

March 13, 2015

Board of Trustees
Greater Augusta Utility District

We have audited the financial statements of the Greater Augusta Utility District for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 29, 2014 and in our discussion with the Chair of the Board of Trustees on January 13, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated December 29, 2014, our responsibility, as described by professional standards, is to express an opinion 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.

As part of our audit, we considered the internal control of the Greater Augusta Utility District. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the Greater Augusta Utility District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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 2014.

We noted no transactions entered into by the 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 estimates affecting the financial statements were management's estimate of depreciation expense, which is based on estimated useful lives of assets and management's estimate of the other post employment benefits (OPEB) liability, which is based on actuarial calculations and assumptions regarding future plan expenses. We evaluated the key factors and assumptions used to develop these estimates in determining that they are 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 and completing 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 clearly trivial, and communicate them to the appropriate level of management. The results of our audit detected no adjustments that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 management representation letter dated March 13, 2015 which we have attached to this letter.

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 governmental unit’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 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 Matters

We applied certain limited procedures to the management’s discussion and analysis and the schedule of funding progress for the retiree healthcare plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion of provide any assurance on the RSI.

We were engaged to report on the comparative exhibits, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

Restriction on Use

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,



Brian Tarbuck, General Manager
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March 13, 2015

Runyon Kersteen Ouellette
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South Portland, ME 04106

This representation letter is provided in connection with your audit of the financial statements of the Greater Augusta Utility District, which comprise the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2014, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 13, 2015, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 29, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP 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.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) 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.
- 20) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) 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 legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 25) There are no 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.
- 26) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 27) 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, except as disclosed to you.
- 28) 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.
- 29) 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.
- 30) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 31) All funds that meet the quantitative criteria in GASBS 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.

- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate are properly valued.
- 34) Expenses have been appropriately classified in or allocated to functions and programs in the Statement of Revenues, Expenses and Changes in Net Position, and allocations have been made on a reasonable basis.
- 35) Revenues are appropriately classified in the Statement of Revenues, Expenses and Changes in Net Position.
- 36) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 39) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 40) 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.
- 41) With respect to the comparative exhibits:
 - a) We acknowledge our responsibility for presenting the comparative exhibits in accordance with accounting principles generally accepted in the United States of America, and we believe the comparative exhibits, 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 comparative exhibits 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 comparative exhibits 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.

Signed: _____

Brian Tarbuck
General Manager

Signed: _____

Sherry Kenney
Finance Director

GREATER AUGUSTA UTILITY DISTRICT

**Reports Required by *Government*
*Auditing Standards***

For the Year Ended December 31, 2014

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

Board of Trustees
Greater Augusta Utilities District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater Augusta Utility District, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Greater Augusta Utility District's basic financial statements, and have issued our report thereon dated March 13, 2015.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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



March 13, 2015
South Portland, Maine

GREATER AUGUSTA UTILITY DISTRICT

Financial Statements

**For the Year Ended
December 31, 2014**

GREATER AUGUSTA UTILITY DISTRICT
Financial Statements
For the Year Ended December 31, 2014

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Independent Auditor's Report

Board of Trustees
Greater Augusta Utility District

Report on Financial Statements

We have audited the accompanying financial statements of the Greater Augusta Utility District as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Greater Augusta Utility District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Augusta Utility District as of December 31, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Greater Augusta Utility District's basic financial statements. The comparative exhibits are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 13, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Greater Augusta Utility District's internal control over financial reporting and compliance.



GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2014

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 (District) financial condition and performance for the year ended December 31, 2014. The Water Division is the drinking water and fire protection division of GAUD. For discussion and analysis purposes, the Sewer and Storm Water Divisions of the GAUD are combined and 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. Key financial highlights include:

- The Water Division's cash and cash equivalents decreased by \$100,785. Net cash provided by operating activities totaled \$2 million. Receipts from customers decreased by \$48,700, payments to suppliers increased by \$1,400 and payments to employees increased by \$144,200. Net cash used in capital and related financing activities totaled \$2.1 million. Principal and interest on long-term debt totaled \$670,500 down from 2013 by \$577,400. Investment in capital assets totaled \$4.9 million, an increase of \$2.3 million.
- The accounts receivable balance was \$598,410 on December 31, 2014. This decrease of \$9,566 or 1.57% from the December 31, 2013 balance can be attributed to the timing of customer payments and billings.
- The work in process (WIP) account increased by \$1.5 million due to new well construction on Riverside Drive (\$1.5 million), a new east side Malta Hill Tank (\$1.9 million), approximately \$946,000 of water main replacement offset by the completion of approximately \$2.8 million in projects from previous years. Operating property increased by \$3.5 million due to the completion of water mains on School Street, Riverside Drive and Mount Vernon Avenue, property acquisitions for the Riverside Drive Well, the new North Augusta Tank, and various SCADA (Supervisory Control and Data Acquisition) projects.
- Accumulated depreciation increased by \$657,300 from 2013.
- The Water Division increased its long-term financial indebtedness obligation by \$3,005,000 this year. The required scheduled debt payments of \$495,000 were made. New debt was issued for the Riverside Drive Well Project for \$1.1 million and for the Malta Hill Tank Project for \$2.4 million.
- The Water Division's net position as of December 31, 2014 was \$23.9 million. Net position consists of net investments in capital assets of \$20.2 million and the remaining unrestricted net position of \$3.7 million. The change in net position for the year ended December 31, 2014 was a net increase of \$1.1 million. The increase is the result of operating revenues being higher than operating expenses and a small amount of non-operating revenues. Operating revenues totaled \$3.7 million, equivalent to the previous fiscal year. Sales to customers totaled \$2.3 million, a slight decrease of 0.4%. Fire protection revenues totaled \$1.3 million, equivalent to the previous fiscal year. Operating expenses totaled \$2.7 million, an increase of \$108,000 or 4.2%. This increase is the net result of an increase in treatment plant, customer accounts, administrative and general expenses and a decrease in source of supply and transportation and distribution expenses. Non-operating revenue (expense) decreased \$10,000 primarily due to an increase 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. Key financial highlights include:

- The Sanitary Division's cash and cash equivalents balance decreased by \$614,690 due to net cash used in capital and related financing activities exceeding net cash provided by operating activities.
- Net capital assets increased by \$650,000. Work in process decreased by \$13.7 million and operating property increased by \$16.3 million. The decrease in work in process can primarily be attributed to the completion of the Combined Sewer Overflow Phase 3 Project at Bond Brook and main replacements in 2014. The increase to operating property also corresponds to the Combined Sewer Overflow Phase 3 Project at Bond Brook and main replacements being placed into service in 2014.
- The accounts receivable balance at December 31, 2014 of \$1,437,016 is a decrease of \$8,182 or 0.57% from 2013. This decrease can be attributed to the timing of customer payments and billings.
- Construction retainage decreased by \$351,941 primarily due to the completion of the Combined Sewer Overflow Phase 3 project.
- Accumulated depreciation increased by \$2 million from 2013. The increase is due to taking a half year of depreciation on the 2014 completed projects and one full of year depreciation on major projects closed in 2013.
- The Sanitary Division decreased its long-term financial indebtedness obligation by \$2.4 million. Required scheduled payments on all outstanding debts were paid on time and in full. No new debt was issued in 2014.
- The Sanitary Division's operating revenues totaled \$7.7 million and operating expenses totaled \$6 million. Net non-operating revenues (expenses) totaled (\$417,313), resulting in an increase in net position of \$1.3 million.
- The Sanitary Division's net position as of December 31, 2014 was \$39.4 million. Net position consists of net investment in capital assets of \$37.6 million and the remaining unrestricted net position totaled \$1.8 million. The change in net position for the year ended December 31, 2014 was an increase of \$1.3 million.
- All customers of the Sanitary Division are charged \$4.34 per 100 cubic feet of metered sewage, \$25.49 for a quarterly service charge and \$22.64 per equivalent residential unit for storm water. Hallowell customers are not charged for storm water.

Overview of Annual Financial Reports

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 position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements.

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

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change

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

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 management 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 sewer system for the cities of Augusta and Hallowell, the storm water system for the City of Augusta, and 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 the City 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 its billings to non-residential customers who are not tax-exempt, as well as partial tax for combination business/personal residence. Sales 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.

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

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 STATEMENTS OF NET POSITION - WATER DIVISION

| | December 31, 2014 | December 31, 2013 |
|--------------------------------------|----------------------|-------------------|
| Assets | | |
| Current assets | \$ 4,392,023 | 4,499,833 |
| Capital and other assets (net) | 27,432,557 | 23,064,997 |
| Total Assets | \$ 31,824,580 | 27,564,830 |
| Liabilities | | |
| Current liabilities | \$ 1,168,161 | 896,773 |
| Long-term liabilities | 6,702,462 | 3,804,112 |
| Total Liabilities | 7,870,623 | 4,700,885 |
| Deferred Inflows of Resources | | |
| Deferred credits | 41,864 | 56,279 |
| Net Position | | |
| Net investment in capital assets | 20,245,114 | 18,875,533 |
| Unrestricted | 3,666,979 | 3,932,133 |
| Total Net Position | \$ 23,912,093 | 22,807,666 |

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

| | December 31, 2014 | December 31, 2013 |
|----------------------------------------|----------------------|-------------------|
| Operating Revenues | | |
| Metered | \$ 2,342,114 | 2,352,163 |
| Fire protection | 1,307,944 | 1,301,371 |
| Other water revenues | 8,459 | 8,390 |
| Total Operating Revenues | 3,658,517 | 3,661,924 |
| Operating Expenses | | |
| Operating expenses | 1,950,167 | 1,862,211 |
| Depreciation | 700,743 | 680,814 |
| Total Operating Expenses | 2,650,910 | 2,543,025 |
| Nonoperating Revenue | 96,820 | 106,757 |
| Change in Net Position | 1,104,427 | 1,225,656 |
| Net Position- Beginning of Year | 22,807,666 | 21,582,010 |
| Net Position - End of Year | \$ 23,912,093 | 22,807,666 |

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

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 STATEMENTS OF NET POSITION - SANITARY DIVISION

| | <u>December 31, 2014</u> | <u>December 31, 2013</u> |
|--------------------------------------|--------------------------|--------------------------|
| Assets | | |
| Current assets | \$ 4,034,503 | 4,653,444 |
| Capital and other assets (net) | 65,499,287 | 66,282,923 |
| Total Assets | <u>\$ 69,533,790</u> | <u>70,936,367</u> |
| Liabilities | | |
| Current liabilities | \$ 2,962,204 | 3,298,482 |
| Long-term liabilities | 26,340,182 | 28,679,204 |
| Total Liabilities | <u>29,302,386</u> | <u>31,977,686</u> |
| Deferred Inflows of Resources | | |
| Deferred credits | <u>805,414</u> | <u>878,899</u> |
| Net Position | | |
| Net investment in capital assets | 37,670,612 | 36,021,873 |
| Unrestricted | 1,755,378 | 2,057,909 |
| Total Net Position | <u>\$ 39,425,990</u> | <u>38,079,782</u> |

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

| | <u>December 31, 2014</u> | <u>December 31, 2013</u> |
|----------------------------------|--------------------------|--------------------------|
| Operating revenues: | | |
| Sewer | \$ 3,601,080 | 3,617,016 |
| Storm water | 3,255,903 | 3,234,395 |
| Trunkline | 490,263 | 706,827 |
| Other | 428,045 | 602,690 |
| Total operating revenues | <u>7,775,291</u> | <u>8,160,928</u> |
| Operating expenses: | | |
| Operating expenses | 4,003,439 | 4,121,393 |
| Depreciation | 2,008,331 | 1,913,934 |
| Total operating expenses | <u>6,011,770</u> | <u>6,035,327</u> |
| Nonoperating expenses | <u>(417,313)</u> | <u>(867,783)</u> |
| Change in net position | 1,346,208 | 1,257,818 |
| Net position, beginning of year | <u>38,079,782</u> | <u>36,821,964</u> |
| Net position, end of year | <u>\$ 39,425,990</u> | <u>38,079,782</u> |

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

Capital Asset Activity

During the year, the District continued to carry out plans to upgrade vital components of both the Water and Sanitary systems. These projects are expected to improve efficiencies within the District and reduce future maintenance costs.

Several major Water division projects were completed this year. Water mains on Riverside Drive were replaced for approximately \$1.2 million. The 700,000 gallon expanded North Augusta Storage Tank project was completed for roughly \$988,000. Water mains were replaced on School Street and Mount Vernon Avenue for a combined cost of \$337,000. The District also acquired \$821,000 of property for the new Riverside Drive well site. There are ongoing projects for the construction of two new wells and a water treatment building on Riverside Drive (\$1.5 million) and a new 2.6 million gallon water storage tank on Malta Hill (\$1.9 million). Several water main replacement projects are in process on Western Avenue, School Street, and Windsor Avenue.

Several major Sanitary division projects were completed this year. The Combined Sewer Overflow project for Bond Brook was completed for approximately \$14 million. Sewer mains were upgraded on School Street, Patterson Street and North Belfast Avenue for a combined cost of \$728,000. \$580,000 was invested at the Waste Water Treatment Facility (WWTF) to replace chemical tanks, upgrade the pressure swing adsorption (oxygen) system, replace the polymer system and improve the bar rack and rake. Several pump stations and various SCADA (Supervisory Control and Data Acquisition) projects were completed. Significant ongoing projects at year end included sewer main replacements or repairs on Western Avenue, Mount Vernon Avenue and Stone Street.

Debt Activity

The District made all required 2014 principal and interest payments on existing debt. In 2014, new Water Division debt was issued in the amount of \$3.5 million. Of this \$1.1 million was issued for the Riverside Drive Well Project and \$2.4 million was issued for the Malta Hill Tank Project. Each issuance has a term of twenty years with interest rates ranging from 0.43% to 3.78%. The expense for the new debt was included in the Districts 2011 drinking water rate increase.

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
Statement of Net Position
December 31, 2014

| ASSETS | | |
|--------------------------------------------|----|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ | 6,159,570 |
| Accounts receivable: | | |
| Customer service | | 1,286,666 |
| Unbilled | | 673,953 |
| Intercommunity trunkline - operations | | 67,143 |
| Other | | 7,664 |
| Inventory | | 172,685 |
| Prepaid expenses | | 58,845 |
| Total current assets | | 8,426,526 |
| Noncurrent assets: | | |
| Other assets: | | |
| Unamortized debt discount | | 27,791 |
| Unspent bond proceeds | | 424,057 |
| Total other assets | | 451,848 |
| Capital assets: | | |
| Work in process | | 5,308,144 |
| Operating property | | 130,240,603 |
| Less accumulated depreciation | | (43,068,751) |
| Net capital assets | | 92,479,996 |
| Total noncurrent assets | | 92,931,844 |
| Total assets | | 101,358,370 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable: | | |
| Trade | | 222,569 |
| Construction/retainage | | 485,928 |
| Accrued payroll | | 93,745 |
| Accrued compensated absences | | 103,068 |
| Accrued interest | | 162,202 |
| Current portion of bonds and notes payable | | 3,062,853 |
| Total current liabilities | | 4,130,365 |
| Noncurrent liabilities: | | |
| OPEB liabilities | | 1,117,170 |
| Bonds and notes payable | | 31,925,474 |
| Total noncurrent liabilities | | 33,042,644 |
| Total liabilities | | 37,173,009 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred credits | | 847,278 |
| Total deferred inflows of resources | | 847,278 |
| NET POSITION | | |
| Net investment in capital assets | | 57,915,726 |
| Unrestricted | | 5,422,357 |
| Total net position | | \$ 63,338,083 |

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2014

| | | |
|----------------------------------------|----|----------------------|
| Operating revenues: | | |
| Metered | \$ | 5,927,387 |
| Flat rate | | 15,807 |
| Storm water | | 1,271,637 |
| Catch basins | | 1,984,266 |
| Trunkline communities | | 490,263 |
| Public fire protection | | 808,780 |
| Private fire protection | | 499,164 |
| Other revenues | | 436,504 |
| Total operating revenues | | 11,433,808 |
| Operating expenses: | | |
| Source of supply | | 117,925 |
| Treatment plant | | 1,671,339 |
| Transportation and distribution | | 2,260,962 |
| Customer accounts | | 456,568 |
| Administrative and general | | 1,253,891 |
| Trunkline | | 192,921 |
| Depreciation | | 2,709,074 |
| Total operating expenses | | 8,662,680 |
| Operating income | | 2,771,128 |
| Nonoperating revenues (expenses): | | |
| Interest revenue | | 2,435 |
| Utility contract income | | 13,800 |
| Non-utility income | | 238,841 |
| Miscellaneous | | 45,233 |
| Interest expense | | (614,006) |
| Amortization expense | | (6,796) |
| Total nonoperating revenues (expenses) | | (320,493) |
| Change in net position | | 2,450,635 |
| Net position, beginning of year | | 60,887,448 |
| Net position, end of year | | \$ 63,338,083 |

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2014

| | | |
|-----------------------------------------------------------------------------------------|-----------|------------------|
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ | 11,749,430 |
| Payments to suppliers | | (2,908,558) |
| Payments to employees | | (2,936,533) |
| Net cash provided by operating activities | | 5,904,339 |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | | (7,906,369) |
| Proceeds from long-term debt | | 4,933,300 |
| Principal payments on long-term debt | | (2,927,600) |
| Interest payments on long-term debt | | (721,580) |
| Net cash used in capital and related financing activities | | (6,622,249) |
| Cash flows from investing activities: | | |
| Interest income | | 2,435 |
| Net cash provided by investing activities | | 2,435 |
| Net decrease in cash | | |
| | | (715,475) |
| Cash at beginning of year | | |
| | | 6,875,045 |
| Cash at end of year | \$ | 6,159,570 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ | 2,771,128 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | | 2,709,074 |
| Utility, non-utility, jobbing and miscellaneous revenues | | 297,874 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable - customer service | | (21,065) |
| (Increase) decrease in accounts receivable - unbilled | | (19,817) |
| (Increase) decrease in accounts receivable - intercommunity trunkline | | (5,681) |
| (Increase) decrease in accounts receivable - other | | 64,311 |
| (Increase) decrease in inventory | | (4,122) |
| (Increase) decrease in prepaid expenses | | (2,350) |
| (Decrease) increase in accounts payable - trade | | 429 |
| (Decrease) increase in accrued payroll | | (22,168) |
| (Decrease) increase in accrued compensated absences | | 14,549 |
| (Decrease) increase in OPEB liabilities | | 122,177 |
| Net cash provided by operating activities | | 5,904,339 |
| Noncash capital and related financing activities: | | |
| Amortized debt discount | | (6,796) |
| Amortized deferred credits from bond refinancing proceeds | | 87,900 |

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. The District is a special purpose governmental entity engaged in business-type activities. 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. The District also operates sewerage and surface drainage collection systems as well as a treatment plant. The regional Waste Water Plant treats sewerage from the Towns of Winthrop, Manchester, and Monmouth, and the Cities of Hallowell and Augusta.

Basis of Accounting - The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The financial statements of the District are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to the customers for sales and services. The District also recognizes as operating revenue late fees and connection fees intended to cover the cost of connecting new customers to the District's system. Operating expenses for the District include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

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, 2014, 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.

Unamortized Debt Discount - Debt discounts reflect additional funds surrendered at the time of debt issuance due to variances between the stated interest rate on debt and the going market rate. Debt discounts are amortized over the life of each bond issued.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets - Capital assets with an initial individual cost of more than \$5,000 and an estimated useful life of 3 years 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.

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 Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, deferred credits, that qualifies for reporting in this category. 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 and recognized as inflows of resources 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, 2014, \$250,000 of the District's bank balance of \$6,177,253 was insured by the FDIC and \$5,927,253 was collateralized by a \$7,000,000 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.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended December 31, 2014:

| | Balance <u>12/31/13</u> | <u>Additions</u> | <u>Dispositions</u> | Balance <u>12/31/14</u> |
|---------------------------------------------|----------------------------|-------------------|---------------------|----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,643,951 | 821,109 | - | 2,465,060 |
| Work in process | 17,460,384 | 7,647,131 | 19,799,371 | 5,308,144 |
| Total capital assets not being depreciated | 19,104,335 | 8,468,240 | 19,799,371 | 7,773,204 |
| | | | | |
| Capital assets being depreciated: | | | | |
| Building and structures | 24,390,119 | 3,020,046 | - | 27,410,165 |
| Equipment | 3,794,889 | 1,186,500 | - | 4,981,389 |
| Transportation | 2,113,126 | 91,462 | 43,475 | 2,161,113 |
| Infrastructure | 78,456,659 | 14,766,217 | - | 93,222,876 |
| Total capital assets being depreciated | 108,754,793 | 19,064,225 | 43,475 | 127,775,543 |
| | | | | |
| Less accumulated depreciation for: | | | | |
| Building and structures | 6,361,972 | 421,669 | - | 6,783,641 |
| Equipment | 2,718,531 | 202,087 | - | 2,920,618 |
| Transportation | 1,779,356 | 104,056 | 43,475 | 1,839,937 |
| Infrastructure | 29,543,293 | 1,981,262 | - | 31,524,555 |
| Total accumulated depreciation | 40,403,152 | 2,709,074 | 43,475 | 43,068,751 |
| | | | | |
| Total capital assets being depreciated, net | 68,351,641 | 16,355,151 | - | 84,706,792 |
| | | | | |
| Capital assets, net | \$ 87,455,976 | 24,823,391 | 19,799,371 | 92,479,996 |

Depreciation expense was charged as follows:

| | |
|-----------------------------------|---------------------|
| Sewer division | \$ 1,223,545 |
| Storm water division | 784,786 |
| Water division | 700,743 |
| Total depreciation expense | \$ 2,709,074 |

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, 2014:

| | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
|------------------------------------|----------------------|------------------|------------------|-------------------|------------------------|
| Bonds and notes payable | \$ 34,415,927 | 3,500,000 | 2,927,600 | 34,988,327 | 3,062,853 |
| Other post employment benefits | 994,993 | 191,818 | 69,641 | 1,117,170 | - |
| Accrued compensated absences | 88,519 | 14,549 | - | 103,068 | - |
| Total long-term liabilities | \$ 35,499,439 | 3,706,367 | 2,997,241 | 36,208,565 | 3,062,853 |

The following is a summary of the long-term debt payable at December 31, 2014 and 2013:

| Issue | Amount issued | Maturity date | Interest rate | Balance 12/31/13 | Balance 12/31/14 |
|--------------------------------|------------------|------------------|------------------|----------------------|---------------------|
| Bond 1990 MMBB | \$ 6,000,000 | 2020 | 7.10-7.20% | 1,400,000 | 1,200,000 |
| Bond 1994 MMBB | 1,100,000 | 2014 | 5.325-6.35% | 55,000 | - |
| Bond 2009 MMBB SRF | 190,000 | 2027 | 0.00% | 69,877 | 64,652 |
| Bond 2011 MMBB | 700,000 | 2031 | 2.12-5.62% | 630,000 | 595,000 |
| Bond 2014 MMBB | 2,400,000 | 2034 | 0.43-3.78% | - | 2,400,000 |
| Bond 2014 MMBB | 1,100,000 | 2034 | 0.43-3.78% | - | 1,100,000 |
| Bond 1997 MMBB | 9,200,000 | 2017 | 2.96% | 1,840,000 | 1,380,000 |
| Bond 2002 MMBB | 10,750,000 | 2021 | 2.34% | 4,480,000 | 3,920,000 |
| Bond 2003 MMBB | 249,694 | 2015 | 1.10% | 38,343 | 19,140 |
| Bond 2005 MMBB | 1,500,000 | 2025 | 1.53% | 900,000 | 825,000 |
| Bond 2006 MMBB | 1,250,000 | 2026 | 1.42% | 812,500 | 750,000 |
| Hallowell Bond | 579,793 | 2018 | 5.00-7.85% | 202,034 | 167,492 |
| 2008 Taxable Sewer Bond | 2,000,000 | 2028 | 1.27% | 1,546,284 | 1,452,055 |
| 2009 CWSRF | 6,500,000 | 2029 | 1.00% | 5,125,918 | 4,828,899 |
| 2010 CWSRF - SR | 1,750,000 | 2030 | 1.17% | 1,512,736 | 1,431,790 |
| 2010 CWSRF - FFR | 1,610,000 | 2030 | 1.00% | 1,454,500 | 1,375,581 |
| 2011 CWSRF | 14,520,000 (1) | 2030 | 1.00% | 12,348,735 | 11,678,718 |
| Bond 2013 TD Bank | 2,000,000 | 2023 | 2.79% | 2,000,000 | 1,800,000 |
| | | | | 34,415,927 | 34,988,327 |
| Less current portion | | | | 2,927,604 | 3,062,853 |
| Total long-term portion | | | | \$ 31,488,323 | 31,925,474 |

(1) As of December 31, 2014, the District has drawn down \$14,095,943 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> |
|---------------|----------------------|------------------|---------------------------|
| 2015 | \$ 3,062,853 | 710,971 | 3,773,824 |
| 2016 | 3,059,372 | 644,862 | 3,704,234 |
| 2017 | 3,075,391 | 576,121 | 3,651,512 |
| 2018 | 2,631,792 | 503,274 | 3,135,066 |
| 2019 | 2,598,196 | 449,541 | 3,047,737 |
| 2020-2024 | 10,512,831 | 1,592,425 | 12,105,256 |
| 2025-2029 | 8,127,202 | 907,763 | 9,034,965 |
| 2030-2034 | 1,920,690 | 160,756 | 2,081,446 |
| Totals | \$ 34,988,327 | 5,545,713 | 40,534,040 |

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 (\$1,450,930 and \$1,551,079 at December 31, 2014 and 2013, 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 Global Tower (formerly Mesa Communications) for the use of the District's land to place communication facilities. Base rental payments are \$1,000 per month and the agreement automatically renews for seven additional terms of five years, with rental payments increasing 15% each renewal term. The lease was renewed at \$1,150 per month beginning in February of 2010 and at \$1,322 per month beginning in February of 2015. Future minimum rentals at December 31, 2014 are as follows:

| | |
|--------------|------------------|
| 2015 | \$ 15,698 |
| 2016 | 15,870 |
| 2017 | 15,870 |
| 2018 | 15,870 |
| 2019 | 15,870 |
| 2020 | 1,322 |
| Total | \$ 80,500 |

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

NET POSITION

Net position represents assets less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable and adding back any unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on the use of funds 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 investment in capital assets was calculated as follows at December 31, 2014:

| | |
|------------------------------------------------|-----------------------------|
| Capital assets | \$ 135,548,747 |
| Unspent bond proceeds | 424,057 |
| Accumulated depreciation | (43,068,751) |
| Bonds payable | (34,988,327) |
| <u>Net investment in capital assets</u> | <u>\$ 57,915,726</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 7.0% 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 7.8% of annual covered payroll for the regular plan. The contribution requirements of plan members and employers are established under the authority of the Maine State Legislature. The District's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended December 31, 2014, 2013 and 2012 were \$138,965, \$103,516 and \$80,969, 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 5.00%, 5.00% and 4.70% of compensation of electing union and non-union participants for 2014, 2013, and 2012, respectively. Total District contributions were \$11,843, \$11,742 and \$11,380 in 2014, 2013, and 2012, 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, 2014:

| | Contract <u>Total</u> | Percentage <u>Complete</u> | Billed <u>to Date</u> | <u>Retainage</u> | Balance <u>Remaining</u> |
|-----------------------------------|--------------------------|-------------------------------|--------------------------|------------------|-----------------------------|
| Riverside Drive – Engineering | \$ 250,000 | 88.25% | 220,636 | - | 29,364 |
| Riverside Drive Well Construction | 1,764,011 | 34.17% | 600,971 | 31,630 | 1,163,040 |
| Riverside Drive Well Equipment | 133,249 | 0.00% | - | - | 133,249 |
| Sewer Main Relining – Mt. Vernon | 30,000 | 9.13% | 2,738 | - | 27,262 |
| CSO LTC Plan Phase 4 | 105,000 | 96.38% | 101,200 | - | 3,800 |
| CSO LTC Plan Phase 4 | 52,000 | 55.59% | 28,908 | - | 23,092 |
| Windsor Ave Water Main | 273,915 | 93.23% | 255,364 | 13,772 | 18,551 |
| Malta Hill Water Storage Tank | 2,152,094 | 77.40% | 1,665,738 | 107,605 | 486,356 |
| Malta Hill Water Storage Tank | 105,500 | 81.02% | 85,474 | - | 20,026 |
| Hospital Street Sewer Replacement | 341,715 | 89.71% | 306,569 | 16,135 | 35,146 |

SANITARY DIVISION EXPENSE ALLOCATIONS

During 2011, 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 4 through 9 following the notes to the financial statements. 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. Additionally, the Board approved allocating debt and interest expenses separately based on the related projects and the purpose for bonds issuances.

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. This pronouncement 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 2013.

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 borne 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 years ending December 31 and the annual required contribution:

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|------------------------------|---------------|---------------|---------------|
| Normal cost | \$ 45,372 | 45,372 | 51,224 |
| Amortization of unfunded | 156,127 | 156,127 | 149,503 |
| Adjustment to ARC | (57,540) | (50,136) | (43,453) |
| <u>Interest</u> | <u>47,859</u> | <u>42,738</u> | <u>38,084</u> |
| Annual required contribution | \$ 191,818 | 194,101 | 195,358 |

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

Net OPEB Obligation – The District’s net OPEB obligation was calculated as follows:

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|------------------------------|-----------------|-----------------|-----------------|
| OPEB liability, January 1 | \$ 994,993 | 866,958 | 751,386 |
| Annual required contribution | 191,818 | 194,101 | 195,358 |
| Less: actual contributions | <u>(69,641)</u> | <u>(66,066)</u> | <u>(79,786)</u> |
| OPEB liability, December 31 | \$ 1,117,170 | 994,993 | 866,958 |

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>2014</u> | <u>2013</u> | <u>2012</u> |
|----------------------------------------------------------------------------|--------------|-------------|-------------|
| Annual required contribution | \$ 191,818 | 194,101 | 195,358 |
| Actual contribution | 69,641 | 66,066 | 79,786 |
| Percent contributed | 36.31% | 34.04% | 40.84% |
| Actuarial accrued liability | \$ 2,807,752 | 2,807,752 | 2,688,618 |
| Plan assets | - | - | - |
| Unfunded actuarial accrued liability | \$ 2,807,752 | 2,807,752 | 2,688,618 |
| Covered payroll | 2,308,908 | 2,068,801 | 2,008,545 |
| Unfunded actuarial accrued liability as a percentage of covered payroll | 121.61% | 135.72% | 133.86% |

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.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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 | 1/1/13 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level dollar open |
| Amortization period | 30 years |
| Actuarial assumptions: | |
| Investment rate of return | 4.0% |
| Projected salary increases | 3.0% |
| Healthcare inflation rate | 4.25% - 8.5% |

RELATED PARTY TRANSACTION

On November 19, 2013, the District contracted with a local communications company for consulting and professional services related to system engineering, RFP development and project management. The owner of the communications company serves as the District's Board Chair and will act as sole consultant. The agreement specifies that services be fully executed within three months at a cost not to exceed \$10,000. As of December 31, 2014, the District had paid \$10,000 for consulting services related to the agreement.

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% |
| 2012 | 1/1/11 | - | 2,688,618 | 2,688,618 | 0.00% | 2,008,545 | 133.86% |
| 2013 | 1/1/13 | - | 2,807,752 | 2,807,752 | 0.00% | 2,068,801 | 135.72% |
| 2014 | 1/1/13 | - | 2,807,752 | 2,807,752 | 0.00% | 2,308,908 | 121.61% |

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Net Position
December 31, 2014
(with comparative totals for December 31, 2013)

| | 2014 | 2013 |
|--------------------------------------------|----------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,653,149 | 3,753,934 |
| Accounts receivable: | | |
| Customer | 350,389 | 351,152 |
| Unbilled | 240,927 | 254,584 |
| Other | 7,094 | 2,240 |
| Inventory | 113,679 | 110,178 |
| Prepaid expenses | 26,785 | 27,745 |
| Total current assets | 4,392,023 | 4,499,833 |
| Noncurrent assets: | | |
| Other assets: | | |
| Unamortized debt discount | 27,791 | 34,587 |
| Total other assets | 27,791 | 34,587 |
| Capital assets: | | |
| Work in process | 4,292,174 | 2,777,775 |
| Operating property | 37,602,125 | 34,084,900 |
| Less accumulated depreciation | (14,489,533) | (13,832,265) |
| Net capital assets | 27,404,766 | 23,030,410 |
| Total noncurrent assets | 27,432,557 | 23,064,997 |
| Total assets | 31,824,580 | 27,564,830 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable: | | |
| Trade | 23,490 | 36,941 |
| Construction/retainage | 392,924 | 214,258 |
| Accrued payroll | 36,398 | 49,572 |
| Accrued compensated absences | 41,093 | 51,454 |
| Accrued interest | 59,031 | 49,323 |
| Current portion of bonds and notes payable | 615,225 | 495,225 |
| Total current liabilities | 1,168,161 | 896,773 |
| Noncurrent liabilities: | | |
| OPEB liabilities | 158,035 | 144,460 |
| Bonds and notes payable | 6,544,427 | 3,659,652 |
| Total noncurrent liabilities | 6,702,462 | 3,804,112 |
| Total liabilities | 7,870,623 | 4,700,885 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred credits | 41,864 | 56,279 |
| Total deferred inflows of resources | 41,864 | 56,279 |
| NET POSITION | | |
| Net investment in capital assets | 20,245,114 | 18,875,533 |
| Unrestricted | 3,666,979 | 3,932,133 |
| Total net position | \$ 23,912,093 | 22,807,666 |

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

| | 2014 | 2013 |
|----------------------------------------|----------------------|-------------------|
| Operating revenues: | | |
| Metered: | | |
| Residential | \$ 1,336,454 | 1,371,241 |
| Commercial | 700,776 | 688,228 |
| Governmental | 304,884 | 292,694 |
| Public fire protection | 808,780 | 806,055 |
| Private fire protection | 499,164 | 495,316 |
| Other water revenues | 8,459 | 8,390 |
| Total operating revenues | 3,658,517 | 3,661,924 |
| Operating expenses: | | |
| Source of supply | 117,925 | 146,273 |
| Treatment plant | 167,906 | 149,534 |
| Transportation and distribution | 964,168 | 1,004,864 |
| Customer accounts | 221,114 | 180,113 |
| Administrative and general | 479,054 | 381,427 |
| Depreciation | 700,743 | 680,814 |
| Total operating expenses | 2,650,910 | 2,543,025 |
| Operating income | 1,007,607 | 1,118,899 |
| Nonoperating revenues (expenses): | | |
| Interest revenue | 1,217 | 3,650 |
| Utility contract income | 13,800 | 13,800 |
| Non-utility income | 238,841 | 261,215 |
| Merchandising and jobbing revenue | 20,304 | 16,939 |
| Interest expense | (170,546) | (162,484) |
| Amortization expense | (6,796) | (6,945) |
| Loss on disposal of capital assets | - | (19,418) |
| Total nonoperating revenues (expenses) | 96,820 | 106,757 |
| Change in net position | 1,104,427 | 1,225,656 |
| Net position, beginning of year | 22,807,666 | 21,582,010 |
| Net position, end of year | \$ 23,912,093 | 22,807,666 |

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

| | 2014 | 2013 |
|-----------------------------------------------------------------------------------------|---------------------|------------------|
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ 3,941,028 | 3,989,696 |
| Payments to suppliers | (762,030) | (760,588) |
| Payments to employees | (1,214,089) | (1,069,858) |
| Net cash provided by operating activities | 1,964,909 | 2,159,250 |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | (4,896,433) | (2,568,349) |
| Proceeds from long-term debt | 3,500,000 | 2,000,000 |
| Principal payments on long-term debt | (495,225) | (1,085,226) |
| Interest payments on long-term debt | (175,253) | (162,654) |
| Net cash used in capital and related financing activities | (2,066,911) | (1,816,229) |
| Cash flows from investing activities: | | |
| Interest revenue | 1,217 | 3,650 |
| Net cash provided by investing activities | 1,217 | 3,650 |
| Net increase (decrease) in cash | (100,785) | 346,671 |
| Cash at beginning of year | 3,753,934 | 3,407,263 |
| Cash at end of year | \$ 3,653,149 | 3,753,934 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 1,007,607 | 1,118,899 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 700,743 | 680,814 |
| Utility, non-utility, jobbing and miscellaneous revenues | 272,945 | 291,954 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable - customers | 763 | 35,510 |
| (Increase) decrease in accounts receivable - unbilled | 13,657 | (7,589) |
| (Increase) decrease in accounts receivable - other | (4,854) | 7,897 |
| (Increase) decrease in inventory | (3,501) | 3,141 |
| (Increase) decrease in prepaid expenses | 960 | (26,196) |
| (Decrease) increase in accounts payable - trade | (13,451) | 10,374 |
| (Decrease) increase in accrued payroll | (13,174) | 17,598 |
| (Decrease) increase in accrued compensated absences | (10,361) | 12,346 |
| (Decrease) increase in OPEB liabilities | 13,575 | 14,502 |
| Net cash provided by operating activities | 1,964,909 | 2,159,250 |
| Noncash capital and related financing activities: | | |
| Amortized debt discount | (6,796) | (6,945) |
| Amortized deferred credits from bond refinancing proceeds | 14,415 | 16,859 |

GREATER AUGUSTA UTILITY DISTRICT
SEWER DIVISION
Statements of Net Position
December 31, 2014
(with comparative totals for December 31, 2013)

| | 2014 | 2013 |
|--------------------------------------------|----------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,699,063 | 2,138,128 |
| Accounts receivable: | | |
| Customer service | 589,089 | 549,905 |
| Unbilled | 328,701 | 294,869 |
| Intercommunity trunkline - operations | 67,143 | 61,462 |
| Other | 570 | 69,735 |
| Inventory | 37,174 | 36,561 |
| Prepaid expenses | 18,595 | 16,675 |
| Total current assets | 2,740,335 | 3,167,335 |
| Noncurrent assets: | | |
| Other assets: | | |
| Unspent bond proceeds | 186,585 | 942,642 |
| Total other assets | 186,585 | 942,642 |
| Capital assets: | | |
| Work in process | 678,310 | 6,577,830 |
| Operating property | 54,818,373 | 47,277,453 |
| Less accumulated depreciation | (17,958,590) | (16,735,045) |
| Net capital assets | 37,538,093 | 37,120,238 |
| Total noncurrent assets | 37,724,678 | 38,062,880 |
| Total assets | 40,465,013 | 41,230,215 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable: | | |
| Trade | 135,404 | 111,358 |
| Construction/retainage | 87,034 | 286,442 |
| Accrued payroll | 35,625 | 43,126 |
| Accrued compensated absences | 38,814 | 24,596 |
| Accrued interest | 48,662 | 61,755 |
| Current portion of bonds and notes payable | 1,227,785 | 1,217,251 |
| Total current liabilities | 1,573,324 | 1,744,528 |
| Noncurrent liabilities: | | |
| OPEB liabilities | 666,030 | 598,446 |
| Bonds and notes payable | 14,002,842 | 15,230,623 |
| Total noncurrent liabilities | 14,668,872 | 15,829,069 |
| Total liabilities | 16,242,196 | 17,573,597 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred credits | 379,852 | 420,180 |
| Total deferred inflows of resources | 379,852 | 420,180 |
| NET POSITION | | |
| Net investment in capital assets | 22,494,051 | 21,615,006 |
| Unrestricted | 1,348,914 | 1,621,432 |
| Total net position | \$ 23,842,965 | 23,236,438 |

GREATER AUGUSTA UTILITY DISTRICT
SEWER DIVISION
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

| | 2014 | 2013 |
|----------------------------------------|----------------------|-------------------|
| Operating revenues: | | |
| Metered | \$ 3,585,273 | 3,602,134 |
| Flat rate | 15,807 | 14,882 |
| Trunkline communities | 490,263 | 706,827 |
| Late fees | 17,293 | 19,279 |
| Connection fees | 38,700 | 168,832 |
| Togus debt | 343,327 | 376,216 |
| Total operating revenues | 4,490,663 | 4,888,170 |
| Operating expenses: | | |
| Treatment plant | 947,162 | 1,109,498 |
| Transportation and distribution | 656,580 | 647,523 |
| Customer accounts | 197,781 | 196,663 |
| Administrative and general | 465,237 | 423,054 |
| Trunkline | 192,921 | 196,617 |
| Depreciation | 1,223,545 | 1,205,652 |
| Total operating expenses | 3,683,226 | 3,779,007 |
| Operating income | 807,437 | 1,109,163 |
| Nonoperating revenues (expenses): | | |
| Interest revenue | 609 | 2,929 |
| Miscellaneous | 24,726 | 31,750 |
| Interest expense | (226,245) | (268,468) |
| Loss on disposal of capital assets | - | (198,498) |
| Total nonoperating revenues (expenses) | (200,910) | (432,287) |
| Change in net position | 606,527 | 676,876 |
| Net position, beginning of year | 23,236,438 | 22,559,562 |
| Net position, end of year | \$ 23,842,965 | 23,236,438 |

GREATER AUGUSTA UTILITY DISTRICT
SEWER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

| | 2014 | 2013 |
|------------------------------------------------------------------------------------------------|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ 4,505,857 | 5,131,920 |
| Payments to suppliers | (1,274,582) | (1,447,140) |
| Payments to employees | (1,089,285) | (1,046,767) |
| Net cash provided by operating activities | 2,141,990 | 2,638,013 |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | (1,840,808) | (1,634,666) |
| Proceeds from long-term debt | 756,057 | 1,268,636 |
| Principal payments on long-term debt | (1,217,247) | (1,213,494) |
| Interest payments on long-term debt | (279,666) | (312,887) |
| Net cash used in capital and related financing activities | (2,581,664) | (1,892,411) |
| Cash flows from investing activities: | | |
| Interest income | 609 | 2,929 |
| Net cash provided by investing activities | 609 | 2,929 |
| Net increase (decrease) in cash | (439,065) | 748,531 |
| Cash at beginning of year | 2,138,128 | 1,389,597 |
| Cash at end of year | \$ 1,699,063 | 2,138,128 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 807,437 | 1,109,163 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 1,223,545 | 1,205,652 |
| Miscellaneous and utility contract income | 24,726 | 31,750 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable - customer service | (39,184) | 129,803 |
| (Increase) decrease in accounts receivable - unbilled | (33,832) | (41,618) |
| (Increase) decrease in accounts receivable - intercommunity trunkline | (5,681) | 114,147 |
| (Increase) decrease in accounts receivable - other | 69,165 | 9,668 |
| (Increase) decrease in inventory | (613) | 4,182 |
| (Increase) decrease in prepaid expenses | (1,920) | (14,667) |
| (Decrease) increase in accounts payable - trade | 24,046 | 15,028 |
| (Decrease) increase in accrued payroll | (7,501) | 15,440 |
| (Decrease) increase in accrued compensated absences | 14,218 | (12,383) |
| (Decrease) increase in OPEB liabilities | 67,584 | 71,848 |
| Net cash provided by operating activities | 2,141,990 | 2,638,013 |
| Noncash capital and related financing activities: | | |
| Amortized deferred credits from bond refinancing proceeds | 40,328 | 40,329 |

GREATER AUGUSTA UTILITY DISTRICT
STORM WATER DIVISION
Statements of Net Position
December 31, 2014
(with comparative totals for December 31, 2013)

| | 2014 | 2013 |
|--------------------------------------------|----------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 807,358 | 982,983 |
| Accounts receivable: | | |
| Customer service | 347,188 | 364,544 |
| Unbilled | 104,325 | 104,683 |
| Inventory | 21,832 | 21,824 |
| Prepaid expenses | 13,465 | 12,075 |
| Total current assets | 1,294,168 | 1,486,109 |
| Noncurrent assets: | | |
| Other assets: | | |
| Unspent bond proceeds | 237,472 | 914,715 |
| Total other assets | 237,472 | 914,715 |
| Capital assets: | | |
| Work in process | 337,660 | 8,104,779 |
| Operating property | 37,820,105 | 29,036,391 |
| Less accumulated depreciation | (10,620,628) | (9,835,842) |
| Net capital assets | 27,537,137 | 27,305,328 |
| Total noncurrent assets | 27,774,609 | 28,220,043 |
| Total assets | 29,068,777 | 29,706,152 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable: | | |
| Trade | 63,675 | 73,841 |
| Construction/retainage | 5,970 | 158,503 |
| Accrued payroll | 21,722 | 23,215 |
| Accrued compensated absences | 23,161 | 12,469 |
| Accrued interest | 54,509 | 70,798 |
| Current portion of bonds and notes payable | 1,219,843 | 1,215,128 |
| Total current liabilities | 1,388,880 | 1,553,954 |
| Noncurrent liabilities: | | |
| OPEB liabilities | 293,105 | 252,087 |
| Bonds and notes payable | 11,378,205 | 12,598,048 |
| Total noncurrent liabilities | 11,671,310 | 12,850,135 |
| Total liabilities | 13,060,190 | 14,404,089 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred credits | 425,562 | 458,719 |
| Total deferred inflows of resources | 425,562 | 458,719 |
| NET POSITION | | |
| Net investment in capital assets | 15,176,561 | 14,406,867 |
| Unrestricted | 406,464 | 436,477 |
| Total net position | \$ 15,583,025 | 14,843,344 |

GREATER AUGUSTA UTILITY DISTRICT
STORM WATER DIVISION
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

| | 2014 | 2013 |
|----------------------------------------|----------------------|-------------------|
| Operating revenues: | | |
| Storm water | \$ 1,271,637 | 1,252,623 |
| Catch basins | 1,984,266 | 1,981,772 |
| Other | 28,725 | 38,363 |
| Total operating revenues | 3,284,628 | 3,272,758 |
| Operating expenses: | | |
| Treatment plant | 556,271 | 651,610 |
| Transportation and distribution | 640,214 | 555,313 |
| Customer accounts | 37,673 | 39,971 |
| Administrative and general | 309,600 | 301,144 |
| Depreciation | 784,786 | 708,282 |
| Total operating expenses | 2,328,544 | 2,256,320 |
| Operating income | 956,084 | 1,016,438 |
| Nonoperating revenues (expenses): | | |
| Interest revenue | 609 | 2,296 |
| Miscellaneous | 203 | 562 |
| Interest expense | (217,215) | (268,706) |
| Loss on disposal of capital assets | - | (169,648) |
| Total nonoperating revenues (expenses) | (216,403) | (435,496) |
| Change in net position | 739,681 | 580,942 |
| Net position, beginning of year | 14,843,344 | 14,262,402 |
| Net position, end of year | \$ 15,583,025 | 14,843,344 |

GREATER AUGUSTA UTILITY DISTRICT
STORM WATER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

| | 2014 | 2013 |
|-----------------------------------------------------------------------------------------|-------------------|----------------|
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ 3,302,545 | 3,255,205 |
| Payments to suppliers | (871,946) | (831,840) |
| Payments to employees | (633,159) | (619,357) |
| Net cash provided by operating activities | 1,797,440 | 1,804,008 |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | (1,169,128) | (1,889,026) |
| Proceeds from long-term debt | 677,243 | 1,578,176 |
| Principal payments on long-term debt | (1,215,128) | (1,210,463) |
| Interest payments on long-term debt | (266,661) | (306,620) |
| Net cash used in capital and related financing activities | (1,973,674) | (1,827,933) |
| Cash flows from investing activities: | | |
| Interest income | 609 | 2,296 |
| Net cash provided by investing activities | 609 | 2,296 |
| Net decrease in cash | (175,625) | (21,629) |
| Cash at beginning of year | 982,983 | 1,004,612 |
| Cash at end of year | \$ 807,358 | 982,983 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 956,084 | 1,016,438 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 784,786 | 708,282 |
| Miscellaneous and utility contract income | 203 | 562 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable - customer service | 17,356 | (302) |
| (Increase) decrease in accounts receivable - unbilled | 358 | (17,813) |
| (Increase) decrease in inventory | (8) | (337) |
| (Increase) decrease in prepaid expenses | (1,390) | (10,636) |
| (Decrease) increase in accounts payable - trade | (10,166) | 68,411 |
| (Decrease) increase in accrued payroll | (1,493) | 6,514 |
| (Decrease) increase in accrued compensated absences | 10,692 | (8,796) |
| (Decrease) increase in OPEB liabilities | 41,018 | 41,685 |
| Net cash provided by operating activities | 1,797,440 | 1,804,008 |
| Noncash capital and related financing activities: | | |
| Amortized deferred credits from bond refinancing proceeds | 33,157 | 33,156 |