

Federal Compliance Audit

City of Bath, Maine

June 30, 2019



Proven Expertise & Integrity

CITY OF BATH, MAINE
Annual Financial Report
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

City Council
City of Bath
Bath, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Bath, Maine, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Bath, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Bath, Maine as of June 30, 2019, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Sewer Utility Fund and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress retiree healthcare plan, and pension related information on pages 4 through 11 and 55 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bath, Maine's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The combining and individual fund statements, schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020, on our consideration of the City of Bath, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bath, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
January 13, 2020

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of City of Bath, Maine's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements.

Financial Statement Overview

The City of Bath's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information, which consists of the schedules of funding progress, proportionate share of the net pension liability, contributions, notes to required supplementary information and other supplementary information that includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the City's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regard to the City's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have one column for the City's activities. The type of activity presented for the City of Bath is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the City's basic services are reported in governmental activities, which include general government, public works and wastewater treatment, public safety, parks and recreation, health, welfare and transportation, education, intergovernmental, debt service and unclassified.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bath, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the City of Bath can be classified as governmental funds.

Governmental funds: All of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City of Bath presents six columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The City's major governmental funds are the general fund, the sewer utility fund, TIF funds, the landfill fund and capital projects funds. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund and the sewer utility fund are the only funds for which the City legally adopted a budget. The Statement of Revenues, Expenditures and Changes in Fund Balances – All Budgeted Governmental Funds – Budget and Actual – Budgetary Basis provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Revenues, Expenditures and Changes in Fund Balances – All Budgeted Governmental Funds – Budget and Actual – Budgetary Basis.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Schedule of Funding Progress for the Retiree Healthcare Plan, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to the general fund, nonmajor funds, capital asset and long-term debt activity.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities. The City's total net position for governmental activities increased by \$6,028,919 from \$31.48 million to \$37.51 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$1,674,710 for governmental activities to a balance of \$8.66 million at the end of this year.

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

	<u>2019</u>	<u>2018</u>
Assets:		
Current Assets	\$ 32,793,491	\$ 27,669,677
Noncurrent Assets	40,880,935	36,523,951
Total Assets	<u>73,674,426</u>	<u>64,193,628</u>
Deferred Outflows of Resources	<u>1,541,811</u>	<u>2,790,426</u>
Liabilities:		
Current Liabilities	9,592,111	6,272,388
Noncurrent Liabilities	27,047,268	26,970,030
Total Liabilities	<u>36,639,379</u>	<u>33,242,418</u>
Deferred Inflows of Resources	<u>1,067,310</u>	<u>2,261,007</u>
Net Position:		
Net Investment in Capital Assets	20,828,512	17,466,220
Restricted	8,019,874	7,027,957
Unrestricted	8,661,162	6,986,452
Total Net Position	<u>\$ 37,509,548</u>	<u>\$ 31,480,629</u>

Revenues and Expenses

Revenues for the City's governmental activities increased by 3.80%, while the total expenses decreased by 6.89%. The largest increase in revenues was in taxes. The largest decrease in expenses was in capital outlay.

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

	<u>2019</u>	<u>2018</u>
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 4,655,801	\$ 4,435,083
Operating grants and contributions	151,097	625,727
Capital grants and contributions	358,218	90,235
<i>General revenues:</i>		
Taxes	28,339,164	27,445,686
Grants and contributions not restricted to specific programs	2,264,911	2,026,205
Miscellaneous	2,563,408	2,305,385
Total Revenues	<u>38,332,599</u>	<u>36,928,320</u>
Expenses		
General government	1,413,546	2,289,075
Public works and wastewater treatment	4,458,374	4,354,027
Public safety	4,322,879	4,151,854
Parks and recreation	770,034	746,772
Health, welfare, and transportation	264,282	300,287
Education	10,428,909	10,059,652
Intergovernmental	1,730,283	1,744,231
Unclassified	8,080,237	8,596,048
Interest on debt	660,707	516,330
Capital outlay	184,246	1,945,883
Total Expenses	<u>32,313,497</u>	<u>34,704,159</u>
Excess (deficiency) before special items	6,019,102	2,224,161
Special item: (loss) sale of land/gain sale of school building	9,817	(1,432,073)
Change in Net Position	6,028,919	792,088
Net Position - July 1	<u>31,480,629</u>	<u>30,688,541</u>
Net Position - June 30	<u>\$ 37,509,548</u>	<u>\$ 31,480,629</u>

Financial Analysis of the City's Fund Statements

Governmental funds: The financial reporting focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
City of Bath, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2019</u>	<u>2018</u>
General Fund:		
Nonspendable	\$ 33,686	\$ 32,840
Committed	11,621,035	10,814,042
Assigned	223,561	165,022
Unassigned	3,922,205	3,198,708
Total General Fund	<u>\$ 15,800,487</u>	<u>\$ 14,210,612</u>
Sewer Utility Fund:		
Committed	\$ 2,221,911	\$ 1,330,645
Total Sewer Utility Fund	<u>\$ 2,221,911</u>	<u>\$ 1,330,645</u>
TIF Funds:		
Restricted	\$ 3,644,035	\$ 3,131,251
Total TIF Funds	<u>\$ 3,644,035</u>	<u>\$ 3,131,251</u>
Landfill Fund:		
Committed	\$ 1,207,820	\$ 1,056,777
Total Landfill Fund	<u>\$ 1,207,820</u>	<u>\$ 1,056,777</u>
Capital Projects Funds:		
Committed	\$ 3,281,093	\$ 1,000,046
Total Capital Projects Funds	<u>\$ 3,281,093</u>	<u>\$ 1,000,046</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 744,616	\$ 782,017
Restricted	150,875	112,018
Committed	158,309	146,132
Assigned	442,839	436,633
Unassigned	(464,119)	(465,307)
Permanent Funds:		
Nonspendable	3,480,348	3,002,671
Restricted	-	-
Total Nonmajor Funds	<u>\$ 4,512,868</u>	<u>\$ 4,014,164</u>

The general fund total fund balance increased by \$1,589,875 from the prior fiscal year primarily due to unrealized gain on investment market value, additional revenues over budget and expenses under budget. The sewer utility fund increased by \$891,266 from the prior year due to revenues exceeding budget and savings in expenditures budget. The TIF funds increased by \$512,784 from the prior year primarily due to revenues that exceeded expenditures. The landfill fund increased by

\$151,043 from the prior year and the capital projects funds increased by \$2,281,047 from the prior year, due to the receipt of road bond money that is still unspent. The nonmajor fund balances increased by \$498,704 from the prior fiscal year.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues were over budget by \$1,375,436. This can be accounted for from unrealized gain investment increase in market value coupled with more than expected revenue in excise taxes and licenses.

The general fund actual expenditures were under budget by \$348,501. This is attributable to expenses being under budget in all categories.

The sewer utility fund actual revenues were over budget by \$188,023. This is attributable to charges for services.

The sewer utility fund actual expenditures exceeded budget by \$3,910,108. This is attributable to debt-service - capital.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the City increased by \$4,356,984 from the prior year. The increase is the result of current year capital additions of \$6,338,214 less depreciation of \$1,981,230.

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

	<u>2019</u>	<u>2018</u>
Land	\$ 1,902,870	\$ 1,902,870
Construction in progress	5,446,696	1,157,873
Buildings and improvements	4,233,825	4,402,598
Machinery, furniture & equipment	1,386,719	1,370,686
Vehicles	25,286,982	25,926,711
Infrastructure	2,623,843	1,763,213
Total	<u>\$ 40,880,935</u>	<u>\$ 36,523,951</u>

Debt

At June 30, 2019, the City had \$20,780,892 in bonds payable versus \$20,061,591 outstanding last year, an increase of 3.59% as shown in the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The City has been building a sufficient unassigned fund balance to sustain government operations for a period of approximately two months, while also maintaining reserve accounts for future capital and program needs.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 55 Front Street, Bath, Maine 04530.

BASIC FINANCIAL STATEMENTS

CITY OF BATH, MAINE
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,296,235
Investments	15,694,734
Receivables:	
Taxes receivable	700,153
Tax liens	379,653
Accounts receivable, net of allowance of \$65,211	1,214,873
Notes receivable	744,616
Inventory	26,246
Prepaid	7,440
Long-term receivable from RSU #1	729,541
Capital assets, not being depreciated	7,349,566
Capital assets, net of depreciation	33,531,369
Total assets	73,674,426
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,306,712
Deferred outflows related to OPEB	235,099
Total deferred outflows of resources	1,541,811
LIABILITIES	
Accounts payable	276,699
Accrued expenses	334,037
Accrued interest	152,567
Noncurrent liabilities:	
Due within one year	8,828,808
Due in more than one year	27,047,268
Total liabilities	36,639,379
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	928,427
Deferred inflows related to OPEB	138,883
Total deferred inflows of resources	1,067,310
NET POSITION	
Net investment in capital assets	20,828,512
Restricted for:	
Permanent funds:	
Expendable	-
Nonexpendable	3,480,348
Community development	744,616
Grants	150,875
TIF Districts	3,644,035
Unrestricted	8,661,162
Total net position	\$ 37,509,548

CITY OF BATH, MAINE
Statement of Activities
For the Year Ended June 30, 2019

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Governmental activities	
Primary government:						
Governmental activities:						
General government	\$ 1,413,546	\$ 146,080	\$ 36,871	\$ -	\$ (1,230,595)	
Public works and wastewater treatment	4,458,374	3,152,105	-	74,943	(1,231,326)	
Public safety	4,322,879	818,012	4,702	-	(3,500,165)	
Parks and recreation	770,034	482,177	-	-	(287,857)	
Health, welfare, and transportation	264,282	57,427	83,791	-	(123,064)	
Education	10,428,909	-	-	-	(10,428,909)	
Intergovernmental	1,730,283	-	-	-	(1,730,283)	
Unclassified	8,080,237	-	25,733	-	(8,054,504)	
Interest on debt	660,707	-	-	-	(660,707)	
Capital outlay	184,246	-	-	283,275	99,029	
Total governmental activities	32,313,497	4,655,801	151,097	358,218	(27,148,381)	
Total primary government	\$ 32,313,497	\$ 4,655,801	\$ 151,097	\$ 358,218	(27,148,381)	
General revenues:						
Property taxes, levied for general purposes					26,976,345	
Contributions in lieu of taxes					62,845	
Motor vehicle excise taxes					1,299,974	
Grants and contributions not restricted to specific programs:						
Homestead and BETE exemption					1,657,370	
Other State/Federal aid					11,167	
State Revenue Sharing					596,374	
Unrestricted investment earnings (loss), net					1,959,027	
Other					604,381	
Special item - Loss on Sale of City Property (Intergovernmental)					9,817	
Total general revenues and special items					33,177,300	
					Change in net position	6,028,919
					Net position - beginning	31,480,629
					Net position - ending	\$ 37,509,548

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

CITY OF BATH, MAINE
Balance Sheet
Governmental Funds
June 30, 2019

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 12,613,217	\$ 421,662	\$ -	\$ 45,657	\$ -	\$ 215,699	\$ 13,296,235
Investments	11,621,035	-	-	633,269	-	3,440,430	15,694,734
Receivables:							
Taxes receivable	700,153	-	-	-	-	-	700,153
Tax liens	379,653	-	-	-	-	-	379,653
Accounts receivable, net of allowance of \$55,000	467,715	662,710	-	84,141	-	307	1,214,873
Notes receivable	-	-	-	-	-	744,616	744,616
Interfund loans receivable	-	1,149,303	3,644,035	450,772	3,281,093	158,937	8,684,140
Inventory	26,246	-	-	-	-	-	26,246
Prepaid	7,440	-	-	-	-	-	7,440
Receivable from RSU #1 for debt service payment	728,469	-	-	-	-	-	728,469
Total assets	\$ 26,543,928	\$ 2,233,675	\$ 3,644,035	\$ 1,213,839	\$ 3,281,093	\$ 4,559,989	\$ 41,476,559
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 276,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,699
Accrued expenditures	297,331	11,764	-	6,019	-	18,923	334,037
Interfund loans payable	8,655,942	-	-	-	-	28,198	8,684,140
Total liabilities	9,229,972	11,764	-	6,019	-	47,121	9,294,876
Deferred Inflows of Resources:							
Deferred tax revenue	785,000	-	-	-	-	-	785,000
Deferred debt service payments from RSU #1	728,469	-	-	-	-	-	728,469
Total deferred inflows of resources	1,513,469	-	-	-	-	-	1,513,469
Fund Balances:							
Nonspendable	33,686	-	-	-	-	4,224,964	4,258,650
Restricted	-	-	3,644,035	-	-	150,875	3,794,910
Committed	11,621,035	2,221,911	-	1,207,820	3,281,093	158,309	18,490,168
Assigned	223,561	-	-	-	-	442,839	666,400
Unassigned	3,922,205	-	-	-	-	(464,119)	3,458,086
Total fund balances	15,800,487	2,221,911	3,644,035	1,207,820	3,281,093	4,512,868	30,668,214
Total liabilities, deferred inflows of resources and fund balances	\$ 26,543,928	\$ 2,233,675	\$ 3,644,035	\$ 1,213,839	\$ 3,281,093	\$ 4,559,989	\$ 41,476,559

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

CITY OF BATH, MAINE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balances	\$ 30,668,214
Amounts reported for governmental activities in the statement of net position are different because:	
Capital position used in governmental activities are not financial resources and therefore are not reported in the funds.	
More specifically, non-depreciable & depreciable capital position as reported on Statement 1	40,880,935
Long-term receivable from RSU #1 for bonds held in the City's name.	729,541
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	785,000
Noncurrent liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(370,418)
Other post-employment benefits	(1,484,269)
Net pension liability, including related deferred outflows and inflows	(2,712,249)
Accrued interest	(152,567)
Landfill closure	(4,210,000)
Bonds payable	(26,624,639)
<hr/>	
Net position of governmental activities	\$ 37,509,548

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

CITY OF BATH, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General	Sewer Utility Fund	TIF Funds	Landfill	Capital Projects	Other Governmental Funds	Total
Revenues:							
Taxes	\$ 19,385,325	\$ -	\$ 7,299,294	\$ 877,000	\$ 802,545	\$ -	\$ 28,364,164
Licenses and permits	146,080	-	-	-	-	-	146,080
Intergovernmental	2,292,823	-	-	74,943	283,275	123,185	2,774,226
Charges for services	853,493	2,328,023	-	788,601	-	539,604	4,509,721
Investment income (loss), net	1,244,011	-	-	116,157	45,071	553,788	1,959,027
Other revenues	201,630	-	34,216	-	324,074	44,461	604,381
Total revenues	24,123,362	2,328,023	7,333,510	1,856,701	1,454,965	1,261,038	38,357,599
Expenditures:							
Current:							
General government	1,356,143	-	263,904	1,054,114	-	29,296	2,703,457
Public works and wastewater treatment	1,481,251	1,298,462	85,000	-	-	-	2,864,713
Public safety	3,979,448	-	-	-	-	15,533	3,994,981
Parks and recreation	-	-	-	-	-	713,234	713,234
Health, welfare and transportation	62,302	-	-	-	-	201,980	264,282
Education	10,428,909	-	-	-	-	-	10,428,909
Intergovernmental	1,730,283	-	-	-	-	-	1,730,283
Unclassified	2,543,008	-	5,265,362	-	-	271,867	8,080,237
Debt service	620,784	289,467	1,024,960	651,544	799,511	53,100	3,439,366
Capital outlays	-	4,365,052	-	-	2,157,407	-	6,522,459
Total expenditures	22,202,128	5,952,981	6,639,226	1,705,658	2,956,918	1,285,010	40,741,921
Excess (deficiency) of revenues over (under) expenditures	1,921,234	(3,624,958)	694,284	151,043	(1,501,953)	(23,972)	(2,384,322)
Other financing sources (uses):							
Transfers in	32,399	-	-	-	-	555,075	587,474
Transfers out	(373,575)	-	(181,500)	-	-	(32,399)	(587,474)
Proceeds from bonds/notes/capital leases	-	4,516,224	-	-	3,783,000	-	8,299,224
Total other financing sources (uses)	(341,176)	4,516,224	(181,500)	-	3,783,000	522,676	8,299,224
Special item:							
Loss on Sale of City Property (Intergovernmental)	9,817	-	-	-	-	-	9,817
Net change in fund balances	1,589,875	891,266	512,784	151,043	2,281,047	498,704	5,924,719
Fund balances, beginning of year	14,210,612	1,330,645	3,131,251	1,056,777	1,000,046	4,014,164	24,743,495
Fund balances, end of year	\$ 15,800,487	\$ 2,221,911	\$ 3,644,035	\$ 1,207,820	\$ 3,281,093	\$ 4,512,868	\$ 30,668,214

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

CITY OF BATH, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds (from Statement 5)	\$	5,924,719
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those position is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlays (\$6,338,213) were more than depreciation expense (\$1,981,230) and capital asset disposals (\$0).</p>		
		4,356,983
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue.</p>		
		(25,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the increase in accrued interest (\$9,379), a decrease in net pension liability with related deferred inflows and outflows (\$1,429,088) combined with an increase in other post-employment benefits (\$69,502) and a decrease in accrued compensated absences (\$3,196).</p>		
		1,353,404
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (\$4,423,699) were more than debt proceeds (\$9,659,224).</p>		
		(5,235,525)
<p>The City has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #1 when the debt service payments are due. The City has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was (\$728,469) with principal amounts paid off during the year totaling (\$275,391) with a net change in accrued interest of (\$271).</p>		
		(275,662)
<p>Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds. This represents the increase in landfill liability.</p>		
		(70,000)
Change in net position of governmental activities (see Statement 2)		\$ 6,028,919

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

CITY OF BATH, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Budgeted Governmental Funds - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2019

	General Fund				Sewer Utility Fund			
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 18,978,104	\$ 18,978,104	\$ 19,385,325	\$ 407,221	\$ -	\$ -	\$ -	\$ -
Licenses and permits	84,250	84,250	146,080	61,830	-	-	-	-
Intergovernmental	2,242,300	2,242,300	2,292,823	50,523	-	-	-	-
Charges for services	818,500	818,500	853,493	34,993	2,140,000	2,140,000	2,328,023	188,023
Investment income (loss), net	450,500	450,500	1,244,011	793,511	-	-	-	-
Other revenues	175,550	175,550	202,908	27,358	-	-	-	-
Total revenues	22,749,204	22,749,204	24,124,640	1,375,436	2,140,000	2,140,000	2,328,023	188,023
Expenditures:								
Current:								
General government	1,408,150	1,408,150	1,356,143	52,007	-	-	-	-
Public works	1,521,436	1,521,436	1,481,251	40,185	-	-	-	-
Public safety	3,986,896	3,986,896	3,979,448	7,448	-	-	-	-
Health and welfare	73,650	73,650	62,302	11,348	-	-	-	-
Education	10,428,909	10,428,909	10,428,909	-	-	-	-	-
Intergovernmental	1,730,283	1,730,283	1,730,283	-	-	-	-	-
Administration	-	-	-	-	114,770	114,770	101,248	13,522
Treatment plant	-	-	-	-	973,886	973,886	939,475	34,411
Maintenance	-	-	-	-	320,946	320,946	257,739	63,207
Unclassified	2,734,355	2,734,355	2,543,008	191,347	-	-	-	-
Debt service	666,950	666,950	620,784	46,166	373,271	373,271	289,467	83,804
Capital	-	-	-	-	260,000	260,000	4,365,052	(4,105,052)
Total expenditures	22,550,629	22,550,629	22,202,128	348,501	2,042,873	2,042,873	5,952,981	(3,910,108)
Excess (deficiency) of revenues over (under) expenditures	198,575	198,575	1,922,512	1,723,937	97,127	97,127	(3,624,958)	(3,722,085)
Other financing sources (uses):								
Transfers in	25,000	25,000	32,399	7,399	-	-	-	-
Transfers out	(373,575)	(373,575)	(373,575)	-	-	-	-	-
Proceeds from bonds/notes/ capital leases	-	-	-	-	-	-	4,516,224	4,516,224
Utilization of prior year fund balance	150,000	150,000	-	(150,000)	-	-	-	-
Total other financing sources (uses)	(198,575)	(198,575)	(341,176)	(142,601)	-	-	4,516,224	4,516,224
Net change in fund balances - budgetary basis	-	-	1,581,336	1,581,336	97,127	97,127	891,266	794,139
Reconciliation to GAAP basis:								
Fuel revenues for fuel tank reserve			8,539					
Net change in fund balances			1,589,875				891,266	
Fund balances, beginning of year			14,210,612				1,330,645	
Fund balances, end of year			\$ 15,800,487				\$ 2,221,911	

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements
June 30, 2019

THE REPORTING ENTITY

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

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

Bath Local Development Corporation (Bath LDC)

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

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

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

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

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The City reports the following major governmental funds:

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

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

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

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

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

C. Budget

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

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

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

D. Cash, Cash Equivalents and Investments

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Cash, Cash Equivalents and Investments, continued

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

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

E. Inventories and Prepaid Items

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

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

F. Interfund Receivables and Payables

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

G. Transactions Between Funds

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

H. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$35,000 for the general fund accounts receivable and \$20,000 for the sewer utility fund accounts receivable (which are both part of other receivables on the balance sheet) as of June 30, 2019.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Capital Assets

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

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

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

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

J. Compensated Absences

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

K. Long-term Obligations

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Net Position

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

M. Deferred Outflows and Inflows of Resources

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

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

N. Fund Balances

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

N. Fund Balances, continued

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

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

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

O. Encumbrances

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

P. Pensions

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

Q. OPEB

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

R. Use of Estimates

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

S. Net Investment in Capital Assets

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net investment in capital assets was calculated as follows at June 30, 2019:

Capital assets	\$ 74,582,115
Accumulated depreciation	(33,701,180)
Bonds payable	(20,780,892)
Long-term receivable from RSU #1 for debt service	728,469
<hr/>	
Total net investment in capital assets	\$ 20,828,512

T. Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

PROPERTY TAX

Property taxes for the current year were committed on August 30, 2018, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$211,160 for the year ended June 30, 2019.

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>2019</u>	<u>2018</u>
Assessed value (excluding Homestead exemption)	\$ 1,219,825,300	\$ 1,223,541,700
Tax rate (per \$1,000)	21.35	21.10
Commitment	27,298,452	25,816,730
Supplemental taxes assessed	-	-
	27,298,452	25,816,730
Less:		
Abatements	105,468	119,554
Collections	26,482,315	25,041,192
	\$ 710,669	\$ 655,984

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

PROPERTY TAX, CONTINUED

Due date - current year	October 15, 2018	October 15, 2016
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.40%	97.46%
Taxes and liens receivable - current year	\$ 696,325	\$ 655,984
Taxes and liens receivable - prior years	418,435	401,361
Total taxes and liens receivables	\$ 1,114,760	\$ 1,057,345

DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City will not be able to recover its deposits. The City does not have a policy covering custodial credit risk for deposits. However, the City maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2019, the City's cash balance amounting to \$12,419,795 and cash equivalents of \$876,440 were comprised of bank deposits of \$12,310,581. Of these bank deposits, \$1,976,823 was covered by federal depository insurance and \$10,333,758 was collateralized with securities held by the financial institution's agent but not in the City's name.

Account Type	Bank Balance
Checking accounts	\$ 255,443
Savings accounts	1,008,588
Money market accounts	876,440
Certificates of deposit	10,135,105
ICS accounts	35,005
	\$ 12,310,581

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEPOSITS AND INVESTMENTS, CONTINUED

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does not have a policy for custodial credit risk for investments. The City's investments of \$15,694,734 are not exposed to custodial credit risk because those securities are registered in the City's name and are held by the City's brokerage firm.

At June 30, 2019, the City had the following investments:

Investment Type	Fair Value	Maturity			
		N/A	<1 Year	1-5 Years	5-10 Years
Mutual funds:					
Fixed income	\$ 3,133,977	\$ 201,255	\$ 1,502,295	\$ 1,430,427	\$ -
Debt securities:					
Corporate bonds	900,309	-	-	406,122	494,187
Tax exempt bonds	40,000	-	40,000	-	-
U.S. Government Agency	50,014	-	50,014	-	-
Brokered certificates of deposit	153,157	-	9,967	143,190	-
Equity securities:					
Preferred stock	55,275	55,275	-	-	-
Common stock - domestic	11,169,283	11,169,283	-	-	-
Common stock - foreign	129,339	129,339	-	-	-
Real Estate Investment Trusts	63,380	63,380	-	-	-
	<u>\$ 15,694,734</u>	<u>\$ 11,618,532</u>	<u>\$ 1,602,276</u>	<u>\$ 1,979,739</u>	<u>\$ 494,187</u>

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as June 30, 2019:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEPOSITS AND INVESTMENTS, CONTINUED

	June 30, 2019 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Investments by fair value level				
Debt securities				
Corporate bonds	\$ 900,309	\$ -	\$ 900,309	\$ -
Tax exempt bonds	40,000	-	40,000	-
U.S. Government securities	50,014	-	50,014	-
Brokered certificates of deposit	153,157	-	153,157	-
Total debt securities	<u>1,143,480</u>	<u>-</u>	<u>1,143,480</u>	<u>-</u>
Equity securities				
Common stock	11,298,622	11,298,622	-	-
Preferred stock	55,275	55,275	-	-
Mutual funds and exchange-traded funds	3,133,977	3,133,977	-	-
Real estate investment trusts	63,380	63,380	-	-
Total equity securities	<u>14,551,254</u>	<u>14,551,254</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>15,694,734</u>	<u>\$ 14,551,254</u>	<u>\$ 1,143,480</u>	<u>\$ -</u>
Cash equivalents measured at the net asset value (NAV)				
Money market mutual funds	<u>876,440</u>			
Total cash equivalents measured at the NAV	<u>876,440</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 16,571,174</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2019 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk – Statutes for the State of Maine authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. As of June 30, 2018, the City's investments in corporate bonds were rated A (\$157,944), AA (26,400), A- (\$371,109), BBB+ (\$179,518) and BBB (\$163,338) by Standard & Poor's Rating Service. The City's holdings in tax-exempt bonds and negotiable certificates of deposit totaling \$193,157 were not rated.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEPOSITS AND INVESTMENTS, CONTINUED

Credit ratings were not available for certain U.S. government securities holdings totaling \$50,014.

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

Governmental Activities	Balance June 30, 2018	Increases	Decreases/ Adjustments	Balance June 30, 2019
Capital Assets, not being depreciated				
Land	\$ 1,902,870	-	-	\$ 1,902,870
Construction in Progress	1,157,873	4,740,370	451,547	5,446,696
Total capital assets not being depreciated	3,060,743	4,740,370	451,547	7,349,566
Capital Assets, being depreciated				
Building & Improvements	12,903,594	65,275	-	12,968,869
Machinery, Furniture & Equipment	3,889,514	275,873	79,712	4,085,675
Infrastructure	44,488,106	440,435	-	44,928,541
Vehicles	4,115,475	1,267,808	133,819	5,249,464
Total capital assets being depreciated	65,396,689	2,049,391	213,531	67,232,549
Less accumulated depreciation for:				
Building & Improvements	8,500,996	234,048	-	8,735,044
Machinery, Furniture & Equipment	2,518,829	259,839	79,712	2,698,956
Infrastructure	18,561,395	1,080,164	-	19,641,559
Vehicles	2,352,261	407,179	133,819	2,625,621
Total accumulated depreciation	31,933,481	1,981,230	213,531	33,701,180
Total capital assets being depreciated, net	33,463,208	68,161	-	33,531,369
Governmental activities capital assets, net	\$ 36,523,951	4,808,531	451,547	\$ 40,880,935

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

Governmental activities:	
General government	\$ 84,269
Public works and wastewater treatment	1,521,531
Parks and recreation	61,721
Public safety	<u>313,709</u>
<u>Total depreciation expense – governmental activities</u>	<u>\$ 1,981,230</u>

INTERFUND BALANCES, ADVANCES AND TRANSFERS

Individual interfund loans receivable and payable and interfund transfers at June 30, 2019 were as follows:

	Interfund Loans Receivable	Interfund Loans Payable	Transfers In (Out)
General Fund	\$ -	\$ 8,655,942	\$ (341,176)
Sewer Utility Fund	1,149,303	-	-
TIF Fund	3,644,035	-	(181,500)
Capital Projects Fund	3,281,093	-	-
Landfill Fund	450,772	-	-
Nonmajor governmental funds:			
City Special Purpose	54,574	-	313,575
Community Development	-	27,093	-
Transportation Programs	95,995	-	77,500
Bath Local Development Corp.	-	1,105	164,000
Nonmajor permanent funds	<u>8,368</u>	<u>-</u>	<u>(32,399)</u>
Total interfund balances and transfers	<u>\$ 8,684,140</u>	<u>\$ 8,684,140</u>	<u>\$ -</u>

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental activities:				
General obligation bonds	\$ 20,061,591	\$ 5,143,000	\$ (4,423,699)	\$ 20,780,892
Other post-employment benefits	1,689,049	119,737	(228,301)	1,580,485
Net pension liability	4,396,474	1,332,580	(2,638,520)	3,090,534
Accrued compensated absences	373,614	-	(3,196)	370,418
Landfill closure and postclosure care costs	<u>4,140,000</u>	<u>70,000</u>	<u>-</u>	<u>4,210,000</u>
Total governmental activity long-term liabilities	<u>\$ 30,660,728</u>	<u>\$ 6,665,317</u>	<u>\$ (7,293,716)</u>	<u>\$ 30,032,329</u>

SHORT-TERM DEBT

On November 3, 2015, the Voters approved the issuance of a \$8,500,000 sewer bonds for upgrades to the sewer treatment plant and the infrastructure. The City had two bonds anticipation notes outstanding to cover construction until the permanent bonds are in place. The two BANs include \$2,000,000 with SRF State Revolving Loan Fund and \$3,000,000 with Androscoggin Bank and \$3,500,000 with Bath Savings to be funded by Rural Development. Bond anticipation note activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Bond anticipation notes SRF	\$ 195,521	\$ 100,000	\$ -	\$ 295,521
Bond anticipation notes RD	<u>1,132,000</u>	<u>4,416,224</u>	<u>-</u>	<u>5,548,224</u>
	<u>\$ 1,327,521</u>	<u>\$ 4,516,224</u>	<u>\$ -</u>	<u>\$ 5,843,745</u>

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

LONG-TERM DEBT

Long-term debt payable at June 30, 2019 is comprised of the following:

	Date of Issue	Original Amount Issued	Date of Maturity	Interest Rate	June 30, 2019
Governmental activities:					
2002 Landfill and pumping station bonds	10/1/03	\$ 1,950,000	10/1/22	1.94%	\$ 260,709
2004 General obligation bonds	6/1/04	1,840,000	9/1/19	4.70%	120,000
Wastewater revolving loan fund	6/30/06	350,000	6/30/26	1.78%	122,500
2008 SRF sewer bond	5/1/08	1,400,000	4/1/23	1.00%	373,333
2008 general obligation bond	1/30/08	6,500,000	1/15/23	3.50%	660,000
2009 general obligation bond series B	9/5/08	635,000	10/15/28	5.12%	-
2009 general obligation bond series C	9/8/08	1,365,000	10/15/18	6.75%	-
2009 AARA Clean Water Revolving Loan	7/1/09	57,488	4/1/19	0.00%	-
2011 General Obligation Bond	5/1/11	3,950,000	5/1/31	3.25%	1,245,000
2011 GOB Series B	3/1/11	2,392,271	11/1/30	2.00%	671,148
2011 GOB Series B	3/1/11	2,882,729	11/1/30	2.00%	728,469
2011 SRF GOB	3/1/11	1,883,600	11/1/31	1.00%	1,224,340
2014 SRF Clean Water Revolving Loan	10/1/13	651,500	2033	0.22%	456,050
2014 GOB Bath Savings	10/9/13	128,000	2020	2.84%	18,285
2013 GOB Equipment	11/22/13	222,000	2021	2.94%	38,978
2014 GOB Road Bond and Refin	5/1/14	4,456,000	2029	2.00%	2,340,000
2014 GOB Equipment	10/17/14	665,265	2024	3.09%	194,544
2015 GOB Bath Savings	3/25/15	1,205,000	2025	2.84%	763,053
2015 GOB Bath Savings	11/10/15	715,500	2025	3.31%	406,145
2016 GOB Equipment	12/16/16	60,000	2025	3.09%	29,371
2017 GOB Bath Savings	4/27/17	6,475,500	2025	3.00%	5,805,000
2018 GOB Equipment	1/15/18	621,000	2028	2.99%	523,967
2018 GOB Series A Fire Tk, Rds, Refin	9/13/18	4,203,000	2038	5.00%	3,940,000
2018 GOB Series B Refin	9/13/18	940,000	2028	3.50%	860,000
Total governmental activities					<u>\$ 20,780,892</u>

- (1) As of July 1, 2008, the Bath School Department joined Regional School Unit #1. RSU #1 will reimburse the City of Bath for all Bath School Department bonds payable when the debt service payments are due. The City has recorded a long-term receivable for \$1,003,860, which is the outstanding amount of bonds payable related to the School Department. The City also records a long-term receivable for the accrued interest on these bonds that totals \$1,343 for a total long-term receivable of \$1,005,203.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

LONG-TERM DEBT, CONTINUED

The annual principal and interest requirements to amortize general long-term debt outstanding as of June 30, 2019 are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 2,985,063	\$ 607,021	\$ 3,592,084
2021	2,475,873	529,123	3,004,996
2022	2,405,175	459,798	2,864,973
2023	2,007,907	395,021	2,402,928
2024	1,502,024	330,944	1,832,968
2025-2029	6,367,010	981,950	7,348,960
2030-2034	2,327,840	269,134	2,596,974
2035-2039	710,000	55,088	765,088
	<u>\$ 20,780,892</u>	<u>\$ 3,628,079</u>	<u>\$ 24,408,971</u>

LANDFILL CLOSURE AND POSTCLOSURE COSTS

The City of Bath is currently operating a landfill for residential and commercial sanitary waste, demolition debris, and other materials. In 1991, the City entered into a consent decree with the State of Maine for the development and implementation of a corrective action plan and application to re-license with a proposed vertical expansion. The City met all terms of the consent decree and received approval from the State on the new license and vertical expansion. As part of the corrective action plan, the City closed certain sections of the landfill and prepared to make improvements that would extend the useful life of the facility. On November 6, 2001, voters approved the City Council's authorization of \$8,140,000 in general obligation bonds. Of this bond issuance, \$3,000,000 was to provide funds for landfill improvements, otherwise referred to as the Landfill Project. In September 2002 (the "2002 Bonds"), \$1,200,000 was issued to finance the Landfill Project. An additional amount of \$600,000 was financed through the State Revolving Loan Program (SRF) jointly through the Maine Municipal Bond Bank and the Maine Department of Environmental Protection. Another bond issuance in June 2004 (the "2004 Bonds") provided the remaining \$1,200,000 previously authorized for the Landfill Project. On January 30, 2008, the City issued \$4,500,000 in voter-approved debt for construction of a new cell and gas mitigation system. At June 30, 2019, the landfill had reached approximately 70.92% capacity of the current configuration (post Landfill project expansion). In November of 2016 the voters approved a \$3,800,000 bond for the construction and equipping of the last cell. The estimated cost for closure after it reaches existing capacity is approximately \$3,500,000. Post closure costs, such as monitoring and maintenance for 30 years is estimated to be \$2,300,000. As such, the City has recognized a liability based on the percentage used as of June 30, 2019, of \$2,570,000 for closure, and an estimate for post closure costs of \$1,640,000. This results in a total of \$4,210,000 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. Currently \$678,626 is reflected as a cash equivalent and investment in the City's Landfill Fund. It is the intent of the City Council to earmark additional funding for landfill closure costs on an annual basis.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

OVERLAPPING DEBT

The City of Bath, Maine is situated in Sagadahoc County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Sagadahoc County, for which the City of Bath would be proportionally responsible in the event the County defaulted, amounted to \$930,110 at June 30, 2019, which is 21% of the County's total debt of \$4,429,097.

The City of Bath, Maine is also a member of Regional School Unit 1 and is therefore subject to annual assessment of its proportional share of education expenses. Long-term debt outstanding at RSU #1, for which the City of Bath would be proportionally responsible in the event the RSU defaulted, amounted to \$3,207,529 at June 30, 2019, which is 57.19% of the RSU's total debt of \$5,608,550 not funded by the State of Maine.

LIMITATION ON MUNICIPAL SPENDING

The City's charter provides for a limitation on expenditures each year based upon the annual increase in the National Consumer Price Index ("CPI") as determined by the United States Department of Labor. Exceptions to the limitations are made for proceeds of new bond issues approved by public referendum, debt service required to support new bonded indebtedness, expenditures of Federal and State grants, expenditures for programs mandated and funded by the Federal and State governments, expenditures of insurance proceeds for replacement of covered assets, and emergency appropriations by the City Council in accordance with the City's charter. The expenditures of the City of Bath, Maine for the year ended June 30, 2019 were made in accordance with the above charter limitations.

SIGNIFICANT TAXPAYER

For the year ended June 30, 2019, the City of Bath received \$10,813,181 in real estate and personal property tax revenue from Bath Iron Works. This amount represents 41.88% of total property taxes assessed. Of the taxes received from Bath Iron Works for the year ended June 30, 2019, a significant portion (\$4,711,035) were funds collected as part of a Credit Enhancement Agreement in a Tax Increment Financing (TIF) District. As such, only \$6,102,146 of taxes were collected for the purposes of financing the City's operational and capital budgets.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

FUND BALANCE COMPONENTS

As of June 30, 2019, fund balances components consisted of the following:

	General Fund	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Nonspendable:			
Inventory and prepaid items	\$ 33,686	\$ -	\$ 33,686
Notes receivable and interfund advances	-	744,616	744,616
Principal for permanent funds	-	3,480,348	3,480,348
Total nonspendable	<u>33,686</u>	<u>4,224,964</u>	<u>4,258,650</u>
Restricted:			
TIF Districts	-	3,644,035	3,644,035
Grants and other purposes	-	150,875	150,875
Permanent funds	-	-	-
Total restricted	<u>-</u>	<u>3,794,910</u>	<u>3,794,910</u>
Committed:			
Capital Reserves	12,005,085		12,005,085
Sewer utility	-	2,221,911	2,221,911
Landfill - operations	-	529,194	529,194
Landfill - set aside for closure	-	678,626	678,626
Capital projects	-	3,281,093	3,281,093
Bath Local Development Corporation	-	158,309	158,309
Total committed	<u>12,005,085</u>	<u>6,869,133</u>	<u>18,874,218</u>
Assigned:			
Subsequent budget	200,000	-	200,000
Fuel tank reserves	23,561	-	23,561
Grants and other purposes	-	442,839	442,839
Total assigned	<u>223,561</u>	<u>442,839</u>	<u>666,400</u>
Unassigned	<u>3,538,155</u>	<u>(464,119)</u>	<u>3,074,036</u>
Total fund balances	<u>\$ 15,800,487</u>	<u>\$ 14,867,727</u>	<u>\$ 30,668,214</u>

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEFICIT FUND BALANCES

Several City Special Revenue Funds had deficit fund balances at June 30, 2019. The City's deficit fund balances are as follows:

Recreation Programs	\$ 174,603
Skate Park Committee	53,366
Bath Youth Meeting House	236,150
Forestry Grant	2,109
Police Capital Improvements	6,338
	<u>\$ 472,566</u>

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

EXPENDITURES OVER APPROPRIATIONS

The City had no overspent appropriations as of June 30, 2019.

DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

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

Benefits Provided

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEFINED BENEFIT PENSION PLAN, CONTINUED

action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits, which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2018, there were 304 employers in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.40%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The City's 2C plan members and 3C plan members are required to contribute 7.5% and 9.0% respectively of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 10.6% for the 2C plan and 12.8% for the 3C plan of covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The City's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2019 was \$653,784.

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

At June 30, 2019, the City reported a liability of \$3,090,534 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2018, the City's proportion was 1.129262%, which was an increase of 0.055478% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized total pension revenue of \$1,429,088. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEFINED BENEFIT PENSION PLAN, CONTINUED

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,676	\$ 33,945
Changes of assumptions	493,270	-
Net difference between projected and actual earnings on pension plan investments	-	746,241
Changes in proportion and differences between contributions and proportionate share of contributions	149,982	148,241
Contributions subsequent to the measurement date	653,784	-
Total	\$ 1,306,712	\$ 928,427

\$653,784 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Plan year ended June 30:	
2019	\$ 332,250
2020	92,787
2021	(507,664)
2022	(192,870)
2023	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions (Continued)

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

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

Asset Valuation Method

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

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

Investment Rate of Return - 6.75% per annum for the year ended June 30, 2018; the rate was 6.875% in 2017, compounded annually.

Salary Increases, Merit and Inflation - 2.75% to 9.00% per year

Mortality Rates - For active members and non-disabled retirees of the PLD Consolidated and State Employee and Teacher Plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases - 1.91%; in 2017 the rate was 2.20%

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions (Continued)

estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2018 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for the PLD Consolidated Plan.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEFINED BENEFIT PENSION PLAN, CONTINUED

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
City's proportionate share of the net pension liability	\$ 7,283,980	\$ 3,090,534	\$ (829,186)

Changes in Net Pension Liability

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

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2018, this was three years; prior to 2018, this was four years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

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

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

DEFINED BENEFIT PENSION PLAN, CONTINUED

employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2018 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (800) 451-9800.

DEFERRED COMPENSATION PLAN

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

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

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

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

RISK MANAGEMENT

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

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchases, the City is not aware of any material actual or potential claims that should be recorded at June 30, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The City and City retirees contribute to the City's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the City and/or the City retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the City concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

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

Employees Covered by Benefit Terms

At January 1, 2019, the following employees were covered by the benefit terms:

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

Contributions

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Retiree Premium Amounts:

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

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

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

At June 30, 2019, the City reported a liability of \$1,580,485 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2019 and was determined by an actuarial valuation as of that date. The City's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2019, the City recognized OPEB revenue of \$69,502. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,615	\$ -
Changes of assumptions	132,484	138,883
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	50,235	-
Total	\$ 285,334	\$ 138,883

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

		MMEHT
Plan year ended December 31:		
2020	\$	19,343
2021		19,343
2022		19,343
2023		19,343
2024		19,343
Thereafter		(499)

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as the valuation date of January 1, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 4.10% per annum for June 30, 2019 was based upon a measurement date of December 27, 2018. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	3.10%	4.10%	5.10%
Total OPEB liability	\$ 1,830,368	\$ 1,580,485	\$ 1,378,714
Plan fiduciary net position	-	-	-
Net OPEB liability	\$ 1,830,368	\$ 1,580,485	\$ 1,378,714
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 1,424,476	\$ 1,580,485	\$ 1,775,686
Plan fiduciary net position	-	-	-
Net OPEB liability	\$ 1,424,476	\$ 1,580,485	\$ 1,775,686
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%	 0.00%	 0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2018. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

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

Assumptions

The actuarial assumptions used in the January 1, 2019 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2018 and December 31, 2019.

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2018 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2019, they are as follows:

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Actuarial Methods and Assumptions (Continued)

Discount Rate - 4.10% per annum.

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2019 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug - Initial trend of 9.60% applied in 2019 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2019 grading over 14 years to 4.00% per annum.

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

Administrative and claims expense - 3% per annum.

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

Administrative and claims expense - 3% per annum.

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

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

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

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

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

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

Administrative expenses - Included in the per capita claims cost.

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

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

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

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

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retiree Continuation Percentage:

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

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

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

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2019 was \$102,615.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2018 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2019. For the fiscal year ended June 30, 2019, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

CITY OF BATH, MAINE
Notes to Basic Financial Statements, Continued
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

OPEB Plan Fiduciary Net Position

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

CONTINGENCIES

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

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

COMPARATIVE DATA/RECLASSIFICATIONS

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

CITY OF BATH, MAINE
Required Supplementary Information
June 30, 2019

Schedule of Funding Progress
Retiree Healthcare Plan

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2010	1/1/09	\$ -	1,817,040	1,817,040	0.00%	4,494,282	40.43%
2011	1/1/11	\$ -	1,965,984	1,965,984	0.00%	4,753,104	41.36%
2012	1/1/11	\$ -	1,965,984	1,965,984	0.00%	4,847,374	40.56%
2013	1/1/11	\$ -	1,965,984	1,965,984	0.00%	5,267,709	37.32%
2014	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,425,740	27.30%
2015	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,583,092	26.50%
2018	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,756,941	25.70%
2019	1/1/14	\$ -	1,479,382	1,479,382	0.00%	5,491,363	26.94%

CITY OF BATH, MAINE
Required Supplementary Information
June 30, 2019

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

LAST 10 FISCAL YEARS*

<u>PLD Plan:</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	1.13%	1.07%	1.13%	1.21%	1.37%	1.57%
Proportionate share of the net pension liability (asset)	\$ 3,090,534	\$ 4,396,474	\$ 3,871,912	\$ 3,871,912	\$ 2,109,700	\$ 4,831,637
Covered-employee payroll	\$ 5,717,958	\$ 5,491,363	\$ 5,756,941	\$ 5,583,092	\$ 5,421,904	\$ 5,267,709
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.05%	80.06%	67.26%	69.35%	38.91%	91.72%
Plan fiduciary net position as a percentage of the total pension liability	91.14%	86.43%	81.60%	88.30%	94.10%	87.50%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

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

CITY OF BATH, MAINE
Required Supplementary Information
June 30, 2019

SCHEDULE OF CONTRIBUTIONS

LAST 10 FISCAL YEARS*

<u>PLD Plan:</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 653,784	\$ 626,880	\$ 550,362	\$ 532,505	\$ 496,072	\$ 475,274
Contributions in relation to the contractually required contribution	<u>(653,784)</u>	<u>(626,880)</u>	<u>(550,362)</u>	<u>(532,505)</u>	<u>(496,072)</u>	<u>(475,274)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered-employee payroll	\$ 5,716,077	\$ 5,717,958	\$ 5,491,363	\$ 5,756,941	\$ 5,583,092	\$ 5,421,904
Contributions as a percentage of covered-employee payroll	11.44%	10.96%	10.02%	9.25%	8.89%	8.77%

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

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

CITY OF BATH, MAINE
Required Supplementary Information
June 30, 2019

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at 1/1/18 (Reporting June 30, 2018)	\$ 1,689,049	\$ -	\$ 1,689,049
Changes for the year:			
Service cost	41,713	-	41,713
Interest	58,681	-	58,681
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(158,723)	-	(158,723)
Contributions - employer	-	50,235	(50,235)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(50,235)	(50,235)	-
Administrative expense	-	-	-
Net changes	<u>(108,564)</u>	<u>-</u>	<u>(108,564)</u>
Balances at 1/1/19 (Reporting June 30, 2019)	<u>\$ 1,580,485</u>	<u>\$ -</u>	<u>\$ 1,580,485</u>

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

CITY OF BATH, MAINE
Required Supplementary Information
June 30, 2019

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

	2019	2018
<u>Total OPEB liability</u>		
Service cost (BOY)	41,713	31,950
Interest (includes interest on service cost)	58,681	50,996
Changes of benefit terms	-	-
Differences between expected and actual experience	-	136,819
Changes of assumptions	(158,723)	176,646
Benefit payments, including refunds of member contributions	(50,235)	(48,580)
Net change in total OPEB liability	\$ (108,564)	\$ 347,831
Total OPEB liability - beginning	\$ 1,689,049	\$ 1,341,218
Total OPEB liability - ending	\$ 1,580,485	\$ 1,689,049
<u>Plan fiduciary net position</u>		
Contributions - employer	50,235	48,580
Contributions - member	-	-
Net investment income	-	1
Benefit payments, including refunds of member contributions	(50,235)	(48,580)
Administrative expense	-	-
Net change in fiduciary net position	-	-
Plan fiduciary net position - beginning	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -
Net OPEB liability - ending	\$ 1,580,485	\$ 1,689,049
Plan fiduciary net position as a percentage of the total OPEB liability	-	-
Covered employee payroll	\$ 4,373,268	\$ 4,373,268
Net OPEB liability as a percentage of covered payroll	36.1%	38.6%

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

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

CITY OF BATH, MAINE
Required Supplementary Information
June 30, 2019

SCHEDULE OF CONTRIBUTIONS

LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>
<u>MMEHT:</u>		
Employer contributions	\$ 50,235	\$ 48,580
Benefit payments	(50,235)	(48,580)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,373,268	\$ 4,373,268
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

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

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

CITY OF BATH, MAINE
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Changes of Assumptions

For the PLD Consolidated Plan, the discount rate was reduced from 6.875% to 6.75%. In addition, the cost of living benefit increases for the PLD Plan decreased from 2.20% to 1.91%.

There was a change in the discount rate from 3.44% to 4.10% per GASB 75 discount rate selection.

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, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 12,613,217	\$ 8,671,921
Investments	11,621,035	10,814,042
Receivables:		
Taxes receivable	700,153	696,325
Tax liens	379,653	418,435
Accounts receivable, net of allowance of \$35,000	467,715	303,057
Inventory	26,246	24,233
Prepaid	7,440	8,607
Receivable from RSU #1 for debt service payment	728,469	1,005,203
Total assets	\$ 26,543,928	\$ 21,941,823
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 276,699	\$ 665,878
Accrued expenditures	297,331	253,371
Interfund loans payable	8,655,942	4,996,759
Total liabilities	9,229,972	5,916,008
Deferred inflows of resources:		
Deferred tax revenue	785,000	810,000
Deferred debt service payments from RSU #1	728,469	1,005,203
Total deferred inflows of resources	1,513,469	1,815,203
Fund balance:		
Nonspendable - inventory and prepaids	33,686	32,840
Committed	12,005,085	10,814,042
Assigned	223,561	165,022
Unassigned	3,538,155	3,198,708
Total fund balance	15,800,487	14,210,612
Total liabilities, deferred inflows of resources and fund balance	\$ 26,543,928	\$ 21,941,823

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

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Budgetary Basis
For the year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	2019		Variance positive (negative)	2018 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 17,658,104	\$ 17,920,530	\$ 262,426	\$ 17,378,644
Excise taxes	1,180,000	1,299,974	119,974	1,232,791
Interest and costs on taxes	80,000	101,976	21,976	82,928
Contributions in lieu of taxes	60,000	62,845	2,845	63,322
Total taxes	18,978,104	19,385,325	407,221	18,757,685
Licenses, permits and fees:				
Non-business licenses	8,000	7,217	(783)	6,581
Health, building, plumbing and electrical permits	36,000	97,115	61,115	41,283
Vehicle, boat and recreation vehicle registrations	22,250	21,247	(1,003)	21,638
Other	18,000	20,501	2,501	23,896
Total licenses, permits and fees	84,250	146,080	61,830	93,398
Intergovernmental:				
State revenue sharing	554,930	596,374	41,444	565,951
State homestead exemption	475,785	475,785	-	382,379
State BETE exemption	1,181,585	1,181,585	-	1,084,123
Other state revenue	30,000	39,079	9,079	54,345
Other federal revenue	-	-	-	55,844
Total intergovernmental	2,242,300	2,292,823	50,523	2,142,642
Investment income (loss), net	450,500	1,244,011	793,511	1,185,200
Charges for services:				
Ambulance service	665,000	689,009	24,009	598,140
Cemetery sales	46,500	35,481	(11,019)	45,158
Parking City lots	82,000	91,421	9,421	89,115
Police duty and fees	25,000	37,582	12,582	30,688
Total charges for services	818,500	853,493	34,993	763,101
Other revenues:				
Parking and traffic violations	20,500	55,189	34,689	16,159
Cable television franchise	115,000	109,746	(5,254)	119,977
Rents and leases	25,000	26,646	1,646	37,398
Sale of property	-	9,817	9,817	-
Miscellaneous	15,050	1,510	(13,540)	166,496
Total other revenues	175,550	202,908	27,358	340,030
Total revenues	22,749,204	24,124,640	1,375,436	23,282,056

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued
For the year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	2019		Variance positive (negative)	2018 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	161,941	175,386	(13,445)	165,543
Professional services	179,500	167,507	11,993	151,690
City council	72,015	51,911	20,104	64,713
City clerk	141,988	142,557	(569)	151,853
Elections	16,260	14,046	2,214	12,508
Central services	166,000	182,487	(16,487)	161,819
City Hall management and utilities	136,421	124,237	12,184	135,313
Finance	277,662	276,952	710	269,284
Assessor	134,462	133,134	1,328	128,197
Public education government cable	48,558	45,975	2,583	42,187
Planning and community development	73,343	41,951	31,392	62,792
Total general government	1,408,150	1,356,143	52,007	1,345,899
Public works:				
General	1,025,922	990,231	35,691	1,133,892
Forestry	85,870	83,184	2,686	65,645
Cemetery and parks	409,644	407,836	1,808	405,480
Total public works	1,521,436	1,481,251	40,185	1,605,017
Public safety:				
Fire and ambulance	1,680,099	1,684,879	(4,780)	1,644,312
Police	1,564,633	1,565,678	(1,045)	1,527,017
Other public safety	91,703	86,515	5,188	84,933
Codes enforcement	96,461	95,368	1,093	92,938
Street lights	130,000	122,843	7,157	124,289
Fire hydrant rental	424,000	424,165	(165)	424,165
Total public safety	3,986,896	3,979,448	7,448	3,897,654
Health and welfare:				
General assistance	73,650	62,302	11,348	86,922
Total health and welfare	73,650	62,302	11,348	86,922

CITY OF BATH, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual--Budgetary Basis, Continued
For the year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	2019		Variance positive (negative)	2018 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	10,428,909	10,428,909	-	10,059,652
Intergovernmental--county tax	1,730,283	1,730,283	-	1,744,231
Unclassified:				
Employee benefits	2,170,440	2,022,444	147,996	2,016,076
Insurances	378,000	306,828	71,172	348,302
Special events and support	185,915	182,960	2,955	187,120
Overlay/abatements and write-offs	-	30,776	(30,776)	105,468
Total unclassified	2,734,355	2,543,008	191,347	2,656,966
Debt service:				
Principal	480,500	480,257	243	498,118
Interest and fees	186,450	140,527	45,923	-
Total debt service	666,950	620,784	46,166	498,118
Total expenditures	22,550,629	22,202,128	348,501	21,894,459
Excess (deficiency) of revenues over (under) expenditures	198,575	1,922,512	1,723,937	1,387,597
Other financing sources (uses):				
Utilization of prior year fund balance	150,000	-	(150,000)	-
Transfers in	25,000	32,399	7,399	28,760
Transfers out	(373,575)	(373,575)	-	(635,597)
Proceeds from Long Term Debt	-	-	-	-
Total other financing sources (uses)	(198,575)	(341,176)	(142,601)	(606,837)
Net change in fund balance - budgetary basis	-	1,581,336	1,581,336	780,760
Reconciliation to GAAP basis:				
Fuel revenues for fuel tank reserve		8,539		15,022
Net change in fund balances - GAAP basis		1,589,875		795,782
Fund balance, beginning of year		14,210,612		13,414,830
Fund balance, end of year		\$ 15,800,487		\$ 14,210,612

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

CAPITAL PROJECTS FUNDS

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

CITY OF BATH, MAINE
Capital Projects
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Fund Balance, Beginning of Year	Revenues				Capital Outlay	Debt Service	Capital Lease & Bond Proceeds	Transfers In (Out)	Fund Balance, End of Year
		Property Taxes	Intergovern- mental	Investment Earnings	Other					
City capital projects:										
Capital fund - City	\$ 525,108	\$ 147,491	\$ -	\$ -	\$ 20,000	\$ 155,743	\$ 207,050	\$ -	\$ -	\$ 329,806
Cemetery and parks capital	80,615	60,289	-	-	14,561	80,737	57,169	35,000	(2,550)	50,009
Commercial/Front pump station	12,355	-	-	-	-	-	-	-	-	12,355
Fire and ambulance capital projects	17,413	289,972	-	-	-	729,593	283,657	715,000	-	9,135
Police capital improvements	10,468	52,703	-	-	-	49,877	45,632	26,000	-	(6,338)
Public works capital improvements	313,361	165,055	283,275	45,071	272,513	1,099,786	156,194	3,007,000	-	2,830,295
Recreation capital improvements	40,726	87,035	-	-	17,000	41,671	49,809	-	2,550	55,831
Total capital projects	\$ 1,000,046	\$ 802,545	\$ 283,275	\$ 45,071	\$ 324,074	\$ 2,157,407	\$ 799,511	\$ 3,783,000	\$ -	\$ 3,281,093

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

ALL OTHER GOVERNMENTAL FUNDS

CITY OF BATH, MAINE
Other Governmental Funds
Combining Balance Sheet
June 30, 2019

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
ASSETS			
Cash and cash equivalents	\$ 78,917	\$ 136,782	\$ 215,699
Investments	105,232	3,335,198	3,440,430
Accounts receivable	307	-	307
Notes receivable	744,616	-	744,616
Interfund loans receivable	150,569	8,368	158,937
Total assets	\$ 1,079,641	\$ 3,480,348	\$ 4,559,989
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenditures	18,923	-	18,923
Interfund loans payable	28,198	-	28,198
Total liabilities	47,121	-	47,121
Fund balances:			
Nonspendable	744,616	3,480,348	4,224,964
Restricted	150,875	-	150,875
Committed	158,309	-	158,309
Assigned	442,839	-	442,839
Unassigned	(464,119)	-	(464,119)
Total fund balances	1,032,520	3,480,348	4,512,868
Total liabilities and fund balances	\$ 1,079,641	\$ 3,480,348	\$ 4,559,989

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

CITY OF BATH, MAINE
Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total
Revenues:			
Intergovernmental	\$ 123,185	\$ -	\$ 123,185
Charges for services	539,604	-	539,604
Investment income	18,874	65,772	84,646
Realized/unrealized gain (loss) on investments	-	469,142	469,142
Other revenue	36,093	8,368	44,461
Total revenues	717,756	543,282	1,261,038
Expenditures:			
General government	29,296	-	29,296
Public safety	15,533	-	15,533
Parks and recreation	713,234	-	713,234
Health, welfare and transportation	201,980	-	201,980
Unclassified	238,661	33,206	271,867
Debt service	53,100	-	53,100
Total expenditures	1,251,804	33,206	1,285,010
Excess (deficiency) of revenues over (under) expenditures	(534,048)	510,076	(23,972)
Other financing sources (uses):			
Transfers in	555,075	-	555,075
Transfers out	-	(32,399)	(32,399)
Total other financing sources (uses)	555,075	(32,399)	522,676
Net change in fund balances	21,027	477,677	498,704
Fund balances, beginning	1,011,493	3,002,671	4,014,164
Fund balances, ending	\$ 1,032,520	\$ 3,480,348	\$ 4,512,868

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific resources obtained and expended for specified purposes that are restricted by law or administration action.

CITY OF BATH, MAINE
Nonmajor Special Revenues Funds
Combining Balance Sheet
June 30, 2019

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Total
ASSETS					
Cash and cash equivalents	\$ 19,505	\$ -	\$ 10,081	\$ 49,331	\$ 78,917
Investments	12,731	-	-	92,501	105,232
Accounts receivable	307	-	-	-	307
Notes receivable	-	744,616	-	-	744,616
Interfund loans receivable	54,574	-	95,995	-	150,569
Total assets	\$ 87,117	\$ 744,616	\$ 106,076	\$ 141,832	\$ 1,079,641
LIABILITIES AND FUND BALANCES (DEFICITS)					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	-
Accrued expenditures	15,901	-	3,022	-	18,923
Escrow	-	-	-	-	-
Interfund loans payable	-	27,093	-	1,105	28,198
Total liabilities	15,901	27,093	3,022	1,105	47,121
Fund balances (deficits):					
Nonspendable - long-term receivables	-	744,616	-	-	744,616
Restricted	92,496	(27,093)	85,472	-	150,875
Committed	-	-	17,582	140,727	158,309
Assigned	442,839	-	-	-	442,839
Unassigned	(464,119)	-	-	-	(464,119)
Total fund balances (deficits)	71,216	717,523	103,054	140,727	1,032,520
Total liabilities and fund balances	\$ 87,117	\$ 744,616	\$ 106,076	\$ 141,832	\$ 1,079,641

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

CITY OF BATH, MAINE
Nonmajor Special Revenues Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	City Special Purpose	Community Development Funds	Transportation Programs	Bath Local Development Corporation	Total
Revenues:					
Intergovernmental	\$ 2,523	\$ 36,871	\$ 83,791	\$ -	\$ 123,185
Charges for services	482,177		57,427	-	539,604
Investment income	15,426	-	1,310	2,138	18,874
Other revenue	25,733	10,360	-	-	36,093
Total revenues	525,859	47,231	142,528	2,138	717,756
Expenditures:					
General government	29,296	-	-	-	29,296
Public safety	15,533	-	-	-	15,533
Parks and recreation	713,234	-	-	-	713,234
Health, welfare and transportation	623	-	201,357	-	201,980
Unclassified	23,263	51,448	-	163,950	238,661
Debt service	53,100	-	-	-	53,100
Total expenditures	835,049	51,448	201,357	163,950	1,251,804
Excess (deficiency) of revenues over (under) expenditures	(309,190)	(4,217)	(58,829)	(161,812)	(534,048)
Other financing sources (uses):					
Transfers in (out)	313,575	-	77,500	164,000	555,075
Total other financing sources (uses)	313,575	-	77,500	164,000	555,075
Net change in fund balances	4,385	(4,217)	18,671	2,188	21,027
Fund balances (deficits), beginning	66,831	721,740	84,383	138,539	1,011,493
Fund balances (deficits), ending	\$ 71,216	\$ 717,523	\$ 103,054	\$ 140,727	\$ 1,032,520

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

CITY OF BATH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
For the Year Ended June 30, 2019

	Fund Balances (Deficits) June 30, 2018		Revenues	Expenditures	Revenues Over (Under) Expenditures	Transfers In (Out)	Fund Balances (Deficits) June 30, 2019					
City Special Purpose Funds:												
Cemetery and Parks	\$	40,422	\$	7,600	\$	16,829	\$	(9,229)	\$	-	\$	31,193
Forestry Trust		5,455		985		-		985		-		6,440
DARE		9,020		23		2,902		(2,879)		-		6,141
Fire Department		1,146		-		-		-		-		1,146
Forestry Grants		435		370		2,914		(2,544)		-		(2,109)
General Assistance - Almoner Fund		47,841		7,313		623		6,690		-		54,531
Lambert Park Community Center		45,428		29,480		23,263		6,217		-		51,645
Planning Grants		9,607		-		3,112		(3,112)		-		6,495
Police Grants		10,923		4,702		12,631		(7,929)		-		2,994
McMann Field Replacement		116,583		6,092		-		6,092		-		122,675
Recreation - Other		32,377		27,677		6,807		20,870		-		53,247
Other City programs		186,277		13,863		26,184		(12,321)		-		173,956
Recreation (Fund 12)		(175,790)		341,398		568,636		(227,238)		228,425		(174,603)
Skate park committee		(53,366)		-		-		-		-		(53,366)
Bath Youth Meeting House (Fund 13)		(236,151)		61,494		93,543		(32,049)		32,050		(236,150)
Armory Building (Fund 13)		4,945		24,505		77,605		(53,100)		53,100		4,945
Swimming Pool Fund		21,679		357		-		357		-		22,036
Total City Special Purpose	\$	66,831	\$	525,859	\$	835,049	\$	(309,190)	\$	313,575	\$	71,216
Transportation Programs:												
Bath City Bus	\$	76,790	\$	99,067	\$	150,385	\$	(51,318)	\$	60,000	\$	85,472
Trolley		7,593		43,461		50,972		(7,511)		17,500		17,582
Total Transportation Programs	\$	84,383	\$	142,528	\$	201,357	\$	(58,829)	\$	77,500	\$	103,054

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

NONMAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

Permanent funds are used to account for assets held by the City of Bath, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Unit or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of cemeteries and scholarships.

CITY OF BATH, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2019

	Bailey Evening School	Beneficiary Trust	Cemetery Trusts	Mausoleum Trusts	Forestry Trust	Old Folks Home	School Trusts	Total
ASSETS								
Cash and cash equivalents	\$ 2,481	\$ 114,319	\$ 18,383	\$ 558	\$ 302	\$ 486	\$ 253	\$ 136,782
Investments	336,019	452,329	2,329,336	75,719	41,122	66,187	34,486	3,335,198
Interfund loans receivable	-	-	8,368	-	-	-	-	8,368
Total assets	\$ 338,500	\$ 566,648	\$ 2,356,087	\$ 76,277	\$ 41,424	\$ 66,673	\$ 34,739	\$ 3,480,348
LIABILITIES AND FUND BALANCES								
Liabilities:								
Interfund loans payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-	-
Fund balances:								
Nonspendable - principal	338,500	566,648	2,356,087	76,277	41,424	66,673	34,739	3,480,348
Restricted	-	-	-	-	-	-	-	-
Total fund balances	338,500	566,648	2,356,087	76,277	41,424	66,673	34,739	3,480,348
Total liabilities and fund balances	\$ 338,500	\$ 566,648	\$ 2,356,087	\$ 76,277	\$ 41,424	\$ 66,673	\$ 34,739	\$ 3,480,348

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

CITY OF BATH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2019

	Bailey Evening School	Beneficiary Trust	Cemetery Trusts	Mausoleum Trusts	Forestry Trust	Old Folks Home	School Trusts	Total
Revenues:								
Investment income	\$ 6,606	\$ 9,259	\$ 44,911	\$ 1,813	\$ 1,204	\$ 1,301	\$ 678	\$ 65,772
Realized gain (loss) on investments	23,206	31,361	157,761	6,368	4,229	4,571	2,382	229,878
Unrealized gain (loss) on investments	24,428	32,760	166,488	6,670	1,600	4,812	2,506	239,264
Perpetual care contributions	-	-	8,368			-	-	8,368
Total revenues	54,240	73,380	377,528	14,851	7,033	10,684	5,566	543,282
Expenditures:								
Current:								
Distribution of income	4,581	6,357	-	-	835	902	470	13,145
Other	2,025	2,737	13,767	556	369	399	208	20,061
Total expenditures	6,606	9,094	13,767	556	1,204	1,301	678	33,206
Excess of revenues over expenditures	47,634	64,286	363,761	14,295	5,829	9,383	4,888	510,076
Other financing uses:								
Transfers out	-	-	(31,142)	(1,257)		-	-	(32,399)
Total other financing uses	-	-	(31,142)	(1,257)	-	-	-	(32,399)
Net change in fund balances	47,634	64,286	332,619	13,038	5,829	9,383	4,888	477,677
Fund balances, beginning of year	290,866	502,362	2,023,468	63,239	35,595	57,290	29,851	3,002,671
Fund balances, end of year	\$ 338,500	\$ 566,648	\$ 2,356,087	\$ 76,277	\$ 41,424	\$ 66,673	\$ 34,739	\$ 3,480,348

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

LONG-TERM DEBT

CITY OF BATH, MAINE
Statement of Changes in Long-term Debt
For the Year Ended June 30, 2019

	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:									
2002 SRF Landfill/Pumping Station Bonds	Var.	2003	2022	\$ 107,500	\$ 328,209	\$ -	\$ 67,500	\$ 260,709	
2004 General Obligation Bonds	Var.	2004	2020	Var.	240,000	-	120,000	120,000	
Wastewater Revolving Loan Fund	1.780%	2006	2026	17,500	140,000	-	17,500	122,500	
2008 General Obligation Bond	Var.	2008	2023	165,000	825,000	-	165,000	660,000	
2008 SRF Sewer Bond	1.000%	2008	2023	93,333	466,666	-	93,333	373,333	
2009 General Obligation Bond Series B	Var.	2009	2029	20,000	420,000	-	420,000	-	
2010 General Obligation Bond Series C	6.750%	2009	2019	Var.	940,000	-	940,000	-	
2009 AARA Clean Water Revolving Loan	0.000%	2009	2019	4,156	4,157	-	4,157	-	
2011 General Obligation Bond	Var.	2011	2031	Var.	1,580,000	-	335,000	1,245,000	
2011 GOB Series B	Var.	2011	2030	Var.	846,006	-	174,858	671,148	
2011 SRF GOB	Var.	2011	2031	Var.	1,318,520	-	94,180	1,224,340	
2013 SRF GOB Clean Water Revolving Loan Fund	1.000%	2013	2033	Var.	488,625	-	32,575	456,050	
2013 GOB Equipment Bath Savings	2.840%	2012	2020	Var.	36,570	-	18,286	18,284	
2014 GOB Equipment	Var.	2013	2020	Var.	64,235	-	25,256	38,979	
2014 GOB Road Bond and Refinance	Var.	2014	2028	Var.	2,700,000	-	360,000	2,340,000	
2015 Bath Savings Bank	Var.	2015	2025	Var.	878,223	-	115,170	763,053	
2015 Equipment GOB Bath Savings	Var.	2015	2025	Var.	303,428	-	108,883	194,545	
2016 Equipment GOB Bath Savings	Var.	2016	2025	Var.	512,187	-	106,043	406,144	
2017 GOB	Var.	2017	2036	Var.	6,300,000	-	495,000	5,805,000	
2017 Equipment GOB	Var.	2017	2022	Var.	44,905	-	15,534	29,371	
2018 Equipment GOB	Var.	2018	2028	Var.	621,000	-	97,033	523,967	
2018 GOB Wingfarm/ Fire Truck/ Street Bond						4,203,000	263,000	3,940,000	
2018 GOB Wingfarm						940,000	80,000	860,000	
Total City issues					19,057,731	5,143,000	4,148,308	-	20,052,423
School issues:									
2011 GOB Series B	Var.	2011	2030	Var.	1,003,860	-	275,391	728,469	
Total School issues					1,003,860	-	275,391	-	728,469
Total long-term debt					\$ 20,061,591	\$ 5,143,000	\$ 4,423,699	-	\$ 20,780,892

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

STATISTICAL TABLES

Table A

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Taxes	\$ 15,362,119	\$ 15,315,512	\$ 15,705,846	\$ 16,532,159	\$ 17,208,440	\$ 17,676,989	\$ 18,207,985	\$ 18,503,440	\$ 18,757,685	\$ 19,385,325
Licenses and permits	94,999	88,635	95,303	97,289	130,212	186,367	164,139	116,757	93,398	146,080
Intergovernmental revenues	1,513,077	1,366,614	1,379,700	1,399,884	1,186,564	1,244,048	1,653,604	1,822,713	2,142,642	2,292,823
Charges for services	681,626	520,417	684,714	720,747	700,922	761,208	870,502	830,700	763,101	853,493
Investment income	1,640	24,891	134,612	832,701	1,516,078	402,468	(302,653)	1,120,214	1,185,200	1,244,011
Other revenues (1)	223,713	163,624	9,893,856	430,218	194,007	238,953	294,206	346,972	368,790	235,307
Total revenues	17,877,174	17,479,693	27,894,031	20,012,998	20,936,223	20,510,033	20,887,783	22,740,796	23,310,816	24,157,039
Expenditures:										
General government	1,244,402	1,260,787	1,285,916	1,405,278	1,452,446	1,350,245	1,296,072	1,329,044	1,345,899	1,356,143
Public safety	3,221,524	3,317,232	3,391,781	3,535,382	3,555,031	3,644,915	3,675,015	3,797,014	3,897,654	3,979,448
Public works	1,304,533	1,401,329	1,375,780	1,483,810	1,545,955	1,617,761	1,472,145	1,435,655	1,605,017	1,481,251
Health and welfare	66,744	62,794	79,161	84,607	74,798	54,234	70,562	65,389	86,922	62,302
Recreation	180,886	182,588	178,022	168,153	167,257	166,651	172,107	173,782	187,120	182,960
Education (3)	7,796,147	7,801,667	8,142,008	8,580,112	8,894,294	9,157,789	9,375,077	9,698,303	10,059,652	10,428,909
Intergovernmental	1,544,081	1,516,599	1,489,840	1,575,666	1,649,188	1,674,864	1,694,380	1,671,485	1,744,231	1,730,283
Unclassified (2)	1,588,679	1,642,827	1,677,007	2,363,231	2,485,381	3,732,106	2,726,666	2,757,216	3,105,443	2,733,623
Debt service	705,476	515,118	461,652	489,567	354,395	532,271	628,897	611,373	498,118	620,784
Total expenditures	17,652,472	17,700,941	18,081,167	19,685,806	20,178,745	21,930,836	21,110,921	21,539,261	22,530,056	22,575,703

(1) Does not include fund balance appropriations

(1) Includes transfers in

(2) Includes transfers out

(3) School Department joined RSU 1 as of July 1, 2008

Table B

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
2010	\$ 20,180,941	\$ 19,438,737	96.32%	\$ 1,037,126	5.14%
2011	20,250,356	19,581,162	96.70%	1,026,483	5.07%
2012	21,023,132	20,433,216	97.19%	988,183	4.70%
2013	22,158,114	21,512,634	97.09%	1,006,361	4.54%
2014	23,267,940	22,581,573	97.05%	1,062,888	4.57%
2015	23,907,936	23,204,257	97.06%	1,181,476	4.94%
2016	24,986,622	24,323,998	97.35%	1,050,121	4.20%
2017	25,816,730	25,160,779	97.46%	1,056,923	4.09%
2018	27,298,452	26,590,287	97.41%	1,114,760	4.08%
2019	28,294,314	27,586,260	97.50%	1,079,806	3.82%

Table C

CITY OF BATH, MAINE
Assessed and State Value of Taxable Property
Last Ten Fiscal Years

Year	Assessed Value			State Equalized Valuation	Ratio of Total Assessed Value to State Equalized Value
	Real	Personal	Total		
2010	\$ 972,339,850	\$ 200,970,700	\$ 1,173,310,550	\$ 986,350,000	118.95%
2011	991,183,250	186,163,000	1,177,346,250	939,100,000	125.37%
2012	992,067,250	182,409,400	1,174,476,650	905,000,000	129.78%
2013	1,001,946,200	182,979,700	1,184,925,900	893,600,000	132.60%
2014	1,005,205,900	179,516,100	1,184,722,000	882,250,000	134.28%
2015	1,007,323,300	176,237,900	1,183,561,200	888,100,000	133.27%
2016	1,030,689,500	176,393,700	1,207,083,200	897,900,000	134.43%
2017	1,049,932,800	173,608,900	1,223,541,700	933,650,000	131.05%
2018	1,046,423,000	173,402,300	1,219,825,300	947,500,000	128.74%
2019	1,054,618,600	177,164,500	1,231,783,100	981,150,000	125.54%

Table D

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

Year	Total	City Mil Rate	School Mil Rate	County Mil Rate
2010	\$ 17.20	\$ 7.02	\$ 8.50	\$ 1.68
2011	17.20	7.05	8.50	1.65
2012	17.90	7.41	8.87	1.62
2013	18.70	7.69	9.30	1.71
2014	19.64	8.23	9.62	1.78
2015	20.20	8.50	9.89	1.81
2016	20.70	8.93	9.97	1.80
2017	21.10	9.10	10.24	1.76
2018	21.35	8.93	10.59	1.83
2019	21.80	9.17	10.83	1.80

Table E

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
2010	9,266	\$ 1,173,311	\$ 29,099,780	2.48%	\$ 3,140
2011	8,514	1,177,346	28,188,121	2.39%	3,311
2012	8,514	1,174,477	28,765,614	2.45%	3,379
2013	8,514	1,184,926	25,706,206	2.17%	3,019
2014	8,514	1,184,722	24,982,892	2.11%	2,934
2015	8,514	1,183,561	23,196,771	1.96%	2,725
2016	8,514	1,207,083	20,129,640	1.67%	2,364
2017	8,514	1,223,542	22,953,260	1.88%	2,696
2018	8,514	1,219,825	20,061,593	1.64%	2,356
2019	8,514	1,231,783	20,780,892	1.69%	2,441

(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.

Table F

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
2010	\$ 2,450,174	\$ 794,194	\$ 3,244,368	\$ 17,366,398	18.68%
2011	2,133,238	761,859	2,895,097	17,421,409	16.62%
2012	2,292,534	772,930	3,065,464	17,821,177	17.20%
2013	2,988,251	703,198	3,691,449	19,267,871	19.16%
2014	2,474,912	636,591	3,111,503	19,690,874	15.80%
2015	2,703,838	561,067	3,264,905	21,576,247	15.13%
2016	2,844,465	568,462	3,412,927	20,771,269	16.43%
2017	2,811,858	499,027	3,310,885	21,183,321	15.63%
2018	3,512,667	516,330	4,028,997	21,894,459	18.40%
2019	2,788,309	629,872	3,418,181	22,202,128	15.40%

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

Table G

**CITY OF BATH, MAINE
Ten Largest Taxpayers
For the Year Ended June 30, 2019**

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

CITY OF BATH, MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

<u>Federal Grantor/ Pass-thru Grantor/ Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-thru Grantor Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Agriculture				
Rural Development	10.760	N/A	\$ 4,068,518	\$ -
Total U.S. Department of Agriculture			4,068,518	-
U.S. Department of Transportation				
Passed through Maine Department of Public Safety:				
Highway Safety Cluster:				
Impaired Driving Grant	20.600	N/A	2,730	-
Distracted Driving HVE	20.600	N/A	420	-
Subtotal Highway Safety Cluster			<u>3,150</u>	<u>-</u>
Passed through Maine Department of Transportation:				
Bath Shuttle Bus System	20.509	ME-18-X-059	72,513	-
Highway Planning and Construction Cluster:				
Safe Routes to School	20.205	N/A	32,856	-
Subtotal Highway Planning and Construction Cluster			<u>32,856</u>	<u>-</u>
Total U.S. Department of Transportation			108,519	-
Environmental Protection Agency				
Direct Program:				
Brownfields Grant	66.818	N/A	36,870	-
Passed through Maine Department of Environmental Protection:				
Clean Water State Revolving Fund Cluster:				
Clean Water State Revolving Funds	66.458	N/A	53,175	-
Subtotal Clean Water State Revolving Fund Cluster			<u>53,175</u>	<u>-</u>
Total Environmental Protection Agency			90,045	-
Total Federal Financial Assistance			\$ 4,267,082	\$ -

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BATH, MAINE

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of the City of Bath, Maine under programs of the federal government for the year ended June 30, 2019. The federal awards activity presented in the Schedule includes all federal awards received directly from federal agencies as well as federal awards passed through other government agencies. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the Schedule presents only a selected portion of the operations of the the City of Bath, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Bath, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures presented on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The City of Bath has not elected to use the 10 percent *de minimus* indirect cost rate as allowed under the Uniform Guidance.

3. Major Programs - Federal

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

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



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Bath
Bath, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Bath, Maine as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Bath's basic financial statements, and have issued our report thereon dated January 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bath's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bath's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bath's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bath's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
January 13, 2020



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

City Council
City of Bath
Bath, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Bath, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bath, Maine's major federal programs for the year ended June 30, 2019. The City of Bath, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the City of Bath, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

RHR Smith & Company

Buxton, Maine
January 13, 2020

CITY OF BATH, MAINE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a) yes no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None