

**GREATER AUGUSTA UTILITY DISTRICT**

**Financial Statements**

**For the Year Ended  
December 31, 2009**

**GREATER AUGUSTA UTILITY DISTRICT**  
**Financial Statements**  
**For the Year Ended December 31, 2009**

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Certified Public Accountants and Business Consultants

## Independent Auditor's Report

Board of Trustees  
Greater Augusta Utility District  
Augusta, Maine

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the Greater Augusta Utility District as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Greater Augusta Utility District's management. These financial statements are the responsibility of the Greater Augusta Utility District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Greater Augusta Utility District as of December 31, 2009, and the respective changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 23, 2010 on our consideration of the Greater Augusta Utility District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Greater Augusta Utility District's financial statements as a whole. The exhibits and schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



July 23, 2010  
South Portland, Maine

**GREATER AUGUSTA UTILITY DISTRICT**  
**Management's Discussion and Analysis**  
**December 31, 2009**

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Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Greater Augusta Utility District's (GAUD) financial condition and performance for the year ended December 31, 2009. The water and sanitary/stormwater arms of the GAUD are now referred to as the Water Division and Sanitary Division, respectively.

**Financial Highlights – Water Division**

Management believes the Water Division's financial condition is adequate. The Water Division is within the financial policies and guidelines set by the Board and management. The following are key financial highlights:

- The Water Division's cash and cash equivalents decreased by \$122,200, primarily due to an increase investment in new capital assets.
- Customer accounts receivable decreased by \$42,767 due to lower sales to our residential customers during 2009.
- The work in process (WIP) account increased by \$159,000 due to work on Eastern Avenue, Stone Street, and Arsenal Street.
- Operating property increased by \$922,500 due to: the meter replacement program \$78,000; new vehicles \$50,000; costs related to new communication equipment \$116,000; water mains \$236,000; transmission and distribution mains \$267,000; and various smaller projects/equipment items.
- Accumulated depreciation increased by \$731,000 due to taking a full year's depreciation on 2008 additions and half-year expense related to 2009 additions booked per the preceding bullet.
- The Water Division reduced its long-term financial indebtedness obligation by \$1,358,000 this year by making the required scheduled debt payments.
- The Water Division's net assets as of December 31, 2009 were \$17,231,000. Net assets consist of those invested in capital assets, net of related debt of \$14,468,000 and the remaining unrestricted net assets of \$2,763,000. The change in net assets for the year ended December 31, 2009 was a net increase of \$1,570,000. The increase is the result of operating revenues being higher than operating expenses due to the rates required to repay debt on the water treatment plant. Further operational resulted from the merger of the Augusta Water District, Augusta Sanitary District and wastewater operations of the Hallowell Water District. Personnel costs were reduced by consolidating financial management services with the City of Augusta.
- All metered customers of the Water Division are charged a minimum fee depending on the size of the meter which includes a minimum water allowance of 300 cubic feet of water. For usage in excess of 300 cubic feet the charge is \$3.50 per 100 cubic feet. The Maine Public Utilities Commission approved the Water Division's schedule of rates which became effective February 1, 2003 (MPUC Schedule #19).

**GREATER AUGUSTA UTILITY DISTRICT**  
**Management's Discussion and Analysis, Continued**

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**Financial Highlights – Sanitary Division**

Management believes the Sanitary Division's financial condition is adequate. The Sanitary Division is within the financial policies and guidelines set by the Board and management. The following are key financial highlights:

- The Sanitary Division's cash and cash equivalents balance decreased by \$193,368 due to an increase in capital assets purchased with cash. At the end of 2009, the Sanitary Division had a total of \$200,000 invested in two, one-year certificates of deposit.
- Net capital assets increased by \$3,796,500. Work in process increased by \$4,521,000 mainly due to work on two large construction projects: the Togus sewer project and the Combined Sewer Overflow 3 project.
- Trade accounts payable decreased by \$336,500 due to the timing of payments. Construction retainage increased by \$78,883 related to the major construction projects referred to in the last bullet point.
- Operating property decreased (net of accumulated depreciation) by \$724,500.
- The accounts payable amount increased by \$79,388 due to an overestimation of Intercommunity Trunkline related expenses.
- The Sanitary Division closed on one long-term debt in 2009 with the Maine Municipal Bond Bank. The loan closed on October 29, 2009 for \$6,500,000. The long term debt was used to repay an interim note dated October 29, 2008 related to the USVA Togus sewer main extension. The District has entered into a long term contract which requires USVA Togus to repay the annual debt service on the debt as well as user fees for wastewater service. The Sanitary Division also made its required scheduled debt payments of \$1,295,411.
- The Sanitary Division's operating income was \$384,000, with operating revenues of \$5,722,600 and operating expenses of \$5,338,000. Non operating expenses totaled \$406,000 resulting in a decrease in net assets of \$22,000.
- The Sanitary Division's net assets as of December 31, 2009 were \$32,957,000. Net assets consist of those invested in capital assets, net of related debt of \$30,975,600 and the remaining unrestricted net assets of \$1,981,500. The change in net assets for the year ended December 31, 2009 was a decrease of \$22,000.
- All customers of the Sanitary Division are charged \$3.21 per 100 cubic feet of metered water, \$18.85 for a quarterly service charge and \$16.15 per equivalent rate unit for storm water. Customers in Hallowell are not charged any fees for storm water as those services are provided by the City of Hallowell.

**Overview of Annual Financial Report**

The financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net assets; a statement of revenues, expenses and changes in net assets; a statement of cash flows; and notes to the financial statements.

The statement of net assets presents the financial position of the District on a full accrual historical cost basis. The statement of net assets presents information on all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets are one indicator of whether the financial position of the District is improving or deteriorating.

**GREATER AUGUSTA UTILITY DISTRICT**  
**Management's Discussion and Analysis, Continued**

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While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the District's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, investing, and capital and related financing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information detailing operating expenses is also provided.

The financial statements were prepared by the District's independent auditors from the detailed books and records of the District. The financial statements were audited during the independent external audit process.

**Summary of Organization and Business**

The Augusta Water District was created under provisions of Private and Special Laws 1903, c 139 enacted during the 1903 Session of the Maine Legislature and the Augusta Sanitary District was created under provisions of Private and Special Laws 1955, c 139 enacted during the 1955 Session of the Maine Legislature. On January 1, 2008, Augusta Water District and Augusta Sanitary District were combined into Greater Augusta Utility District (GAUD). The Water Division is responsible for maintaining the public drinking water system for the City of Augusta, and portions of Chelsea, Vassalboro, Manchester, East Winthrop and Hallowell. The Sanitary Division owns, operates and maintains a regional wastewater treatment facility. The Sanitary Division owns, operates and maintains the sewer system for the cities of Augusta and Hallowell. The Sanitary Division owns, operates and maintains the storm water system for the City of Augusta. The Sanitary Division also owns, operates and maintains a regional pumping and collection system known as the Intercommunity Trunkline. The Sanitary Division treats sewerage delivered via the Intercommunity Trunkline from four communities (Hallowell, Manchester, Winthrop and Monmouth). These communities pay for their share of treated flow, related debt and operation and maintenance costs.

GAUD has a Board of nine trustees. Seven are appointed by the Mayor of Augusta for a three-year term and the remaining two are appointed by the Mayor of the City of Hallowell. All trustees must be residents of either the City of Augusta or the City of Hallowell.

The Water Division charges sales and use tax on their quarterly billings to non-residential customers who are not tax-exempt, as well as partial tax for combination business/personal residences; sales tax is also charged for equipment billed out as part of capital projects. Sales and use tax payments are made to Maine Revenue Services on or before the 15<sup>th</sup> day of the month following the particular month of operation. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by contributed capital, contributions from customers (cash and meter services), bonds payable, and customer revenues.

**GREATER AUGUSTA UTILITY DISTRICT**  
**Management's Discussion and Analysis, Continued**

The Sanitary Division has no taxing power. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by contributed capital, contributions from customers (cash and sewer systems), bonds payable, and customer revenues.

**Financial Analysis – Water Division**

The following condensed financial statements serve as the key financial data and indicators for management's monitoring and planning. Any significant items noted by management are described in comments in each section under the applicable statement.

**CONDENSED BALANCE SHEETS - WATER DIVISION**

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<b>Assets</b>		
Current assets	\$ 3,430,339	\$ 3,616,650
Capital and other assets (net)	20,637,048	20,277,924
<b>Total Assets</b>	<u>\$ 24,067,387</u>	<u>\$ 23,894,574</u>
<b>Liabilities and Net Assets</b>		
Current liabilities	\$ 2,064,073	\$ 1,992,089
Long-term liabilities	4,772,681	6,242,259
<b>Total Liabilities</b>	<u>6,836,754</u>	<u>8,234,348</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	14,467,769	12,743,578
Unrestricted	2,762,864	2,916,648
<b>Total Net Assets</b>	<u>17,230,633</u>	<u>15,660,226</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 24,067,387</u>	<u>\$ 23,894,574</u>

The Water Division reduced liabilities by \$1,397,600 due mostly to scheduled debt payments.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**WATER DIVISION**

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<b>Operating Revenues</b>		
Metered	\$ 3,303,839	\$ 3,507,236
Fire Protection	1,067,440	1,056,050
Other Water Revenues	12,890	22,604
<b>Total Operating Revenues</b>	<u>4,384,169</u>	<u>4,585,890</u>
<b>Operating Expenses</b>		
Operating expenses	1,859,941	1,829,512
Depreciation	778,275	735,815
<b>Total Operating Expenses</b>	<u>2,638,216</u>	<u>2,565,327</u>
<b>Nonoperating Revenue (Expenses)</b>	<u>(175,546)</u>	<u>(333,203)</u>
<b>Capital Contributions</b>	<u>-</u>	<u>1,600</u>
<b>Change in Net Assets</b>	1,570,407	1,688,960
<b>Net Assets - Beginning of Year</b>	<u>15,660,226</u>	<u>13,971,266</u>
<b>Net Assets - End of Year</b>	<u>\$ 17,230,633</u>	<u>\$ 15,660,226</u>



**GREATER AUGUSTA UTILITY DISTRICT**  
**Management's Discussion and Analysis, Continued**

Details regarding capital assets policies and activity for the year are included in the notes to the financial statements; and reported in the Public Utilities Commission (PUC) Report.

The Water Division borrowed \$190,000 from the Maine Municipal Bond Bank State Water Revolving Loan Fund in 2009.

**Financial Analysis – Sanitary Division**

The following condensed financial statements serve as the key financial data and indicators for management's monitoring and planning. Any significant items noted by management are described in comments, in each section, under the applicable statement.

**CONDENSED BALANCE SHEETS - SANITARY DIVISION**

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<b>Assets</b>		
Current assets	\$ 3,562,683	\$ 3,719,005
Capital and other assets (net)	52,527,656	48,761,571
<b>Total Assets</b>	<u>\$ 56,090,339</u>	<u>\$ 52,480,576</u>
<b>Liabilities and Net Assets</b>		
Current liabilities	\$ 2,824,394	\$ 4,272,060
Long-term liabilities	20,308,766	15,229,357
<b>Total Liabilities</b>	<u>23,133,160</u>	<u>19,501,417</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	30,975,604	30,810,200
Unrestricted	1,981,575	2,168,959
<b>Total Net Assets</b>	<u>32,957,179</u>	<u>32,979,159</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 56,090,339</u>	<u>\$ 52,480,576</u>

**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**SANITARY DIVISION**

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<b>Operating revenues:</b>		
Sanitary	\$ 2,531,804	\$ 2,707,548
Storm water	2,359,643	2,259,200
Trunkline	708,580	770,677
Hallowell	122,625	-
<b>Total operating revenues</b>	<u>5,722,652</u>	<u>5,737,425</u>
<b>Operating expenses:</b>		
Operating expenses	3,768,895	3,787,282
Depreciation	1,569,310	1,532,230
<b>Total operating expenses</b>	<u>5,338,205</u>	<u>5,319,512</u>
<b>Nonoperating revenues (expenses)</b>	<u>(406,427)</u>	<u>(160,066)</u>
<b>Capital contributions</b>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	(21,980)	257,847
Net assets, beginning of year	<u>32,979,159</u>	<u>32,721,312</u>
<b>Net assets, end of year</b>	<u>\$ 32,957,179</u>	<u>\$ 32,979,159</u>

**GREATER AUGUSTA UTILITY DISTRICT**  
**Management's Discussion and Analysis, Continued**

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Details regarding capital asset policies and activity for the year are included in the notes to the financial statements.

As of the date of this report we are not aware of any facts, conditions, or planned decisions, other than those noted above, that will have a significant impact on the financial position and results of operations in the upcoming reporting period.

This financial report is intended to provide readers with a general overview of the Greater Augusta Utility District's finances and show accountability for expenditures related to its business-type activity. If you have questions regarding this report or need additional information, please contact the General Manager of the Greater Augusta Utility District.

**GREATER AUGUSTA UTILITY DISTRICT**  
**Statements of Net Assets**  
**December 31, 2009**

	Sanitary	Water	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,848,469	2,408,538	4,257,007
Accounts receivable:			
Customer service	956,634	352,796	1,309,430
Unbilled	556,617	534,179	1,090,796
Intercommunity trunkline	6,565	-	6,565
Other, net of allowance of \$55,139 and \$0, respectively	93,011	2,878	95,889
Inventory	92,109	122,670	214,779
Prepaid expenses	9,278	9,278	18,556
<b>Total current assets</b>	<b>3,562,683</b>	<b>3,430,339</b>	<b>6,993,022</b>
Noncurrent assets:			
Other assets:			
Accounts receivable - intercommunity trunkline	19,695	-	19,695
Unamortized debt expense	-	62,392	62,392
Unspent bond proceeds	1,622,563	15,924	1,638,487
<b>Total other assets</b>	<b>1,642,258</b>	<b>78,316</b>	<b>1,720,574</b>
Capital assets:			
Work in process	7,543,468	219,268	7,762,736
Operating property	63,145,845	31,469,960	94,615,805
Less accumulated depreciation	(19,803,915)	(11,130,496)	(30,934,411)
<b>Net capital assets</b>	<b>50,885,398</b>	<b>20,558,732</b>	<b>71,444,130</b>
<b>Total noncurrent assets</b>	<b>52,527,656</b>	<b>20,637,048</b>	<b>73,164,704</b>
<b>Total assets</b>	<b>56,090,339</b>	<b>24,067,387</b>	<b>80,157,726</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable:			
Trade	241,248	103,635	344,883
Retainage	296,904	-	296,904
Intercommunity trunkline	79,388	-	79,388
Accrued payroll	30,281	19,197	49,478
Accrued compensated absences	54,767	36,801	91,568
Accrued interest	108,627	69,381	178,008
Deferred revenue	365,365	223,280	588,645
Advances for construction	51,570	-	51,570
Current portion of deferred credits	2,651	66,554	69,205
Current portion of bonds and notes payable	1,593,593	1,545,225	3,138,818
<b>Total current liabilities</b>	<b>2,824,394</b>	<b>2,064,073</b>	<b>4,888,467</b>
Noncurrent liabilities:			
Deferred credits	21,211	139,854	161,065
OPEB liabilities	348,791	71,165	419,956
Bonds and notes payable	19,938,764	4,561,662	24,500,426
<b>Total noncurrent liabilities</b>	<b>20,308,766</b>	<b>4,772,681</b>	<b>25,081,447</b>
<b>Total liabilities</b>	<b>23,133,160</b>	<b>6,836,754</b>	<b>29,969,914</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	30,975,604	14,467,769	45,443,373
Unrestricted	1,981,575	2,762,864	4,744,439
<b>Total net assets</b>	<b>\$ 32,957,179</b>	<b>17,230,633</b>	<b>50,187,812</b>

*See accompanying notes to financial statements.*

**GREATER AUGUSTA UTILITY DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended December 31, 2009**

	Sanitary	Water	Total
<b>Operating revenues:</b>			
Metered	\$ 2,519,267	3,303,839	5,823,106
Flat rate	12,537	-	12,537
Storm water	958,227	-	958,227
Catch basins	1,401,416	-	1,401,416
Trunkline communities	708,580	-	708,580
Public fire protection	-	772,699	772,699
Private fire protection	-	294,741	294,741
Other revenues	122,625	12,890	135,515
Total operating revenues	5,722,652	4,384,169	10,106,821
<b>Operating expenses:</b>			
Source of supply	-	210,178	210,178
Treatment plant	1,792,850	145,221	1,938,071
Transportation and distribution	967,002	924,563	1,891,565
Customer accounts	252,563	207,623	460,186
Administrative and general	497,193	372,356	869,549
Trunkline expenses	259,287	-	259,287
Depreciation	1,569,310	778,275	2,347,585
Total operating expenses	5,338,205	2,638,216	7,976,421
Operating income	384,447	1,745,953	2,130,400
<b>Nonoperating revenues (expenses):</b>			
Interest revenue	23,501	21,462	44,963
Utility contract income	-	12,000	12,000
Non-utility income	-	197,055	197,055
Miscellaneous	42,198	14,807	57,005
Interest expense	(472,126)	(413,916)	(886,042)
Amortization expense	-	(6,954)	(6,954)
Total nonoperating revenues (expenses)	(406,427)	(175,546)	(581,973)
Change in net assets	(21,980)	1,570,407	1,548,427
Net assets, beginning of year	32,979,159	15,660,226	48,639,385
<b>Net assets, end of year</b>	<b>\$ 32,957,179</b>	<b>17,230,633</b>	<b>50,187,812</b>

*See accompanying notes to financial statements.*

**GREATER AUGUSTA UTILITY DISTRICT**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2009**

	Sanitary	Water	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 5,685,132	4,652,659	10,337,791
Payments to suppliers	(2,094,953)	(686,753)	(2,781,706)
Payments to employees	(1,657,417)	(1,091,733)	(2,749,150)
<b>Net cash provided by operating activities</b>	<b>1,932,762</b>	<b>2,874,173</b>	<b>4,806,935</b>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(5,365,858)	(1,128,429)	(6,494,287)
Advances for construction	51,570	-	51,570
Proceeds from short-term debt	3,412,489	-	3,412,489
Repayments of short-term debt	(5,009,832)	-	(5,009,832)
Proceeds from long-term debt	6,523,898	174,076	6,697,974
Principal payments on long-term debt	(1,295,411)	(1,548,113)	(2,843,524)
Interest payments on long-term debt	(466,487)	(515,383)	(981,870)
<b>Net cash used in capital and related financing activities</b>	<b>(2,149,631)</b>	<b>(3,017,849)</b>	<b>(5,167,480)</b>
<b>Cash flows from investing activities:</b>			
Interest income	23,501	21,462	44,963
<b>Net cash provided by investing activities</b>	<b>23,501</b>	<b>21,462</b>	<b>44,963</b>
<b>Net increase (decrease) in cash</b>	<b>(193,368)</b>	<b>(122,214)</b>	<b>(315,582)</b>
Cash at beginning of year	2,041,837	2,530,752	4,572,589
<b>Cash at end of year</b>	<b>\$ 1,848,469</b>	<b>2,408,538</b>	<b>4,257,007</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 384,447	1,745,953	2,130,400
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,569,310	778,275	2,347,585
Utility, non-utility, jobbing and miscellaneous revenues	42,198	223,862	266,060
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable - customer service	33,963	19,396	53,359
(Increase) decrease in accounts receivable - unbilled	(3,515)	21,487	17,972
(increase) decrease in accounts receivable - intercommunity trunkline	6,565	-	6,565
(Increase) decrease in accounts receivable - other	(93,011)	1,884	(91,127)
(Increase) decrease in inventory	21,533	23,888	45,421
(Increase) decrease in prepaid expenses	3,984	(2,558)	1,426
(Decrease) increase in accounts payable - trade	(336,546)	51,428	(285,118)
(Decrease) increase in accounts payable - retainage	78,883	-	78,883
(Decrease) increase in accounts payable - trunkline	79,388	-	79,388
(Decrease) increase in accrued payroll	(19,664)	(18,308)	(37,972)
(Decrease) increase in accrued compensated absences	13,294	(9,567)	3,727
(Decrease) increase in OPEB liabilities	175,653	36,572	212,225
(Decrease) increase in deferred revenue	(23,720)	1,861	(21,859)
<b>Net cash provided by operating activities</b>	<b>1,932,762</b>	<b>2,874,173</b>	<b>4,806,935</b>
<b>Noncash capital and related financing activities:</b>			
Amortized debt expense from bond acquisition fees	-	(6,954)	(6,954)
Amortized deferred credits from bond refinancing proceeds	2,651	88,091	90,742

*See accompanying notes to financial statements.*

**GREATER AUGUSTA UTILITY DISTRICT**  
**Notes to Financial Statements**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Organization** - The Greater Augusta Utility District is a quasi-municipal corporation established in 2007. Effective January 1, 2008, the Augusta Water District, Augusta Sanitary District, and the sanitary division of the Hallowell Water District officially merged to create one entity. The District supplies public drinking water and fire protection services to the City of Augusta, Maine and parts of several surrounding cities and towns. The District owns a water filtration plant, which is not in use, as well as three gravel packed wells. During 2004, the wells were evaluated and are currently being used as the primary water supply. The District also operates sewerage and surface drainage collection systems as well as a treatment plant. It transports and treats sewerage from the Towns of Winthrop, Manchester, and Monmouth, and the City of Hallowell. The District is a special purpose governmental entity engaged in business-type activities.

**Basis of Accounting** - The accounting policies of the Greater Augusta Utility District conform to accounting principles generally accepted in the United States of America as applicable to Governmental Proprietary Funds which utilize the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District has the option of following subsequent private-sector guidance subject to the same limitations. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating activity. Operating revenues arise from providing goods or services to outside parties for a fee. The intent of the governing body is that the operating costs, including administration and depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses that are not derived directly from operations are reported as nonoperating revenues and expenses.

**Cash and Cash Equivalents** - The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash equivalents.

**Accounts Receivable** - The District provides credit to customers in the District. The District uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts. At December 31, 2009 the allowance was \$55,139. The District accrues revenue for estimated water and sewer usage, but not yet billed as of the balance sheet dates.

**Inventory** - Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method and consists of various repair parts and supplies.

**Capital Assets** - Capital assets owned by the District are stated at the cost to acquire or construct the asset. Capital assets acquired through contributions or donations are capitalized at their fair value. Routine maintenance and repairs are charged to expense. Expenses which materially increase values, change capacities or extend useful lives are capitalized. The provision for depreciation has been computed by the use of the straight-line method at rates intended to amortize the cost of the related assets over their estimated useful lives, ranging from 3-75 years.

**GREATER AUGUSTA UTILITY DISTRICT**  
**Notes to Financial Statements, Continued**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**Unamortized Debt Expense** - Bond acquisition fees are being amortized over the life of each bond issued.

**Accrued Compensated Absences** - Under terms of personnel policies, the District grants vacation and sick time benefits. These benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered.

**Deferred Revenue** - Deferred revenue consists of estimated water and sewer usage for subsequent periods, which was billed as of the balance sheet dates.

**Deferred Credits** - Deferred credits reflect the difference between the value of new bond proceeds received from the Maine Municipal Bond Bank and the carrying value of the refunded bonds. Deferred credits are being amortized over the remaining terms of the refinanced bonds using the straight-line method.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Income Taxes** - The District qualifies as a tax exempt organization under the provisions of the Internal Revenue Code and, accordingly, its income is not subject to any state or federal income taxes.

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DEPOSITS

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*Custodial credit risk- deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2009, \$474,095 of the District's bank balance of \$4,276,667 was insured by the FDIC and \$3,802,572 was collateralized by underlying securities, held by a trust company, which were in the District's name. In accordance with its investment policy, the District's funds must be made in financial institutions that are insured by FDIC or FSLIC. Any funds deposited or invested above those insurance limits must be collateralized by the financial institution, or any excess funds over that limit must be placed with other insured (FDIC or FSLIC) financial institutions.

*Interest rate risk* – In accordance with its investment policy, the maturity date of new investments shall not be further than the time that the District reasonably anticipates the funds will be needed. It invests primarily in certificates of deposit, savings accounts, and repurchase agreements. Any other type of investment must be approved by the Board of Trustees.

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OTHER RECEIVABLES

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A portion of the other receivables balance in the sanitary division is comprised of a receivable due from the developer of the Fieldstone Place Subdivision project offset by an allowance for doubtful accounts. At December 31, 2009, the Fieldstone Place Subdivision receivable balance of \$55,139 was reported net of the allowance of \$55,139.

**GREATER AUGUSTA UTILITY DISTRICT**  
**Notes to Financial Statements, Continued**

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**CAPITAL ASSETS**

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The following is a summary of the changes in capital assets from December 31, 2009:

	Balance <u>12/31/08</u>	Additions/ <u>adjustments</u>	Dispositions/ <u>adjustments</u>	Balance <u>12/31/09</u>
Capital assets not being depreciated:				
Land	\$ 1,479,896	-	-	1,479,896
Work in process	3,082,662	6,476,837	1,796,763	7,762,736
Total capital assets not being depreciated	4,562,558	6,476,837	1,796,763	9,242,632
Capital assets being depreciated:				
Building and structures	27,203,149	129,534	-	27,332,683
Sludge site	369,560	-	-	369,560
Trunkline	5,695,065	3,205	-	5,698,270
Collection system	31,036,398	352,733	-	31,389,131
Mains, reservoirs, standpipes	19,497,367	503,739	-	20,001,106
Services, meters, hydrants	3,476,357	106,720	-	3,583,077
Equipment and vehicles	4,132,537	718,281	88,736	4,762,082
Total capital assets being depreciated	91,410,433	1,814,212	88,736	93,135,909
Less accumulated depreciation for:				
Building and structures	10,347,556	1,112,046	-	11,459,602
Sludge site	369,560	-	-	369,560
Trunkline	2,275,183	94,017	-	2,369,200
Collection system	5,403,769	497,002	-	5,900,771
Mains, reservoirs, standpipes	4,992,922	260,419	-	5,253,341
Services, meters, hydrants	1,992,532	111,504	-	2,104,036
Equipment and vehicles	3,294,040	272,597	88,736	3,477,901
Total accumulated depreciation	28,675,562	2,347,585	88,736	30,934,411
Total capital assets being depreciated, net	62,734,871	(533,373)	-	62,201,498
<b>Capital assets, net</b>	<b>\$ 67,297,429</b>	<b>5,943,464</b>	<b>1,796,763</b>	<b>71,444,130</b>

Depreciation expense was charged as follows:

Sanitary division	\$1,569,310
Water division	778,275
<b>Total depreciation expense</b>	<b>\$2,347,585</b>

*Idle assets* - \$1,275,000 of the District's total buildings and structures are currently not in service.



**GREATER AUGUSTA UTILITY DISTRICT**  
**Notes to Financial Statements, Continued**

**LONG-TERM DEBT**

The following is a summary of long-term liability transactions of the District for the year ended December 31, 2009:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds and notes payable	\$ 23,792,768	6,690,000	2,843,524	27,639,244	3,138,818
Other post employment benefits	207,731	258,720	46,495	419,956	-
Accrued compensated absences	87,841	3,727	-	91,568	-
<b>Total long-term liabilities</b>	<b>\$ 24,088,340</b>	<b>6,952,447</b>	<b>2,890,019</b>	<b>28,150,768</b>	<b>3,138,818</b>

The following is a summary of the long-term debt payable at December 31, 2009 and 2008:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 12/31/09</u>	<u>Balance 12/31/08</u>
Water Division:					
Bond 1990 MMBB	\$ 6,000,000	2020	7.10-7.20%	2,200,000	2,400,000
Bond 1991 MMBB	14,350,000	2011	5.25-7.15%	2,485,000	3,605,000
Bond 1994 MMBB	1,100,000	2014	5.325-6.35%	275,000	330,000
Bond 2001 Series A	1,725,000	2021	5.75-6.00%	1,045,000	1,130,000
Bond 2009 MMBB SRF	190,000 (1)	2029	0.00%	101,888	-
Sanitary Division:					
Bond 1997 MMBB	11,676,144	2017	2.96%	3,680,000	4,140,000
Bond 2002 MMBB	10,750,000	2021	2.34%	6,720,000	7,280,000
Bond 2003 MMBB	249,694	2015	1.10%	115,242	134,450
Bond 2003 KSB	65,650	2013	4.50%	26,260	32,825
Bond 2005 MMBB	1,500,000	2025	1.53%	1,200,000	1,275,000
Bond 2006 MMBB	1,250,000	2026	1.42-3.00%	1,062,500	1,125,000
Hallowell Bond	579,793	2018	5.00-7.85%	316,821	340,493
2008 Taxable Sewer Bond	2,000,000 (2)	2028	1.27%	1,911,533	2,000,000
2009 CWSRF	6,500,000 (3)	2029	1.00%	6,500,000	-
				27,639,244	23,792,768
Less current portion				3,138,818	2,755,411
<b>Total long-term portion</b>				<b>\$ 24,500,426</b>	<b>21,037,357</b>

(1) As of December 31, 2009, the District has drawn down \$174,076 of the \$190,000.

(2) As of December 31, 2009, the District has drawn down \$965,520 of the \$2,000,000.

(3) As of December 31, 2009, the District has drawn down \$5,911,917 of the \$6,500,000.

**GREATER AUGUSTA UTILITY DISTRICT**  
**Notes to Financial Statements, Continued**

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**LONG-TERM DEBT, CONTINUED**

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Requirements for the repayment of the outstanding debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2010	\$ 3,138,818	758,533	3,897,351
2011	3,229,912	631,264	3,861,176
2012	1,951,207	544,675	2,495,882
2013	1,957,717	487,593	2,445,310
2014	1,957,887	430,432	2,388,319
2015-2019	8,592,357	1,319,329	9,911,686
2020-2024	4,398,263	338,157	4,736,420
2025-2029	2,413,083	78,094	2,491,177
<b>Totals</b>	<b>\$ 27,639,244</b>	<b>4,588,077</b>	<b>32,227,321</b>

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**JOINT PROJECT – WMMHA TRUNKLINE PROJECT**

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The participants in the Joint Project, WMMHA Trunkline, are Winthrop Utility District, Manchester Sanitary District, Hallowell Water District, and Monmouth Sanitary District. These participants have entered into an agreement whereby they are liable for bonds payable (\$141,503 and \$167,275 at December 31, 2009 and 2008, respectively) issued to fund the construction of said Joint Project. The participants also pay for all operating expenses of the trunkline and operations and maintenance costs of the treatment plant based on a percentage of their flow.

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**SHORT-TERM DEBT**

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The District issued a short-term note for projects that will be funded by a future bond issue. Short-term debt activity for the year ended December 31, 2009, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
<b>Short-term note</b>	<b>\$ 1,597,343</b>	<b>3,412,489</b>	<b>5,009,832</b>	<b>-</b>

The short-term note was on a draw down basis for a total up to \$6,500,000. The interest rate was 3.00% and the note was due on October 29, 2009.

**GREATER AUGUSTA UTILITY DISTRICT**  
**Notes to Financial Statements, Continued**

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**OPERATING LEASE**

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On July 30, 2001, the District entered into a five-year non-cancelable lease with Mesa Communications (formerly Spectrum Resources Towers, LP) for the use of the District's land to place communication facilities. Base rental payments are \$1,000 per month and the agreement can be automatically renewed for seven additional terms of five years, with rental payments increasing 15% each renewal term. The lease was subsequently renewed with Mesa Communications paying \$1,150 per month beginning in February of 2010. Future minimum rentals at December 31, 2009 are as follows:

2010	\$ 13,650
2011	13,800
2012	13,800
2013	13,800
2014	13,800
<u>2015</u>	<u>1,150</u>
<b>Total</b>	<b><u>\$ 70,000</u></b>

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**NET ASSETS**

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**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's net assets invested in capital assets, net of related debt was calculated as follows at December 31, 2009:

Capital assets	\$ 102,378,541
Unspent bond proceeds	1,638,487
Accumulated depreciation	(30,934,411)
<u>Bonds payable</u>	<u>(27,639,244)</u>
<b><u>Total invested in capital assets net of related debt</u></b>	<b><u>\$ 45,443,373</u></b>

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

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**MainePERS - Consolidated Plan**

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

**GREATER AUGUSTA UTILITY DISTRICT**  
**Notes to Financial Statements, Continued**

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

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**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 2.8% of annual covered payroll. The contribution requirements of plan members and employers are established under the System's Board of Trustees. The District's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended December 31, 2009, 2008 and 2007 were \$39,188, \$35,428 and \$38,061, respectively.

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**OTHER DEFERRED COMPENSATION PLAN**

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The Greater Augusta Utility District offers all its employees a deferred compensation plan created in accordance with Internal Revenue Code 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.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liabilities for the compensation deferred by plan participants, including earnings on plan assets, are not included in the District's financial statements.

The District also sponsors an employee money purchase plan to which it contributes 5% and 2.8% of compensation of electing union and non-union participants, respectively. Total District contributions were \$19,924, \$23,433 and \$18,650 in 2009, 2008 and 2007, respectively.

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**COMMITMENTS**

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The District has entered into a contract in connection with the construction of a combined sewer overflow system. The following is a summary of the commitments at December 31, 2009:

	<u>Contract</u> <u>Total</u>	<u>Percentage</u> <u>Complete</u>	<u>Billed</u> <u>to Date</u>	<u>Balance</u> <u>Remaining</u>
Engineering contracts	\$ 2,283,000	42.09%	960,906	1,332,094

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**OTHER POST EMPLOYMENT BENEFITS**

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GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Greater Augusta Utility District for the year ended December 31, 2008. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The District is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the District's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in May 2009.

**GREATER AUGUSTA UTILITY DISTRICT**  
**Notes to Financial Statements, Continued**

**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

**Plan Descriptions** – The District sponsors a post-retirement benefit plan providing health insurance to retiring employees. For non-union employees hired before January 1, 2005 and all union employees regardless of hire date, the District will pay towards a retired employee’s health insurance an amount equal to ninety percent of the cost of the employee only health insurance coverage for any employee that is at least sixty years of age and unable to access similar insurance coverage with another employer. The premium expense to the District for retirees’ health insurance shall not increase more than five percent in any year and any excess costs will be born by the retiree. This benefit shall be made available to employees conditioned on their years of service with the District as follows:

Years of Service	Maximum Years of Benefit
More than 15 but less than 20	2
More than 20 but less than 25	3
More than 25 but less than 30	4
Over 30 years	5

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

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

Normal cost	\$ 83,082
Amortization of Unfunded	165,687
Interest	9,951
Annual Required Contribution	\$ 258,720

**Funding Status and Funding Progress** – The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending December 31, 2009 was as follows:

Annual required contribution	\$ 258,720
Actual contribution	46,495
Percent contributed	17.97%
Actuarial accrued liability	\$ 3,131,977
Plan assets	0
Unfunded actuarial accrued liability	\$ 3,131,977
Covered payroll	1,889,018
Unfunded actuarial accrued liability as a percentage of covered payroll	165.80%

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Funding Progress**

**Retiree Healthcare Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
12/31/08	\$ -	\$3,131,977	\$3,131,977	0.00%	\$1,887,266	165.95%
12/31/09	-	3,131,977	3,131,977	0.00%	1,889,018	165.80%

**GREATER AUGUSTA UTILITY DISTRICT**  
**SANITARY DIVISION**  
**Statements of Net Assets**  
**December 31, 2009**  
**(with comparative totals for December 31, 2008)**

	2009	2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,848,469	2,041,837
Accounts receivable:		
Customer service	956,634	990,597
Unbilled	556,617	553,102
Intercommunity trunkline	6,565	6,565
Other, net of allowance of \$55,139 and \$82,709, respectively	93,011	-
Inventory	92,109	113,642
Prepaid expenses	9,278	13,262
Total current assets	3,562,683	3,719,005
Noncurrent assets:		
Other assets:		
Accounts receivable - intercommunity trunkline	19,695	26,260
Unspent bond proceeds	1,622,563	1,646,460
Total other assets	1,642,258	1,672,720
Capital assets:		
Work in process	7,543,468	3,022,417
Operating property	63,145,845	62,342,876
Less accumulated depreciation	(19,803,915)	(18,276,442)
Net capital assets	50,885,398	47,088,851
Total noncurrent assets	52,527,656	48,761,571
Total assets	56,090,339	52,480,576
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable:		
Trade	241,248	577,794
Retainage	296,904	218,021
Intercommunity trunkline	79,388	-
Accrued payroll	30,281	49,945
Accrued compensated absences	54,767	41,473
Accrued interest	108,627	100,337
Deferred revenue	365,365	389,085
Advances for construction	51,570	-
Short-term debt	-	1,597,343
Current portion of deferred credits	2,651	2,651
Current portion of bonds and notes payable	1,593,593	1,295,411
Total current liabilities	2,824,394	4,272,060
Noncurrent liabilities:		
Deferred credits	21,211	23,862
OPEB liabilities	348,791	173,138
Bonds and notes payable	19,938,764	15,032,357
Total noncurrent liabilities	20,308,766	15,229,357
Total liabilities	23,133,160	19,501,417
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	30,975,604	30,810,200
Unrestricted	1,981,575	2,168,959
Total net assets	\$ 32,957,179	32,979,159

**GREATER AUGUSTA UTILITY DISTRICT  
SANITARY DIVISION  
Statements of Revenues, Expenses and Changes in Net Assets  
For the Year Ended December 31, 2009**

	<b>2009</b>
Operating revenues:	
Metered	\$ 2,519,267
Flat rate	12,537
Storm water	958,227
Catch basins	1,401,416
Trunkline communities	708,580
Other	122,625
Total operating revenues	5,722,652
Operating expenses:	
Treatment plant	1,792,850
Transportation and distribution	967,002
Customer accounts	252,563
Administrative and general	497,193
Trunkline	259,287
Depreciation	1,569,310
Total operating expenses	5,338,205
Operating income	384,447
Nonoperating revenues (expenses):	
Interest revenue	23,501
Miscellaneous	42,198
Interest expense	(472,126)
Total nonoperating revenues (expenses)	(406,427)
Change in net assets	(21,980)
Net assets, beginning of year	32,979,159
<b>Net assets, end of year</b>	<b>\$ 32,957,179</b>



**GREATER AUGUSTA UTILITY DISTRICT**  
**SANITARY DIVISION**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2009**

	2009
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 5,685,132
Payments to suppliers	(2,094,953)
Payments to employees	(1,657,417)
<b>Net cash provided by operating activities</b>	<b>1,932,762</b>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	(5,365,858)
Advances for construction	51,570
Proceeds from short-term debt	3,412,489
Repayment of short-term debt	(5,009,832)
Proceeds from long-term debt	6,523,898
Principal payments on long-term debt	(1,295,411)
Interest payments on long-term debt	(466,487)
<b>Net cash used in capital and related financing activities</b>	<b>(2,149,631)</b>
<b>Cash flows from investing activities:</b>	
Interest income	23,501
<b>Net cash provided by investing activities</b>	<b>23,501</b>
<b>Net increase (decrease) in cash</b>	<b>(193,368)</b>
Cash at beginning of year	2,041,837
<b>Cash at end of year</b>	<b>\$ 1,848,469</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 384,447
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	1,569,310
Miscellaneous and utility contract income	42,198
<b>Change in operating assets and liabilities:</b>	
(Increase) decrease in accounts receivable - customer service	33,963
(Increase) decrease in accounts receivable - unbilled	(3,515)
(Increase) decrease in accounts receivable - intercommunity trunkline	6,565
(Increase) decrease in accounts receivable - other	(93,011)
(Increase) decrease in inventory	21,533
(Increase) decrease in prepaid expenses	3,984
(Decrease) increase in accounts payable - trade	(336,546)
(Decrease) increase in accounts payable - retainage	78,883
(Decrease) increase in accounts payable - trunkline	79,388
(Decrease) increase in accrued payroll	(19,664)
(Decrease) increase in accrued compensated absences	13,294
(Decrease) increase in OPEB liabilities	175,653
(Decrease) increase in deferred revenue	(23,720)
<b>Net cash provided by operating activities</b>	<b>1,932,762</b>
<b>Noncash capital and related financing activities:</b>	
Amortized deferred credits from bond refinancing proceeds	2,651

**GREATER AUGUSTA UTILITY DISTRICT**  
**WATER DIVISION**  
**Statements of Net Assets**  
**December 31, 2009**  
**(with comparative totals for December 31, 2008)**

	2009	2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,408,538	2,530,752
Accounts receivable:		
Customer	352,796	372,192
Unbilled	534,179	555,666
Other	2,878	4,762
Inventory	122,670	146,558
Prepaid expenses	9,278	6,720
<b>Total current assets</b>	<b>3,430,339</b>	<b>3,616,650</b>
Noncurrent assets:		
Other assets:		
Unamortized debt expense	62,392	69,346
Unspent bond proceeds	15,924	-
<b>Total other assets</b>	<b>78,316</b>	<b>69,346</b>
Capital assets:		
Work in process	219,268	60,245
Operating property	31,469,960	30,547,453
Less accumulated depreciation	(11,130,496)	(10,399,120)
<b>Net capital assets</b>	<b>20,558,732</b>	<b>20,208,578</b>
<b>Total noncurrent assets</b>	<b>20,637,048</b>	<b>20,277,924</b>
<b>Total assets</b>	<b>24,067,387</b>	<b>23,894,574</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	103,635	52,207
Accrued payroll	19,197	37,505
Accrued compensated absences	36,801	46,368
Accrued interest	69,381	86,499
Deferred revenue	223,280	221,419
Current portion of deferred credits	66,554	88,091
Current portion of bonds and notes payable	1,545,225	1,460,000
<b>Total current liabilities</b>	<b>2,064,073</b>	<b>1,992,089</b>
Noncurrent liabilities:		
Deferred credits	139,854	202,666
OPEB liabilities	71,165	34,593
Bonds and notes payable	4,561,662	6,005,000
<b>Total noncurrent liabilities</b>	<b>4,772,681</b>	<b>6,242,259</b>
<b>Total liabilities</b>	<b>6,836,754</b>	<b>8,234,348</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	14,467,769	12,743,578
Unrestricted	2,762,864	2,916,648
<b>Total net assets</b>	<b>\$ 17,230,633</b>	<b>15,660,226</b>

**GREATER AUGUSTA UTILITY DISTRICT  
WATER DIVISION  
Statements of Revenues, Expenses and Changes in Net Assets  
For the Year Ended December 31, 2009**

	2009
Operating revenues:	
Metered:	
Residential	\$ 1,998,935
Commercial	912,492
Industrial	4,046
Governmental	388,366
Public fire protection	772,699
Private fire protection	294,741
Other water revenues	12,890
<b>Total operating revenues</b>	<b>4,384,169</b>
Operating expenses:	
Source of supply	210,178
Treatment plant	145,221
Transportation and distribution	924,563
Customer accounts	207,623
Administrative and general	372,356
Depreciation	778,275
<b>Total operating expenses</b>	<b>2,638,216</b>
<b>Operating income</b>	<b>1,745,953</b>
Nonoperating revenues (expenses):	
Interest revenue	21,462
Utility contract income	12,000
Non-utility income	197,055
Merchandising and jobbing revenue	14,807
Interest expense	(413,916)
Amortization expense	(6,954)
<b>Total nonoperating revenues (expenses)</b>	<b>(175,546)</b>
<b>Change in net assets</b>	<b>1,570,407</b>
Net assets, beginning of year	15,660,226
<b>Net assets, end of year</b>	<b>\$ 17,230,633</b>

**GREATER AUGUSTA UTILITY DISTRICT**  
**WATER DIVISION**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2009**

	2009
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 4,652,659
Payments to suppliers	(686,753)
Payments to employees	(1,091,733)
<b>Net cash provided by operating activities</b>	<b>2,874,173</b>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	(1,128,429)
Proceeds from long-term debt	174,076
Principal payments on long-term debt	(1,548,113)
Interest payments on long-term debt	(515,383)
<b>Net cash used in capital and related financing activities</b>	<b>(3,017,849)</b>
<b>Cash flows from investing activities:</b>	
Interest revenue	21,462
<b>Net cash provided by investing activities</b>	<b>21,462</b>
<b>Net increase (decrease) in cash</b>	<b>(122,214)</b>
Cash at beginning of year	2,530,752
<b>Cash at end of year</b>	<b>\$ 2,408,538</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 1,745,953
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	778,275
Utility, non-utility, jobbing and miscellaneous revenues	223,862
<b>Change in operating assets and liabilities:</b>	
(Increase) decrease in accounts receivable - customers	19,396
(Increase) decrease in accounts receivable - unbilled	21,487
(Increase) decrease in accounts receivable - other	1,884
(Increase) decrease in inventory	23,888
(Increase) decrease in prepaid expenses	(2,558)
(Decrease) increase in accounts payable	51,428
(Decrease) increase in accrued payroll	(18,308)
(Decrease) increase in accrued compensated absences	(9,567)
(Decrease) increase in OPEB liabilities	36,572
(Decrease) increase in deferred revenue	1,861
<b>Net cash provided by operating activities</b>	<b>2,874,173</b>
<b>Noncash capital and related financing activities:</b>	
Amortized debt expense from bond acquisition fees	(6,954)
Amortized deferred credits from bond refinancing proceeds	88,091

**GREATER AUGUSTA UTILITY DISTRICT  
SANITARY DIVISION  
Schedules of Operating Revenues  
For the Year Ended December 31, 2009**

		2009
<b>OPERATING REVENUES</b>		
Metered:		
Residential	\$	1,153,365
Commercial		759,934
Industrial		97,297
Government agencies		249,575
Hallowell		259,096
Flat rate		12,537
Catch basins		1,401,416
ERU		958,227
Trunkline communities		708,580
Late fees		29,201
Connection fees		21,720
Togus debt		71,704
<b>Total operating revenues</b>		<b>\$ 5,722,652</b>