

GREATER AUGUSTA UTILITY DISTRICT

Financial Statements

**For the Year Ended
December 31, 2008**

GREATER AUGUSTA UTILITY DISTRICT
Financial Statements
For the Year Ended December 31, 2008

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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, and the aggregate remaining fund information of the Greater Augusta Utility District as of and for the year ended December 31, 2008. 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.

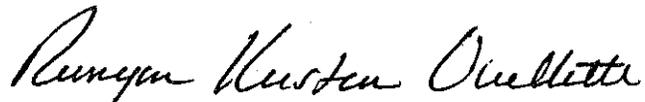
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Greater Augusta Utility District as of December 31, 2008, and the respective changes in its financial 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 March 31, 2009 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 important for assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Greater Augusta Utility District
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Our audit was conducted for the purpose of forming opinions on the financial statements of the Greater Augusta Utility District. The exhibits and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



March 31, 2009
South Portland, Maine

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2008

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, 2008. 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 increased by \$799,365, primarily due to lower investment in new capital assets and the continuation of the prior year's decision to not continue with a 1% main replacement program that the Water Division had in place previously. At the end 2008 the Water District had a total of \$532,236 invested in two six-month, rolling Certificates of Deposits, each with an original balance of \$250,000.
- Customer accounts receivable decreased by \$55,418 due to lower sales to our residential customers during 2008.
- The work in process (WIP) account increased by \$17,377 due to work on the Western Street pump station upgrade and the startup of a new main project on Winthrop Street.
- Operating property increased by \$176,630 due to Meter replacement program \$57,065; new vehicles \$33,226; costs related to new communication equipment \$25,000; new MUNIS accounting software \$18,050; along with various smaller projects/equipment items.
- Accumulated depreciation increased by \$735,815 due to full year's depreciation on 2007 additions and half-year expense related to 2008 additions booked per the preceding bullet.
- The Water Division reduced its long-term financial indebtedness obligation by \$1,385,000 this year, by making the required scheduled debt payments.
- The Water Division's net assets as of December 31, 2008 were \$15,660,226. Net assets consist of those invested in capital assets, net of related debt of \$12,743,578 and the remaining unrestricted net assets of \$2,916,648. The change in net assets for the year ended December 31, 2008 was a net increase of \$1,688,960. This increase is the result of operating revenues being higher than operating expenses due to the operational savings resulting from lower labor costs due to less employees and the switch in water supply from the treatment plant to the wells in 2004.
- All metered customers of the Water Division are charged a minimum fee depending on the size of the meter, and it includes a minimum water allowance of 300 cubic feet of water. For anything in excess of 300 cu. ft., 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

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 \$145,830 due to reduced operating expenses during 2008 including lower labor costs associated with vacant positions that will not be replaced. At the end of 2008 the Sanitary Division had a total of \$1,264,052 invested in four, six-month, rolling Certificates of Deposits.
- Other accounts receivable balance at the end of 2008 is zero due to a full allowance of bad debt reserve of \$82,709 related to the developer of the Fieldstone Place Subdivision which is due to be paid over a four year period starting in 2008. The first two payments have been received by the Sanitary Division.
- Unspent bond proceeds increased to \$1,646,460 due to closing the 20 year, 1.27%, \$2 million bond with the Maine Municipal Bond Bank related to the CSO III project. At the end of 2008 the Sanitary Division had drawn only \$353,540 for the project.
- The work in process increased by \$2,630,584 mainly due to work on three large construction projects -Togus sewer main, Winthrop Street sewer and storm mains, and the CSO III project mentioned above. The purchase of equipment and other miscellaneous smaller projects make up the rest of the balance.
- Trade accounts payable increased by \$392,546 due to timing of payments related to the major construction projects referred to in the last bullet point.
- The accounts payable amount due to the intercommunity trunkline decreased by \$73,203 due to an improved estimated billing and less adjustments booked in 2008 related to trunkline costs and flows.
- Retainage increased by \$189,900 due to retainage for D&C Contractors who are performing the work on the Togus Sewer main extension.
- The Sanitary Division closed on two long-term debt facilities in 2008 with the Maine Municipal Bond Bank. The first issue closed on June 20, 2008 for \$2,000,000 for engineering design work for the CSO III project. The second issue closed on October 29, 2008 for \$6,500,000, this is an interim note related to the Togus VA sewer main extension and is expected to be replaced with long-term financing sometime in 2009 or 2010. The Togus project is pass-through, with Togus VA funding the payments. In addition to these two new bonds, the Sanitary Division added \$362,473 related to the Hallowell Sanitary district which was acquired as of 1/1/2008. The Sanitary Division also reduced its long-term financial indebtedness obligation by \$1,205,252 this year by making the required scheduled debt payments.
- The Sanitary Division's total operating and non-operating revenues, expenses, and capital contributions in the Statement of Revenues, Expenses and Changes in Net Assets were \$5,984,145, \$5,726,298 and \$0, respectively.
- The Sanitary Division's net assets as of December 31, 2008 were \$32,979,159. Net assets consist of those invested in capital assets, net of related debt of \$30,810,200 and the remaining unrestricted net assets of \$2,168,959. The change in net assets for the year ended December 31, 2008 was an increase of \$257,847.
- All customers of the Sanitary Division are charged \$3.21 per 100 cubic feet of metered water, \$18.85 for a service charge and \$16.15 per equivalent rate unit for storm water.

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

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.

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 five other communities, which are Chelsea, Vassalboro, Manchester, East Winthrop and Hallowell. The Sanitary Division is responsible for maintaining the sewerage system for the City of Augusta and the City of Hallowell. It also maintains the stormwater system for the City of Augusta. It operates a regional pumping collection system that extends to Winthrop as well as a wastewater treatment plant. The Sanitary Division also treats sewerage delivered via in inter-community 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.

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

GAUD has a Board of nine trustees. 7 are appointed by the Mayor of Augusta for a three-year term and the remaining 2 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 Board speaks for both the Sanitary and Water Divisions.

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 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.

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, 2008</u>	<u>December 31, 2007</u>
Assets		
Current assets	\$ 3,616,650	\$ 2,849,424
Capital and other assets (net)	20,277,924	20,826,685
Total Assets	<u>\$ 23,894,574</u>	<u>\$ 23,676,109</u>
Liabilities and Net Assets		
Current liabilities	\$ 1,992,089	\$ 1,949,086
Long-term liabilities	6,242,259	7,755,757
Total Liabilities	<u>8,234,348</u>	<u>9,704,843</u>
Net Assets		
Invested in capital assets, net of related debt	12,743,578	11,900,386
Unrestricted	2,916,648	2,070,880
Total Net Assets	<u>15,660,226</u>	<u>13,971,266</u>
Total Liabilities and Net Assets	<u>\$ 23,894,574</u>	<u>\$ 23,676,109</u>

The Water Division reduced long-term liabilities by \$1,385,000 due 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

	December 31, 2008	December 31, 2007
Operating Revenues		
Metered	\$ 3,507,236	\$ 3,528,272
Fire Protection	1,056,050	1,039,857
Other Water Revenues	22,604	38,794
Total Operating Revenues	4,585,890	4,606,923
Operating Expenses		
Operating expenses	1,829,512	1,962,981
Impairment of capital assets	-	5,997,099
Depreciation	735,815	975,431
Total Operating Expenses	2,565,327	8,935,511
Nonoperating Revenue (Expenses)	(333,203)	(313,420)
Capital Contributions	1,600	922,013
Change in Net Assets	1,688,960	(3,719,995)
Net Assets - Beginning of Year	13,971,266	17,691,261
Net Assets - End of Year	\$ 15,660,226	\$ 13,971,266

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 had no borrowing activity during the 2008 year.

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

	December 31, 2008	December 31, 2007
Assets		
Current assets	\$ 3,712,440	\$ 3,526,127
Capital and other assets (net)	48,768,136	45,552,833
Total Assets	\$ 52,480,576	\$ 49,078,960
Liabilities and Net Assets		
Current liabilities	\$ 4,272,060	\$ 1,978,736
Long-term liabilities	15,229,357	14,378,912
Total Liabilities	19,501,417	16,357,648
Net Assets		
Invested in capital assets, net of related debt	30,810,200	29,980,423
Unrestricted	2,168,959	2,740,889
Total Net Assets	32,979,159	32,721,312
Total Liabilities and Net Assets	\$ 52,480,576	\$ 49,078,960

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

The Sanitary Division also decreased long-term liabilities by \$1,205,252 due to scheduled debt payments.

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Operating revenues:		
Sanitary	\$ 2,707,548	\$ 2,668,702
Storm water	2,259,200	2,259,858
Trunkline	770,677	835,274
Hallowell	-	134,048
Total operating revenues	<u>5,737,425</u>	<u>5,897,882</u>
Operating expenses:		
Operating expenses	3,787,282	3,973,112
Depreciation	1,532,230	1,378,268
Total operating expenses	<u>5,319,512</u>	<u>5,351,380</u>
Nonoperating revenues (expenses)	<u>(160,066)</u>	<u>(43,585)</u>
Capital contributions	<u>-</u>	<u>1,243,636</u>
Change in net assets	257,847	1,746,553
Net assets, beginning of year	<u>32,721,312</u>	<u>30,974,759</u>
Net assets, end of year	<u><u>\$ 32,979,159</u></u>	<u><u>\$ 32,721,312</u></u>

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, 2008

	Sanitary	Water	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,041,837	2,530,752	4,572,589
Accounts receivable:			
Customer service	990,597	372,192	1,362,789
Unbilled	553,102	555,666	1,108,768
Other, net of allowance of \$82,709	-	4,762	4,762
Inventory	113,642	146,558	260,200
Prepaid expenses	13,262	6,720	19,982
Total current assets	3,712,440	3,616,650	7,329,090
Noncurrent assets:			
Other assets:			
Accounts receivable - intercommunity trunkline	32,825	-	32,825
Unamortized debt expense	-	69,346	69,346
Unspent bond proceeds	1,646,460	-	1,646,460
Total other assets	1,679,285	69,346	1,748,631
Capital assets:			
Work in process	3,022,417	60,245	3,082,662
Operating property	62,342,876	30,547,453	92,890,329
Less accumulated depreciation	(18,276,442)	(10,399,120)	(28,675,562)
Net capital assets	47,088,851	20,208,578	67,297,429
Total noncurrent assets	48,768,136	20,277,924	69,046,060
Total assets	52,480,576	23,894,574	76,375,150
LIABILITIES			
Current liabilities:			
Accounts payable:			
Trade	577,794	52,207	630,001
Retainage	218,021	-	218,021
Accrued payroll	49,945	37,505	87,450
Accrued compensated absences	41,473	46,368	87,841
Accrued interest	100,337	86,499	186,836
Deferred revenue	389,085	221,419	610,504
Short-term debt	1,597,343	-	1,597,343
Current portion of deferred credits	2,651	88,091	90,742
Current portion of bonds and notes payable	1,295,411	1,460,000	2,755,411
Total current liabilities	4,272,060	1,992,089	6,264,149
Noncurrent liabilities:			
Deferred credits	23,862	202,666	226,528
OPEB liabilities	173,138	34,593	207,731
Bonds and notes payable	15,032,357	6,005,000	21,037,357
Total noncurrent liabilities	15,229,357	6,242,259	21,471,616
Total liabilities	19,501,417	8,234,348	27,735,765
NET ASSETS			
Invested in capital assets, net of related debt	30,810,200	12,743,578	43,553,778
Unrestricted	2,168,959	2,916,648	5,085,607
Total net assets	\$ 32,979,159	15,660,226	48,639,385

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, 2008

	Sanitary	Water	Total
Operating revenues:			
Metered	\$ 2,695,577	3,507,236	6,202,813
Flat rate	11,971	-	11,971
Storm water	902,504	-	902,504
Catch basins	1,356,696	-	1,356,696
Trunkline communities	770,677	-	770,677
Public fire protection	-	766,765	766,765
Private fire protection	-	289,285	289,285
Other water revenues	-	22,604	22,604
Total operating revenues	5,737,425	4,585,890	10,323,315
Operating expenses:			
Operating expenses	3,787,282	1,829,512	5,616,794
Depreciation	1,532,230	735,815	2,268,045
Total operating expenses	5,319,512	2,565,327	7,884,839
Operating income	417,913	2,020,563	2,438,476
Nonoperating revenues (expenses):			
Interest revenue	68,440	41,622	110,062
Utility contract income	1,305	12,000	13,305
Non-utility income	-	108,005	108,005
Miscellaneous	176,975	4,106	181,081
Interest expense	(406,786)	(491,982)	(898,768)
Amortization expense	-	(6,954)	(6,954)
Total nonoperating revenues (expenses)	(160,066)	(333,203)	(493,269)
Income before contributions	257,847	1,687,360	1,945,207
Capital contributions	-	1,600	1,600
Change in net assets	257,847	1,688,960	1,946,807
Net assets, beginning of year	32,721,312	13,971,266	46,692,578
Net assets, end of year	\$ 32,979,159	15,660,226	48,639,385

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statements of Cash Flows
For the Year Ended December 31, 2008

	Sanitary	Water	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 5,943,485	4,780,746	10,724,231
Payments to suppliers	(1,454,051)	(785,221)	(2,239,272)
Payments to employees	(1,645,404)	(1,043,777)	(2,689,181)
Net cash provided by operating activities	2,844,030	2,951,748	5,795,778
Cash flows from capital and related financing activities:			
Purchase of capital assets	(3,135,759)	(192,408)	(3,328,167)
Proceeds from short-term debt	1,597,343	-	1,597,343
Proceeds from long-term debt	381,661	-	381,661
Principal payments on long-term debt	(1,205,252)	(1,385,000)	(2,590,252)
Interest payments on long-term debt	(404,633)	(616,597)	(1,021,230)
Net cash used in capital and related financing activities	(2,766,640)	(2,194,005)	(4,960,645)
Cash flows from investing activities:			
Interest income	68,440	41,622	110,062
Net cash provided by investing activities	68,440	41,622	110,062
Net increase (decrease) in cash	145,830	799,365	945,195
Cash at beginning of year	1,896,007	1,731,387	3,627,394
Cash at end of year	\$ 2,041,837	2,530,752	4,572,589
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 417,913	2,020,563	2,438,476
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,532,230	735,815	2,268,045
Utility, non-utility, jobbing and miscellaneous revenues	178,280	124,111	302,391
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable - customer service	(27,985)	55,418	27,433
(Increase) decrease in accounts receivable - unbilled	(44,970)	9,180	(35,790)
(Increase) decrease in accounts receivable - intercommunity trunkline	39,836	-	39,836
(Increase) decrease in accounts receivable - other	8,612	634	9,246
(Increase) decrease in inventory	(4,772)	(28,735)	(33,507)
(Increase) decrease in prepaid expenses	(4,639)	(4,358)	(8,997)
(Decrease) increase in accounts payable - trade	392,546	(16,952)	375,594
(Decrease) increase in accounts payable - intercommunity trunkline	(73,203)	-	(73,203)
(Decrease) increase in accounts payable - retainage	189,900	-	189,900
(Decrease) increase in accrued payroll	22,499	17,417	39,916
(Decrease) increase in accrued compensated absences	(7,642)	(1,451)	(9,093)
(Decrease) increase in OPEB liabilities	173,138	34,593	207,731
(Decrease) increase in deferred revenue	52,287	5,513	57,800
Net cash provided by operating activities	2,844,030	2,951,748	5,795,778
Noncash capital and related financing activities:			
Amortized debt expense from bond acquisition fees	-	(6,954)	(6,954)
Amortized deferred credits from bond refinancing proceeds	2,651	108,348	110,999
Capital contributions	-	1,600	1,600

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, 2008 the allowance was \$0. 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

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 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.

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, 2008, \$500,000 of the District's bank balance of \$5,293,817 was insured by the FDIC and \$4,793,817 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.

OTHER RECEIVABLES

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, 2008, the receivable balance of \$82,709 was reported net of the allowance of \$82,709.

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, 2008:

	<u>Balance</u> <u>12/31/07</u>	<u>Additions/</u> <u>adjustments</u>	<u>Dispositions/</u> <u>adjustments</u>	<u>Balance</u> <u>12/31/08</u>
Capital assets not being depreciated:				
Land	\$ 1,479,896	-	-	1,479,896
Work in process	434,701	2,749,000	101,039	3,082,662
Total capital assets not being depreciated	1,914,597	2,749,000	101,039	4,562,558
Capital assets being depreciated:				
Building and structures	27,166,778	36,371	-	27,203,149
Sludge site	369,560	-	-	369,560
Trunkline	5,695,065	-	-	5,695,065
Collection system	30,700,855	335,543	-	31,036,398
Mains, reservoirs, standpipes	19,497,367	-	-	19,497,367
Services, meters, hydrants	3,419,292	57,065	-	3,476,357
Equipment and vehicles	3,879,711	252,826	-	4,132,537
Total capital assets being depreciated	90,728,628	681,805	-	91,410,433
Less accumulated depreciation for:				
Building and structures	9,230,207	1,117,349	-	10,347,556
Sludge site	369,560	-	-	369,560
Trunkline	2,181,166	94,017	-	2,275,183
Collection system	4,911,584	492,185	-	5,403,769
Mains, reservoirs, standpipes	4,733,776	259,146	-	4,992,922
Services, meters, hydrants	1,884,067	108,465	-	1,992,532
Equipment and vehicles	3,097,157	196,883	-	3,294,040
Total accumulated depreciation	26,407,517	2,268,045	-	28,675,562
Total capital assets being depreciated, net	64,321,111	(1,586,240)	-	62,734,871
Capital assets, net	\$ 66,235,708	1,162,760	101,039	67,297,429

Depreciation expense was charged as follows:

Sanitary division	\$ 1,532,230
Water division	735,815
Total depreciation expense	\$ 2,268,045

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, 2008:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds and notes payable	\$ 24,383,020	2,000,000	2,590,252	23,792,768	2,755,411
Accrued compensated absences	96,934	-	9,093	87,841	-
Total long-term liabilities	\$ 24,479,954	2,000,000	2,599,345	23,880,609	2,755,411

The following is a summary of the long-term debt payable at December 31, 2008 and 2007:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 12/31/08</u>	<u>Balance 12/31/07</u>
Water Division:					
Bond 1990 MMBB	6,000,000	2020	7.10-7.20%	2,400,000	2,600,000
Bond 1991 MMBB	14,350,000	2011	5.25-7.15%	3,605,000	4,650,000
Bond 1994 MMBB	1,100,000	2014	5.325-6.35%	330,000	385,000
Bond 2001 Series A	1,725,000	2021	5.75-6.00%	1,130,000	1,215,000
Sanitary Division:					
Bond 1997 MMBB	11,676,144	2017	2.96%	4,140,000	4,600,000
Bond 2002 MMBB	10,750,000	2021	2.34%	7,280,000	7,840,000
Bond 2003 MMBB	249,694	2015	1.10%	134,450	153,658
Bond 2003 KSB	65,650	2013	4.50%	32,825	39,390
Bond 2005 MMBB	1,500,000	2025	1.53%	1,275,000	1,350,000
Bond 2006 MMBB	1,250,000	2026	1.42-3.00%	1,125,000	1,187,500
Hallowell Bond	579,793	2018	5.00-7.85%	340,493	362,472
2008 Taxable Sewer Bond	2,000,000 (1)	2028	1.27%	2,000,000	-
				23,792,768	24,383,020
Less current portion				2,755,411	2,590,252
Total long-term portion				\$ 21,037,357	21,792,768

(1) As of December 31, 2008, the District has drawn down \$353,540 of the \$2,000,000.

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>
2009	\$ 2,755,411	879,359	3,634,770
2010	2,838,393	758,533	3,596,926
2011	2,926,536	631,264	3,557,800
2012	1,644,849	485,608	2,130,457
2013	1,648,347	431,537	2,079,884
2014-2018	7,541,216	1,356,096	8,897,312
2019-2023	3,552,245	304,429	3,856,674
2024-2028	885,771	43,664	929,435
Totals	\$ 23,792,768	4,890,490	28,683,258

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 (\$167,275 and \$193,048 at December 31, 2008 and 2007, 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.

SHORT-TERM DEBT

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, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Short-term note	\$ -	1,597,343	-	1,597,343

The short-term note is on a draw down basis for a total of \$6,500,000, of which \$1,597,343 has been drawn down. The interest rate is 3.00% and the note is due on October 29, 2009.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

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. Future minimum rentals at December 31, 2008 are as follows:

2009	\$ 12,000
<u>2010</u>	<u>1,000</u>
<u>Total</u>	<u>\$ 13,000</u>

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, 2008:

Capital assets	\$ 95,972,991
Unspent bond proceeds	1,646,460
Accumulated depreciation	(28,675,562)
Short-term note payable	(1,597,343)
<u>Bonds payable</u>	<u>(23,792,768)</u>
<u>Total invested in capital assets net of related debt</u>	<u>\$ 43,553,778</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.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

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

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, 2008, 2007 and 2006 were \$35,428, \$38,061 and \$38,693, 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.

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 \$23,433, \$18,650 and \$21,925 in 2008, 2007 and 2006, respectively.

COMMITMENTS

The District has entered into contract in connection with the construction of sewer mains and pump station connection. The following is a summary of the commitments at December 31, 2008:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Retainage</u>	<u>Balance Remaining</u>
Construction contract	\$ 5,584,221	39.02%	1,962,193	218,021	3,404,007

OTHER POST EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). 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
<u>Interest</u>	<u>9,951</u>
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, 2008 was as follows:

Annual required contribution	\$ 258,720
Actual contribution	50,989
Percent contributed	19.71%
Actuarial accrued liability	\$ 3,131,977
<u>Plan assets</u>	<u>0</u>
Unfunded actuarial accrued liability	\$ 3,131,977
Covered payroll	1,887,266
Unfunded actuarial accrued liability as a percentage of covered payroll	165.95%

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%

GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Statements of Net Assets
December 31, 2008
(with comparative totals for Augusta Sanitary District and Hallowell
Water District - Sewer Division for December 31, 2007)

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,041,837	1,896,007
Accounts receivable:		
Customer service	990,597	962,612
Unbilled	553,102	508,132
Intercommunity trunkline	-	33,271
Other, net of allowance of \$82,709 and \$71,000, respectively	-	8,612
Inventory	113,642	108,870
Prepaid expenses	13,262	8,623
Total current assets	3,712,440	3,526,127
Noncurrent assets:		
Other assets:		
Accounts receivable - intercommunity trunkline	32,825	39,390
Unspent bond proceeds	1,646,460	28,121
Total other assets	1,679,285	67,511
Capital assets:		
Work in process	3,022,417	391,833
Operating property	62,342,876	62,066,496
Less accumulated depreciation	(18,276,442)	(16,973,007)
Net capital assets	47,088,851	45,485,322
Total noncurrent assets	48,768,136	45,552,833
Total assets	52,480,576	49,078,960
LIABILITIES		
Current liabilities:		
Accounts payable:		
Trade	577,794	185,248
Intercommunity trunkline	-	73,203
Retainage	218,021	28,121
Accrued payroll	49,945	27,446
Accrued compensated absences	41,473	49,115
Accrued interest	100,337	95,533
Deferred revenue	389,085	336,798
Short-term debt	1,597,343	-
Current portion of deferred credits	2,651	-
Current portion of bonds and notes payable	1,295,411	1,183,272
Total current liabilities	4,272,060	1,978,736
Noncurrent liabilities:		
Deferred credits	23,862	29,164
OPEB liabilities	173,138	-
Bonds and notes payable	15,032,357	14,349,748
Total noncurrent liabilities	15,229,357	14,378,912
Total liabilities	19,501,417	16,357,648
NET ASSETS		
Invested in capital assets, net of related debt	30,810,200	29,980,423
Unrestricted	2,168,959	2,740,889
Total net assets	\$ 32,979,159	32,721,312

**GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION**
Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2008
**(with comparative totals for Augusta Sanitary District and Hallowell Water
District - Sewer Division for the year ended December 31, 2007)**

	2008	2007
Operating revenues:		
Metered	\$ 2,695,577	2,661,817
Flat rate	11,971	6,885
Storm water	902,504	918,210
Catch basins	1,356,696	1,341,648
Trunkline communities	770,677	835,274
Hallowell	-	134,048
Total operating revenues	5,737,425	5,897,882
Operating expenses:		
Operating expenses	3,787,282	3,973,112
Depreciation	1,532,230	1,378,268
Total operating expenses	5,319,512	5,351,380
Operating income	417,913	546,502
Nonoperating revenues (expenses):		
Interest revenue	68,440	125,072
Utility contract income	1,305	9,164
Miscellaneous	176,975	234,257
Interest expense	(406,786)	(412,078)
Total nonoperating revenues (expenses)	(160,066)	(43,585)
Income before contributions	257,847	502,917
Capital contributions	-	1,243,636
Change in net assets	257,847	1,746,553
Net assets, beginning of year	32,721,312	30,974,759
Net assets, end of year	\$ 32,979,159	32,721,312

GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2008
(with comparative totals for Augusta Sanitary District and Hallowell Water
District - Sewer Division for the year ended December 31, 2007)

	2008	2007
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,943,485	6,117,961
Payments to suppliers	(1,454,051)	(2,336,393)
Payments to employees	(1,645,404)	(1,647,492)
Net cash provided by operating activities	2,844,030	2,134,076
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,135,759)	(1,759,762)
Capital contributions	-	423,636
Proceeds from short-term debt	1,597,343	-
Proceeds from long-term debt	381,661	540,837
Principal payments on long-term debt	(1,205,252)	(1,441,435)
Interest payments on long-term debt	(404,633)	(420,736)
Net cash used in capital and related financing activities	(2,766,640)	(2,657,460)
Cash flows from investing activities:		
Interest income	68,440	125,072
Net cash provided by investing activities	68,440	125,072
Net increase (decrease) in cash	145,830	(398,312)
Cash at beginning of year	1,896,007	2,294,319
Cash at end of year	\$ 2,041,837	1,896,007
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 417,913	546,502
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,532,230	1,460,842
Miscellaneous and utility contract income	178,280	243,421
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customer service	(27,985)	(522,794)
(Increase) decrease in accounts receivable - unbilled	(44,970)	123,314
(Increase) decrease in accounts receivable - intercommunity trunkline	39,836	(4,331)
(Increase) decrease in accounts receivable - other	8,612	43,671
(Increase) decrease in inventory	(4,772)	(48,010)
(Increase) decrease in prepaid expenses	(4,639)	(5,263)
(Increase) decrease in prepaid utility contract	-	260,428
(Decrease) increase in accounts payable - trade	392,546	(248,206)
(Decrease) increase in accounts payable - intercommunity trunkline	(73,203)	72,489
(Decrease) increase in accounts payable - retainage	189,900	(38,628)
(Decrease) increase in accrued payroll	22,499	(59,704)
(Decrease) increase in accrued compensated absences	(7,642)	(26,453)
(Decrease) increase in OPEB liabilities	173,138	-
(Decrease) increase in deferred revenue	52,287	336,798
Net cash provided by operating activities	2,844,030	2,134,076
Noncash capital and related financing activities:		
Amortized deferred credits from bond refinancing proceeds	2,651	-
Capital contributions	-	820,000

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Net Assets
December 31, 2008

(with comparative totals for Augusta Water District for December 31, 2007)

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,530,752	1,731,387
Accounts receivable:		
Customer	372,192	427,610
Unbilled	555,666	564,846
Other	4,762	5,396
Inventory	146,558	117,823
Prepaid expenses	6,720	2,362
Total current assets	3,616,650	2,849,424
Noncurrent assets:		
Other assets:		
Unamortized debt expense	69,346	76,299
Total other assets	69,346	76,299
Capital assets:		
Work in process	60,245	42,868
Operating property	30,547,453	30,370,823
Less accumulated depreciation	(10,399,120)	(9,663,305)
Net capital assets	20,208,578	20,750,386
Total noncurrent assets	20,277,924	20,826,685
Total assets	23,894,574	23,676,109
LIABILITIES		
Current liabilities:		
Accounts payable	52,207	69,159
Accrued payroll	37,505	20,088
Accrued compensated absences	46,368	47,819
Accrued interest	86,499	102,766
Deferred revenue	221,419	215,906
Current portion of deferred credits	88,091	108,348
Current portion of bonds and notes payable	1,460,000	1,385,000
Total current liabilities	1,992,089	1,949,086
Noncurrent liabilities:		
Deferred credits	202,666	290,757
OPEB liabilities	34,593	-
Bonds and notes payable	6,005,000	7,465,000
Total noncurrent liabilities	6,242,259	7,755,757
Total liabilities	8,234,348	9,704,843
NET ASSETS		
Invested in capital assets, net of related debt	12,743,578	11,900,386
Unrestricted	2,916,648	2,070,880
Total net assets	\$ 15,660,226	13,971,266

**GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION**
Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2008

(with comparative totals for Augusta Water District for the year ended December 31, 2007)

	2008	2007
Operating revenues:		
Metered:		
Residential	\$ 2,093,563	2,136,824
Commercial	990,089	988,435
Industrial	11,898	12,548
Governmental	411,686	390,465
Public fire protection	766,765	765,115
Private fire protection	289,285	274,742
Other water revenues	22,604	38,794
Total operating revenues	4,585,890	4,606,923
Operating expenses:		
Operating expenses	1,829,512	1,962,981
Impairment of capital assets	-	5,997,099
Depreciation	735,815	975,431
Total operating expenses	2,565,327	8,935,511
Operating (loss) income	2,020,563	(4,328,588)
Nonoperating revenues (expenses):		
Interest revenue	41,622	85,287
Utility contract income	12,000	12,000
Non-utility income	108,005	99,785
Merchandising and jobbing revenue	4,106	64,509
Interest expense	(491,982)	(568,047)
Amortization expense	(6,954)	(6,954)
Total nonoperating revenues (expenses)	(333,203)	(313,420)
Income (loss) before contributions	1,687,360	(4,642,008)
Capital contributions	1,600	922,013
Change in net assets	1,688,960	(3,719,995)
Net assets, beginning of year	13,971,266	17,691,261
Net assets, end of year	\$ 15,660,226	13,971,266

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2008

(with comparative totals for Augusta Water District for the year ended December 31, 2007)

	2008	2007
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,780,746	4,700,192
Payments to suppliers	(785,221)	(503,885)
Payments to employees	(1,043,777)	(1,367,623)
Net cash provided by operating activities	2,951,748	2,828,684
Cash flows from capital and related financing activities:		
Purchase of capital assets	(192,408)	(410,029)
Principal payments on long-term debt	(1,385,000)	(1,387,134)
Interest payments on long-term debt	(616,597)	(710,794)
Net cash used in capital and related financing activities	(2,194,005)	(2,507,957)
Cash flows from investing activities:		
Interest revenue	41,622	85,287
Net cash provided by investing activities	41,622	85,287
Net increase in cash	799,365	406,014
Cash at beginning of year	1,731,387	1,325,373
Cash at end of year	\$ 2,530,752	1,731,387
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 2,020,563	(4,328,588)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	735,815	1,024,220
Utility, non-utility, jobbing and miscellaneous revenues	124,111	176,294
Impairment of capital assets	-	5,997,099
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customers	55,418	(80,334)
(Increase) decrease in accounts receivable - unbilled	9,180	(5,754)
(Increase) decrease in accounts receivable - other	634	(189)
(Increase) decrease in inventory	(28,735)	(11,342)
(Increase) decrease in prepaid expenses	(4,358)	(2,362)
(Increase) decrease in prepaid utility contract	-	79,815
(Decrease) increase in accounts payable	(16,952)	(19,179)
(Decrease) increase in accrued payroll	17,417	275
(Decrease) increase in accrued compensated absences	(1,451)	(4,523)
(Decrease) increase in OPEB liabilities	34,593	-
(Decrease) increase in deferred revenue	5,513	3,252
(Decrease) increase in customer deposits	-	-
Net cash provided by operating activities	2,951,748	2,828,684
Noncash capital and related financing activities:		
Amortized debt expense from bond acquisition fees	(6,954)	(6,954)
Amortized deferred credits from bond refinancing proceeds	108,348	127,354
Capital contributions	1,600	922,013

**GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Schedules of Operating Revenues
For the Year Ended December 31, 2008
(with comparative totals for Augusta Sanitary District and Hallowell Water
District - Sewer Division for the year ended December 31, 2007)**

	2008	2007
OPERATING REVENUES		
Metered:		
Residential	\$ 1,555,140	1,541,253
Commercial	813,297	814,885
Industrial	91,494	97,014
Government agencies	235,646	208,665
Flat rate	11,971	6,885
Storm water:		
Residential	348,333	328,326
Commercial	404,953	432,031
Industrial	6,416	5,959
Government agencies	142,802	151,894
Catch basins:		
Government agencies	937,431	936,441
Residential and commercial	419,265	405,207
Trunkline communities	770,677	835,274
Hallowell	-	134,048
Total operating revenues	\$ 5,737,425	5,897,882

**GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Schedules of Operating Expenses
For the Year Ended December 31, 2008
(with comparative totals for Augusta Sanitary District and Hallowell Water
District - Sewer Division for the year ended December 31, 2007)**

	2008	2007
OPERATING EXPENSES		
Labor and fringes	\$ 1,660,261	1,781,496
OPEB expenses	173,138	-
Purchased power	566,913	592,514
Chemicals	89,735	92,241
Fuel	62,637	65,799
Water	20,063	11,033
Supplies and expense	591,587	611,595
Sludge disposal	325,355	277,642
Contractual services	-	201,071
Special services	83,079	87,464
Legal services	9,566	15,290
Trunkline expenses	90,834	123,167
Insurance	57,258	44,419
Miscellaneous	56,856	69,381
Total operating expenses	\$ 3,787,282	3,973,112

**GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION**

Schedules of Operating Expenses

For the Year Ended December 31, 2008

(with comparative totals for Augusta Water District for the year ended December 31, 2007)

	2008	2007
OPERATING EXPENSES		
Labor and fringes	\$ 1,059,743	1,197,306
OPEB expenses	34,593	-
Purchased power	246,350	270,551
Chemicals	17,330	9,163
Materials and supplies	214,961	196,244
Contractual services	79,550	112,974
Transportation	38,574	60,778
Insurance	57,259	40,441
Advertising	2,405	4,343
Bad debts, net of recovery	608	5,728
Regulatory assessment fees	29,395	33,000
Miscellaneous expenses	48,744	32,453
Total operating expenses	\$ 1,829,512	1,962,981

