

GREATER AUGUSTA UTILITY DISTRICT

Financial Statements

**For the Year Ended
December 31, 2010**

GREATER AUGUSTA UTILITY DISTRICT
Financial Statements
For the Year Ended December 31, 2010

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Trustees
Greater Augusta Utility District
Augusta, Maine

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the Greater Augusta Utility District as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Greater Augusta Utility District's management. These financial statements are the responsibility of the Greater Augusta Utility District's management. Our responsibility is to express opinions on these financial statements based on our audit.

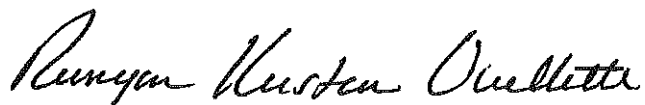
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Greater Augusta Utility District as of December 31, 2010, and the respective changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 27, 2011 on our consideration of the Greater Augusta Utility District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



April 27, 2011
South Portland, Maine

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2010

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Greater Augusta Utility District's (GAUD) financial condition and performance for the year ended December 31, 2010. The water and sanitary/stormwater divisions of the GAUD are now referred to as the Water Division and Sanitary Division, respectively.

Financial Highlights – Water Division

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

- The Water Division's cash and cash equivalents decreased by \$255,160. Net cash provided by operating activities totaled \$2,859,780. Receipts from customers decreased by \$73,735, payments to suppliers decreased by \$21,076 and payments to employees decreased by \$38,266. Net cash used in capital and related financing activities totaled \$3,120,889. Principal and interest on long term debt totaled \$1,961,513 a decrease of \$101,983. Investment in capital assets totaled \$1,166,374, an increase of \$37,945.
- Accounts receivable increased by \$16,665 due to an increase in customer receivables due to economic conditions and a decrease in unbilled receivables due to timing differences.
- The work in process (WIP) account increased by \$624,609 due to water main replacement on Riverside Drive. Operating property increased by \$658,494 due to: Eastern Ave, Arsenal St, Stone St (\$188,670), South Chestnut St (\$146,318), radio read meters (\$79,037), energy efficiency upgrades (\$27,928), GIS server and software (\$17,455), hydrant replacement (\$15,309), and replacement of large water meters (\$7,516).
- Accumulated depreciation increased by \$808,943 due to taking a full year's depreciation on 2009 additions and half-year expense related to 2010 additions booked per the preceding bullet.
- The Water Division reduced its long-term financial indebtedness obligation by \$1,545,224 this year by making the required scheduled debt payments and by not incurring any new debt.
- The Water Division's net assets as of December 31, 2010 were \$18,966,028. Net assets consist of those invested in capital assets, net of related debt of \$16,482,339 and the remaining unrestricted net assets of \$2,483,689. The change in net assets for the year ended December 31, 2010 was a net increase of \$1,735,395. The increase is the result of operating revenues being higher than operating expenses due to the rates required to repay debt on the water treatment plant. Operating revenues totaled \$4,471,848, an increase of 1.9%. Sales to customers totaled \$3,382,718 an increase of \$78,879 or 2.39%. Fire protection revenues totaled \$1,073,569, an increase of \$6,129. Operating expenses totaled \$2,534,160, a decrease of \$104,056 or 3.9%. Operating expenses were lower primarily due to a decrease in fuel and heating costs as well as a decrease in operating supplies. Non-operating expenses increased 16% to \$204,477 due to lower non-utility income. All metered customers of the Water Division are charged a minimum fee depending on the size of the meter which includes a minimum water allowance of 300 cubic feet of water. For usage in excess of 300 cubic feet the charge is \$3.50 per 100 cubic feet. The Maine Public Utilities Commission approved the Water Division's schedule of rates which became effective February 1, 2003 (MPUC Schedule #19).

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

Financial Highlights – Sanitary Division

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

- The Sanitary Division's cash and cash equivalents balance decreased by \$89,561 due to net cash used in capital and related financing activities exceeding net cash provided by operating activities.
- Net capital assets increased by \$2,464,268. Work in process increased by \$3,624,237 mainly due to work on two large construction projects: the Togus sewer project and the Combined Sewer Overflow Phase 3 project.
- Trade accounts payable decreased by \$122,126 due to the timing of payments. Construction retainage increased by \$744,998 related to the major construction projects referred to in the previous bullet.
- Operating property decreased (net of accumulated depreciation) by \$1,159,969.
- The Sanitary Division closed on two long-term debt issuances totaling \$3,360,000 in 2010 with the Maine Municipal Bond Bank. The new debt was for two projects: 1) \$1,750,000 for the inter-community Trunkline and 2) \$1,610,000 for the CSO Phase 3 project. The Sanitary Division also made its required scheduled debt payments of \$1,593,593.
- The Sanitary Division's operating revenues totaled \$6,172,391 and operating expenses of \$5,431,773. Non operating expenses totaled \$389,438 resulting in an increase in net assets of \$351,180.
- The Sanitary Division's net assets as of December 31, 2010 were \$33,308,359. Net assets consist of those invested in capital assets, net of related debt of \$31,758,179 and the remaining unrestricted net assets totaled \$1,523,180. The change in net assets for the year ended December 31, 2010 was an increase of \$351,180.
- All customers of the Sanitary Division are charged \$3.21 per 100 cubic feet of metered water, \$18.85 for a quarterly service charge and \$16.15 per equivalent rate unit for storm water. Customers in Hallowell are not charged fees for storm water as those services are provided by the City of Hallowell.

Overview of Annual Financial Report

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

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

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

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

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

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

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

Summary of Organization and Business

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

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

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

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 BALANCE SHEETS - WATER DIVISION

	December 31, 2010	December 31, 2009
Assets		
Current assets	\$ 3,173,555	\$ 3,430,339
Capital and other assets (net)	21,099,441	20,637,048
Total Assets	\$ 24,272,996	\$ 24,067,387
Liabilities and Net Assets		
Current liabilities	\$ 2,187,039	\$ 2,067,815
Long-term liabilities	3,119,929	4,768,939
Total Liabilities	5,306,968	6,836,754
Net Assets		
Invested in capital assets, net of related debt	16,482,339	14,467,769
Unrestricted	2,483,689	2,762,864
Total Net Assets	18,966,028	17,230,633
Total Liabilities and Net Assets	\$ 24,272,996	\$ 24,067,387

The Water Division reduced liabilities by \$1,529,786 due mostly to scheduled debt payments.

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

	December 31, 2010	December 31, 2009
Operating Revenues		
Metered	\$ 3,382,718	\$ 3,303,839
Fire Protection	1,073,569	1,067,440
Other Water Revenues	15,561	12,890
Total Operating Revenues	4,471,848	4,384,169
Operating Expenses		
Operating expenses	1,725,217	1,859,941
Depreciation	808,943	778,275
Total Operating Expenses	2,534,160	2,638,216
Nonoperating Revenue (Expenses)	(204,477)	(175,546)
Capital Contributions	2,184	-
Change in Net Assets	1,735,395	1,570,407
Net Assets - Beginning of Year	17,230,633	15,660,226
Net Assets - End of Year	\$ 18,966,028	\$ 17,230,633

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

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 BALANCE SHEETS - SANITARY DIVISION

	December 31, 2010	December 31, 2009
Assets		
Current assets	\$ 4,140,995	\$ 3,562,683
Capital and other assets (net)	55,097,073	52,527,656
Total Assets	\$ 59,238,068	\$ 56,090,339
Liabilities and Net Assets		
Current liabilities	\$ 3,605,680	\$ 2,824,394
Long-term liabilities	22,324,029	20,308,766
Total Liabilities	25,929,709	23,133,160
Net Assets		
Invested in capital assets, net of related debt	31,785,179	30,975,604
Unrestricted	1,523,180	1,981,575
Total Net Assets	33,308,359	32,957,179
Total Liabilities and Net Assets	\$ 59,238,068	\$ 56,090,339

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

	December 31, 2010	December 31, 2009
Operating revenues:		
Sanitary	\$ 2,738,181	\$ 2,531,804
Storm water	2,363,802	2,359,643
Trunkline	646,949	708,580
Other	423,459	122,625
Total operating revenues	6,172,391	5,722,652
Operating expenses:		
Operating expenses	3,863,041	3,768,895
Depreciation	1,568,732	1,569,310
Total operating expenses	5,431,773	5,338,205
Nonoperating revenues (expenses)	(389,438)	(406,427)
Capital contributions	-	-
Change in net assets	351,180	(21,980)
Net assets, beginning of year	32,957,179	32,979,159
Net assets, end of year	\$ 33,308,359	\$ 32,957,179

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

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

As of the date of this report the District is considering changes to its water, sewer and stormwater rates. Significant debt owed by the water division will be paid off in full by the end of 2011 which may warrant a rate modification. Significant debt will be incurred by the sanitary division to pay for work required to satisfy the mandates of the Clean Water Act and compliance with the District's wastewater discharge permit. This new debt will require an increase of both sewer and stormwater rates and fees to repay the debt.

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

GREATER AUGUSTA UTILITY DISTRICT
Statements of Net Assets
December 31, 2010

	Sanitary	Water	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,758,908	2,153,378	3,912,286
Accounts receivable:			
Customer service	1,108,639	455,310	1,563,949
Unbilled	431,104	447,534	878,638
Intercommunity trunkline	6,565	-	6,565
Other, net of allowance of \$27,570 and \$0, respectively	747,557	3,674	751,231
Inventory	78,834	104,381	183,215
Prepaid expenses	9,388	9,278	18,666
Total current assets	4,140,995	3,173,555	7,314,550
Noncurrent assets:			
Other assets:			
Accounts receivable - intercommunity trunkline	13,130	-	13,130
Unamortized debt expense	-	55,439	55,439
Unspent bond proceeds	1,734,277	11,110	1,745,387
Total other assets	1,747,407	66,549	1,813,956
Capital assets:			
Work in process	11,167,705	843,877	12,011,582
Operating property	63,554,608	32,128,454	95,683,062
Less accumulated depreciation	(21,372,647)	(11,939,439)	(33,312,086)
Net capital assets	53,349,666	21,032,892	74,382,558
Total noncurrent assets	55,097,073	21,099,441	76,196,514
Total assets	59,238,068	24,272,996	83,511,064
LIABILITIES			
Current liabilities:			
Accounts payable:			
Trade	119,122	65,136	184,258
Construction/retainage	1,041,902	116,729	1,158,631
Intercommunity trunkline	87,758	-	87,758
Accrued payroll	35,867	27,323	63,190
Accrued compensated absences	49,820	33,816	83,636
Accrued interest	111,014	51,289	162,303
Deferred revenue	374,508	218,855	593,363
Advances for construction	79,139	-	79,139
Current portion of deferred credits	28,693	43,666	72,359
Current portion of bonds and notes payable	1,677,857	1,630,225	3,308,082
Total current liabilities	3,605,680	2,187,039	5,792,719
Noncurrent liabilities:			
Deferred credits	174,806	92,442	267,248
OPEB liabilities	528,316	96,049	624,365
Bonds and notes payable	21,620,907	2,931,438	24,552,345
Total noncurrent liabilities	22,324,029	3,119,929	25,443,958
Total liabilities	25,929,709	5,306,968	31,236,677
NET ASSETS			
Invested in capital assets, net of related debt	31,785,179	16,482,339	48,267,518
Unrestricted	1,523,180	2,483,689	4,006,869
Total net assets	\$ 33,308,359	18,966,028	52,274,387

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2010

	Sanitary	Water	Total
Operating revenues:			
Metered	\$ 2,727,127	3,382,718	6,109,845
Flat rate	11,054	-	11,054
Storm water	953,943	-	953,943
Catch basins	1,409,859	-	1,409,859
Trunkline communities	646,949	-	646,949
Public fire protection	-	776,463	776,463
Private fire protection	-	297,106	297,106
Other revenues	423,459	15,561	439,020
Total operating revenues	6,172,391	4,471,848	10,644,239
Operating expenses:			
Source of supply	-	188,548	188,548
Treatment plant	1,677,990	141,472	1,819,462
Transportation and distribution	1,020,718	831,995	1,852,713
Customer accounts	263,540	203,919	467,459
Administrative and general	651,611	359,283	1,010,894
Trunkline expenses	249,182	-	249,182
Depreciation	1,568,732	808,943	2,377,675
Total operating expenses	5,431,773	2,534,160	7,965,933
Operating income	740,618	1,937,688	2,678,306
Nonoperating revenues (expenses):			
Interest revenue	4,469	5,949	10,418
Utility contract income	-	12,650	12,650
Non-utility income	-	104,341	104,341
Miscellaneous	25,991	11,175	37,166
Interest expense	(419,898)	(331,639)	(751,537)
Amortization expense	-	(6,953)	(6,953)
Total nonoperating revenues (expenses)	(389,438)	(204,477)	(593,915)
Income before contributions	351,180	1,733,211	2,084,391
Capital contributions	-	2,184	2,184
Change in net assets	351,180	1,735,395	2,086,575
Net assets, beginning of year	32,957,179	17,230,633	50,187,812
Net assets, end of year	\$ 33,308,359	18,966,028	52,274,387

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statements of Cash Flows
For the Year Ended December 31, 2010

	Sanitary	Water	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 5,533,052	4,578,924	10,111,976
Payments to suppliers	(2,010,901)	(665,677)	(2,676,578)
Payments to employees	(1,772,567)	(1,053,467)	(2,826,034)
Net cash provided by operating activities	1,749,584	2,859,780	4,609,364
Cash flows from capital and related financing activities:			
Purchase of capital assets	(3,288,002)	(1,166,374)	(4,454,376)
Capital contributions	-	2,184	2,184
Advances for construction	27,569	-	27,569
Proceeds from long-term debt	3,248,286	4,814	3,253,100
Principal payments on long-term debt	(1,593,593)	(1,545,224)	(3,138,817)
Interest refund received from Maine Municipal Bond Bank	208,330	-	208,330
Interest payments on long-term debt	(446,204)	(416,289)	(862,493)
Net cash used in capital and related financing activities	(1,843,614)	(3,120,889)	(4,964,503)
Cash flows from investing activities:			
Interest income	4,469	5,949	10,418
Net cash provided by investing activities	4,469	5,949	10,418
Net increase (decrease) in cash	(89,561)	(255,160)	(344,721)
Cash at beginning of year	1,848,469	2,408,538	4,257,007
Cash at end of year	\$ 1,758,908	2,153,378	3,912,286
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 740,618	1,937,688	2,678,306
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,568,732	808,943	2,377,675
Utility, non-utility, jobbing and miscellaneous revenues	25,991	128,166	154,157
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable - customer service	(152,005)	(102,514)	(254,519)
(Increase) decrease in accounts receivable - unbilled	125,513	86,645	212,158
(Increase) decrease in accounts receivable - intercommunity trunkline	6,565	-	6,565
(Increase) decrease in accounts receivable - other	(654,546)	(796)	(655,342)
(Increase) decrease in inventory	13,275	18,289	31,564
(Increase) decrease in prepaid expenses	(110)	-	(110)
(Decrease) increase in accounts payable - trade	(122,126)	(42,241)	(164,367)
(Decrease) increase in accounts payable - trunkline	8,370	-	8,370
(Decrease) increase in accrued payroll	5,586	8,126	13,712
(Decrease) increase in accrued compensated absences	(4,947)	(2,985)	(7,932)
(Decrease) increase in OPEB liabilities	179,525	24,884	204,409
(Decrease) increase in deferred revenue	9,143	(4,425)	4,718
Net cash provided by operating activities	1,749,584	2,859,780	4,609,364
Noncash capital and related financing activities:			
Amortized debt expense from bond acquisition fees	-	(6,953)	(6,953)
Amortized deferred credits from bond refinancing proceeds	28,693	66,558	95,251

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Accounts Receivable - The District provides credit to customers in the District. The District uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts. At December 31, 2010 the allowance was \$27,570. The District accrues revenue for estimated water and sewer usage, but not yet billed as of the balance sheet dates.

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

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

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

DEPOSITS

Custodial credit risk- deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2010, \$350,646 of the District's bank balance of \$4,065,824 was insured by the FDIC and \$3,715,178 was collateralized by underlying securities, held by a trust company, which were in the District's name. In accordance with its investment policy, the District's funds must be made in financial institutions that are insured by FDIC or FSLIC. Any funds deposited or invested above those insurance limits must be collateralized by the financial institution, or any excess funds over that limit must be placed with other insured (FDIC or FSLIC) financial institutions.

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

OTHER RECEIVABLES

A portion of the other receivables balance in the sanitary division is comprised of a receivable due from the developer of the Fieldstone Place Subdivision project offset by an allowance for doubtful accounts. At December 31, 2010, the Fieldstone Place Subdivision receivable balance of \$27,570 was reported net of the allowance of \$27,570.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

CAPITAL ASSETS

The following is a summary of the changes in capital assets from December 31, 2010:

	<u>Balance</u> <u>12/31/09</u>	<u>Additions/</u> <u>adjustments</u>	<u>Dispositions/</u> <u>adjustments</u>	<u>Balance</u> <u>12/31/10</u>
Capital assets not being depreciated:				
Land	\$ 1,479,896	-	-	1,479,896
<u>Work in process</u>	<u>7,762,736</u>	<u>4,248,846</u>	-	<u>12,011,582</u>
Total capital assets not being depreciated	9,242,632	4,248,846	-	13,491,478
Capital assets being depreciated:				
Building and structures	27,082,683	97,709	-	27,180,392
Sludge site	369,560	-	-	369,560
Trunkline	5,698,270	-	-	5,698,270
Collection system	31,389,131	262,116	-	31,651,247
Mains, reservoirs, standpipes	20,001,106	438,138	-	20,439,244
Services, meters, hydrants	3,583,077	102,704	-	3,685,781
<u>Equipment and vehicles</u>	<u>5,012,082</u>	<u>166,590</u>	-	<u>5,178,672</u>
Total capital assets being depreciated	93,135,909	1,067,257	-	94,203,166
Less accumulated depreciation for:				
Building and structures	11,459,602	1,104,536	-	12,564,138
Sludge site	369,560	-	-	369,560
Trunkline	2,369,200	94,979	-	2,464,179
Collection system	5,900,771	500,156	-	6,400,927
Mains, reservoirs, standpipes	5,253,341	266,293	-	5,519,634
Services, meters, hydrants	2,104,036	115,141	-	2,219,177
<u>Equipment and vehicles</u>	<u>3,477,901</u>	<u>296,570</u>	-	<u>3,774,471</u>
Total accumulated depreciation	30,934,411	2,377,675	-	33,312,086
<u>Total capital assets being depreciated, net</u>	<u>62,201,498</u>	<u>(1,310,418)</u>	-	<u>60,891,080</u>
<u>Capital assets, net</u>	<u>\$ 71,444,130</u>	<u>2,938,428</u>	-	<u>74,382,558</u>

Depreciation expense was charged as follows:

Sanitary division	\$ 1,568,732
<u>Water division</u>	<u>808,943</u>
<u>Total depreciation expense</u>	<u>\$ 2,377,675</u>

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, 2010:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds and notes payable	\$ 27,639,244	3,360,000	3,138,817	27,860,427	3,308,082
Other post employment benefits	419,956	270,983	66,574	624,365	-
Accrued compensated absences	91,568	-	7,932	83,636	-
Total long-term liabilities	\$ 28,150,768	3,630,983	3,213,323	28,568,428	3,308,082

The following is a summary of the long-term debt payable at December 31, 2010 and 2009:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 12/31/10</u>	<u>Balance 12/31/09</u>
Water Division:					
Bond 1990 MMBB	\$ 6,000,000	2020	7.10-7.20%	2,000,000	2,200,000
Bond 1991 MMBB	14,350,000	2011	5.25-7.15%	1,285,000	2,485,000
Bond 1994 MMBB	1,100,000	2014	5.325-6.35%	220,000	275,000
Bond 2001 Series A	1,725,000	2021	5.75-6.00%	960,000	1,045,000
Bond 2009 MMBB SRF	190,000 (1)	2029	0.00%	96,663	101,888
Sanitary Division:					
Bond 1997 MMBB	11,676,144	2017	2.96%	3,220,000	3,680,000
Bond 2002 MMBB	10,750,000	2021	2.34%	6,160,000	6,720,000
Bond 2003 MMBB	249,694	2015	1.10%	96,036	115,242
Bond 2003 KSB	65,650	2013	4.50%	19,695	26,260
Bond 2005 MMBB	1,500,000	2025	1.53%	1,125,000	1,200,000
Bond 2006 MMBB	1,250,000	2026	1.42-3.00%	1,000,000	1,062,500
Hallowell Bond	579,793	2018	5.00-7.85%	291,291	316,821
2008 Taxable Sewer Bond	2,000,000	2028	1.27%	1,821,942	1,911,533
2009 CWSRF	6,500,000 (2)	2029	1.00%	6,204,800	6,500,000
2010 CWSRF - SR	1,750,000 (3)	2030	1.17%	1,750,000	-
2010 CWSRF - FFR	1,610,000 (4)	2030	1.00%	1,610,000	-
				27,860,427	27,639,244
Less current portion				3,308,082	3,138,818
Total long-term portion				\$ 24,552,345	24,500,426

- (1) As of December 31, 2010, the District has drawn down \$178,890 of the \$190,000.
(2) As of December 31, 2010, the District has drawn down \$6,176,263 of the \$6,500,000.
(3) As of December 31, 2010, the District has drawn down \$965,005 of the \$1,750,000.
(4) As of December 31, 2010, the District has drawn down \$984,455 of the \$1,610,000.

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>
2011	\$ 3,308,082	631,264	3,939,346
2012	2,107,655	544,675	2,652,330
2013	2,115,864	521,555	2,637,419
2014	2,117,752	462,676	2,580,428
2015	2,071,469	403,683	2,475,152
2016-2020	8,937,657	1,191,852	10,129,509
2021-2025	4,452,577	330,108	4,782,685
2026-2030	2,749,371	76,299	2,825,670
Totals	\$ 27,860,427	4,162,112	32,022,539

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 (\$115,731 and \$141,503 at December 31, 2010 and 2009, respectively) issued to fund the construction of said Joint Project. The participants also pay for all operating expenses of the trunkline and operations and maintenance costs of the treatment plant based on a percentage of their flow.

OPERATING LEASE

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

2011	\$ 13,800
2012	13,800
2013	13,800
2014	13,800
2015	1,150
Total	\$ 56,350

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

NET ASSETS

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's net assets invested in capital assets, net of related debt was calculated as follows at December 31, 2010:

Capital assets	\$ 107,694,644
Unspent bond proceeds	1,745,387
Accumulated depreciation	(33,312,086)
Bonds payable	(27,860,427)
<u>Total invested in capital assets net of related debt</u>	<u>\$ 48,267,518</u>

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

MainePERS - Consolidated Plan

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

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 2.8% of annual covered payroll. The contribution requirements of plan members and employers are established under the System's Board of Trustees. The District's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended December 31, 2010, 2009 and 2008 were \$49,579, \$39,188 and \$35,428, 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 contributes 5% and 2.8% of compensation of electing union and non-union participants, respectively. Total District contributions were \$15,858, \$19,924 and \$23,433 in 2010, 2009 and 2008, 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, 2010:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Retainage</u>	<u>Balance Remaining</u>
Engineering contracts	\$ 2,285,810	81.00%	1,851,797	-	434,013
Sewer replacement	1,213,602	100.00%	1,213,602	183,360	-
Disinfection system modifications	936,654	77.79%	728,664	72,866	207,990
Facility improvements	419,491	94.14%	394,888	39,489	24,603

OTHER POST EMPLOYMENT BENEFITS

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

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 May 2009.

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

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

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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>2010</u>	<u>2009</u>	<u>2008</u>
Normal cost	\$ 86,405	83,082	83,082
Amortization of Unfunded	174,156	165,687	165,687
<u>Interest</u>	<u>10,422</u>	<u>9,951</u>	<u>9,951</u>
Annual Required Contribution	\$ 270,983	258,720	258,720

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPEB liability, January 1	\$ 419,956	207,731	-
Annual required contribution	270,983	258,720	258,720
<u>Less: Actual contributions</u>	<u>(66,574)</u>	<u>(46,495)</u>	<u>(50,989)</u>
OPEB liability, December 31	\$ 624,365	419,956	207,731

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>2010</u>	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 270,983	258,720	258,720
Actual contribution	66,574	46,495	50,989
Percent contributed	24.50%	17.97%	19.71%
Actuarial accrued liability	\$ 3,131,977	3,131,977	3,131,977
<u>Plan assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	\$ 3,131,977	3,131,977	3,131,977
Covered payroll	1,912,804	1,889,018	1,887,266
Unfunded actuarial accrued liability as a percentage of covered payroll	163.74%	165.80%	165.95%

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

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

Actuarial valuation date	1/1/09
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	28 years - closed
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

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%

GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Statements of Net Assets
December 31, 2010
(with comparative totals for December 31, 2009)

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,758,908	1,848,469
Accounts receivable:		
Customer service	1,108,639	956,634
Unbilled	431,104	556,617
Intercommunity trunkline	6,565	6,565
Other, net of allowance of \$27,570 and \$55,139, respectively	747,557	93,011
Inventory	78,834	92,109
Prepaid expenses	9,388	9,278
Total current assets	4,140,995	3,562,683
Noncurrent assets:		
Other assets:		
Accounts receivable - intercommunity trunkline	13,130	19,695
Unspent bond proceeds	1,734,277	1,622,563
Total other assets	1,747,407	1,642,258
Capital assets:		
Work in process	11,167,705	7,543,468
Operating property	63,554,608	63,145,845
Less accumulated depreciation	(21,372,647)	(19,803,915)
Net capital assets	53,349,666	50,885,398
Total noncurrent assets	55,097,073	52,527,656
Total assets	59,238,068	56,090,339
LIABILITIES		
Current liabilities:		
Accounts payable:		
Trade	119,122	241,248
Construction/retainage	1,041,902	296,904
Intercommunity trunkline	87,758	79,388
Accrued payroll	35,867	30,281
Accrued compensated absences	49,820	54,767
Accrued interest	111,014	108,627
Deferred revenue	374,508	365,365
Advances for construction	79,139	51,570
Current portion of deferred credits	28,693	2,651
Current portion of bonds and notes payable	1,677,857	1,593,593
Total current liabilities	3,605,680	2,824,394
Noncurrent liabilities:		
Deferred credits	174,806	21,211
OPEB liabilities	528,316	348,791
Bonds and notes payable	21,620,907	19,938,764
Total noncurrent liabilities	22,324,029	20,308,766
Total liabilities	25,929,709	23,133,160
NET ASSETS		
Invested in capital assets, net of related debt	31,785,179	30,975,604
Unrestricted	1,523,180	1,981,575
Total net assets	\$ 33,308,359	32,957,179

**GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2010
(with comparative totals for the year ended December 31, 2009)**

	2010	2009
Operating revenues:		
Metered	\$ 2,727,127	2,519,267
Flat rate	11,054	12,537
Storm water	953,943	958,227
Catch basins	1,409,859	1,401,416
Trunkline communities	646,949	708,580
Other	423,459	122,625
Total operating revenues	6,172,391	5,722,652
Operating expenses:		
Treatment plant	1,677,990	1,792,850
Transportation and distribution	1,020,718	967,002
Customer accounts	263,540	252,563
Administrative and general	651,611	497,193
Trunkline	249,182	259,287
Depreciation	1,568,732	1,569,310
Total operating expenses	5,431,773	5,338,205
Operating income	740,618	384,447
Nonoperating revenues (expenses):		
Interest revenue	4,469	23,501
Miscellaneous	25,991	42,198
Interest expense	(419,898)	(472,126)
Total nonoperating revenues (expenses)	(389,438)	(406,427)
Change in net assets	351,180	(21,980)
Net assets, beginning of year	32,957,179	32,979,159
Net assets, end of year	\$ 33,308,359	32,957,179

GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2010
(with comparative totals for the year ended December 31, 2009)

	2010	2009
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,533,052	5,685,132
Payments to suppliers	(2,010,901)	(2,173,836)
Payments to employees	(1,772,567)	(1,657,417)
Net cash provided by operating activities	1,749,584	1,853,879
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,288,002)	(5,286,975)
Advances for construction	27,569	51,570
Proceeds from short-term debt	-	3,412,489
Repayment of short-term debt	-	(5,009,832)
Proceeds from long-term debt	3,248,286	6,523,898
Principal payments on long-term debt	(1,593,593)	(1,295,411)
Interest refund received from Maine Municipal Bond Bank	208,330	-
Interest payments on long-term debt	(446,204)	(466,487)
Net cash used in capital and related financing activities	(1,843,614)	(2,070,748)
Cash flows from investing activities:		
Interest income	4,469	23,501
Net cash provided by investing activities	4,469	23,501
Net increase (decrease) in cash	(89,561)	(193,368)
Cash at beginning of year	1,848,469	2,041,837
Cash at end of year	\$ 1,758,908	1,848,469
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 740,618	384,447
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,568,732	1,569,310
Miscellaneous and utility contract income	25,991	42,198
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customer service	(152,005)	33,963
(Increase) decrease in accounts receivable - unbilled	125,513	(3,515)
(Increase) decrease in accounts receivable - intercommunity trunkline	6,565	6,565
(Increase) decrease in accounts receivable - other	(654,546)	(93,011)
(Increase) decrease in inventory	13,275	21,533
(Increase) decrease in prepaid expenses	(110)	3,984
(Decrease) increase in accounts payable - trade	(122,126)	(336,546)
(Decrease) increase in accounts payable - trunkline	8,370	79,388
(Decrease) increase in accrued payroll	5,586	(19,664)
(Decrease) increase in accrued compensated absences	(4,947)	13,294
(Decrease) increase in OPEB liabilities	179,525	175,653
(Decrease) increase in deferred revenue	9,143	(23,720)
Net cash provided by operating activities	1,749,584	1,853,879
Noncash capital and related financing activities:		
Amortized deferred credits from bond refinancing proceeds	28,693	2,651

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Net Assets
December 31, 2010
(with comparative totals for December 31, 2009)

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,153,378	2,408,538
Accounts receivable:		
Customer	455,310	352,796
Unbilled	447,534	534,179
Other	3,674	2,878
Inventory	104,381	122,670
Prepaid expenses	9,278	9,278
Total current assets	3,173,555	3,430,339
Noncurrent assets:		
Other assets:		
Unamortized debt expense	55,439	62,392
Unspent bond proceeds	11,110	15,924
Total other assets	66,549	78,316
Capital assets:		
Work in process	843,877	219,268
Operating property	32,128,454	31,469,960
Less accumulated depreciation	(11,939,439)	(11,130,496)
Net capital assets	21,032,892	20,558,732
Total noncurrent assets	21,099,441	20,637,048
Total assets	24,272,996	24,067,387
LIABILITIES		
Current liabilities:		
Accounts payable		
Trade	65,136	107,377
Construction/retainage	116,729	-
Accrued payroll	27,323	19,197
Accrued compensated absences	33,816	36,801
Accrued interest	51,289	69,381
Deferred revenue	218,855	223,280
Current portion of deferred credits	43,666	66,554
Current portion of bonds and notes payable	1,630,225	1,545,225
Total current liabilities	2,187,039	2,067,815
Noncurrent liabilities:		
Deferred credits	92,442	136,112
OPEB liabilities	96,049	71,165
Bonds and notes payable	2,931,438	4,561,662
Total noncurrent liabilities	3,119,929	4,768,939
Total liabilities	5,306,968	6,836,754
NET ASSETS		
Invested in capital assets, net of related debt	16,482,339	14,467,769
Unrestricted	2,483,689	2,762,864
Total net assets	\$ 18,966,028	17,230,633

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2010
(with comparative totals for the year ended December 31, 2009)

	2010	2009
Operating revenues:		
Metered:		
Residential	\$ 2,024,716	1,998,935
Commercial	948,448	912,492
Industrial	2,032	4,046
Governmental	407,522	388,366
Public fire protection	776,463	772,699
Private fire protection	297,106	294,741
Other water revenues	15,561	12,890
Total operating revenues	4,471,848	4,384,169
Operating expenses:		
Source of supply	188,548	210,178
Treatment plant	141,472	145,221
Transportation and distribution	831,995	924,563
Customer accounts	203,919	207,623
Administrative and general	359,283	372,356
Depreciation	808,943	778,275
Total operating expenses	2,534,160	2,638,216
Operating income	1,937,688	1,745,953
Nonoperating revenues (expenses):		
Interest revenue	5,949	21,462
Utility contract income	12,650	12,000
Non-utility income	104,341	197,055
Merchandising and jobbing revenue	11,175	14,807
Interest expense	(331,639)	(413,916)
Amortization expense	(6,953)	(6,954)
Total nonoperating revenues (expenses)	(204,477)	(175,546)
Income (loss) before contributions	1,733,211	1,570,407
Capital contributions	2,184	-
Change in net assets	1,735,395	1,570,407
Net assets, beginning of year	17,230,633	15,660,226
Net assets, end of year	\$ 18,966,028	17,230,633

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2010

(with comparative totals for Augusta Water District for the year ended December 31, 2009)

	2010	2009
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,578,924	4,652,659
Payments to suppliers	(665,677)	(686,753)
Payments to employees	(1,053,467)	(1,091,733)
Net cash provided by operating activities	2,859,780	2,874,173
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,166,374)	(1,128,429)
Capital contributions	2,184	-
Proceeds from long-term debt	4,814	174,076
Principal payments on long-term debt	(1,545,224)	(1,548,113)
Interest payments on long-term debt	(416,289)	(515,383)
Net cash used in capital and related financing activities	(3,120,889)	(3,017,849)
Cash flows from investing activities:		
Interest revenue	5,949	21,462
Net cash provided by investing activities	5,949	21,462
Net increase (decrease) in cash	(255,160)	(122,214)
Cash at beginning of year	2,408,538	2,530,752
Cash at end of year	\$ 2,153,378	2,408,538
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,937,688	1,745,953
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	808,943	778,275
Utility, non-utility, jobbing and miscellaneous revenues	128,166	223,862
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customers	(102,514)	19,396
(Increase) decrease in accounts receivable - unbilled	86,645	21,487
(Increase) decrease in accounts receivable - other	(796)	1,884
(Increase) decrease in inventory	18,289	23,888
(Increase) decrease in prepaid expenses	-	(2,558)
(Decrease) increase in accounts payable	(42,241)	51,428
(Decrease) increase in accrued payroll	8,126	(18,308)
(Decrease) increase in accrued compensated absences	(2,985)	(9,567)
(Decrease) increase in OPEB liabilities	24,884	36,572
(Decrease) increase in deferred revenue	(4,425)	1,861
Net cash provided by operating activities	2,859,780	2,874,173
Noncash capital and related financing activities:		
Amortized debt expense from bond acquisition fees	(6,953)	(6,954)
Amortized deferred credits from bond refinancing proceeds	66,558	88,091

**GREATER AUGUSTA UTILITY DISTRICT
SANITARY DIVISION
Schedules of Operating Revenues
For the Year Ended December 31, 2010
(with comparative totals for the year ended December 31, 2009)**

	2010	2009
OPERATING REVENUES		
Metered:		
Residential	\$ 1,361,726	1,153,365
Commercial	755,582	759,934
Industrial	36,931	97,297
Government agencies	448,680	249,575
Hallowell	124,208	259,096
Flat rate	11,054	12,537
Catch basins	1,409,859	1,401,416
ERU	953,943	958,227
Trunkline communities	646,949	708,580
Late fees	34,396	29,201
Connection fees	6,543	21,720
Togus debt	382,520	71,704
Total operating revenues	\$ 6,172,391	5,722,652