718,800	-	707,445
Unclassified	1,561,032	1,561,032	1,343,589	254,015	254,015	217,443	233,181
Debt service	1,260,473	1,260,473	1,259,955			518	
Capital	-	-	-	599,495	599,495	-	599,495
Total expenditures	26,950,751	26,950,751	26,773,566	1,749,185	1,749,185	177,185	157,490
Excess (deficiency) of revenues over (under) expenditures	(601,696)	(601,696)	(1,000,962)	(188,000)	(1,788,000)	(399,266)	1,522,510
Other financing sources (uses):							
Operating transfers--in	115,000	115,000	115,000				
Operating transfers--out	(301,243)	(301,243)	(316,993)	(40,000)	(40,000)	(15,750)	(40,000)
Utilization of prior year fund balance	787,939	787,939	-	228,000	1,828,000	(787,939)	-
Total other financing sources (uses)	601,696	601,696	(201,993)	188,000	1,788,000	(803,689)	(40,000)
Net change in fund balances - budgetary basis			(1,202,955)			(1,202,955)	(424,460)
Reconciliation to GAAP basis:							
Change in accrued teacher summer salaries			(29,295)				
Fuel revenues for fuel tank reserve			64,992				
Net change in fund balance - GAAP basis			(1,167,258)				(424,460)
Fund balance, beginning of year			1,565,899				1,711,423
Fund balance, end of year			\$ 398,641				\$ 1,286,963

See accompanying notes to financial statements.

CITY OF BATH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 148,533
Total assets	148,533
LIABILITIES	
Due to student groups	148,533
Total liabilities	148,533
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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the 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, except for certain payroll liabilities which the City has opted to report on a cash basis. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The City reports the following major governmental funds:

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

Land and improvements	\$ 25,000
Building improvements	50,000
Machinery, equipment, vehicles	5,000
Infrastructure	150,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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.

The City conducted an inventory of all other capital assets for fiscal year 2004 and complete an internal update annually. This process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Encumbrances

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

J. Use of Estimates

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

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 accrued teacher summer salaries and benefits, which are budgeted on a cash basis and for on-behalf payments which are only accounted for under GAAP accounting purposes. Since the teachers provided all of the required services under their contract at June 30, 2006, accounting principles generally accepted in the United States of America require that the cost associated with those services be recorded during that period. The teachers' summer salaries and benefits accrual at June 30, 2006 was \$1,392,703.

Additionally, 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 \$1,799,224. 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.

The School Department fund balance as shown on Schedule 1 differs from the School fund balance calculated on a budgetary basis due to the accrued teachers summer salaries. The reconciliation is as follows:

	<u>School fund balance</u>
School fund balance (deficit), June 30, 2006--GAAP basis	\$ (1,221,619)
Accrued teacher summer salaries	1,392,703
<u>Fund balance, June 30, 2006--budgetary basis</u>	<u>\$ 171,084</u>

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

PROPERTY TAX

Property taxes for the current year were committed on August 30, 2005, 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 \$133,837 for the year ended June 30, 2006.

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>2006</u>	<u>2005</u>
Assessed value (excluding Homestead exemption)	\$ 1,125,227,600	747,761,800
<u>Tax rate (per \$1,000)</u>	<u>14.50</u>	<u>25.75</u>
Commitment	16,315,800	19,254,866
<u>Supplemental taxes assessed</u>	<u>-</u>	<u>-</u>
	16,315,800	19,254,866
Less:		
Abatements	39,536	5,307
<u>Collections</u>	<u>15,780,960</u>	<u>18,768,749</u>
<u>Current year taxes and liens receivable at end of year \$</u>	<u>495,304</u>	<u>480,810</u>
Due date - current year	October 15, 2005	October 15, 2004
Interest rate on delinquent taxes	6.75%	6.50%
Collection rate	96.96%	97.50%
Taxes and liens receivable - current year	495,304	480,810
<u>Taxes and liens receivable - prior years</u>	<u>329,704</u>	<u>140,132</u>
<u>Total taxes and liens receivables</u>	<u>\$ 825,008</u>	<u>620,942</u>

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

DEPOSITS AND INVESTMENTS

As of June 30, 2006, the City had the following investments:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
U.S. Treasury Notes	\$ 105,911	1.067
Federal Home Loan Banks	146,484	4.293
Federal National Mortgage Association	95,735	2.697
Corporate bonds	274,579	2.465
Common stock	915,961	N/A
2a7-like investment pool	8,355	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, 2006, \$956,650 of the City’s bank balance of \$6,590,193 was exposed to custodial credit risk because it was uninsured and uncollateralized and \$1,866,446 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, 2006, 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	AA+
Associates Corp of North America	AA-
Morgan Stanley Dean Witter	A+

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, 2006 was as follows:

	Balance June 30, <u>2005 (restated)</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,158,348	-	-	2,158,348
Construction in progress	1,397,396	143,817	1,308,744	232,469
Total capital assets not being depreciated	3,555,744	143,817	1,308,744	2,390,817
Capital assets, being depreciated:				
Buildings and building improvements	25,442,821	1,316,601	-	26,759,422
Machinery, furniture and equipment	2,292,064	128,018	95,260	2,324,822
Infrastructure	21,747,381	203,120	127,946	21,822,555
Vehicles	2,942,756	264,759	148,432	3,059,083
Total capital assets being depreciated	52,425,022	1,912,498	371,638	53,965,882
Less accumulated depreciation for:				
Buildings and building improvements	8,204,179	758,935	-	8,963,114
Machinery, furniture and equipment	1,625,098	123,518	90,322	1,658,294
Infrastructure	10,434,471	466,417	87,925	10,812,963
Vehicles	2,147,354	155,319	133,879	2,168,794
Total accumulated depreciation	22,411,102	1,504,189	312,126	23,603,165
<u>Total capital assets being depreciated, net</u>	<u>30,013,920</u>	<u>408,309</u>	<u>59,512</u>	<u>30,362,717</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 33,569,664</u>	<u>552,126</u>	<u>1,368,256</u>	<u>32,753,534</u>

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

Governmental activities:	
General government	\$ 69,434
Public works and wastewater treatment	896,378
Public safety	109,516
Education	428,861
<u>Total depreciation expense – governmental activities</u>	<u>\$ 1,504,189</u>

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

INTERFUND BALANCES AND TRANSFERS

Individual interfund loans receivable and payable at June 30, 2006 were as follows:

	<u>Interfund loan receivable</u>	<u>Interfund loan payable</u>
General Fund	\$ -	3,792,703
Sewer Utility Fund	1,073,474	-
TIF Fund	562,781	-
Capital Projects	2,090,591	-
Nonmajor governmental funds:		
City Special Purpose	83,749	210,243
Community Development	-	460,105
Transportation Programs	95,762	-
Bath Local Development Corp.	158,702	-
Midcoast Center for Higher Education	-	115,307
School Special Purpose	474,885	-
Beneficiary Trust	332	-
Cemetery Trusts	41,394	3,312
Total interfund balances	\$ 4,581,670	4,581,670

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

Individual interfund transfers at June 30, 2006 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 115,000	316,993
Sewer Utility Fund	-	40,000
TIF Fund	-	366,115
Capital Projects	521,115	-
Nonmajor governmental funds:		
City Special Purpose	221,805	-
Transportation Programs	-	230,000
Bath Local Development Corp.	46,081	-
Midcoast Center for Higher Education	25,000	-
School Special Purpose	61,788	-
Bailey Evening School	-	4,705
Beneficiary Trust	-	7,493
Cemetery Trusts	-	25,000
School Trusts	-	483
Total interfund transfers	\$ 990,789	990,789

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

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance (restated)	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds	\$ 29,677,610	1,350,000	2,554,726	28,472,884	2,735,294
Capital leases	650,610	155,248	332,496	473,362	218,385
Accrued compensated absences	1,058,231	-	46,184	1,012,047	-
Landfill closure and postclosure care costs	3,070,000	110,000	-	3,180,000	-
Governmental activity long-term liabilities	\$ 34,456,451	1,615,248	2,933,406	33,138,293	2,953,679

LONG-TERM DEBT

Long-term debt payable at June 30, 2006 is comprised of the following:

	Date of <u>issue</u>	Original amount <u>issued</u>	Date of <u>maturity</u>	Interest <u>rate</u>	June 30, <u>2006</u>
Governmental activities:					
Police facility bonds	8/15/86	\$ 1,000,000	8/15/06	6.50%	50,000
Sewer separation bonds	12/1/88	2,000,000	12/1/08	varies	300,000
Sewer separation bonds	12/1/89	780,000	12/1/09	varies	140,000
Sewer improvement bonds	10/1/92	3,311,000	10/1/12	4.12%	1,158,850
Landfill/BIW settlement bonds	3/1/95	6,300,000	3/1/10	varies	1,680,000
High school expansion bonds	10/1/96	6,898,000	10/1/16	varies	3,795,000
Wastewater upgrade bonds	10/1/97	6,300,000	10/1/17	varies	3,780,000
Library bonds	5/28/98	500,000	11/1/12	varies	250,100
Sewer and street improvement TIF bonds	11/1/99	4,500,000	11/1/19	varies	3,150,000
Middle school renovation	8/1/01	5,600,000	8/1/21	varies	4,480,000
Middle school renovation SSRRF	10/1/02	1,000,000	10/1/11	0.00%	330,060
City capital improvement bonds	8/1/01	1,020,000	8/1/21	varies	800,000
Landfill and pumping station bonds	10/1/03	1,950,000	10/1/22	varies	1,627,500
General obligation bonds	9/1/02	4,000,000	9/1/22	varies	3,340,000
General obligation bonds	6/1/04	1,840,000	9/1/19	varies	1,715,000
2004 Note – Bath Savings Institute	12/3/04	550,000	12/3/24	5.50%	526,374
Building renovation note	3/13/06	1,000,000	11/30/11	5.125%	1,000,000 (1)
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	350,000 (2)
Total governmental activities					\$ 28,472,884

(1) This note is on a draw down basis. As of June 30, 2006, the City has drawn down \$250,000. The remaining \$750,000 has been recorded as cash held in escrow in the governmental activities.

(2) The City did not receive the proceeds from the bond until July 19, 2006. The entire amount of \$350,000 has been recorded as cash held in escrow in the governmental activities.

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, 2006 are as follows:

Year(s) ended June 30,	Principal	Interest	Total
2007	\$ 2,735,294	1,138,952	3,874,246
2008	2,676,396	1,042,802	3,719,198
2009	2,685,464	929,127	3,614,591
2010	2,575,002	818,170	3,393,172
2011	2,145,035	710,508	2,855,543
2012-2016	9,145,452	2,346,634	11,492,086
2017-2021	5,533,470	723,563	6,257,033
2022-2026	976,771	47,400	1,024,171
Totals	\$ 28,472,884	7,757,156	36,230,040

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, 2006, the City had unspent capital project funds of \$305,000 set aside for closure. At June 30, 2006, the landfill had reached approximately 57.7% 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, 2006, of \$2,100,000 for closure, and an estimate for post closure costs of \$1,080,000. This results in a total of \$3,180,000 estimated liability of closure and post closure costs in the government-wide financial statements. The actual closure and post closure costs may vary from this estimate due to inflation, changes in technology, recycling, engineering estimates, expansion of the existing landfill, or changes in landfill laws 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, 2006 was \$827,211.

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, 2006:

<u>Fiscal year ending</u>	<u>Capital leases</u>
2007	\$ 236,987
2008	178,597
2009	77,794
2010	13,005
Total minimum lease payments	506,383
Less: amount representing interest	33,021
Present value of future minimum lease payments	\$ 473,362

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 \$3,069,745 at June 30, 2006, which is 24.14% of the County's total debt of \$12,716,428.

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, 2006 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, 2006, the City of Bath received \$6,201,212 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 38.01% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2006, a significant portion (\$2,648,581) were funds collected as part of a Tax Increment Financing (TIF) District. As such, only \$3,552,631 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, 2006, various funds reported reserved fund balances as follows:

General Fund:	
Reserved for encumbrances	\$ 1,106
Reserved for inventory	9,846
Total General Fund	<u>10,952</u>
Special Revenue Funds:	
Reserved for noncurrent receivables	717,009
Reserved for inventory	16,764
Total Special Revenue Funds	<u>733,773</u>
Permanent Funds - Trust principal	<u>1,693,162</u>
Total reserved fund balances	<u>\$ 2,437,887</u>

At June 30, 2006, various funds reported designated fund balances as follows:

General Fund:	
Public works fuel tanks	\$ 64,992
FY 2007 budgeted use of surplus - City	950,000
FY 2007 budgeted use of surplus - School	147,733
Total General Fund designated	<u>1,162,725</u>
Special Revenue Funds:	
Sewer capital	446,644
Park and ride vehicle	94,090
Total Special Revenue designated	<u>540,734</u>
Total designated fund balances	<u>\$ 1,703,459</u>

DEFICIT FUND BALANCES

Several City and School Special Revenue and Capital Project Funds had deficit fund balances at June 30, 2006. The City's deficit fund balances are as follows: streets and sidewalks phase II, fire department training, homeland security grant, Lambert Park community center, recreation, skate park committee, skateboard park fund, and other community development grants. The School's deficit fund balance was in adult basic education and Title VI - Rural Low Income. 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, 2006 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)	\$ (46,970)	(41,141)
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, 2006 and 2005, the credit offset current employer contributions by \$166,999 and \$160,981 respectively, resulting in no City contributions being required for the 2006 and 2005 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, 2006 and 2005, employee contributions to the plan totaled \$261,420 and \$247,612, respectively.

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

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 \$1,799,224 (19.15%) and \$1,588,970 (17.77%) for the fiscal years 2006 and 2005, 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 19.15% (fiscal year 2006) and 17.77% (fiscal year 2005) of their compensation. This cost is charged to the applicable grant. For the years ended June 30, 2006 and 2005, employee contributions to the teachers plan totaled \$751,125 and \$716,197, 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, 2006.

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

RESTATEMENT OF FUND BALANCE

During 2006, the City recorded the liability in the General Fund for accrued teacher summer salaries to be in conformity with accounting principles generally accepted in the United States of America. Fund balance as of July 1, 2004 for the General Fund has been restated as follows:

	<u>General Fund</u>
Fund balance, July 1, 2004, as previously reported	\$ 3,210,997
Prior period adjustment – accrued teacher summer salaries	(1,327,948)
<u>Fund balance, July 1, 2004, as restated</u>	<u>\$ 1,883,049</u>

PRIOR PERIOD ADJUSTMENTS

During 2006, the City realized that capital assets, in particular construction in progress, were overstated. In addition, the City realized that the liability for landfill closure and post-closure costs was also overstated. The result has been a restatement of net assets on the entity-wide level only; the changes have no effect on the fund financial statements. The restatement of net assets is as follows:

	<u>Net Assets</u>
Net assets, July 1, 2005, as previously reported	\$ 7,799,354
Prior period adjustment – capital assets	(230,231)
Prior period adjustment – landfill closure liability	1,470,000
<u>Net assets, July 1, 2005, as restated</u>	<u>\$ 9,039,123</u>

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, 2006 and 2005

	2006	2005 (Restated)
ASSETS		
Cash and cash equivalents	\$ 5,668,204	7,323,711
Investments	8,355	24,720
Receivables:		
Taxes receivable	651,391	480,810
Tax liens	173,617	140,132
Accounts receivable	62,424	266,915
Due from other governments	156,805	574,479
Inventory	9,846	-
Interfund loans receivable	-	251,027
Total assets	\$ 6,730,642	9,061,794
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	381,122	366,188
Accrued expenditures	208,463	159,225
Accrued teacher summer salaries	1,392,702	1,363,407
Interfund loans payable	3,792,703	5,139,974
Taxes collected in advance	11	1,101
Deferred tax revenue	557,000	466,000
Total liabilities	6,332,001	7,495,895
Fund balance:		
Reserved for encumbrances	1,106	1,106
Reserved for inventory	9,846	-
Unreserved:		
Designated - School	147,733	187,938
Designated - City	1,014,992	600,000
Undesignated - School	(1,369,352)	(1,205,100)
Undesignated - City	594,316	1,981,955
Total fund balance	398,641	1,565,899
Total liabilities and fund balance	\$ 6,730,642	9,061,794

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, 2006
(with comparative actual amounts for the year ended June 30, 2005)

	2006		Variance positive (negative)	2005 Actual (Restated)
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 12,387,143	12,292,416	(94,727)	12,553,798
Excise taxes	1,133,065	1,008,537	(124,528)	1,012,382
Interest and costs on taxes	60,000	36,072	(23,928)	31,731
Contributions in lieu of taxes	70,000	67,789	(2,211)	61,582
Total taxes	13,650,208	13,404,814	(245,394)	13,659,493
Licenses, permits and fees:				
Non-business licenses	10,900	8,281	(2,619)	10,574
Health, building, plumbing and electrical permits	27,800	56,882	29,082	39,797
Vehicle, boat and recreation vehicle registrations	20,850	27,211	6,361	25,574
Other	14,400	40,561	26,161	14,183
Total licenses, permits and fees	73,950	132,935	58,985	90,128
Intergovernmental:				
State revenue sharing	1,150,000	886,051	(263,949)	1,014,784
State homestead exemption	179,357	179,668	311	247,493
State and Federal education subsidies	6,044,466	6,033,994	(10,472)	5,144,064
Other state revenue	35,000	29,589	(5,411)	28,607
Other federal revenue	40,000	24,190	(15,810)	30,075
Total intergovernmental	7,448,823	7,153,492	(295,331)	6,465,023
Investment income	145,000	211,305	66,305	152,877
Charges for services:				
Ambulance service	620,000	583,045	(36,955)	556,678
Landfill scales	775,000	806,374	31,374	872,872
School Department tuitions	3,108,474	3,094,659	(13,815)	3,106,139
Cemetery sales	51,000	64,429	13,429	55,314
Parking City lots	32,000	34,880	2,880	32,140
Police duty and fees	27,000	7,709	(19,291)	24,295
Total charges for services	4,613,474	4,591,096	(22,378)	4,647,438
Other revenues:				
Parking and traffic violations	40,000	27,590	(12,410)	36,719
Cable television franchise	95,000	76,793	(18,207)	76,843
School Department	12,000	36,580	24,580	40,478
Recycled materials	185,000	103,668	(81,332)	60,716
Rents and leases	30,000	26,092	(3,908)	28,526
Sale of property	25,000	50	(24,950)	200
Miscellaneous	30,600	8,189	(22,411)	21,929
Total other revenues	417,600	278,962	(138,638)	265,411
Total revenues	26,349,055	25,772,604	(576,451)	25,280,370

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

	2006		Variance positive (negative)	2005 Actual (Restated)
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	\$ 159,023	120,953	38,070	145,791
Professional services	140,000	106,597	33,403	110,580
City council	82,925	81,435	1,490	52,023
City clerk	90,778	90,153	625	84,386
Elections	13,000	14,880	(1,880)	12,872
Central services	137,100	140,566	(3,466)	114,900
City Hall management and utilities	99,807	115,273	(15,466)	96,175
Finance	118,610	113,852	4,758	115,537
Treasurer and tax collection	76,746	79,888	(3,142)	76,507
Assessor	110,743	117,471	(6,728)	100,486
Public education government cable	54,368	35,679	18,689	29,563
Planning and community development	113,696	85,697	27,999	119,665
Total general government	1,196,796	1,102,444	94,352	1,058,485
Public works:				
General	730,556	755,448	(24,892)	788,562
Solid waste	636,337	565,092	71,245	601,181
Recycling	187,213	82,629	104,584	87,732
Forestry	24,215	32,774	(8,559)	27,912
Cemetery and parks	320,638	352,711	(32,073)	320,404
Total public works	1,898,959	1,788,654	110,305	1,825,791
Public safety:				
Fire and ambulance	1,114,268	1,123,455	(9,187)	1,071,354
Ambulance write offs	-	205,389	(205,389)	-
Police	1,233,453	1,260,984	(27,531)	1,111,731
Other public safety	82,908	83,411	(503)	78,679
Codes enforcement	87,725	80,751	6,974	79,798
Street lights	108,000	106,240	1,760	98,334
Fire hydrant rental	312,000	311,023	977	311,123
Total public safety	2,938,354	3,171,253	(232,899)	2,751,019
Health and welfare:				
General assistance	81,521	106,539	(25,018)	98,495
Total health and welfare	81,521	106,539	(25,018)	98,495

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

	2006		Variance positive (negative)	2005 Actual (Restated)
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	\$ 16,672,760	16,660,276	12,484	16,012,109
Intergovernmental--county tax	1,340,856	1,340,856	-	1,172,705
Unclassified:				
Employee benefits	888,000	795,798	92,202	760,901
Insurances	339,500	316,029	23,471	324,209
Special events and support	199,695	192,226	7,469	212,641
Overlay/abatements and write-offs	133,837	39,536	94,301	5,307
Total unclassified	1,561,032	1,343,589	217,443	1,303,058
Debt service:				
Principal	915,700	915,700	-	815,860
Interest and fees	344,773	344,255	518	421,047
Total debt service	1,260,473	1,259,955	518	1,236,907
Total expenditures	26,950,751	26,773,566	177,185	25,458,569
Excess (deficiency) of revenues over (under) expenditures	(601,696)	(1,000,962)	(399,266)	(178,199)
Other financing sources (uses):				
Operating transfers--in	115,000	115,000	-	121,000
Operating transfers--out	(301,243)	(316,993)	(15,750)	(224,492)
Utilization of fund balance	787,939	-	(787,939)	-
Total other financing sources (uses)	601,696	(201,993)	(803,689)	(103,492)
Net change in fund balance - budgetary basis	-	(1,202,955)	(1,202,955)	(281,691)
Reconciliation to GAAP basis:				
Change in accrued teacher summer salaries		(29,295)		(35,459)
Fuel revenues for fuel tank reserve		64,992		-
Net change in fund balance - GAAP basis		(1,167,258)		(317,150)
Fund balance, beginning of year		1,565,899		3,210,997
Restatement for the addition of accrued teacher summer salaries		-		(1,327,948)
Fund balance, beginning of year, as restated		1,565,899		1,883,049
Fund balance, end of year	\$	398,641		1,565,899

ALL OTHER GOVERNMENTAL FUNDS

CITY OF BATH, MAINE
Capital Projects
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	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	\$ 142,311	35,000	-	-	5,955	43,270	-	139,996	
Capital improvement projects	187,961	123,000	-	7,149	-	269,353	250,000	589,872	
Streets and sidewalks phase II	679,430	-	-	-	-	818,343	-	91,087	
Cemetery and parks capital	123,119	10,000	-	-	-	10,068	-	123,051	
Commercial/Front pump station	78,566	-	-	-	-	56,967	-	21,599	
Fire and ambulance capital projects	52,032	40,000	-	-	-	41,224	-	50,808	
Landfill equipment	100,824	40,000	-	-	-	73,514	-	67,310	
Landfill improvements	290,056	10,000	-	-	-	91,985	-	208,071	
Landfill vertical height	23,256	-	-	-	-	20,763	-	2,493	
Police capital improvements	(12,839)	32,000	-	-	-	1,488	-	17,673	
Public works capital improvements	919,766	158,900	88,532	-	13,500	110,907	-	1,069,791	
Recreation capital improvements	(3,583)	42,929	-	-	-	37,888	-	1,458	
Total City capital projects	2,580,899	491,829	88,532	7,149	19,455	1,575,770	250,000	2,383,209	
School capital projects:									
Capital improvements	684	-	15,069	-	-	3,007	-	12,746	
Total School capital projects	684	-	15,069	-	-	3,007	-	12,746	
Total capital projects	\$ 2,581,583	491,829	103,601	7,149	19,455	1,578,777	250,000	2,395,955	

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
Other Governmental Funds
Combining Balance Sheet
June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
ASSETS			
Cash and cash equivalents	\$ 264,388	123,469	387,857
Investments	-	1,538,670	1,538,670
Accounts receivable	16,311	-	16,311
Due from other governments	221,680	-	221,680
Notes receivable	717,009	-	717,009
Inventory	16,764	-	16,764
Interfund loans receivable	813,098	41,726	854,824
Total assets	\$ 2,049,250	1,703,865	3,753,115
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	63,729	-	63,729
Accrued expenditures	99,848	-	99,848
Interfund loans payable	785,655	3,312	788,967
Total liabilities	949,232	3,312	952,544
Fund balances:			
Reserved for inventory	16,764	-	16,764
Reserved for noncurrent receivables	717,009	-	717,009
Reserved for unexpendable principal	-	1,693,162	1,693,162
Unreserved, reported in:			
Special revenues - designated	94,090	-	94,090
Special revenues - undesignated	272,155	-	272,155
Permanent funds	-	7,391	7,391
Total fund balances	1,100,018	1,700,553	2,800,571
Total liabilities and fund balances	\$ 2,049,250	1,703,865	3,753,115

CITY OF BATH, MAINE
Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 2,391,587	-	2,391,587
Charges for services	1,068,776	-	1,068,776
Investment income	19,107	53,757	72,864
Realized/unrealized gain (loss) on investments	-	(16,644)	(16,644)
Other revenue	282,467	15,967	298,434
Total revenues	3,761,937	53,080	3,815,017
Expenditures:			
General government	706,488	-	706,488
Public safety	168,445	-	168,445
Parks and recreation	596,547	-	596,547
Health, welfare and transportation	117,906	-	117,906
Education	2,103,866	-	2,103,866
Unclassified	396,552	10,240	406,792
Capital outlay	5,159	-	5,159
Total expenditures	4,094,963	10,240	4,105,203
Excess (deficiency) of revenues over (under) expenditures	(333,026)	42,840	(290,186)
Other financing sources (uses):			
Operating transfers--in	124,674	-	124,674
Operating transfers--out	-	(37,681)	(37,681)
Total other financing sources (uses)	124,674	(37,681)	86,993
Net change in fund balances	(208,352)	5,159	(203,193)
Fund balances, beginning	1,308,370	1,695,394	3,003,764
Fund balances, ending	\$ 1,100,018	1,700,553	2,800,571

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
Nonmajor Special Revenues Funds
Combining Balance Sheet
June 30, 2006

	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	\$ 19,471	-	604	42,109	-	202,204	264,388
Investments	-	-	-	-	-	-	-
Accounts receivable	1,800	-	-	-	11,341	3,170	16,311
Due from other governments	-	131,713	-	-	-	89,967	221,680
Notes receivable	-	717,009	-	-	-	-	717,009
Inventory	-	-	-	-	-	16,764	16,764
Interfund loans receivable	83,749	-	95,762	158,702	-	474,885	813,098
Total assets	\$ 105,020	848,722	96,366	200,811	11,341	786,990	2,049,250
LIABILITIES AND FUND BALANCES (DEFICIT)							
Liabilities:							
Accounts payable	12,894	25,810	871	-	2,062	22,092	63,729
Accrued expenditures	12,341	1,271	1,405	-	4,301	80,530	99,848
Interfund loans payable	210,243	460,105	-	-	115,307	-	785,655
Total liabilities	235,478	487,186	2,276	-	121,670	102,622	949,232
Fund balances (deficit):							
Reserved for noncurrent receivables	-	717,009	-	-	-	-	717,009
Reserved for inventory	-	-	-	-	-	16,764	16,764
Unreserved:							
Designated	-	-	94,090	-	-	-	94,090
Undesignated	(130,458)	(355,473)	-	200,811	(110,329)	667,604	272,155
Total fund balances (deficit)	(130,458)	361,536	94,090	200,811	(110,329)	684,368	1,100,018
Total liabilities and fund balances	\$ 105,020	848,722	96,366	200,811	11,341	786,990	2,049,250

CITY OF BATH, MAINE
Nonmajor Special Revenues Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Midcoast Center For Higher Education	School Special Purpose	Total
Revenues:							
Intergovernmental	\$ 195,586	628,805	38,926	-	-	1,528,270	2,391,587
Investment income	815	6,635	3,835	4,487	-	3,335	19,107
Charges for services	273,291	39,425	8,734	-	370,359	376,967	1,068,776
Other revenue	97,180	-	-	-	6,201	179,086	282,467
Total revenues	566,872	674,865	51,495	4,487	376,560	2,087,658	3,761,937
Expenditures:							
General government	5,400	701,088	-	-	-	-	706,488
Public safety	168,445	-	-	-	-	-	168,445
Parks and recreation	596,547	-	-	-	-	-	596,547
Health, welfare and transportation	11,177	-	106,729	-	-	-	117,906
Education	-	-	-	-	-	2,103,866	2,103,866
Unclassified	2,420	-	-	-	394,132	-	396,552
Capital outlay	5,159	-	-	-	-	-	5,159
Total expenditures	789,148	701,088	106,729	-	394,132	2,103,866	4,094,963
Excess (deficiency) of revenues over (under) expenditures	(222,276)	(26,223)	(55,234)	4,487	(17,572)	(16,208)	(333,026)
Other financing sources (uses):							
Operating transfers--in (out)	221,805	(230,000)	46,081	25,000	-	61,788	124,674
Total other financing sources (uses)	221,805	(230,000)	46,081	25,000	-	61,788	124,674
Net change in fund balances	(471)	(256,223)	(9,153)	29,487	(17,572)	45,580	(208,352)
Fund balances (deficit), beginning	(129,987)	617,759	103,243	171,324	(92,757)	638,788	1,308,370
Fund balances (deficit), ending	\$ (130,458)	361,536	94,090	200,811	(110,329)	684,368	1,100,018

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, 2006

	Fund balances			Revenues		Revenues		Fund balances (deficit) June 30, 2006
	June 30, 2005 (deficit)	Revenues	Expenditures	over (under) expenditures	Operating transfers	June 30, 2006		
City Special Purpose Funds:								
Almoner Fund	\$ 5,566	-	11,177	(11,177)	7,493	1,882		
Cable TV Capital Fund	13,618	307	1,366	(1,059)	-	12,559		
Chesebrough Fund	3,371	6,122	1,855	4,267	-	7,638		
Comprehensive Planning	-	17,317	5,400	11,917	-	11,917		
DARE	26,471	-	-	-	-	26,471		
Fire Department training	4,535	1,690	7,811	(6,121)	-	(1,586)		
Forestry Trust	16,947	1,890	-	1,890	-	18,837		
Forestry Recovery Grant	1,941	11,028	565	10,463	-	12,404		
Homeland Security Grant	4,350	79,443	88,593	(9,150)	-	(4,800)		
Police Grants	61,829	88,728	72,041	16,687	-	78,516		
Lambert Park Community Center	(35,366)	1,743	3,753	(2,010)	-	(37,376)		
McMann Field Renovation	48	310	40	270	-	318		
Mens Softball League	6,595	6,166	7,184	(1,018)	-	5,577		
Other City programs	(4,530)	98,170	84,599	13,571	-	9,041		
Recreation (Fund 12)	(99,146)	144,984	377,520	(232,536)	214,312	(117,370)		
Recreation - Lacrosse	1,296	2,240	2,542	(302)	-	994		
Recreation - Soccer	15,478	11,476	6,213	5,263	-	20,741		
Skate park committee	(58,366)	-	-	-	-	(58,366)		
Skateboard Park Fund (Fund 13)	(111,725)	93,079	118,489	(25,410)	-	(137,135)		
Swimming Pool Fund	17,101	2,179	-	2,179	-	19,280		
Total City Special Purpose	(129,987)	566,872	789,148	(222,276)	221,805	(130,458)		
Community Development Programs:								
Housing Rehab Loans	732,208	46,060	93,063	(47,003)	-	685,205		
Hyde Park Project	2,871	-	-	-	-	2,871		
Other Community Development Grants	(117,320)	628,805	608,025	20,780	(230,000)	(326,540)		
Total Community Development Programs	617,759	674,865	701,088	(26,223)	(230,000)	361,536		
Transportation Programs:								
Bath City Bus	5,368	47,660	95,984	(48,324)	46,081	3,125		
Park and Ride Vehicle Reserve	97,875	3,835	10,745	(6,910)	-	90,965		
Total Transportation Programs	103,243	51,495	106,729	(55,234)	46,081	94,090		

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, 2006

	Fund balances		Revenues		Expenditures		Revenues over (under) Expenditures		Operating transfers	Fund balances (deficit) June 30, 2006
	June 30, 2005 (deficit)	June 30, 2005	Revenues	Expenditures	Revenues	Expenditures	over (under) Expenditures			
Bath Local Development Corporation	\$	171,324	4,487	-	4,487	-	4,487	25,000		200,811
Midcoast Center for Higher Education		(92,757)	376,560	394,132		(17,572)				(110,329)
School Special Purpose Funds:										
School Lunch Program		221,033	588,642	506,608		82,034				303,067
Adult Basic Education		719	-	32,143		(32,143)				(31,424)
Bailey Evening School		90,970	67,350	112,495		(45,145)		61,305		107,130
Carl Perkins -Bailey		-	9,040	6,678		2,362				2,362
CMTC-Bailey		3,122	3,170	1,226		1,944				5,066
Advanced Placement Incentive		406	-	-		-				406
Auditorium Fund		4,982	9,523	11,566		(2,043)				2,939
Cable TV Fund		2,676	-	-		-				2,676
Carl Perkins -Adult Education		-	11,048	11,048		-				-
Carl Perkins - Vocational		10,685	46,965	52,446		(5,481)				5,204
Computer purchase		17,859	49,246	33,652		15,594				33,453
Curriculum		34,031	23,341	36,484		(13,143)				20,888
Distinguished Educator		13,540	76,179	89,719		(13,540)				-
Driver Education		9,131	34,430	29,683		4,747				13,878
Drug Free School Title IV		-	14,304	9,916		4,388				4,388
Katrina Funds		-	13,000	-		13,000				13,000
Learning Results Professional Dev.		(2,845)	15,921	13,077		2,844				(1)
Local Entitlement		90,749	317,045	407,368		(90,323)				426
Maine Youth Suicide Prevention		5,180	-	4,274		(4,274)				906
McKinney Grant		22,422	58,624	52,030		6,594				29,016
Medicaid		36,054	128,019	127,450		569				36,623
Melmac Foundation		-	4,000	733		3,267				3,267
Preschool Grant		5,080	5,079	8,643		(3,564)				1,516
Recertification		4,738	5,000	7,213		(2,213)				2,525
Staff-in-service		16,146	15,000	8,148		6,852				22,998
Strategic Planning Grant		-	2,445	2,262		183				183
Title IA		-	393,929	367,107		26,822				26,822
Title IIA - Teacher Quality		3,662	120,330	80,267		40,063				43,725
Title IID - Technology		9,047	9,720	8,612		1,108				10,155
Title V - Innovative		11,455	6,283	11,119		(4,836)				6,619
Title VI - Rural Low Income		14,346	53,740	68,483		(14,743)				(397)
Other		13,600	6,285	3,416		2,869		483		16,952
Total School Special Purpose Funds		638,788	2,087,658	2,103,866		(16,208)		61,788		684,568
Total Special Revenue Funds	\$	1,308,370	3,761,937	4,094,963		(333,026)		124,674		1,100,018

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, 2006

	Bailey					
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total
ASSETS						
Cash and cash equivalents	-	101,460	22,009	-	-	123,469
Investments	174,250	234,248	1,077,968	34,322	17,882	1,538,670
Interfund loans receivable	-	332	41,394	-	-	41,726
Total assets	\$ 174,250	336,040	1,141,371	34,322	17,882	1,703,865
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund loans payable	-	-	3,312	-	-	3,312
Total liabilities	-	-	3,312	-	-	3,312
Fund balances:						
Reserved for nonexpendable principal	174,250	336,040	1,130,668	34,322	17,882	1,693,162
Unreserved, reported in:						
Permanent funds	-	-	7,391	-	-	7,391
Total fund balances	174,250	336,040	1,138,059	34,322	17,882	1,700,553
Total liabilities and fund balances	\$ 174,250	336,040	1,141,371	34,322	17,882	1,703,865

CITY OF BATH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	Bailey					
	Evening School	Beneficiary Trust	Cemetery Trusts	Old Folks Home	School Trusts	Total
Revenues:						
Investment income	\$ 5,746	10,060	36,229	1,132	590	53,757
Realized gain (loss) on investments	1,075	1,440	6,903	212	110	9,740
Unrealized gain (loss) on investments	(2,950)	(3,966)	(18,584)	(581)	(303)	(26,384)
Perpetual care contributions	-	-	15,967	-	-	15,967
Total revenues	3,871	7,534	40,515	763	397	53,080
Expenditures:						
Current:						
Distribution of income	-	-	-	927	-	927
Other	1,041	1,399	6,561	205	107	9,313
Total expenditures	1,041	1,399	6,561	1,132	107	10,240
Excess (deficiency) of revenues over (under) expenditures	2,830	6,135	33,954	(369)	290	42,840
Other financing sources (uses):						
Operating transfers--out	(4,705)	(7,493)	(25,000)	-	(483)	(37,681)
Total other financing sources (uses)	(4,705)	(7,493)	(25,000)	-	(483)	(37,681)
Net change in fund balances	(1,875)	(1,358)	8,954	(369)	(193)	5,159
Fund balances, beginning of year	176,125	337,398	1,129,105	34,691	18,075	1,695,394
Fund balances, end of year	\$ 174,250	336,040	1,138,059	34,322	17,882	1,700,553

LONG-TERM DEBT

CITY OF BATH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2006

	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	100,000	-	50,000	50,000
1988 Sewer Separation Bonds	Var.	1988	2008	100,000	400,000	-	100,000	300,000
1989 Sewer Separation Bonds	Var.	1989	2009	40,000	180,000	-	40,000	140,000
1992 Sewer Improvement Bonds	4.1%	1992	2012	165,550	1,324,400	-	165,550	1,158,850
1995 Landfill/BIW Settlement Bonds	Var.	1995	2010	420,000	2,100,000	-	420,000	1,680,000
1997 Wastewater Treatment Upgrade Bonds	Var.	1997	2017	315,000	4,095,000	-	315,000	3,780,000
1998 Library Bonds	Var.	1998	2012	35,700	285,800	-	35,700	250,100
1999 Sewer and Street Improvement TIF Bonds	Var.	1999	2020	225,000	3,375,000	-	225,000	3,150,000
2001 Capital Improvement Bonds	Var.	2001	2021	55,000	855,000	-	55,000	800,000
2002 SRF Landfill/Pumping Station Bonds	Var.	2002	2022	107,500	1,735,000	-	107,500	1,627,500
2002 General Obligation Bonds	Var.	2002	2021	Var.	3,560,000	-	220,000	3,340,000
2004 General Obligation Bonds	Var.	2004	2020	Var.	1,840,000	-	125,000	1,715,000
2004 Note Payable	5.500%	2004	2024	Var.	542,340	-	15,966	526,374
Building Renovation Note	5.125%	2006	2011	Var.	-	1,000,000	-	1,000,000 (1)
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	-	350,000	-	350,000 (2)
Total City issues					20,392,540	1,350,000	1,874,716	19,867,824
School issues:								
1996 High School Improvement Bonds	Var.	1996	2017	345,000	4,140,000	-	345,000	3,795,000
2001 Middle School Improvement Bonds	Var.	2001	2021	280,000	4,760,000	-	280,000	4,480,000
2001 Middle School Improvement SSRF Bonds	0.0%	2002	2012	55,010	385,070	-	55,010	330,060
Total School issues					9,285,070	-	680,010	8,605,060
Total long-term debt				\$ 29,677,610	1,350,000	2,554,726		28,472,884

(1) This note is on a draw down basis. As of June 30, 2006, the City has drawn down \$250,000.
(2) The City did not receive the proceeds from the bond until July 19, 2006.

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, 2006
(with comparative amounts for the year ended June 30, 2005)

	2006			2005 (Restated)
	Budget	Actual	Variance positive (negative)	Actual
Revenues:				
Property taxes	\$ 7,338,881	7,338,881	-	7,696,825
Tuition	3,108,474	3,094,659	(13,815)	3,106,139
State and Federal subsidies	6,044,466	6,033,994	(10,472)	5,144,064
Other	12,000	36,580	24,580	40,478
Total revenues	16,503,821	16,504,114	293	15,987,506
Expenditures:				
System-wide:				
School Board	132,000	95,787	36,213	113,338
Administration	434,022	471,186	(37,164)	405,991
Staff services	262,000	165,248	96,752	260,690
Health services	182,874	183,690	(816)	175,531
Technology	364,184	360,735	3,449	366,658
Transportation	367,817	358,098	9,719	356,010
Maintenance	162,666	161,396	1,270	193,547
Total system-wide	1,905,563	1,796,140	109,423	1,871,765
Elementary instruction:				
Office of Principal	287,906	288,013	(107)	281,376
Instruction	2,629,150	2,653,482	(24,332)	2,482,062
Special resources	737,620	745,773	(8,153)	686,304
Support services and co-curricular	88,128	86,084	2,044	81,399
Maintenance	461,182	462,374	(1,192)	408,679
Total elementary instruction	4,203,986	4,235,726	(31,740)	3,939,820
Intermediate instruction:				
Office of Principal	232,851	230,767	2,084	229,661
Instruction	1,771,705	1,673,682	98,023	1,622,080
Special resources	372,714	385,577	(12,863)	328,145
Support services and co-curricular	291,105	261,008	30,097	263,784
Maintenance	404,474	387,913	16,561	372,206
Total intermediate instruction	3,072,849	2,938,947	133,902	2,815,876
Secondary instruction:				
Office of Principal	372,697	382,371	(9,674)	364,141
Instruction	2,638,482	2,752,137	(113,655)	2,505,865
Special resources	263,548	269,765	(6,217)	279,543
Support services and co-curricular	569,989	551,668	18,321	581,627
Maintenance	391,599	420,932	(29,333)	335,088
Total secondary instruction	4,236,315	4,376,873	(140,558)	4,066,264

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

	2006		Variance positive (negative)	2005
	Budget	Actual		(Restated)
Expenditures, continued:				Actual
Vocational instruction:				
Office of Principal Instruction	132,924	132,857	67	138,428
Support services and co-curricular Maintenance	682,505	685,186	(2,681)	612,380
Maintenance	40,525	47,728	(7,203)	48,935
Total vocational instruction	199,125	283,400	(84,275)	271,530
	1,055,079	1,149,171	(94,092)	1,071,273
Special education:				
Office of Director Instruction	126,334	134,498	(8,164)	116,743
Special resources	736,739	709,609	27,130	736,443
Other	52,563	46,408	6,155	79,787
Total special education	171,622	161,194	10,428	171,603
	1,087,258	1,051,709	35,549	1,104,576
Debt service:				
Principal Interest	680,010	680,010	-	680,010
Interest	431,700	431,700	-	462,525
Total debt service	1,111,710	1,111,710	-	1,142,535
Total expenditures	16,672,760	16,660,276	12,484	16,012,109
Excess (deficiency) of revenues over (under) expenditures	(168,939)	(156,162)	12,777	(24,603)
Other financing sources (uses):				
Operating transfers--in	-	-	-	-
Operating transfers--out	(19,000)	(19,000)	-	-
Budgeted use of fund balance	187,939	-	(187,939)	-
Total other financing sources (uses)	168,939	(19,000)	(187,939)	-
Net change in fund balance - budgetary basis	-	(175,162)	(175,162)	(24,603)
Reconciliation to GAAP basis:				
Change in accrued teacher summer salaries		(29,295)		(35,459)
Net change in fund balance - GAAP basis		(204,457)		(60,062)
Fund balance, beginning of year		(1,017,162)		370,848
Restatement for the addition of accrued teacher summer salaries		-		(1,327,948)
Fund balance, beginning of year, as restated		(1,017,162)		(957,100)
Fund balance, end of year	\$	(1,221,619)		(1,017,162)

BATH SCHOOL DEPARTMENT
High School Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Fund Balances
For the year ended June 30, 2006

	Balances June 30, 2005	Receipts	Disbursements	Balances June 30, 2006
Accommodation account	\$ -	4,928	4,928	-
AD petty cash	2,494	1,709	4,109	94
Amnesty International	42	-	-	42
Art	350	2,523	1,754	1,119
Band	526	2,272	1,660	1,138
BIW annual scholarship	1,000	1,000	500	1,500
Capital Improvement	857	-	857	-
Cap and Gown	(216)	2,268	2,268	(216)
Chorus account	2	-	-	2
Civil Rights	53	-	-	53
Class of 2000	2,070	-	-	2,070
Class of 2001	3,491	-	-	3,491
Class of 2004	2,346	-	2,346	-
Class of 2005	1,197	731	168	1,760
Class of 2006	2,350	200	3,120	(570)
Class of 2007	5,600	7,809	8,320	5,089
Class of 2008	2,273	3,103	250	5,126
Class of 2009	-	2,636	-	2,636
Computer Disk	13	134	9	138
Consumer Education	52	9	61	-
Copier Usage	66	-	-	66
Debate Team	390	298	552	136
Dudley Award	1,095	-	55	1,040
English Book	154	18	82	90
Foreign Language	501	508	726	283
Foreign Language Lab	1,500	-	-	1,500
GATE account	215	-	215	-
Guidance software	2,423	9,274	8,862	2,835
Health Services Account	1,650	-	-	1,650
Industrial Arts	1,518	1,524	1,888	1,154
Interest accrued (checking)	-	322	322	-
Interest accrued (savings)	2,010	203	-	2,213
International Club	645	-	645	-
Kaleidoscope account	94	-	-	94
Let's Talk	1,361	-	-	1,361
Library Fund account	1,741	824	585	1,980
Maine Army National Guard Award	1,007	-	-	1,007
Mathematics account	315	361	352	324
Memories of Morse II	690	80	681	89
Message board account	496	-	-	496
MOIBA account	-	10,793	10,793	-
Monahan Fund	270	-	-	270
MSSO account	333	-	-	333
National Honor Society account	2,006	1,102	1,488	1,620

BATH SCHOOL DEPARTMENT
High School Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Fund Balances, Continued
For the year ended June 30, 2006

	Balances June 30, 2005	Receipts	Disbursements	Balances June 30, 2006
One Act Play account	-	1,516	1,516	-
Pepsi account	-	4,532	4,532	-
Photography account	-	815	473	342
Physical Education Mat account	-	500	498	2
Principal	5,607	10,652	13,007	3,252
Publication Workshop	306	-	-	306
Reny Award account	3,000	3,000	2,000	4,000
Replace Equipment/Hatch	453	-	-	453
Rewards account	532	350	741	141
Scholarship - Jamie Bailey	-	600	600	-
Science account	49	2,405	-	2,454
SCLC account	395	2,727	1,539	1,583
Social Studies	1,318	200	375	1,143
Sophomore Awareness	61	-	-	61
Spring Show	-	5,479	5,479	-
Stage improvement (Class of '88)	3,545	8,446	9,991	2,000
STP	141	-	51	90
Student parking fees	3,465	1,208	4,662	11
Teacher Flower Fund	1,796	1,227	1,827	1,196
Textbook charges	146	-	41	105
Theatre Boosters	1,309	1,541	1,488	1,362
Trigorin Project	-	1,190	1,000	190
Trophy case	507	-	-	507
Trophy Case '41	1,000	-	-	1,000
Wellness account	-	19	5	14
Yearbook ads	-	4,730	4,730	-
Yearbook sales	13,677	34,364	32,500	15,541
Totals	\$ 82,287	140,130	144,651	77,766

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, 2006

	Balances June 30, 2005	Receipts	Disbursements	Balances June 30, 2006
6 Gold	\$ 138	-	121	17
7/8 Purple	99	200	1,742	(1,443)
7/8 Black	(449)	8,519	8,890	(820)
7/8 Red	952	3,142	559	3,535
7/8 Green	1,468	4,860	4,213	2,115
Awards account	781	-	781	-
Band	766	3,695	2,822	1,639
Basketball	961	5,919	6,106	774
Book Fair	1,264	3,310	2,685	1,889
Camp Fd	1,087	-	1,087	-
Cheer	(114)	-	-	(114)
Chorus	1,430	5,597	5,791	1,236
Dance	207	-	207	-
E.E. Club	260	645	374	531
Ex. learning	3,466	561	3,699	328
Home economics	(448)	1,383	935	-
Industrial Arts	2,957	-	2,957	-
Interest	(67)	186	119	-
Int Bball	320	720	814	226
Kyle's Fund	3,643	-	88	3,555
Library	808	714	1,295	227
NJHS	(67)	659	764	(172)
OEP	289	12,799	13,088	-
Princ Acct	3,770	15,621	16,814	2,577
St. Council	2,330	6,191	6,025	2,496
Sunshine	357	-	291	66
Textbooks	7	391	398	-
Yearbook	(4,219)	8,880	437	4,224
Totals	\$ 21,996	83,992	83,102	22,886

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, 2006

	Balances June 30, 2005	Receipts	Disbursements	Balances June 30, 2006
Childcare	\$ 300	2,251	2,553	(2)
Director's Acc	5,298	10,112	11,147	4,263
School Store	5,462	5,005	10,467	-
Culinary Arts	4,767	12,998	10,289	7,476
Culinary Arts Student	-	550	-	550
Vica	95	7,984	6,694	1,385
Building Const	5,174	-	521	4,653
Building Const Student	300	-	-	300
Automotive	794	-	13	781
HOSA	243	4,064	3,266	1,041
Bldg Bridges	-	1,260	1,034	226
BRVC Scholarship	995	3,870	800	4,065
1950 Scholarship	3,950	-	-	3,950
NV-THS	(295)	-	-	(295)
MOUS	1,723	800	1,715	808
Computer Repair	-	40	32	8
Drafting Grant	1,404	25	797	632
Little League Sponsor	65	-	65	-
Class of '49 / Culinary Arts	6,000	-	-	6,000
Totals	\$ 36,275	48,959	49,393	35,841

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, 2006

	Balances June 30, 2005	Receipts	Disbursements	Balances June 30, 2006
Music	\$ 200	568	639	129
PTA Office	9	-	9	-
Postage	7	713	720	-
Slush	1,004	2,210	2,746	468
Artists	109	-	109	-
RIF	195	5,148	3,479	1,864
Grade 1	272	1,222	968	526
Grade 2	242	1,222	1,031	433
Grade 3	745	1,222	451	1,516
Grade 4	21	2,107	1,196	932
Grade 5	520	7,047	7,256	311
Library	633	665	143	1,155
Playground	935	-	-	935
Sunshine	166	1,316	1,460	22
Annie Palmer	33	-	-	33
Science 2A	75	-	72	3
Science 2B	2	-	-	2
Science 3A	136	-	-	136
Science 3B	21	-	-	21
Totals	\$ 5,325	23,440	20,279	8,486

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, 2006

	Balances June 30, 2005	Receipts	Disbursements	Balances June 30, 2006
Gym Decorations	\$ 14	-	14	-
Sunshine	(167)	211	-	44
Library	1,287	79	489	877
Pauly Eliason Library	1	-	1	-
PTA Arts	(77)	500	231	192
Nurses Account	156	-	3	153
Grade 5	2,073	1,661	2,446	1,288
Art Fund (Sketchbook)	(17)	21	4	-
Slush	1,429	5,617	7,260	(214)
National Semiconductor	10	-	10	-
Totals	\$ 4,709	8,089	10,458	2,340

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, 2006

	Balances June 30, 2005	Receipts	Disbursements	Balances June 30, 2006
Soda Fund	\$ 1,700	2,012	2,498	1,214
Sunshine Fund	69	-	69	-
Bottle Fund	47		47	-
Playground Fund	-	147	147	-
Totals	\$ 1,816	2,159	2,761	1,214

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

STATISTICAL TABLES

CITY OF BATH, MAINE
Revenues and Expenditures
General Fund

Table A

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Taxes	\$ 10,062,371	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
Licenses and permits	54,996	59,911	62,403	104,177	75,633	65,284	95,088	79,168	90,128	132,935
Intergovernmental revenues	4,828,940	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
Charges for services	3,354,940	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
Investment income	412,702	469,068	436,509	550,927	570,285	315,152	158,518	109,238	152,877	211,305
Other revenues (1)	378,624	369,014	511,081	434,038	253,024	346,531	383,032	349,374	265,411	393,962
Total revenues	19,092,573	20,291,553	21,279,378	22,365,843	22,573,901	23,044,483	24,170,371	25,289,483	25,280,370	25,887,604
Expenditures:										
General government	956,443	905,020	944,131	971,283	998,919	1,011,882	1,024,780	1,054,390	1,058,485	1,102,444
Public safety	2,235,566	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
Public works	1,169,958	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
Health and welfare	93,943	92,370	72,505	73,585	81,328	66,390	61,036	75,691	98,495	106,539
Recreation (2)	154,390	157,594	165,235	181,013	172,638	174,920	187,331	208,803	212,641	192,226
Education	11,625,950	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
Intergovernmental	584,313	630,200	646,140	644,385	677,633	1,019,100	1,217,279	1,111,526	1,172,705	1,340,856
Unclassified (2)	1,014,071	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
Debt service	1,631,119	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
Total expenditures	19,465,753	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

(1) Does not include fund balance appropriations

(1) Includes operating transfers in

(2) Includes operating 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
1997	\$ 9,827,832	9,351,063	95.15%	744,085	7.57%
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%

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		
1997	\$ 387,701,900	89,377,300	477,079,200	467,450,000	102.06%
1998	391,047,800	86,279,100	477,326,900	468,550,000	101.87%
1999 (1)	393,854,000	87,620,300	481,474,300	484,000,000	99.48%
2000 (1)	401,231,000	96,076,900	497,307,900	484,500,000	102.64%
2001 (1)	453,416,200	134,110,500	587,526,700	518,250,000	113.37%
2002 (1)	544,933,100	186,360,600	731,293,700	548,850,000	133.24%
2003 (1)	553,506,600	189,103,800	742,610,400	595,000,000	124.81%
2004 (1)	557,556,600	183,325,500	740,882,100	650,000,000	113.98%
2005 (1)	564,689,500	183,072,300	747,761,800	753,500,000	99.24%
2006 (1)	926,382,500	198,845,100	1,125,227,600	825,900,000	136.24%

(1) Includes 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
1997	20.60	9.01	10.32	1.27
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

(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
1997	9,825	\$ 477,079	20,016,800	4.20%	2,037
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

(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
1997	\$ 1,285,550	1,170,369	2,455,919	19,465,753	12.62%
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%

(1) Includes education and special revenue fund debt service

Table G

CITY OF BATH, MAINE
Ten Largest Taxpayers
For the year ended June 30, 2006

Name	Type of operation	Assessed valuation	Amount of tax	% of net tax levy
Bath Iron Works	Ship building & repair	\$ 427,669,800	6,201,212	38.01%
Thomas P. Walsh, Inc.	Motor - Hotel	10,943,000	158,674	0.97%
Super Bath Route 1 LLC	Retail space	9,976,000	144,652	0.89%
Sagadahoc Real Estate	Retail space rental	9,716,300	140,886	0.86%
CSC Outsourcing	Computer leasing	9,650,600	139,934	0.86%
Bath Savings Institution	Bank	8,946,100	129,718	0.80%
Northwood Housing	Residential housing	7,112,500	103,131	0.63%
EWT, LLC 7	Residential housing	6,609,400	95,836	0.59%
Bath Route 1, LLC	Retail space	6,414,300	93,007	0.57%
Central Maine Power	Utility	5,181,400	75,130	0.46%
Totals		\$ 502,219,400	7,282,180	44.64%

