

June 15, 2012

Board of Trustees
Greater Augusta Utility District

We have audited the financial statements of each major fund of the Greater Augusta Utility District for the year ended December 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards, *Government Auditing Standard*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our meeting with the Chair of the Board of Trustees on March 12, 2012. Professional standards also require that we communicate the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 9, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Greater Augusta Utility District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Greater Augusta Utility District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 is not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Greater Augusta Utility District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the Greater Augusta Utility District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it does not provide a legal determination on the Greater Augusta Utility District's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Greater Augusta Utility District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Greater Augusta Utility District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of depreciation expense, which is based on estimated useful lives of assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule of adjusting journal entries summarizes misstatements, some of which are material, detected as a result of audit procedures all of which were corrected by management.

The attached schedule summarizes uncorrected misstatement of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated June 15, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Greater Augusta Utility District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of the Greater Augusta Utility District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**GAUD - Water Division
12/31/11**

	Acct #	Account Name	DR	CR
1	2000-121050	Construction in Progress	44,371.00	
	2000-202310	Accounts payable		44,371.00
	<i>To book payable for CIP.</i>			
2	2050002-424611	Residential Revenues	110,575.71	
	2050002-424612	Commercial Revenues	31,668.17	
	2050002-424614	Governmental Revenues	15,379.84	
	2000-101730	Accrued Utility Revenues		157,623.72
	<i>To adjust unbilled revenues to actual.</i>			
3	2050036-664280	Debt Issuance Costs	6,953.47	
	2000-111810	Unamortized Debt Discount		6,953.47
	<i>To adjust unamortized debt discounts for 2011</i>			
4	2000-242210	Long Term Debt	11,110.22	
	2000-131250	SRF LOC		11,110.22
	<i>To adjust for additional principal paid down/not needed.</i>			
5	2050032-626758	Misc. Expense	3,044.29	
	2000-131210	Non-Utility Property		3,044.29
	<i>To adjust property account to actual.</i>			

GAUD - Sanitary Division
12/31/11

	Acct #	Account Name	DR	CR
1	3000-232720	Acc Amrotz Const Ais Cons	851,063.00	
	3000-212530	Deferred credits		851,063.00
		<i>To move deferred credit to the correct account</i>		
2	3000-121050	Construction in Progress	1,282,873.12	
	3000-202310	Accounts payable		1,282,873.12
		<i>To book payable for CIP.</i>		
3	305005-454603	Trunkline Revenues	6,565.00	
	3000-101740	Misc. Curr & Accr Assets		6,565.00
		<i>To adjust receivable to actual.</i>		
4	3000-121080	Accumulated depreciation	92,911.31	
	3050035-654030	Depreciation expense		92,911.31
		<i>To adjust accumulated depreciation to actual (spreadsheet error)</i>		
5	3000-123034	Land Trans Dist Plt	129,050.04	
	3000-123042	Struct Imprv Sup Pump Plnt	10,470.00	
	3000-123043	Struct Imprv Treatment Plnt	572,035.83	
	3000-123391	Other Plt Misc Equip Tr Plt	6,045.84	
	3000-123392	Other Plt Misc Equip T&D	1,385,807.91	
	3000-123410	Trans Equip Gen Plant	49,667.12	
	3000-123450	Power Operated Equip Gen P	16,770.15	
	3000-123610	Collection Sewers Gravity	9,815,093.07	
	3000-121010	Utility Plant in Service		11,984,939.96
		<i>To reclass capital assets to the correct accounts</i>		
6	3000-242210	Long Term Debt	195,485.76	
	3000-131250	SRF LOC		195,485.76
		<i>To adjust for additional principal paid down/not needed.</i>		
7	3000-212520	Advance for Construction	106,708.58	
	305007-474740	Misc. Revenue		106,708.58
		<i>To eliminate advance for construction and recognize revenue.</i>		
8	3050034-644271	Interest Expense	99,460.05	
	3000-202370	Accrued Interest		99,460.05
		<i>To adjust accrued interest to actual.</i>		

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Augusta, ME 04330-5225
www.augustawater.org

BRIAN TARBUCK
General Manager

TRUSTEES:
KENNETH R. KNIGHT, Chair
DAVID P. SMITH, Vice Chair
STEPHEN J. ROBERGE, Clerk
CHARLENE HAMIWKA, Treasurer

TRUSTEES:
DAVID BUSTIN
LESLEY JONES
ANDREW McPHERSON
DONALD A. ROBERTS
THOMAS A. SOTIR

June 15, 2012

Runyon Kersteen Ouellette
20 Long Creek Drive
South Portland, Maine 04106

We are providing this letter in connection with your audit(s) of the financial statements of Greater Augusta Utilities District as of December 31, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the respective changes in financial position and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of June 15, 2012, the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all—
 - a) Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
- 5) We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.

Runyon Kersteen Ouellette

June 15, 2012

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- 6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 7) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 8) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 9) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 10) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 11) The following, if any, have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the District is contingently liable.
 - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
- 12) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 13) There are no—
 - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.

- 14) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 15) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 16) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 17) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 18) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 19) The financial statements properly classify all funds and activities.
- 20) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 21) Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 22) Provisions for uncollectible receivables have been properly identified and recorded.
- 23) Expenses have been appropriately classified in the statement of revenues, expenses, and changes in net assets and allocations have been made on a reasonable basis.
- 24) Revenues are appropriately classified in the statement of revenues, expenses, and changes in net assets and allocations have been made on a reasonable basis.
- 25) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 26) Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
- 27) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 28) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

29) With respect to the exhibits and schedules presented:

- a) We acknowledge our responsibility for presenting the exhibits and schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the exhibits and schedules, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the exhibits and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b) If the exhibits and schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

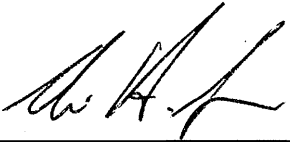
30) We have evaluated the District's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.

31) With respect to federal award programs:


- a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- c) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
- d) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- e) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
- f) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

- g) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- h) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- i) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j) We have complied with the direct and material compliance requirements including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- k) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- m) Amounts claimed or used for matching were determined in accordance with relevant guidelines in *OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments*, and *OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- n) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- o) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- p) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- q) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- r) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- s) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

- t) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
 - u) We have charged costs to federal awards in accordance with applicable cost principles.
 - v) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
 - w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
 - x) We are responsible for preparing and implementing a corrective action plan for each audit finding.
- 32) We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed: 

Title: GENERAL MANAGER

Signed: 

Title: Financial Auditor

GREATER AUGUSTA UTILITY DISTRICT

Financial Statements

**For the Year Ended
December 31, 2011**

GREATER AUGUSTA UTILITY DISTRICT
Financial Statements
For the Year Ended December 31, 2011

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Independent Auditor's Report

Board of Trustees
Greater Augusta Utility District
Augusta, Maine

We have audited the accompanying financial statements of each major fund of the Greater Augusta Utility District as of and for the year ended December 31, 2011, 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. 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 of the Greater Augusta Utility District as of December 31, 2011, and the respective changes in financial position and 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 June 15, 2012 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 Retiree Healthcare Plan 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.

Board of Trustees
Greater Augusta Utility District
Page 2

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 financial statements as a whole.

A handwritten signature in cursive script, reading "Raymond Hudson Ouellette".

June 15, 2012
South Portland, Maine

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2011

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, 2011. The Water Division is the drinking water and fire protection division of GAUD. For reporting purposes, the Sewer and Stormwater divisions of the GAUD are referred to as the Sanitary Division.

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 increased by \$238,300. Net cash provided by operating activities totaled \$2.9 million. Receipts from customers increased by \$59,000, payments to suppliers decreased by \$3,000 and payments to employees increased by \$3,400. Net cash used in capital and related financing activities totaled \$2.7 million. Principal and interest on long-term debt totaled \$1.96 million, unchanged from 2010. Investment in capital assets totaled \$1.43 million, an increase of \$268,000.
- Accounts receivable decreased by \$241,000 due to a decrease in unbilled revenues of \$143,000 and a decrease in customer receivables of \$100,000.
- The work in process (WIP) account increased by \$52,000 due to water main replacement on State Street. Operating property increased by \$1.3 million due to completion of water mains on Riverside Drive and North Chestnut Street.
- Accumulated depreciation increased by \$795,500, a slight decrease from 2010.
- The Water Division decreased its long-term financial indebtedness obligation by \$941,335 this year. They issued \$700,000 of new debt to replace a water main on State Street and made the required scheduled debt payments on all outstanding debt.
- The Water Division's net assets as of December 31, 2011 were \$20.5 million. Net assets consist of those invested in capital assets, net of related debt of \$18 million and the remaining unrestricted net assets of \$2.5 million. The change in net assets for the year ended December 31, 2011 was a net increase of \$1.5 million. 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. Operating revenues totaled \$4.1 million, a decrease of 7%. Sales to customers totaled \$2.6 million a decrease of \$378,000 or 12.7%. Fire protection revenues totaled \$1.1 million, an increase of \$59,000. The decrease in customer sales is the result of a rate decrease approved in October 2011. Operating expenses totaled \$2.5 million, an increase of \$17,000. Operating expenses were higher primarily due to an increase in transportation and distribution expenses. Non-operating expenses decreased 71% to \$59,500 due to higher non-utility income and a decrease in interest expense. 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 \$2.40 per 100 cubic feet. The Maine Public Utilities Commission approved the Water Division's schedule of rates which became effective October 3, 2011.

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

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 increased by \$808,000 due to net cash provided by operating activities exceeding net cash used in capital and related financing activities .
- Net capital assets increased by \$6.2 million. Work in process decreased by \$4.1 million and operating property increased by \$12 million. Four capital projects were completed in 2011: Togus sewer main (\$6.4 million), Trunkline pump station 1 (\$1.3 million), Treatment Plant upgrade (\$572,000) and a component of the Combined Sewer Overflow Phase 3 project (\$3.2 million).
- Construction retainage increased by \$1.66 million related to the Combined Sewer Overflow Phase 3 project.
- Accumulated depreciation increased by \$1.68 million an increase of \$110,000 from 2010. The increase is due to the 2011 completed projects.
- In 2011, the Sanitary Division closed on one new long-term debt issuance totaling \$14.52 million with \$0.85 million forgiving with the Maine Municipal Bond Bank. The new debt completed the financing for the Combined Sewer Overflow Phase 3 project. The Sanitary Division also made its required scheduled debt payments of \$1.68 million.
- The Sanitary Division's operating revenues totaled \$6.7 million and operating expenses totaled \$5.5 million. Net non-operating revenues (expenses) totaled \$234,000 resulting in an increase in net assets of \$1.4 million.
- The Sanitary Division's net assets as of December 31, 2011 were \$34.7 million. Net assets consist of those invested in capital assets, net of related debt of \$34.3 million and the remaining unrestricted net assets totaled \$367,000. The change in net assets for the year ended December 31, 2011 was an increase of \$1.4 million.
- All customers of the Sanitary Division are charged \$4.34 per 100 cubic feet of metered water, \$25.49 for a quarterly service charge and \$22.64 per equivalent rate unit for storm water. Customers in Hallowell are not charged 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

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. 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 three communities (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 residence. 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 15th 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, 2011</u>	<u>December 31, 2010</u>
Assets		
Current assets	\$ 3,172,612	3,173,555
Capital and other assets (net)	21,633,496	21,099,441
Total Assets	<u>\$ 24,806,108</u>	<u>24,272,996</u>
Liabilities and Net Assets		
Current liabilities	\$ 876,335	2,187,039
Long-term liabilities	3,427,485	3,119,929
Total Liabilities	<u>4,303,820</u>	<u>5,306,968</u>
Net Assets		
Invested in capital assets, net of related debt	17,964,683	16,482,339
Unrestricted	2,537,605	2,483,689
Total Net Assets	<u>20,502,288</u>	<u>18,966,028</u>
Total Liabilities and Net Assets	<u>\$ 24,806,108</u>	<u>24,272,996</u>

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

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

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

WATER DIVISION

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Operating Revenues		
Metered	\$ 3,004,900	3,382,718
Fire protection	1,128,616	1,073,569
Other water revenues	13,651	15,561
Total Operating Revenues	<u>4,147,167</u>	<u>4,471,848</u>
Operating Expenses		
Operating expenses	1,755,983	1,725,217
Depreciation	795,506	808,943
Total Operating Expenses	<u>2,551,489</u>	<u>2,534,160</u>
Nonoperating Revenue (Expenses)	<u>(59,418)</u>	<u>(204,477)</u>
Capital Contributions	<u>-</u>	<u>2,184</u>
Change in Net Assets	1,536,260	1,735,395
Net Assets - Beginning of Year	<u>18,966,028</u>	<u>17,230,633</u>
Net Assets - End of Year	<u>\$ 20,502,288</u>	<u>18,966,028</u>

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.

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, 2011</u>	<u>December 31, 2010</u>
Assets		
Current assets	\$ 5,606,771	4,140,995
Capital and other assets (net)	69,451,709	55,097,073
Total Assets	<u>\$ 75,058,480</u>	<u>59,238,068</u>
Liabilities and Net Assets		
Current liabilities	\$ 6,072,779	3,605,680
Long-term liabilities	34,274,602	22,324,029
Total Liabilities	<u>40,347,381</u>	<u>25,929,709</u>
Net Assets		
Invested in capital assets, net of related debt	34,344,220	31,785,179
Unrestricted	366,879	1,523,180
Total Net Assets	<u>34,711,099</u>	<u>33,308,359</u>
Total Liabilities and Net Assets	<u>\$ 75,058,480</u>	<u>59,238,068</u>

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

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

	December 31, 2011	December 31, 2010
Operating revenues:		
Sanitary	\$ 2,877,914	2,738,181
Storm water	2,486,164	2,363,802
Trunkline	759,758	646,949
Other	564,669	423,459
Total operating revenues	6,688,505	6,172,391
Operating expenses:		
Operating expenses	3,840,948	3,863,041
Depreciation	1,678,489	1,568,732
Total operating expenses	5,519,437	5,431,773
Nonoperating revenues (expenses)	233,672	(389,438)
Capital contributions	-	-
Change in net assets	1,402,740	351,180
Net assets, beginning of year	33,308,359	32,957,179
Net assets, end of year	\$ 34,711,099	33,308,359

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

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, 2011

	Sanitary	Water	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,567,110	2,391,678	4,958,788
Accounts receivable:			
Customer service	1,494,969	353,074	1,848,043
Unbilled	430,287	304,439	734,726
Other	1,035,921	7,712	1,043,633
Inventory	69,490	106,431	175,921
Prepaid expenses	8,994	9,278	18,272
Total current assets	5,606,771	3,172,612	8,779,383
Noncurrent assets:			
Other assets:			
Accounts receivable - intercommunity trunkline	13,130	-	13,130
Unamortized debt expense	-	48,485	48,485
Unspent bond proceeds	9,872,304	-	9,872,304
Total other assets	9,885,434	48,485	9,933,919
Capital assets:			
Work in process	7,052,262	896,263	7,948,525
Operating property	75,565,149	33,423,693	108,988,842
Less accumulated depreciation	(23,051,136)	(12,734,945)	(35,786,081)
Net capital assets	59,566,275	21,585,011	81,151,286
Total noncurrent assets	69,451,709	21,633,496	91,085,205
Total assets	75,058,480	24,806,108	99,864,588
LIABILITIES			
Current liabilities:			
Accounts payable:			
Trade	111,961	86,327	198,288
Construction/retainage	2,700,624	30,413	2,731,037
Intercommunity trunkline	26,043	-	26,043
Accrued payroll	38,418	23,809	62,227
Accrued compensated absences	54,104	36,507	90,611
Accrued interest	136,368	36,794	173,162
Deferred revenue	522,496	262,952	785,448
Current portion of deferred credits	73,485	19,308	92,793
Current portion of bonds and notes payable	2,409,280	380,225	2,789,505
Total current liabilities	6,072,779	876,335	6,949,114
Noncurrent liabilities:			
Deferred credits	952,385	73,134	1,025,519
OPEB liabilities	637,138	114,248	751,386
Bonds and notes payable	32,685,079	3,240,103	35,925,182
Total noncurrent liabilities	34,274,602	3,427,485	37,702,087
Total liabilities	40,347,381	4,303,820	44,651,201
NET ASSETS			
Invested in capital assets, net of related debt	34,344,220	17,964,683	52,308,903
Unrestricted	366,879	2,537,605	2,904,484
Total net assets	\$ 34,711,099	20,502,288	55,213,387

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, 2011

	Sanitary	Water	Total
Operating revenues:			
Metered	\$ 2,864,887	3,004,900	5,869,787
Flat rate	13,027	-	13,027
Storm water	932,179	-	932,179
Catch basins	1,553,985	-	1,553,985
Trunkline communities	759,758	-	759,758
Public fire protection	-	783,478	783,478
Private fire protection	-	345,138	345,138
Other revenues	564,669	13,651	578,320
Total operating revenues	6,688,505	4,147,167	10,835,672
Operating expenses:			
Source of supply	-	177,504	177,504
Treatment plant	1,872,767	142,389	2,015,156
Transportation and distribution	981,209	884,000	1,865,209
Customer accounts	238,423	195,126	433,549
Administrative and general	512,716	356,964	869,680
Trunkline expenses	235,833	-	235,833
Depreciation	1,678,489	795,506	2,473,995
Total operating expenses	5,519,437	2,551,489	8,070,926
Operating income	1,169,068	1,595,678	2,764,746
Nonoperating revenues (expenses):			
Interest revenue	3,103	3,631	6,734
Utility contract income	-	14,945	14,945
Non-utility income	-	177,639	177,639
Miscellaneous	691,034	12,727	703,761
Interest expense	(460,465)	(261,407)	(721,872)
Amortization expense	-	(6,953)	(6,953)
Total nonoperating revenues (expenses)	233,672	(59,418)	174,254
Change in net assets	1,402,740	1,536,260	2,939,000
Net assets, beginning of year	33,308,359	18,966,028	52,274,387
Net assets, end of year	\$ 34,711,099	20,502,288	55,213,387

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statements of Cash Flows
For the Year Ended December 31, 2011

	Sanitary	Water	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 6,860,215	4,637,868	11,498,083
Payments to suppliers	(2,118,700)	(662,626)	(2,781,326)
Payments to employees	(1,665,729)	(1,056,840)	(2,722,569)
Net cash provided by operating activities	3,075,786	2,918,402	5,994,188
Cash flows from capital and related financing activities:			
Purchase of capital assets	(6,236,376)	(1,433,941)	(7,670,317)
Advances for construction	(79,139)	-	(79,139)
Proceeds from long-term debt	6,381,973	711,111	7,093,084
Principal payments on long-term debt	(1,873,342)	(1,641,335)	(3,514,677)
Interest payments on long-term debt	(463,803)	(319,568)	(783,371)
Net cash used in capital and related financing activities	(2,270,687)	(2,683,733)	(4,954,420)
Cash flows from investing activities:			
Interest income	3,103	3,631	6,734
Net cash provided by investing activities	3,103	3,631	6,734
Net increase (decrease) in cash	808,202	238,300	1,046,502
Cash at beginning of year	1,758,908	2,153,378	3,912,286
Cash at end of year	\$ 2,567,110	2,391,678	4,958,788
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,169,068	1,595,678	2,764,746
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,678,489	795,506	2,473,995
Utility, non-utility, jobbing and miscellaneous revenues	691,034	205,311	896,345
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable - customer service	(386,330)	102,236	(284,094)
(Increase) decrease in accounts receivable - unbilled	817	143,095	143,912
(Increase) decrease in accounts receivable - intercommunity trunkline	6,565	-	6,565
(Increase) decrease in accounts receivable - other	(288,364)	(4,038)	(292,402)
(Increase) decrease in inventory	9,344	(2,050)	7,294
(Increase) decrease in prepaid expenses	394	-	394
(Decrease) increase in accounts payable - trade	(7,161)	21,191	14,030
(Decrease) increase in accounts payable - trunkline	(61,715)	-	(61,715)
(Decrease) increase in accrued payroll	2,551	(3,514)	(963)
(Decrease) increase in accrued compensated absences	4,284	2,691	6,975
(Decrease) increase in OPEB liabilities	108,822	18,199	127,021
(Decrease) increase in deferred revenue	147,988	44,097	192,085
Net cash provided by operating activities	3,075,786	2,918,402	5,994,188
Noncash capital and related financing activities:			
Amortized debt expense from bond acquisition fees	-	(6,953)	(6,953)
Amortized deferred credits from bond refinancing proceeds	28,693	43,666	72,359

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2011, there was no allowance for uncollectible accounts receivable recorded as the District estimated 100% of receivables were collectible. The District also accrues revenue for estimated water, sanitary, and storm water services which were 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, sanitary, and storm water services 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.

DEPOSITS

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, 2011, \$351,430 of the District's bank balance of \$4,036,527 was insured by the FDIC and \$3,685,097 was collateralized by a \$5,000,000 irrevocable standby letter of credit issued by the Federal Home Loan Bank of Pittsburgh. 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.

OTHER RECEIVABLES

At December 31, 2010, 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, 2010, the Fieldstone Place Subdivision receivable balance of \$27,570 was reported net of the allowance of \$27,570. During 2011, the Fieldstone Place Subdivision receivable was collected by the District and at December 31, 2011, there was no receivable or allowance reported for this project.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

CAPITAL ASSETS

The following is a summary of the changes in capital assets from December 31, 2011:

	Balance <u>12/31/10</u>	Additions/ <u>adjustments</u>	Dispositions/ <u>adjustments</u>	Balance <u>12/31/11</u>
Capital assets not being depreciated:				
Land	\$ 1,479,896	129,050	-	1,608,946
Work in process	<u>12,011,582</u>	<u>7,638,342</u>	<u>11,701,399</u>	<u>7,948,525</u>
Total capital assets not being depreciated	13,491,478	7,767,392	11,701,399	9,557,471
Capital assets being depreciated:				
Building and structures	27,180,392	595,722	-	27,776,114
Sludge site	369,560	-	-	369,560
Trunkline	5,698,270	1,411,407	-	7,109,677
Collection system	31,651,247	9,815,093	-	41,466,340
Mains, reservoirs, standpipes	20,439,244	995,652	-	21,434,896
Services, meters, hydrants	3,685,781	17,523	-	3,703,304
Equipment and vehicles	<u>5,178,672</u>	<u>341,333</u>	<u>-</u>	<u>5,520,005</u>
Total capital assets being depreciated	94,203,166	13,176,730	-	107,379,896
Less accumulated depreciation for:				
Building and structures	12,564,138	1,124,423	-	13,688,561
Sludge site	369,560	-	-	369,560
Trunkline	2,464,179	104,681	-	2,568,860
Collection system	6,400,927	574,657	-	6,975,584
Mains, reservoirs, standpipes	5,519,634	273,998	-	5,793,632
Services, meters, hydrants	2,219,177	117,245	-	2,336,422
Equipment and vehicles	<u>3,774,471</u>	<u>278,991</u>	<u>-</u>	<u>4,053,462</u>
Total accumulated depreciation	33,312,086	2,473,995	-	35,786,081
Total capital assets being depreciated, net	60,891,080	10,702,735	-	71,593,815
Capital assets, net	\$ 74,382,558	18,470,127	11,701,399	81,151,286

Depreciation expense was charged as follows:

Sewer division	\$ 1,049,697
Storm water division	628,792
Water division	795,506
Total depreciation expense	\$ 2,473,995

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, 2011:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds and notes payable	\$ 27,860,427	15,220,000	4,365,740	38,714,687	2,789,505
Other post employment benefits	624,365	208,756	81,735	751,386	-
Accrued compensated absences	83,636	6,975	-	90,611	-
Total long-term liabilities	\$ 28,568,428	15,435,731	4,447,475	39,556,684	2,789,505

The following is a summary of the long-term debt payable at December 31, 2011 and 2010:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 12/31/10</u>	<u>Balance 12/31/11</u>
Bond 1990 MMBB	\$ 6,000,000	2020	7.10-7.20%	2,000,000	1,800,000
Bond 1991 MMBB	14,350,000	2011	5.25-7.15%	1,285,000	-
Bond 1994 MMBB	1,100,000	2014	5.325-6.35%	220,000	165,000
Bond 2001 Series A	1,725,000	2021	5.75-6.00%	960,000	875,000
Bond 2009 MMBB SRF	190,000	2029	0.00%	96,663	80,327
Bond 2011 MMBB	700,000	2031	2.12-5.62%	-	700,000
Bond 1997 MMBB	11,676,144	2017	2.96%	3,220,000	2,760,000
Bond 2002 MMBB	10,750,000	2021	2.34%	6,160,000	5,600,000
Bond 2003 MMBB	249,694	2015	1.10%	96,036	76,829
Bond 2003 KSB	65,650	2013	4.50%	19,695	13,130
Bond 2005 MMBB	1,500,000	2025	1.53%	1,125,000	1,050,000
Bond 2006 MMBB	1,250,000	2026	1.42-3.00%	1,000,000	937,500
Hallowell Bond	579,793	2018	5.00-7.85%	291,291	263,756
2008 Taxable Sewer Bond	2,000,000	2028	1.27%	1,821,942	1,731,213
2009 CWSRF	6,500,000	2029	1.00%	6,204,800	5,711,163
2010 CWSRF - SR	1,750,000 (1)	2030	1.17%	1,750,000	1,671,830
2010 CWSRF - FFR	1,610,000 (2)	2030	1.00%	1,610,000	1,610,000
2011 CWSRF	14,520,000 (3)	2030	1.00%	-	13,668,939
				27,860,427	38,714,687
Less current portion				3,308,082	2,789,505
Total long-term portion				\$ 24,552,345	35,925,182

- (1) As of December 31, 2011, the District has drawn down \$1,325,158 of the \$1,750,000.
(2) As of December 31, 2011, the District has drawn down \$1,167,758 of the \$1,610,000.
(3) As of December 31, 2011, the District has drawn down \$3,357,422 of the \$14,520,000.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

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

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2012	\$ 2,789,505	724,221	3,513,726
2013	2,804,182	801,403	3,605,585
2014	2,812,604	703,303	3,515,907
2015	2,772,919	598,794	3,371,713
2016	2,769,372	535,282	3,304,654
2017-2021	11,916,725	1,764,681	13,681,406
2022-2026	7,580,451	862,851	8,443,302
2027-2031	5,268,929	349,335	5,618,264
Totals	\$ 38,714,687	6,339,870	45,054,557

JOINT PROJECT – WMMHA TRUNKLINE PROJECT

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 (\$89,959 and \$115,731 at December 31, 2011 and 2010, 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.

OPERATING LEASE

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, 2011 are as follows:

2012	\$ 13,800
2013	13,800
2014	13,800
2015	1,150
Total	\$ 42,550

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

NET ASSETS

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, 2011:

Capital assets	\$ 116,937,367
Unspent bond proceeds	9,872,304
Accumulated depreciation	(35,786,081)
Bonds payable	(38,714,687)
<u>Total invested in capital assets net of related debt</u>	<u>\$ 52,308,903</u>

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

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.

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 District's rate of contribution at year end is 4.4% 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, 2011, 2010 and 2009 were \$65,853, \$49,579 and \$39,188, respectively.

OTHER DEFERRED COMPENSATION PLAN

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.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER DEFERRED COMPENSATION PLAN, CONTINUED

The District also sponsors an employee money purchase plan to which it contributed 4.62%, 5.00% and 2.80% of compensation of electing union and non-union participants for 2011, 2010, and 2009, respectively. Total District contributions were \$12,609, \$15,858 and \$19,924 in 2011, 2010, and 2009, respectively.

COMMITMENTS

The District has entered into multiple contracts in connection with various construction projects. The following is a summary of the commitments at December 31, 2011:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Retainage</u>	<u>Balance Remaining</u>
Engineering contracts	\$ 1,444,112	89.56%	1,293,314	-	150,798
State Street water mains	905,588	87.38%	791,304	43,447	114,284
Bond Brook collection system	13,260,339	41.24%	5,467,902	607,545	7,792,437
Facility improvements	419,491	98.03%	411,217	8,274	8,274

SANITARY DIVISION

During the year, the District decided to display financial information for the Sanitary Division by each of its subdivisions, sewer and storm water, in its individual fund financial statements located in Exhibits 1 through 3 following the notes to the financial statements. The District allocated the beginning net assets based on the amount of revenues each subdivision receives. The beginning net assets for each subdivision were calculated as follows:

	<u>Sewer</u>	<u>Storm Water</u>
Beginning net assets - total	\$ 33,308,359	33,308,359
Applicable percentage	62%	38%
<u>Beginning net assets – by subdivision</u>	<u>\$ 20,651,183</u>	<u>12,657,176</u>

The Board approved allocating expenses between sewer and storm water by the following ratios on September 19, 2011. Operations and maintenance expenses on the treatment plant, pump stations, and sanitary pipes are allocated at 63% sewer and 37% storm water; catch basin and storm pipe expenses are 100% storm water; sewer pipe expenses are 100% sewer; customer accounts expenses are allocated at 84% sewer and 16% storm water; and administration and general expenses are allocated at 58% sewer and 42% storm water.

OTHER POST EMPLOYMENT BENEFITS

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.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

The District is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The District is an individually rated member within the Association. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. 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 October 2011.

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:

<u>Years of Service</u>	<u>Maximum Years of Benefit</u>
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 years ending December 31 and the annual required contribution:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 51,224	86,405	83,082
Amortization of Unfunded	149,503	174,156	165,687
Interest	8,029	10,422	9,951
Annual Required Contribution	\$ 208,756	270,983	258,720

Net OPEB Obligation – The City's net OPEB obligation was calculated as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPEB liability, January 1	\$ 624,365	419,956	207,731
Annual required contribution	208,756	270,983	258,720
Less: actual contributions	(81,735)	(66,574)	(46,495)
OPEB liability, December 31	\$ 751,386	624,365	419,956

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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 years ending December 31 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 208,756	270,983	258,720
Actual contribution	81,735	66,574	46,495
Percent contributed	39.15%	24.50%	17.97%
Actuarial accrued liability	\$ 2,688,618	3,131,977	3,131,977
<u>Plan assets</u>	-	-	-
Unfunded actuarial accrued liability	\$ 2,688,618	3,131,977	3,131,977
Covered payroll	2,096,603	1,912,804	1,889,018
Unfunded actuarial accrued liability as a percentage of covered payroll	128.24%	163.74%	165.80%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	30 years - open
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 8.7%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Retiree Healthcare Plan

Fiscal year	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]
2008	1/1/09	\$ -	3,131,977	3,131,977	0.00%	1,887,266	165.95%
2009	1/1/09	-	3,131,977	3,131,977	0.00%	1,889,018	165.80%
2010	1/1/09	-	3,131,977	3,131,977	0.00%	1,912,804	163.74%
2011	1/1/11	-	2,688,618	2,688,618	0.00%	2,096,603	128.24%

GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Statements of Net Assets
December 31, 2011
(with comparative totals for December 31, 2010)

	Sewer	Storm Water	Total	2010
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,060,234	1,506,876	2,567,110	1,758,908
Accounts receivable:				
Customer service	814,548	680,421	1,494,969	1,108,639
Unbilled	306,483	123,804	430,287	431,104
Intercommunity trunkline	-	-	-	6,565
Other, net of allowance of \$0 (2011) and \$27,570 (2010)	461,238	574,683	1,035,921	747,557
Inventory	48,003	21,487	69,490	78,834
Prepaid expenses	7,555	1,439	8,994	9,388
Total current assets	2,698,061	2,908,710	5,606,771	4,140,995
Noncurrent assets:				
Other assets:				
Accounts receivable - intercommunity trunkline	13,130	-	13,130	13,130
Unspent bond proceeds	4,581,725	5,290,579	9,872,304	1,734,277
Total other assets	4,594,855	5,290,579	9,885,434	1,747,407
Capital assets:				
Work in process	3,159,194	3,893,068	7,052,262	11,167,705
Operating property	47,843,826	27,721,323	75,565,149	63,554,608
Less accumulated depreciation	(15,841,270)	(7,209,866)	(23,051,136)	(21,372,647)
Net capital assets	35,161,750	24,404,525	59,566,275	53,349,666
Total noncurrent assets	39,756,605	29,695,104	69,451,709	55,097,073
Total assets	42,454,666	32,603,814	75,058,480	59,238,068
LIABILITIES				
Current liabilities:				
Accounts payable:				
Trade	105,879	6,082	111,961	119,122
Construction/retainage	1,158,488	1,542,136	2,700,624	1,041,902
Intercommunity trunkline	26,043	-	26,043	87,758
Accrued payroll	25,195	13,223	38,418	35,867
Accrued compensated absences	39,333	14,771	54,104	49,820
Accrued interest	65,320	71,048	136,368	111,014
Deferred revenue	-	522,496	522,496	374,508
Advances for construction	-	-	-	79,139
Current portion of deferred credits	40,329	33,156	73,485	28,693
Current portion of bonds and notes payable	1,220,961	1,188,319	2,409,280	1,677,857
Total current liabilities	2,681,548	3,391,231	6,072,779	3,605,680
Noncurrent liabilities:				
Deferred credits	460,509	491,876	952,385	174,806
OPEB liabilities	463,196	173,942	637,138	528,316
Bonds and notes payable	17,545,239	15,139,840	32,685,079	21,620,907
Total noncurrent liabilities	18,468,944	15,805,658	34,274,602	22,324,029
Total liabilities	21,150,492	19,196,889	40,347,381	25,929,709
NET ASSETS				
Invested in capital assets, net of related debt	20,977,275	13,366,945	34,344,220	31,785,179
Unrestricted	326,899	39,980	366,879	1,523,180
Total net assets	\$ 21,304,174	13,406,925	34,711,099	33,308,359

GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	Sewer	Storm Water	Total	2010
Operating revenues:				
Metered	\$ 2,864,887	-	2,864,887	2,727,127
Flat rate	13,027	-	13,027	11,054
Storm water	-	932,179	932,179	953,943
Catch basins	-	1,553,985	1,553,985	1,409,859
Trunkline communities	759,758	-	759,758	646,949
Other	563,419	1,250	564,669	423,459
Total operating revenues	4,201,091	2,487,414	6,688,505	6,172,391
Operating expenses:				
Treatment plant	1,292,209	580,558	1,872,767	1,677,990
Transportation and distribution	618,327	362,882	981,209	1,020,718
Customer accounts	200,275	38,148	238,423	263,540
Administrative and general	103,980	408,736	512,716	651,611
Trunkline	235,833	-	235,833	249,182
Depreciation	1,049,697	628,792	1,678,489	1,568,732
Total operating expenses	3,500,321	2,019,116	5,519,437	5,431,773
Operating income	700,770	468,298	1,169,068	740,618
Nonoperating revenues (expenses):				
Interest revenue	3,103	-	3,103	4,469
Miscellaneous	409,583	281,451	691,034	25,991
Interest expense	(460,465)	-	(460,465)	(419,898)
Total nonoperating revenues (expenses)	(47,779)	281,451	233,672	(389,438)
Change in net assets	652,991	749,749	1,402,740	351,180
Net assets, beginning of year	20,651,183	12,657,176	33,308,359	32,957,179
Net assets, end of year	\$ 21,304,174	13,406,925	34,711,099	33,308,359

GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	2011	2010
Cash flows from operating activities:		
Receipts from customers and users	\$ 6,860,215	5,533,052
Payments to suppliers	(2,118,700)	(2,010,901)
Payments to employees	(1,665,729)	(1,772,567)
Net cash provided by operating activities	3,075,786	1,749,584
Cash flows from capital and related financing activities:		
Purchase of capital assets	(6,236,376)	(3,288,002)
Advances for construction	(79,139)	27,569
Proceeds from long-term debt	6,381,973	3,248,286
Principal payments on long-term debt	(1,873,342)	(1,593,593)
Interest refund received from Maine Municipal Bond Bank	-	208,330
Interest payments on long-term debt	(463,803)	(446,204)
Net cash used in capital and related financing activities	(2,270,687)	(1,843,614)
Cash flows from investing activities:		
Interest income	3,103	4,469
Net cash provided by investing activities	3,103	4,469
Net increase (decrease) in cash	808,202	(89,561)
Cash at beginning of year	1,758,908	1,848,469
Cash at end of year	\$ 2,567,110	1,758,908
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,169,068	740,618
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,678,489	1,568,732
Miscellaneous and utility contract income	691,034	25,991
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customer service	(386,330)	(152,005)
(Increase) decrease in accounts receivable - unbilled	817	125,513
(Increase) decrease in accounts receivable - intercommunity trunkline	6,565	6,565
(Increase) decrease in accounts receivable - other	(288,364)	(654,546)
(Increase) decrease in inventory	9,344	13,275
(Increase) decrease in prepaid expenses	394	(110)
(Decrease) increase in accounts payable - trade	(7,161)	(122,126)
(Decrease) increase in accounts payable - trunkline	(61,715)	8,370
(Decrease) increase in accrued payroll	2,551	5,586
(Decrease) increase in accrued compensated absences	4,284	(4,947)
(Decrease) increase in OPEB liabilities	108,822	179,525
(Decrease) increase in deferred revenue	147,988	9,143
Net cash provided by operating activities	3,075,786	1,749,584
Noncash capital and related financing activities:		
Amortized deferred credits from bond refinancing proceeds	28,693	28,693

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Net Assets
December 31, 2011
(with comparative totals for December 31, 2010)

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,391,678	2,153,378
Accounts receivable:		
Customer	353,074	455,310
Unbilled	304,439	447,534
Other	7,712	3,674
Inventory	106,431	104,381
Prepaid expenses	9,278	9,278
Total current assets	3,172,612	3,173,555
Noncurrent assets:		
Other assets:		
Unamortized debt expense	48,485	55,439
Unspent bond proceeds	-	11,110
Total other assets	48,485	66,549
Capital assets:		
Work in process	896,263	843,877
Operating property	33,423,693	32,128,454
Less accumulated depreciation	(12,734,945)	(11,939,439)
Net capital assets	21,585,011	21,032,892
Total noncurrent assets	21,633,496	21,099,441
Total assets	24,806,108	24,272,996
LIABILITIES		
Current liabilities:		
Accounts payable		
Trade	86,327	65,136
Construction/retainage	30,413	116,729
Accrued payroll	23,809	27,323
Accrued compensated absences	36,507	33,816
Accrued interest	36,794	51,289
Deferred revenue	262,952	218,855
Current portion of deferred credits	19,308	43,666
Current portion of bonds and notes payable	380,225	1,630,225
Total current liabilities	876,335	2,187,039
Noncurrent liabilities:		
Deferred credits	73,134	92,442
OPEB liabilities	114,248	96,049
Bonds and notes payable	3,240,103	2,931,438
Total noncurrent liabilities	3,427,485	3,119,929
Total liabilities	4,303,820	5,306,968
NET ASSETS		
Invested in capital assets, net of related debt	17,964,683	16,482,339
Unrestricted	2,537,605	2,483,689
Total net assets	\$ 20,502,288	18,966,028

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	2011	2010
Operating revenues:		
Metered:		
Residential	\$ 1,730,591	2,024,716
Commercial	866,721	948,448
Industrial	-	2,032
Governmental	407,588	407,522
Public fire protection	783,478	776,463
Private fire protection	345,138	297,106
Other water revenues	13,651	15,561
Total operating revenues	4,147,167	4,471,848
Operating expenses:		
Source of supply	177,504	188,548
Treatment plant	142,389	141,472
Transportation and distribution	884,000	831,995
Customer accounts	195,126	203,919
Administrative and general	356,964	359,283
Depreciation	795,506	808,943
Total operating expenses	2,551,489	2,534,160
Operating income	1,595,678	1,937,688
Nonoperating revenues (expenses):		
Interest revenue	3,631	5,949
Utility contract income	14,945	12,650
Non-utility income	177,639	104,341
Merchandising and jobbing revenue	12,727	11,175
Interest expense	(261,407)	(331,639)
Amortization expense	(6,953)	(6,953)
Total nonoperating revenues (expenses)	(59,418)	(204,477)
Income before contributions	1,536,260	1,733,211
Capital contributions	-	2,184
Change in net assets	1,536,260	1,735,395
Net assets, beginning of year	18,966,028	17,230,633
Net assets, end of year	\$ 20,502,288	18,966,028

**GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2011**

(with comparative totals for Augusta Water District for the year ended December 31, 2010)

	2011	2010
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,637,868	4,578,924
Payments to suppliers	(662,626)	(665,677)
Payments to employees	(1,056,840)	(1,053,467)
Net cash provided by operating activities	2,918,402	2,859,780
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,433,941)	(1,166,374)
Capital contributions	-	2,184
Proceeds from long-term debt	711,111	4,814
Principal payments on long-term debt	(1,641,335)	(1,545,224)
Interest payments on long-term debt	(319,568)	(416,289)
Net cash used in capital and related financing activities	(2,683,733)	(3,120,889)
Cash flows from investing activities:		
Interest revenue	3,631	5,949
Net cash provided by investing activities	3,631	5,949
Net increase (decrease) in cash	238,300	(255,160)
Cash at beginning of year	2,153,378	2,408,538
Cash at end of year	\$ 2,391,678	2,153,378
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,595,678	1,937,688
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	795,506	808,943
Utility, non-utility, jobbing and miscellaneous revenues	205,311	128,166
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customers	102,236	(102,514)
(Increase) decrease in accounts receivable - unbilled	143,095	86,645
(Increase) decrease in accounts receivable - other	(4,038)	(796)
(Increase) decrease in inventory	(2,050)	18,289
(Increase) decrease in prepaid expenses	-	-
(Decrease) increase in accounts payable	21,191	(42,241)
(Decrease) increase in accrued payroll	(3,514)	8,126
(Decrease) increase in accrued compensated absences	2,691	(2,985)
(Decrease) increase in OPEB liabilities	18,199	24,884
(Decrease) increase in deferred revenue	44,097	(4,425)
Net cash provided by operating activities	2,918,402	2,859,780
Noncash capital and related financing activities:		
Amortized debt expense from bond acquisition fees	(6,953)	(6,953)
Amortized deferred credits from bond refinancing proceeds	43,666	66,558

**GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION - SEWER
Schedules of Operating Revenues
For the Year Ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)**

	2011	2010
OPERATING REVENUES		
Metered:		
Residential	\$ 2,048,861	1,361,726
Commercial	487,110	755,582
Industrial	-	36,931
Government agencies	328,916	448,680
Hallowell	-	124,208
Flat rate	13,027	11,054
Trunkline communities	759,758	646,949
Late fees	31,051	34,396
Connection fees	161,869	6,543
Togus debt	370,499	382,520
Total operating revenues	\$ 4,201,091	3,808,589