

**GREATER AUGUSTA UTILITY DISTRICT**

**Financial Statements**

**For the Year Ended  
December 31, 2012**

**GREATER AUGUSTA UTILITY DISTRICT**  
**Financial Statements**  
**For the Year Ended December 31, 2012**

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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, 2012, 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 the 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 controls. 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, 2012, 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.

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**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 and schedule are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The comparative exhibits and schedule 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 May 15, 2013 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.



May 15, 2013  
South Portland, Maine

**GREATER AUGUSTA UTILITY DISTRICT**  
**Management's Discussion and Analysis**  
**December 31, 2012**

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Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Greater Augusta Utility District's (GAUD) financial condition and performance for the year ended December 31, 2012. The Water Division is the drinking water and fire protection division of GAUD. For aggregate reporting purposes, the Sewer and Stormwater divisions of the GAUD are referred to as the Sanitary Division.

**Financial Highlights - Water Division**

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

- The Water Division's cash and cash equivalents increased by \$1 million. Net cash provided by operating activities totaled \$1.8 million. Receipts from customers decreased by \$1.0 million, payments to suppliers increased by \$131,000 and payments to employees decreased by \$52,200. Net cash used in capital and related financing activities totaled \$762,000. Principal and interest on long-term debt totaled \$585,000 representing a decrease of \$1.4 million compared to 2011. Investment in capital assets totaled \$177,300, a decrease of \$1.3 million.
- Accounts receivable decreased by \$21,400 due to a decrease in unbilled revenues of \$57,400 offset by an increase in customer and other receivables of \$36,000.
- The work in process (WIP) account decreased by \$865,200 due to completion of capitalized projects, mostly water main replacement. Operating property increased by \$1 million due to completion of water mains on State Street, Capitol Street, South Street and Hammonds Grove in Manchester.
- Accumulated depreciation increased by \$783,800 from 2011.
- The Water Division decreased its long-term financial indebtedness obligation by \$380,225 in 2012. All required debt payments on all outstanding debt were made. No new debt was issued in 2012.
- As of December 31, 2012, the Water Division's net position was \$21.5 million. Net position consist of net investment in capital assets of \$18 million and the remaining unrestricted net position of \$3.9 million. The change in net position for the year ended December 31, 2012 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 \$3.6 million, a decrease of 13.4%. Sales to customers totaled \$2.4 million a decrease of \$602,400 or 20%. Fire protection revenues totaled \$1.2 million, an increase of \$49,000. The decrease in customer sales is the result of a rate decrease approved in October, 2011. Operating expenses totaled \$2.5 million, a decrease of \$1,600. Non-operating revenue (expense) increased to \$39,400 due to a decrease in interest expense. All metered customers of the Water Division are charged a minimum fee depending on the size of the meter which includes a minimum water allowance of 300 cubic feet of water. For usage in excess of 300 cubic feet, the charge is \$2.40 per 100 cubic feet. The Maine Public Utilities Commission approved the Water Division's schedule of rates which became effective October 3, 2011.

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

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**Financial Highlights - Sanitary Division**

Management believes the Sanitary Division's financial condition is adequate. The Sanitary Division's financial results are 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 \$173,000 as net cash used in capital and related financing activities exceeded net cash provided by operating activities.
- Work in process increased by \$6.8 million and operating property increased by \$720,000. The large increase in work in process is attributable to the on-going Combined Sewer Overflow Phase 3 project at Bond Brook. Increases to operating property relates to new main and improvements at the wastewater treatment plant.
- Construction retainage decreased by \$178,000 due to progress payments made related to the Combined Sewer Overflow Phase 3 project.
- Accumulated depreciation increased by \$1.8 million from 2011. The increase is due to the 2012 completed projects and full year depreciation on major projects closed in 2011.
- The Sanitary Division decreased its long-term financial indebtedness obligation by \$2.4 million. All the required scheduled debt payments on all outstanding debt were made. There were no new debt issues in 2012.
- The Sanitary Division's operating revenues totaled \$8.1 million and operating expenses totaled \$5.6 million. Net non-operating revenues (expenses) totaled (\$407,700), mostly due to interest expense, resulting in an increase in net position of \$2.1 million.
- The Sanitary Division's net position as of December 31, 2012 was \$36.8 million. Net position consist of net investment in capital assets of \$35.7 million and the remaining unrestricted net position totaled \$1.1 million. The change in net position for the year ended December 31, 2012 was an increase of \$2.1 million.
- All customers of the Sanitary Division are charged \$4.34 per 100 cubic feet of metered water, \$25.49 for a quarterly service charge and \$22.64 per equivalent rate unit for storm water.

**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 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.

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

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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 occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the District's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

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

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

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

**Summary of Organization and Business**

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

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

The Water Division charges sales and use tax on 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 15<sup>th</sup> day of the month following the particular month of operation. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by contributed capital, contributions from customers (cash and meter services), bonds payable, and customer revenues.

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

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

**Financial Analysis - Water Division**

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

**CONDENSED BALANCE SHEETS - WATER DIVISION**

|   | <u>December 31, 2012</u> | <u>December 31, 2011</u> |
|---|--------------------------|--------------------------|
| <b>Assets</b>   |                          |                          |
| Current assets  | \$ 4,165,925             | \$ 3,172,612             |
| Capital and other assets (net)  | 21,004,172               | 21,633,496               |
| <b>Total Assets</b>   | <u>25,170,097</u>        | <u>24,806,108</u>        |
| <b>Liabilities</b>  |                          |                          |
| Current liabilities   | 525,113                  | 857,027                  |
| Long-term liabilities   | 2,989,836                | 3,354,351                |
| <b>Total Liabilities</b>  | <u>3,514,949</u>         | <u>4,211,378</u>         |
| <b>Deferred Inflows of Resources</b>                                      |                          |                          |
| Deferred credits  | 73,138                   | 92,442                   |
| <b>Total Deferred Inflows of Resources</b>                                | <u>73,138</u>            | <u>92,442</u>            |
| <b>Net Position</b>   |                          |                          |
| Net investment in capital assets  | 17,722,537               | 17,964,683               |
| Unrestricted  | 3,859,473                | 2,537,605                |
| <b>Total Net Position</b>   | <u>21,582,010</u>        | <u>20,502,288</u>        |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <u>\$ 25,170,097</u>     | <u>\$ 24,806,108</u>     |



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

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**WATER DIVISION**

|  | December 31, 2012    | December 31, 2011    |
|--|----------------------|----------------------|
| <b>Operating Revenues</b>              |                      |                      |
| Metered                                | \$ 2,402,500         | \$ 3,004,900         |
| Fire protection                        | 1,177,856            | 1,128,616            |
| Other water revenues                   | 9,843                | 13,651               |
| <b>Total Operating Revenues</b>        | <b>3,590,199</b>     | <b>4,147,167</b>     |
| <b>Operating Expenses</b>              |                      |                      |
| Operating expenses                     | 1,766,053            | 1,755,983            |
| Depreciation                           | 783,848              | 795,506              |
| <b>Total Operating Expenses</b>        | <b>2,549,901</b>     | <b>2,551,489</b>     |
| <b>Nonoperating Revenue (Expenses)</b> | <b>39,424</b>        | <b>(59,418)</b>      |
| <b>Change in Net Position</b>          | <b>1,079,722</b>     | <b>1,536,260</b>     |
| Net Position - Beginning of Year       | 20,502,288           | 18,966,028           |
| <b>Net Position - End of Year</b>      | <b>\$ 21,582,010</b> | <b>\$ 20,502,288</b> |

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

**Financial Analysis - Sanitary Division**

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

**CONDENSED BALANCE SHEETS - SANITARY DIVISION**

|   | December 31, 2012    | December 31, 2011    |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| Current assets  | \$ 5,657,572         | \$ 5,606,771         |
| Capital and other assets (net)  | 68,407,572           | 69,451,709           |
| <b>Total Assets</b>   | <b>74,065,144</b>    | <b>75,058,480</b>    |
| <b>Liabilities</b>  |                      |                      |
| Current liabilities   | 5,292,746            | 5,999,294            |
| Long-term liabilities   | 30,998,050           | 33,322,217           |
| <b>Total Liabilities</b>  | <b>36,290,796</b>    | <b>39,321,511</b>    |
| <b>Deferred Inflows of Resources</b>                                      |                      |                      |
| Deferred credits  | 952,384              | 1,025,870            |
| <b>Total Deferred Inflows of Resources</b>                                | <b>952,384</b>       | <b>1,025,870</b>     |
| <b>Net Position</b>   |                      |                      |
| Net investment in capital assets  | 35,716,000           | 34,344,220           |
| Unrestricted  | 1,105,964            | 366,879              |
| <b>Total Net Position</b>   | <b>36,821,964</b>    | <b>34,711,099</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <b>\$ 74,065,144</b> | <b>\$ 75,058,480</b> |

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

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

|   | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| <b>Operating Revenues:</b>              |                          |                          |
| Sanitary                                | \$ 3,503,655             | \$ 2,877,914             |
| Storm water                             | 3,219,716                | 2,486,164                |
| Trunkline                               | 798,901                  | 759,758                  |
| Other                                   | 614,407                  | 564,669                  |
| <b>Total Operating Revenues</b>         | <b>8,136,679</b>         | <b>6,688,505</b>         |
| <b>Operating Expenses:</b>              |                          |                          |
| Operating expenses                      | 3,839,335                | 3,840,948                |
| Depreciation                            | 1,778,767                | 1,678,489                |
| <b>Total Operating Expenses</b>         | <b>5,618,102</b>         | <b>5,519,437</b>         |
| <b>Nonoperating Revenues (Expenses)</b> | <b>(407,712)</b>         | <b>233,672</b>           |
| <b>Change in Net Position</b>           | <b>2,110,865</b>         | <b>1,402,740</b>         |
| Net Position - Beginning of Year        | 34,711,099               | 33,308,359               |
| <b>Net Position - End of Year</b>       | <b>\$ 36,821,964</b>     | <b>\$ 34,711,099</b>     |

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

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

**GREATER AUGUSTA UTILITY DISTRICT**  
**Statements of Net Position**  
**December 31, 2012**

|   | Sanitary             | Water             | Total             |
|---|----------------------|-------------------|-------------------|
| <b>ASSETS</b>   |                      |                   |                   |
| Current assets:                                       |                      |                   |                   |
| Cash and cash equivalents                             | \$ 2,394,209         | 3,407,263         | 5,801,472         |
| Accounts receivable:                                  |                      |                   |                   |
| Customer service                                      | 1,043,950            | 386,662           | 1,430,612         |
| Unbilled  | 340,121              | 246,995           | 587,116           |
| Intercommunity trunkline - operations                 | 169,044              | -                 | 169,044           |
| Other   | 1,644,571            | 10,137            | 1,654,708         |
| Inventory   | 62,230               | 113,319           | 175,549           |
| Prepaid expenses                                      | 3,447                | 1,549             | 4,996             |
| <b>Total current assets</b>                           | <b>5,657,572</b>     | <b>4,165,925</b>  | <b>9,823,497</b>  |
| Noncurrent assets:                                    |                      |                   |                   |
| Other assets:   |                      |                   |                   |
| Accounts receivable - intercommunity trunkline - debt | 6,565                | -                 | 6,565             |
| Unamortized debt discount                             | -                    | 41,532            | 41,532            |
| Unspent bond proceeds                                 | 3,139,001            | -                 | 3,139,001         |
| <b>Total other assets</b>                             | <b>3,145,566</b>     | <b>41,532</b>     | <b>3,187,098</b>  |
| Capital assets:                                       |                      |                   |                   |
| Work in process                                       | 13,807,027           | 31,058            | 13,838,085        |
| Operating property                                    | 76,284,882           | 34,450,375        | 110,735,257       |
| Less accumulated depreciation                         | (24,829,903)         | (13,518,793)      | (38,348,696)      |
| <b>Net capital assets</b>                             | <b>65,262,006</b>    | <b>20,962,640</b> | <b>86,224,646</b> |
| <b>Total noncurrent assets</b>                        | <b>68,407,572</b>    | <b>21,004,172</b> | <b>89,411,744</b> |
| <b>Total assets</b>                                   | <b>74,065,144</b>    | <b>25,170,097</b> | <b>99,235,241</b> |
| <b>LIABILITIES</b>                                    |                      |                   |                   |
| Current liabilities:                                  |                      |                   |                   |
| Accounts payable:                                     |                      |                   |                   |
| Trade   | 101,760              | 26,567            | 128,327           |
| Construction/retainage                                | 2,522,997            | 14,605            | 2,537,602         |
| Accrued payroll                                       | 44,387               | 31,974            | 76,361            |
| Accrued compensated absences                          | 58,244               | 39,108            | 97,352            |
| Accrued interest                                      | 141,401              | 32,634            | 174,035           |
| Current portion of bonds and notes payable            | 2,423,957            | 380,225           | 2,804,182         |
| <b>Total current liabilities</b>                      | <b>5,292,746</b>     | <b>525,113</b>    | <b>5,817,859</b>  |
| Noncurrent liabilities:                               |                      |                   |                   |
| OPEB liabilities                                      | 737,000              | 129,958           | 866,958           |
| Bonds and notes payable                               | 30,261,050           | 2,859,878         | 33,120,928        |
| <b>Total noncurrent liabilities</b>                   | <b>30,998,050</b>    | <b>2,989,836</b>  | <b>33,987,886</b> |
| <b>Total liabilities</b>                              | <b>36,290,796</b>    | <b>3,514,949</b>  | <b>39,805,745</b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                      |                   |                   |
| Deferred credits                                      | 952,384              | 73,138            | 1,025,522         |
| <b>Total deferred inflows of resources</b>            | <b>952,384</b>       | <b>73,138</b>     | <b>1,025,522</b>  |
| <b>NET POSITION</b>                                   |                      |                   |                   |
| Net investment in capital assets                      | 35,716,000           | 17,722,537        | 53,438,537        |
| Unrestricted  | 1,105,964            | 3,859,473         | 4,965,437         |
| <b>Total net position</b>                             | <b>\$ 36,821,964</b> | <b>21,582,010</b> | <b>58,403,974</b> |

*See accompanying notes to financial statements.*

**GREATER AUGUSTA UTILITY DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2012**

|  | Sanitary             | Water             | Total             |
|--|----------------------|-------------------|-------------------|
| Operating revenues:                    |                      |                   |                   |
| Metered                                | \$ 3,489,148         | 2,402,500         | 5,891,648         |
| Flat rate                              | 14,507               | -                 | 14,507            |
| Storm water                            | 1,236,816            | -                 | 1,236,816         |
| Catch basins                           | 1,982,900            | -                 | 1,982,900         |
| Trunkline communities                  | 798,901              | -                 | 798,901           |
| Public fire protection                 | -                    | 806,055           | 806,055           |
| Private fire protection                | -                    | 371,801           | 371,801           |
| Other revenues                         | 614,407              | 9,843             | 624,250           |
| Total operating revenues               | 8,136,679            | 3,590,199         | 11,726,878        |
| Operating expenses:                    |                      |                   |                   |
| Source of supply                       | -                    | 166,454           | 166,454           |
| Treatment plant                        | 1,672,227            | 129,927           | 1,802,154         |
| Transportation and distribution        | 918,215              | 901,360           | 1,819,575         |
| Customer accounts                      | 233,200              | 185,426           | 418,626           |
| Administrative and general             | 804,955              | 382,886           | 1,187,841         |
| Trunkline expenses                     | 210,738              | -                 | 210,738           |
| Depreciation                           | 1,778,767            | 783,848           | 2,562,615         |
| Total operating expenses               | 5,618,102            | 2,549,901         | 8,168,003         |
| Operating income                       | 2,518,577            | 1,040,298         | 3,558,875         |
| Nonoperating revenues (expenses):      |                      |                   |                   |
| Interest revenue                       | 8,892                | 4,633             | 13,525            |
| Utility contract income                | -                    | 13,800            | 13,800            |
| Non-utility income                     | -                    | 192,454           | 192,454           |
| Miscellaneous                          | 79,834               | 16,853            | 96,687            |
| Interest expense                       | (496,438)            | (181,363)         | (677,801)         |
| Amortization expense                   | -                    | (6,953)           | (6,953)           |
| Total nonoperating revenues (expenses) | (407,712)            | 39,424            | (368,288)         |
| Change in net position                 | 2,110,865            | 1,079,722         | 3,190,587         |
| Net position, beginning of year        | 34,711,099           | 20,502,288        | 55,213,387        |
| <b>Net position, end of year</b>       | <b>\$ 36,821,964</b> | <b>21,582,010</b> | <b>58,403,974</b> |

*See accompanying notes to financial statements.*

**GREATER AUGUSTA UTILITY DISTRICT**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2012**

|   | Sanitary            | Water            | Total              |
|---|---------------------|------------------|--------------------|
| <b>Cash flows from operating activities:</b>  |                     |                  |                    |
| Receipts from customers and users   | \$ 7,464,073        | 3,571,785        | 11,035,858         |
| Payments to suppliers   | (2,585,049)         | (793,832)        | (3,378,881)        |
| Payments to employees   | (1,167,752)         | (1,004,664)      | (2,172,416)        |
| <b>Net cash provided by operating activities</b>  | <b>3,711,272</b>    | <b>1,773,289</b> | <b>5,484,561</b>   |
| <b>Cash flows from capital and related financing activities:</b>                        |                     |                  |                    |
| Purchase of capital assets  | (7,652,125)         | (177,285)        | (7,829,410)        |
| Proceeds from long-term debt  | 6,733,303           | -                | 6,733,303          |
| Principal payments on long-term debt  | (2,409,352)         | (380,225)        | (2,789,577)        |
| Interest payments on long-term debt   | (564,891)           | (204,827)        | (769,718)          |
| <b>Net cash used in capital and related financing activities</b>                        | <b>(3,893,065)</b>  | <b>(762,337)</b> | <b>(4,655,402)</b> |
| <b>Cash flows from investing activities:</b>  |                     |                  |                    |
| Interest income   | 8,892               | 4,633            | 13,525             |
| <b>Net cash provided by investing activities</b>  | <b>8,892</b>        | <b>4,633</b>     | <b>13,525</b>      |
| <b>Net increase (decrease) in cash</b>  | <b>(172,901)</b>    | <b>1,015,585</b> | <b>842,684</b>     |
| Cash at beginning of year   | 2,567,110           | 2,391,678        | 4,958,788          |
| <b>Cash at end of year</b>  | <b>\$ 2,394,209</b> | <b>3,407,263</b> | <b>5,801,472</b>   |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                     |                  |                    |
| Operating income  | \$ 2,518,577        | 1,040,298        | 3,558,875          |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                  |                    |
| Depreciation  | 1,778,767           | 783,848          | 2,562,615          |
| Utility, non-utility, jobbing and miscellaneous revenues                                | 79,834              | 223,107          | 302,941            |
| Change in operating assets and liabilities:   |                     |                  |                    |
| (Increase) decrease in accounts receivable - customer service                           | 451,019             | (33,588)         | 417,431            |
| (Increase) decrease in accounts receivable - unbilled                                   | 90,166              | 57,444           | 147,610            |
| (Increase) decrease in accounts receivable - intercommunity trunkline                   | (162,479)           | -                | (162,479)          |
| (Increase) decrease in accounts receivable - other                                      | (608,650)           | (2,425)          | (611,075)          |
| (Increase) decrease in inventory  | 7,260               | (6,888)          | 372                |
| (Increase) decrease in prepaid expenses   | 5,547               | 7,729            | 13,276             |
| (Decrease) increase in accounts payable - trade   | (10,201)            | (59,760)         | (69,961)           |
| (Decrease) increase in accounts payable - trunkline                                     | (26,043)            | -                | (26,043)           |
| (Decrease) increase in accrued payroll  | 5,969               | 8,165            | 14,134             |
| (Decrease) increase in accrued compensated absences                                     | 4,140               | 2,601            | 6,741              |
| (Decrease) increase in OPEB liabilities   | 99,862              | 15,710           | 115,572            |
| (Decrease) increase in unearned revenue   | (522,496)           | (262,952)        | (785,448)          |
| <b>Net cash provided by operating activities</b>  | <b>3,711,272</b>    | <b>1,773,289</b> | <b>5,484,561</b>   |
| <b>Noncash capital and related financing activities:</b>                                |                     |                  |                    |
| Amortized debt discount   | -                   | (6,953)          | (6,953)            |
| Amortized deferred credits from bond refinancing proceeds                               | 73,486              | 19,304           | 92,790             |

*See accompanying notes to financial statements.*

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Basis of Accounting** - The accounting 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, 2012, 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**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**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.

**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.

**Unearned Revenue** - Unearned revenue consists of estimated water, sanitary, and storm water services for subsequent periods, which was billed as of the balance sheet dates. During 2012 the District modified their billing procedures and at year end the District no longer had unearned revenue.

**Deferred Inflows of Resources** - In addition to liabilities, the balance sheet 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.

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DEPOSITS

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*Custodial credit risk- deposits* - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2012, \$351,900 of the District's bank balance of \$5,788,453, was insured by the FDIC and \$5,436,553 was collateralized by a \$7,250,000 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**

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**CAPITAL ASSETS**

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The following is a summary of the changes in capital assets from December 31, 2012:

|   | Balance<br><u>12/31/11</u> | <u>Additions</u> | <u>Dispositions</u> | Balance<br><u>12/31/12</u> |
|---|----------------------------|------------------|---------------------|----------------------------|
| Capital assets not being depreciated:       |                            |                  |                     |                            |
| Land  | \$ 1,608,946               | -                | -                   | 1,608,946                  |
| Work in process                             | 7,948,525                  | 7,265,326        | 1,375,766           | 13,838,085                 |
| Total capital assets not being depreciated  | 9,557,471                  | 7,265,326        | 1,375,766           | 15,447,031                 |
| Capital assets being depreciated:           |                            |                  |                     |                            |
| Building and structures                     | 27,776,114                 | 10,321           | -                   | 27,786,435                 |
| Sludge site                                 | 369,560                    | -                | -                   | 369,560                    |
| Trunkline                                   | 7,109,677                  | 265,064          | -                   | 7,374,741                  |
| Collection system                           | 41,466,340                 | 161,688          | -                   | 41,628,028                 |
| Mains, reservoirs, standpipes               | 21,434,896                 | 923,011          | -                   | 22,357,907                 |
| Services, meters, hydrants                  | 3,703,304                  | 21,001           | -                   | 3,724,305                  |
| Equipment and vehicles                      | 5,520,005                  | 365,330          | -                   | 5,885,335                  |
| Total capital assets being depreciated      | 107,379,896                | 1,746,415        | -                   | 109,126,311                |
| Less accumulated depreciation for:          |                            |                  |                     |                            |
| Building and structures                     | 13,688,561                 | 1,139,527        | -                   | 14,828,088                 |
| Sludge site                                 | 369,560                    | -                | -                   | 369,560                    |
| Trunkline                                   | 2,568,860                  | 116,914          | -                   | 2,685,774                  |
| Collection system                           | 6,975,584                  | 645,577          | -                   | 7,621,161                  |
| Mains, reservoirs, standpipes               | 5,793,632                  | 285,488          | -                   | 6,079,120                  |
| Services, meters, hydrants                  | 2,336,422                  | 117,615          | -                   | 2,454,037                  |
| Equipment and vehicles                      | 4,053,462                  | 257,494          | -                   | 4,310,956                  |
| Total accumulated depreciation              | 35,786,081                 | 2,562,615        | -                   | 38,348,696                 |
| Total capital assets being depreciated, net | 71,593,815                 | (816,200)        | -                   | 70,777,615                 |
| <b>Capital assets, net</b>                  | <b>\$ 81,151,286</b>       | <b>6,449,126</b> | <b>1,375,766</b>    | <b>86,224,646</b>          |

Depreciation expense was charged as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Sewer division                    | \$ 1,083,639        |
| Storm water division              | 695,128             |
| Water division                    | 783,848             |
| <b>Total depreciation expense</b> | <b>\$ 2,562,615</b> |

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



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

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LONG-TERM DEBT

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The following is a summary of long-term liability transactions of the District for the year ended December 31, 2012:

|                                    | Beginning<br>balance | Additions      | Deletions        | Ending<br>balance | Due within<br>one year |
|------------------------------------|----------------------|----------------|------------------|-------------------|------------------------|
| Bonds and notes payable            | \$ 38,714,687        | -              | 2,789,577        | 35,925,110        | 2,804,182              |
| Other post employment benefits     | 751,386              | 195,358        | 79,786           | 866,958           | -                      |
| Accrued compensated absences       | 90,611               | 6,741          | -                | 97,352            | -                      |
| <b>Total long-term liabilities</b> | <b>\$ 39,556,684</b> | <b>202,099</b> | <b>2,869,363</b> | <b>36,889,420</b> | <b>2,804,182</b>       |

The following is a summary of the long-term debt payable at December 31, 2012 and 2011:

| <u>Issue</u>                   | Amount<br>issued | Maturity<br>date | Interest<br>rate | Balance<br>12/31/11  | Balance<br>12/31/12 |
|--------------------------------|------------------|------------------|------------------|----------------------|---------------------|
| Bond 1990 MMBB                 | \$ 6,000,000     | 2020             | 7.10-7.20%       | 1,800,000            | 1,600,000           |
| Bond 1994 MMBB                 | 1,100,000        | 2014             | 5.325-6.35%      | 165,000              | 110,000             |
| Bond 2001 Series A             | 1,725,000        | 2021             | 5.75-6.00%       | 875,000              | 790,000             |
| Bond 2009 MMBB SRF             | 190,000          | 2029             | 0.00%            | 80,327               | 75,102              |
| Bond 2011 MMBB                 | 700,000          | 2031             | 2.12-5.62%       | 700,000              | 665,000             |
| Bond 1997 MMBB                 | 11,676,144       | 2017             | 2.96%            | 2,760,000            | 2,300,000           |
| Bond 2002 MMBB                 | 10,750,000       | 2021             | 2.34%            | 5,600,000            | 5,040,000           |
| Bond 2003 MMBB                 | 249,694          | 2015             | 1.10%            | 76,829               | 57,550              |
| Bond 2003 KSB                  | 65,650           | 2013             | 4.50%            | 13,130               | 6,565               |
| Bond 2005 MMBB                 | 1,500,000        | 2025             | 1.53%            | 1,050,000            | 975,000             |
| Bond 2006 MMBB                 | 1,250,000        | 2026             | 1.42-3.00%       | 937,500              | 875,000             |
| Hallowell Bond                 | 579,793          | 2018             | 5.00-7.85%       | 263,756              | 234,061             |
| 2008 Taxable Sewer Bond        | 2,000,000        | 2028             | 1.27%            | 1,731,213            | 1,639,332           |
| 2009 CWSRF                     | 6,500,000        | 2029             | 1.00%            | 5,711,163            | 5,419,996           |
| 2010 CWSRF - SR                | 1,750,000 (1)    | 2030             | 1.17%            | 1,671,830            | 1,592,746           |
| 2010 CWSRF - FFR               | 1,610,000 (2)    | 2030             | 1.00%            | 1,610,000            | 1,532,637           |
| 2011 CWSRF                     | 14,520,000 (3)   | 2030             | 1.00%            | 13,668,939           | 13,012,121          |
|                                |                  |                  |                  | 38,714,687           | 35,925,110          |
| Less current portion           |                  |                  |                  | 2,789,505            | 2,804,182           |
| <b>Total long-term portion</b> |                  |                  |                  | <b>\$ 35,925,182</b> | <b>33,120,928</b>   |

(1) As of December 31, 2012, the District has drawn down \$1,570,950 of the \$1,750,000.

(2) As of December 31, 2012, the District has drawn down \$1,393,289 of the \$1,610,000.

(3) As of December 31, 2012, the District has drawn down \$10,211,592 of the \$14,520,000.

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

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LONG-TERM DEBT, CONTINUED

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

|               | <u>Principal</u>     | <u>Interest</u>  | <u>Total debt service</u> |
|---------------|----------------------|------------------|---------------------------|
| 2013          | \$ 2,804,182         | 806,178          | 3,610,360                 |
| 2014          | 2,812,604            | 708,188          | 3,520,792                 |
| 2015          | 2,772,848            | 605,908          | 3,378,756                 |
| 2016          | 2,769,372            | 542,817          | 3,312,189                 |
| 2017          | 2,790,391            | 475,890          | 3,266,281                 |
| 2018-2022     | 10,629,759           | 1,547,514        | 12,177,273                |
| 2023-2027     | 7,509,563            | 844,798          | 8,354,361                 |
| 2028-2031     | 3,836,391            | 269,561          | 4,105,952                 |
| <b>Totals</b> | <b>\$ 35,925,110</b> | <b>5,800,854</b> | <b>41,725,964</b>         |

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JOINT PROJECT – WMMHA TRUNKLINE PROJECT

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The participants in the Joint Project, WMMHA Trunkline, are Winthrop Utility District, Manchester Sanitary District, Hallowell Water District, and Monmouth Sanitary District. These participants have entered into an agreement whereby they are liable for bonds payable (\$64,115 and \$89,959 at December 31, 2012 and 2011, respectively) issued to fund the construction of said Joint Project. The participants also pay for all operating expenses of the trunkline and operations and maintenance costs of the treatment plant based on a percentage of their flow.

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OPERATING LEASE

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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 subsequently renewed at \$1,150 per month beginning in February of 2010. Future minimum rentals at December 31, 2012 are as follows:

|              |                  |
|--------------|------------------|
| 2013         | \$ 13,800        |
| 2014         | 13,800           |
| 2015         | 1,150            |
| <b>Total</b> | <b>\$ 28,750</b> |

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

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NET POSITION

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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 and capital leases payable and adding back any unspent 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, 2012:

|   |                      |
|---|----------------------|
| Capital assets                          | \$ 124,573,342       |
| Unspent bond proceeds                   | 3,139,001            |
| Accumulated depreciation                | (38,348,696)         |
| Bonds payable                           | (35,925,110)         |
| <b>Net investment in capital assets</b> | <b>\$ 53,438,537</b> |

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

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**MainePERS - Consolidated Plan**

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

**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the District is required to contribute an actuarially determined rate. The District's rate of contribution at year end is 5.3% 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, 2012, 2011 and 2010 were \$80,969, \$65,853 and \$49,579, respectively.

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OTHER DEFERRED COMPENSATION PLAN

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The Greater Augusta Utility District offers all its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

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

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**OTHER DEFERRED COMPENSATION PLAN, CONTINUED**

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The District also sponsors an employee money purchase plan to which it contributed 4.70%, 4.62% and 5.00% of compensation of electing union and non-union participants for 2012, 2011, and 2010, respectively. Total District contributions were \$11,380, \$12,609 and \$15,858 in 2012, 2011, and 2010, respectively.

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**COMMITMENTS**

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The District has entered into multiple contracts in connection with various construction projects. The following is a summary of the commitments at December 31, 2012:

|                               | <u>Contract<br/>Total</u> | <u>Percentage<br/>Complete</u> | <u>Billed<br/>to Date</u> | <u>Retainage</u> | <u>Balance<br/>Remaining</u> |
|-------------------------------|---------------------------|--------------------------------|---------------------------|------------------|------------------------------|
| CSO Phase IIIB - Engineering  | \$ 795,000                | 48.57%                         | 386,116                   | -                | 408,884                      |
| CSO Phase IIIB - Construction | 13,260,339                | 84.92%                         | 11,261,054                | 964,345          | 1,999,285                    |

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**SANITARY DIVISION EXPENSE ALLOCATIONS**

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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 1 through 3 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.

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**OTHER POST EMPLOYMENT BENEFITS**

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GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Greater Augusta Utility District for the year ended December 31, 2008. 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.

The District is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The District is an individually rated member within the Association. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the District's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in October 2011.

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

**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

**Plan Descriptions** - The District sponsors a post-retirement benefit plan providing health insurance to retiring employees. For non-union employees hired before January 1, 2005 and all union employees regardless of hire date, the District will pay towards a retired employee's health insurance an amount equal to ninety percent of the cost of the employee only health insurance coverage for any employee that is at least sixty years of age and unable to access similar insurance coverage with another employer. The premium expense to the District for retirees' health insurance shall not increase more than five percent in any year and any excess costs will be 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>2012</u> | <u>2011</u> | <u>2010</u> |
|------------------------------|-------------|-------------|-------------|
| Normal cost                  | \$ 51,224   | 51,224      | 86,405      |
| Amortization of Unfunded     | 149,503     | 149,503     | 174,156     |
| Adjustment to ARC            | (43,453)    | -           | -           |
| Interest                     | 38,084      | 8,029       | 10,422      |
| Annual Required Contribution | \$ 195,358  | 208,756     | 270,983     |

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

|                              | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|------------------------------|-------------|-------------|-------------|
| OPEB liability, January 1    | \$ 751,386  | 624,365     | 419,956     |
| Annual required contribution | 195,358     | 208,756     | 270,983     |
| Less: actual contributions   | (79,786)    | (81,735)    | (66,574)    |
| OPEB liability, December 31  | \$ 866,958  | 751,386     | 624,365     |

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

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**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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**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>2012</u>  | <u>2011</u> | <u>2010</u> |
|--|--------------|-------------|-------------|
| Annual required contribution   | \$ 195,358   | 208,756     | 270,983     |
| Actual contribution  | 79,786       | 81,735      | 66,574      |
| Percent contributed  | 40.84%       | 39.15%      | 24.50%      |
| <br>   |              |             |             |
| Actuarial accrued liability  | \$ 2,688,618 | 2,688,618   | 3,131,977   |
| Plan assets  | -            | -           | -           |
| Unfunded actuarial accrued liability                                       | \$ 2,688,618 | 2,688,618   | 3,131,977   |
| Covered payroll  | 2,008,545    | 2,096,603   | 1,912,804   |
| Unfunded actuarial accrued liability<br>as a percentage of covered payroll | 133.86%      | 128.24%     | 163.74%     |

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

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

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

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**SUBSEQUENT EVENTS**

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On March 18, 2013, the Board of Trustees approved calling the 2001 Series A bonds which had an outstanding principal balance of \$790,000 at December 31, 2012. The early retirement of these bonds is estimated to yield \$216,000 in savings due to the elimination of future interest payments.

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

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| <b>Retiree Healthcare Plan</b> |                                       |   |  |   |                                 |                                  |   |
|--------------------------------|---------------------------------------|---|--|---|---------------------------------|----------------------------------|---|
| Fiscal<br><u>year</u>          | Actuarial<br>valuation<br><u>date</u> | Actuarial<br>value of<br>assets<br><u>(a)</u> | Actuarial<br>accrued<br>liability (AAL) –<br>entry age<br><u>(b)</u> | Unfunded<br>AAL<br>(UAAL)<br><u>(b-a)</u> | Funded<br>ratio<br><u>(a/b)</u> | Covered<br>payroll<br><u>(c)</u> | UAAL as a<br>percentage<br>of covered<br>payroll<br><u>[(b-a) /c]</u> |
| 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%   |

**GREATER AUGUSTA UTILITY DISTRICT**  
**SANITARY DIVISION**  
**Statements of Net Position**  
**December 31, 2012**  
**(with comparative totals for December 31, 2011)**

|   | Sewer                | Storm Water       | Total             | 2011              |
|---|----------------------|-------------------|-------------------|-------------------|
| <b>ASSETS</b>   |                      |                   |                   |                   |
| Current assets:                                       |                      |                   |                   |                   |
| Cash and cash equivalents                             | \$ 1,389,597         | 1,004,612         | 2,394,209         | 2,567,110         |
| Accounts receivable:                                  |                      |                   |                   |                   |
| Customer service                                      | 679,708              | 364,242           | 1,043,950         | 1,494,969         |
| Unbilled  | 253,251              | 86,870            | 340,121           | 430,287           |
| Intercommunity trunkline - operations                 | 169,044              | -                 | 169,044           | -                 |
| Other   | 768,077              | 876,494           | 1,644,571         | 1,035,921         |
| Inventory   | 40,743               | 21,487            | 62,230            | 69,490            |
| Prepaid expenses                                      | 2,008                | 1,439             | 3,447             | 8,994             |
| <b>Total current assets</b>                           | <b>3,302,428</b>     | <b>2,355,144</b>  | <b>5,657,572</b>  | <b>5,606,771</b>  |
| Noncurrent assets:                                    |                      |                   |                   |                   |
| Other assets:   |                      |                   |                   |                   |
| Accounts receivable - intercommunity trunkline - debt | 6,565                | -                 | 6,565             | 13,130            |
| Unspent bond proceeds                                 | 1,522,604            | 1,616,397         | 3,139,001         | 9,872,304         |
| <b>Total other assets</b>                             | <b>1,529,169</b>     | <b>1,616,397</b>  | <b>3,145,566</b>  | <b>9,885,434</b>  |
| Capital assets:                                       |                      |                   |                   |                   |
| Work in process                                       | 6,110,054            | 7,696,973         | 13,807,027        | 7,052,262         |
| Operating property                                    | 47,242,705           | 29,042,177        | 76,284,882        | 75,565,149        |
| Less accumulated depreciation                         | (15,639,360)         | (9,190,543)       | (24,829,903)      | (23,051,136)      |
| <b>Net capital assets</b>                             | <b>37,713,399</b>    | <b>27,548,607</b> | <b>65,262,006</b> | <b>59,566,275</b> |
| <b>Total noncurrent assets</b>                        | <b>39,242,568</b>    | <b>29,165,004</b> | <b>68,407,572</b> | <b>69,451,709</b> |
| <b>Total assets</b>                                   | <b>42,544,996</b>    | <b>31,520,148</b> | <b>74,065,144</b> | <b>75,058,480</b> |
| <b>LIABILITIES</b>                                    |                      |                   |                   |                   |
| Current liabilities:                                  |                      |                   |                   |                   |
| Accounts payable:                                     |                      |                   |                   |                   |
| Trade   | 96,330               | 5,430             | 101,760           | 111,961           |
| Construction/retainage                                | 1,110,119            | 1,412,878         | 2,522,997         | 2,700,624         |
| Intercommunity trunkline                              | -                    | -                 | -                 | 26,043            |
| Accrued payroll                                       | 27,686               | 16,701            | 44,387            | 38,418            |
| Accrued compensated absences                          | 36,979               | 21,265            | 58,244            | 54,104            |
| Accrued interest                                      | 65,845               | 75,556            | 141,401           | 136,368           |
| Unearned revenue                                      | -                    | -                 | -                 | 522,496           |
| Current portion of bonds and notes payable            | 1,213,494            | 1,210,463         | 2,423,957         | 2,409,280         |
| <b>Total current liabilities</b>                      | <b>2,550,453</b>     | <b>2,742,293</b>  | <b>5,292,746</b>  | <b>5,999,294</b>  |
| Noncurrent liabilities:                               |                      |                   |                   |                   |
| OPEB liabilities                                      | 526,598              | 210,402           | 737,000           | 637,138           |
| Bonds and notes payable                               | 16,447,874           | 13,813,176        | 30,261,050        | 32,685,079        |
| <b>Total noncurrent liabilities</b>                   | <b>16,974,472</b>    | <b>14,023,578</b> | <b>30,998,050</b> | <b>33,322,217</b> |
| <b>Total liabilities</b>                              | <b>19,524,925</b>    | <b>16,765,871</b> | <b>36,290,796</b> | <b>39,321,511</b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                      |                   |                   |                   |
| Deferred credits                                      | 460,509              | 491,875           | 952,384           | 1,025,870         |
| <b>Total deferred inflows of resources</b>            | <b>460,509</b>       | <b>491,875</b>    | <b>952,384</b>    | <b>1,025,870</b>  |
| <b>NET POSITION</b>                                   |                      |                   |                   |                   |
| Net investment in capital assets                      | 21,574,635           | 14,141,365        | 35,716,000        | 34,344,220        |
| Unrestricted  | 984,927              | 121,037           | 1,105,964         | 366,879           |
| <b>Total net position</b>                             | <b>\$ 22,559,562</b> | <b>14,262,402</b> | <b>36,821,964</b> | <b>34,711,099</b> |



**GREATER AUGUSTA UTILITY DISTRICT**  
**SANITARY DIVISION**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2012**  
**(with comparative totals for the year ended December 31, 2011)**

|   | Sewer                | Storm Water       | Total             | 2011              |
|---|----------------------|-------------------|-------------------|-------------------|
| <b>Operating revenues:</b>                    |                      |                   |                   |                   |
| Metered                                       | \$ 3,489,148         | -                 | 3,489,148         | 2,864,887         |
| Flat rate                                     | 14,507               | -                 | 14,507            | 13,027            |
| Storm water                                   | -                    | 1,236,816         | 1,236,816         | 932,179           |
| Catch basins                                  | -                    | 1,982,900         | 1,982,900         | 1,553,985         |
| Trunkline communities                         | 798,901              | -                 | 798,901           | 759,758           |
| Other   | 577,876              | 36,531            | 614,407           | 564,669           |
| <b>Total operating revenues</b>               | <b>4,880,432</b>     | <b>3,256,247</b>  | <b>8,136,679</b>  | <b>6,688,505</b>  |
| <b>Operating expenses:</b>                    |                      |                   |                   |                   |
| Treatment plant                               | 1,053,503            | 618,724           | 1,672,227         | 1,872,767         |
| Transportation and distribution               | 429,704              | 488,511           | 918,215           | 981,209           |
| Customer accounts                             | 195,888              | 37,312            | 233,200           | 238,423           |
| Administrative and general                    | 475,926              | 329,029           | 804,955           | 512,716           |
| Trunkline                                     | 210,738              | -                 | 210,738           | 235,833           |
| Depreciation                                  | 1,083,639            | 695,128           | 1,778,767         | 1,678,489         |
| <b>Total operating expenses</b>               | <b>3,449,398</b>     | <b>2,168,704</b>  | <b>5,618,102</b>  | <b>5,519,437</b>  |
| <b>Operating income</b>                       | <b>1,431,034</b>     | <b>1,087,543</b>  | <b>2,518,577</b>  | <b>1,169,068</b>  |
| <b>Nonoperating revenues (expenses):</b>      |                      |                   |                   |                   |
| Interest revenue                              | 235                  | 8,657             | 8,892             | 3,103             |
| Miscellaneous                                 | 79,834               | -                 | 79,834            | 691,034           |
| Interest expense                              | (255,715)            | (240,723)         | (496,438)         | (460,465)         |
| <b>Total nonoperating revenues (expenses)</b> | <b>(175,646)</b>     | <b>(232,066)</b>  | <b>(407,712)</b>  | <b>233,672</b>    |
| <b>Change in net position</b>                 | <b>1,255,388</b>     | <b>855,477</b>    | <b>2,110,865</b>  | <b>1,402,740</b>  |
| <b>Net position, beginning of year</b>        | <b>21,304,174</b>    | <b>13,406,925</b> | <b>34,711,099</b> | <b>33,308,359</b> |
| <b>Net position, end of year</b>              | <b>\$ 22,559,562</b> | <b>14,262,402</b> | <b>36,821,964</b> | <b>34,711,099</b> |

**GREATER AUGUSTA UTILITY DISTRICT**  
**SANITARY DIVISION**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2012**  
**(with comparative totals for the year ended December 31, 2011)**

|   | 2012                | 2011             |
|---|---------------------|------------------|
| Cash flows from operating activities:   |                     |                  |
| Receipts from customers and users   | \$ 7,464,073        | 6,860,215        |
| Payments to suppliers   | (2,585,049)         | (2,118,700)      |
| Payments to employees   | (1,167,752)         | (1,665,729)      |
| Net cash provided by operating activities   | 3,711,272           | 3,075,786        |
| Cash flows from capital and related financing activities:                               |                     |                  |
| Purchase of capital assets  | (7,652,125)         | (6,236,376)      |
| Advances for construction   | -                   | (79,139)         |
| Proceeds from long-term debt  | 6,733,303           | 6,381,973        |
| Principal payments on long-term debt  | (2,409,352)         | (1,873,342)      |
| Interest payments on long-term debt   | (564,891)           | (463,803)        |
| Net cash used in capital and related financing activities                               | (3,893,065)         | (2,270,687)      |
| Cash flows from investing activities:   |                     |                  |
| Interest income   | 8,892               | 3,103            |
| Net cash provided by investing activities   | 8,892               | 3,103            |
| Net increase (decrease) in cash   | (172,901)           | 808,202          |
| Cash at beginning of year   | 2,567,110           | 1,758,908        |
| <b>Cash at end of year</b>  | <b>\$ 2,394,209</b> | <b>2,567,110</b> |
| Reconciliation of operating income to net cash provided by operating activities:        |                     |                  |
| Operating income  | \$ 2,518,577        | 1,169,068        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                  |
| Depreciation  | 1,778,767           | 1,678,489        |
| Miscellaneous and utility contract income   | 79,834              | 691,034          |
| Change in operating assets and liabilities:   |                     |                  |
| (Increase) decrease in accounts receivable - customer service                           | 451,019             | (386,330)        |
| (Increase) decrease in accounts receivable - unbilled                                   | 90,166              | 817              |
| (Increase) decrease in accounts receivable - intercommunity trunkline                   | (162,479)           | 6,565            |
| (Increase) decrease in accounts receivable - other                                      | (608,650)           | (288,364)        |
| (Increase) decrease in inventory  | 7,260               | 9,344            |
| (Increase) decrease in prepaid expenses   | 5,547               | 394              |
| (Decrease) increase in accounts payable - trade   | (10,201)            | (7,161)          |
| (Decrease) increase in accounts payable - trunkline                                     | (26,043)            | (61,715)         |
| (Decrease) increase in accrued payroll  | 5,969               | 2,551            |
| (Decrease) increase in accrued compensated absences                                     | 4,140               | 4,284            |
| (Decrease) increase in OPEB liabilities   | 99,862              | 108,822          |
| (Decrease) increase in unearned revenue   | (522,496)           | 147,988          |
| Net cash provided by operating activities   | 3,711,272           | 3,075,786        |
| <b>Noncash capital and related financing activities:</b>                                |                     |                  |
| Amortized deferred credits from bond refinancing proceeds                               | 73,486              | 28,693           |

**GREATER AUGUSTA UTILITY DISTRICT**  
**WATER DIVISION**  
**Statements of Net Position**  
**December 31, 2012**  
**(with comparative totals for December 31, 2011)**

|  | 2012                 | 2011              |
|--|----------------------|-------------------|
| <b>ASSETS</b>                              |                      |                   |
| Current assets:                            |                      |                   |
| Cash and cash equivalents                  | \$ 3,407,263         | 2,391,678         |
| Accounts receivable:                       |                      |                   |
| Customer                                   | 386,662              | 353,074           |
| Unbilled                                   | 246,995              | 304,439           |
| Other                                      | 10,137               | 7,712             |
| Inventory                                  | 113,319              | 106,431           |
| Prepaid expenses                           | 1,549                | 9,278             |
| <b>Total current assets</b>                | <b>4,165,925</b>     | <b>3,172,612</b>  |
| Noncurrent assets:                         |                      |                   |
| Other assets:                              |                      |                   |
| Unamortized debt discount                  | 41,532               | 48,485            |
| <b>Total other assets</b>                  | <b>41,532</b>        | <b>48,485</b>     |
| Capital assets:                            |                      |                   |
| Work in process                            | 31,058               | 896,263           |
| Operating property                         | 34,450,375           | 33,423,693        |
| Less accumulated depreciation              | (13,518,793)         | (12,734,945)      |
| <b>Net capital assets</b>                  | <b>20,962,640</b>    | <b>21,585,011</b> |
| <b>Total noncurrent assets</b>             | <b>21,004,172</b>    | <b>21,633,496</b> |
| <b>Total assets</b>                        | <b>25,170,097</b>    | <b>24,806,108</b> |
| <b>LIABILITIES</b>                         |                      |                   |
| Current liabilities:                       |                      |                   |
| Accounts payable                           |                      |                   |
| Trade                                      | 26,567               | 86,327            |
| Construction/retainage                     | 14,605               | 30,413            |
| Accrued payroll                            | 31,974               | 23,809            |
| Accrued compensated absences               | 39,108               | 36,507            |
| Accrued interest                           | 32,634               | 36,794            |
| Unearned revenue                           | -                    | 262,952           |
| Current portion of bonds and notes payable | 380,225              | 380,225           |
| <b>Total current liabilities</b>           | <b>525,113</b>       | <b>857,027</b>    |
| Noncurrent liabilities:                    |                      |                   |
| OPEB liabilities                           | 129,958              | 114,248           |
| Bonds and notes payable                    | 2,859,878            | 3,240,103         |
| <b>Total noncurrent liabilities</b>        | <b>2,989,836</b>     | <b>3,354,351</b>  |
| <b>Total liabilities</b>                   | <b>3,514,949</b>     | <b>4,211,378</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                      |                   |
| Deferred credits                           | 73,138               | 92,442            |
| <b>Total deferred inflows of resources</b> | <b>73,138</b>        | <b>92,442</b>     |
| <b>NET POSITION</b>                        |                      |                   |
| Net investment in capital assets           | 17,722,537           | 17,964,683        |
| Unrestricted                               | 3,859,473            | 2,537,605         |
| <b>Total net position</b>                  | <b>\$ 21,582,010</b> | <b>20,502,288</b> |

**GREATER AUGUSTA UTILITY DISTRICT**  
**WATER DIVISION**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2012**  
**(with comparative totals for the year ended December 31, 2011)**

|  | 2012                 | 2011              |
|--|----------------------|-------------------|
| Operating revenues:                    |                      |                   |
| Metered:                               |                      |                   |
| Residential                            | \$ 1,388,775         | 1,730,591         |
| Commercial                             | 749,378              | 866,721           |
| Governmental                           | 264,347              | 407,588           |
| Public fire protection                 | 806,055              | 783,478           |
| Private fire protection                | 371,801              | 345,138           |
| Other water revenues                   | 9,843                | 13,651            |
| Total operating revenues               | 3,590,199            | 4,147,167         |
| Operating expenses:                    |                      |                   |
| Source of supply                       | 166,454              | 177,504           |
| Treatment plant                        | 129,927              | 142,389           |
| Transportation and distribution        | 901,360              | 884,000           |
| Customer accounts                      | 185,426              | 195,126           |
| Administrative and general             | 382,886              | 356,964           |
| Depreciation                           | 783,848              | 795,506           |
| Total operating expenses               | 2,549,901            | 2,551,489         |
| Operating income                       | 1,040,298            | 1,595,678         |
| Nonoperating revenues (expenses):      |                      |                   |
| Interest revenue                       | 4,633                | 3,631             |
| Utility contract income                | 13,800               | 14,945            |
| Non-utility income                     | 192,454              | 177,639           |
| Merchandising and jobbing revenue      | 16,853               | 12,727            |
| Interest expense                       | (181,363)            | (261,407)         |
| Amortization expense                   | (6,953)              | (6,953)           |
| Total nonoperating revenues (expenses) | 39,424               | (59,418)          |
| Change in net position                 | 1,079,722            | 1,536,260         |
| Net position, beginning of year        | 20,502,288           | 18,966,028        |
| <b>Net position, end of year</b>       | <b>\$ 21,582,010</b> | <b>20,502,288</b> |

**GREATER AUGUSTA UTILITY DISTRICT**  
**WATER DIVISION**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2012**  
**(with comparative totals for the year ended December 31, 2011)**

|   | 2012                | 2011             |
|---|---------------------|------------------|
| Cash flows from operating activities:   |                     |                  |
| Receipts from customers and users   | \$ 3,571,785        | 4,637,868        |
| Payments to suppliers   | (793,832)           | (662,626)        |
| Payments to employees   | (1,004,664)         | (1,056,840)      |
| Net cash provided by operating activities   | 1,773,289           | 2,918,402        |
| Cash flows from capital and related financing activities:                               |                     |                  |
| Purchase of capital assets  | (177,285)           | (1,433,941)      |
| Proceeds from long-term debt  | -                   | 711,111          |
| Principal payments on long-term debt  | (380,225)           | (1,641,335)      |
| Interest payments on long-term debt   | (204,827)           | (319,568)        |
| Net cash used in capital and related financing activities                               | (762,337)           | (2,683,733)      |
| Cash flows from investing activities:   |                     |                  |
| Interest revenue  | 4,633               | 3,631            |
| Net cash provided by investing activities   | 4,633               | 3,631            |
| Net increase in cash  | 1,015,585           | 238,300          |
| Cash at beginning of year   | 2,391,678           | 2,153,378        |
| <b>Cash at end of year</b>  | <b>\$ 3,407,263</b> | <b>2,391,678</b> |
| Reconciliation of operating income to net cash provided by operating activities:        |                     |                  |
| Operating income  | \$ 1,040,298        | 1,595,678        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                  |
| Depreciation  | 783,848             | 795,506          |
| Utility, non-utility, jobbing and miscellaneous revenues                                | 223,107             | 205,311          |
| Change in operating assets and liabilities:   |                     |                  |
| (Increase) decrease in accounts receivable - customers                                  | (33,588)            | 102,236          |
| (Increase) decrease in accounts receivable - unbilled                                   | 57,444              | 143,095          |
| (Increase) decrease in accounts receivable - other                                      | (2,425)             | (4,038)          |
| (Increase) decrease in inventory  | (6,888)             | (2,050)          |
| (Increase) decrease in prepaid expenses   | 7,729               | -                |
| (Decrease) increase in accounts payable   | (59,760)            | 21,191           |
| (Decrease) increase in accrued payroll  | 8,165               | (3,514)          |
| (Decrease) increase in accrued compensated absences                                     | 2,601               | 2,691            |
| (Decrease) increase in OPEB liabilities   | 15,710              | 18,199           |
| (Decrease) increase in unearned revenue   | (262,952)           | 44,097           |
| Net cash provided by operating activities   | 1,773,289           | 2,918,402        |
| Noncash capital and related financing activities:                                       |                     |                  |
| Amortized debt discount   | (6,953)             | (6,953)          |
| Amortized deferred credits from bond refinancing proceeds                               | 19,304              | 43,666           |

**GREATER AUGUSTA UTILITY DISTRICT  
SANITARY DIVISION - SEWER  
Schedule of Operating Revenues  
For the Year Ended December 31, 2012  
(with comparative totals for the year ended December 31, 2011)**

|                                 | <b>2012</b>         | <b>2011</b>      |
|---------------------------------|---------------------|------------------|
| <b>OPERATING REVENUES</b>       |                     |                  |
| Metered                         | \$ 3,489,148        | 2,864,887        |
| Flat rate                       | 14,507              | 13,027           |
| Trunkline communities           | 798,901             | 759,758          |
| Late fees                       | 31,754              | 31,051           |
| Connection fees                 | 167,912             | 161,869          |
| Togus debt                      | 378,210             | 370,499          |
| <b>Total operating revenues</b> | <b>\$ 4,880,432</b> | <b>4,201,091</b> |

May 15, 2013

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, 2012. 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 letter to you dated January 8, 2013 and with our discussion with the Chair of the Board of Trustees on March 15, 2013. 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 January 8, 2013, 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.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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. The Greater Augusta Utility District adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 62, 63, and 65 in 2012. No other new accounting policies were adopted and the application of existing policies was not changed during 2012.

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We noted no transactions entered into by the governmental unit 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 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 attached listing of *adjusting journal entries* represents misstatements detected as a result of audit procedures, some of which were material. All entries have been corrected by management.

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

#### *Disagreements with Management*

For purposes of this letter, 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 May 15, 2013 which we have attached to this letter.



Board of Trustees

Page 3

*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 governmental unit'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

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

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

Very truly yours,

A handwritten signature in cursive script, reading "Remya Newton Ouellette".

**GREATER AUGUSTA UTILITY DISTRICT  
ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2012**

**Sanitary & Storm**

|          | Acct #   | Account Name               | DR           | CR           |
|----------|--|----------------------------|--------------|--------------|
| <b>1</b> | 4000-00-00-00-292150   | Undesignated Fund Balances | 3,912,550.00 |              |
|          | 4000-00-00-00-101010   | Due To Due From            |              | 3,912,550.00 |
|          | 3000-00-00-00-101010   | Due To Due From            | 3,912,550.00 |              |
|          | 3000-00-00-00-292150   | Undesignated Fund Balances |              | 3,912,550.00 |
|          | <i>To reclass fund balance from storm water to sewer to balance with PY FS.</i>                |                            |              |              |
| <b>2</b> | 3000-00-00-00-131240   | Utility Investment         | 235.29       |              |
|          | 305006-464190  | Interest/Div               |              | 235.29       |
|          | 4000-00-00-00-131240   | Utility Investment         | 235.29       |              |
|          | 405006-464190  | Interest/Div               |              | 235.29       |
|          | <i>To record interest on CD.</i>   |                            |              |              |
| <b>3</b> | 305034-644271  | Debt Interest              | 76,253.17    |              |
|          | 3000-00-00-00-212530   | Other Deferred Credits     |              | 76,253.17    |
|          | 4000-00-00-00-212530   | Other Deferred Credits     | 2,767.88     |              |
|          | 405034-644271  | Debt interest              |              | 2,767.88     |
|          | <i>To adjust deferred credits to actual.</i>   |                            |              |              |
| <b>4</b> | 4000-00-00-00-242210   | Long Term Debt             | 116,200.97   |              |
|          | 4000-00-00-00-101010   | Due To Due From            | 67,566.06    |              |
|          | 4000-00-00-00-202370   | Accrued Interest           |              | 4,508.48     |
|          | 4050034-644271   | Debt Interest              |              | 179,258.55   |
|          | 3000-00-00-00-202370   | Accrued Interest           | 4,508.48     |              |
|          | 3050034-644271   | Debt Interest              | 179,258.55   |              |
|          | 3050007-474740   | Other Revenue              |              | 71.19        |
|          | 3000-00-00-00-242210   | Long Term Debt             |              | 116,129.78   |
|          | 3000-00-00-00-101010   | Due To Due From            |              | 67,566.06    |
|          | <i>To adjust debt to actual and to allocate interest expense between Sanitary &amp; Storm.</i> |                            |              |              |
| <b>5</b> | 4000-00-00-00-101420   | Other Accounts Receivable  | 876,494.21   |              |
|          | 4000-00-00-00-101010   | Due To Due From            |              | 876,494.21   |
|          | 3000-00-00-00-101010   | Due To Due From            | 876,494.21   |              |
|          | 3000-00-00-00-101420   | Other Accounts Receivable  |              | 876,494.21   |
|          | <i>To reclass receivables between Sanitary and Storm based on management's estimates.</i>      |                            |              |              |

|           |  |                                    |              |              |
|-----------|--|------------------------------------|--------------|--------------|
| <b>6</b>  | 3000-00-00-00-131250   | SRF LOC                            | 3,674,181.04 |              |
|           | 3000-00-00-00-101010   | Due To Due From                    |              | 3,674,181.04 |
|           | 4000-00-00-00-101010   | Due To Due From                    | 3,674,181.04 |              |
|           | 4000-00-00-00-131250   | SRF LOC                            |              | 3,674,181.04 |
|           | <i>To adjust unspent bond proceeds to actual.</i>                                |                                    |              |              |
| <b>7</b>  | 305005-454603  | Trunkline Revenues                 | 6,565.00     |              |
|           | 3000-101740  | Misc. Curr & Accr Assets           |              | 6,565.00     |
|           | <i>To adjust receivable to actual.</i>   |                                    |              |              |
| <b>8</b>  | 3000-02-00-666902  | Treatment Plant - Allocate Storm   |              | 33,996.24    |
|           | 3000-03-03-666902  | Pump Stations - Allocate Storm     |              | 232.71       |
|           | 3000-03-04-666902  | Sanitary Pipes - Allocate Storm    |              | 2,082.58     |
|           | 3000-03-05-666902  | Catch Basins - Allocate Storm      |              | 21.40        |
|           | 3000-03-06-666902  | Storm Pipes - Allocate Storm       | 148,182.78   |              |
|           | 3000-04-00-666902  | Customer Accounts - Allocate Storm | 584.68       |              |
|           | 3000-05-00-666902  | Admin & General - Allocate Storm   |              | 59,908.29    |
|           | 4000-02-00-666902  | Treatment Plant - Allocate Storm   | 33,996.24    |              |
|           | 4000-03-03-666902  | Pump Stations - Allocate Storm     | 232.71       |              |
|           | 4000-03-04-666902  | Sanitary Pipes - Allocate Storm    | 2,082.58     |              |
|           | 4000-03-05-666902  | Catch Basins - Allocate Storm      | 21.40        |              |
|           | 4000-03-06-666902  | Storm Pipes - Allocate Storm       |              | 148,182.78   |
|           | 4000-04-00-666902  | Customer Accounts - Allocate Storm |              | 584.68       |
|           | 4000-05-00-666902  | Admin & General - Allocate Storm   | 59,908.29    |              |
|           | <i>To adjust allocation of expenses between sewer and storm water.</i>           |                                    |              |              |
| <b>9</b>  | 3000-202410  | Misc Current & Accr Liab           | 10,813.12    |              |
|           | 3110-202410  | Misc Current & Accr Liab           |              | 1,465.89     |
|           | 4000-202410  | Misc Current & Accr Liab           |              | 9,347.23     |
|           | <i>To adjust allocation of accrued payroll and accrued compensated absences.</i> |                                    |              |              |
| <b>10</b> | 3000-242241  | Other Post Employment Benefits     | 3,816.74     |              |
|           | 3000-05-00-606044  | OPEB                               |              | 18,841.45    |
|           | 4000-242241  | Other Post Employment Benefits     | 3,017.67     |              |
|           | 4000-05-00-606044  | OPEB                               | 12,007.04    |              |
|           | <i>To adjust allocation of OPEB liability and OPEB expenses.</i>                 |                                    |              |              |
| <b>11</b> | 3000-202330  | Retainage Payable                  | 197,243.28   |              |
|           | 4000-202330  | Retainage Payable                  |              | 197,243.28   |
|           | <i>To allocate retainage between sanitay &amp; storm.</i>                        |                                    |              |              |

|           |                      |   |               |               |
|-----------|----------------------|---|---------------|---------------|
| <b>12</b> | 4000-123033          | Land Water Trt Plant  | 1,997.61      |               |
|           | 3000-123033          | Land Water Trt Plant  |               | 1,997.61      |
|           | 4000-123043          | Structural Imprv Trt Plant  | 1,194,669.80  |               |
|           | 3000-123043          | Structural Imprv Trt Plant  |               | 1,186,395.98  |
|           | 4000-123391          | Other Plt Misc Equip Tr PLT   | 82,449.37     |               |
|           | 3000-123391          | Other Plt Misc Equip Tr PLT   |               | 13,445.82     |
|           | 3000-123392          | Other Plt Misc Equip T&D  | 25,999.00     |               |
|           | 3030336-666360       | Outside Contractors   |               | 25,999.00     |
|           | 4000-123400          | Office Furniture Gen Plt  | 9,163.21      |               |
|           | 3000-123400          | Office Furniture Gen Plt  |               | 9,163.21      |
|           | 4000-123440          | Lab Equipment General Plant   | 3,770.90      |               |
|           | 3000-123440          | Lab Equipment General Plant   |               | 3,770.90      |
|           | 4000-123450          | Power Operated Equip Gen Plt  | 9,199.73      |               |
|           | 3000-123450          | Power Operated Equip Gen Plt  |               | 9,199.73      |
|           | 4000-123610          | Collection Sewers Gravity   | 19,602.44     |               |
|           | 3000-123610          | Collection Sewers Gravity   |               | 12,432,848.33 |
|           | 3000-123650          | Sanitary Mains  | 12,363,448.43 |               |
|           | 4000-121050          | Construction in Progress  | 7,696,973.08  |               |
|           | 3000-121050          | Construction in Progress  |               | 7,222,078.67  |
|           | 3113436-666900-11001 | Work in Progress  |               | 456,516.17    |
|           | 3113436-666900-11016 | Work in Progress  |               | 1,704.28      |
|           | 3020036-666360       | Outside Contractors   | 15,655.50     |               |
|           | 4020036-666902       | Allocate Storm  | 9,194.50      |               |
|           | 3050007-474740       | Other Revenues  |               | 43,472.44     |
|           | 4050007-474740       | Other Revenues  |               | 25,531.43     |
|           |                      | <i>To adjust capital assets and CIP to actual and to allocate across sanitary and storm funds.</i>          |               |               |
| <b>13</b> | 3050035-654030       | Depreciation Expense  |               | 8,063.70      |
|           | 4050035-654030       | Depreciation Expense  | 71,580.11     |               |
|           | 3000-121080          | Accumulated Depreciation  | 1,634,722.96  |               |
|           | 4000-121080          | Accumulated Depreciation  |               | 1,715,540.38  |
|           | 3050032-626758       | Misc Expense  | 10,034.59     |               |
|           | 4050036-666902       | Allocate Storm  | 7,266.42      |               |
|           |                      | <i>To adjust accumulated depreciation to actual and to allocate according between sanitary &amp; storm.</i> |               |               |
| <b>14</b> | 3000-101420          | Other Accounts Receivable   | 169,044.00    |               |
|           | 3050005-454603       | Trunkline Revenues  |               | 169,044.00    |
|           |                      | <i>To record receivable for amounts trunkline members underpaid during 2012.</i>                            |               |               |
| <b>15</b> | 3110-202310          | Accounts Payable  | 872,845.26    |               |
|           | 4000-202310          | Accounts Payable  |               | 872,845.26    |
|           |                      | <i>To allocate payable for construction between sewer and storm water funds.</i>                            |               |               |

|           |                      |                            |          |          |
|-----------|----------------------|----------------------------|----------|----------|
| <b>16</b> | 3115007-474740-00209 | Other revenue              | 3,057.32 |          |
|           | 3113430-604082-00209 | Payroll Taxes              |          | 135.10   |
|           | 3113430-606011-00209 | Salaries and Regular Wages |          | 1,237.11 |
|           | 3113430-606019-00209 | Overtime                   |          | 649.03   |
|           | 3113430-606041-00209 | Health                     |          | 604.14   |
|           | 3113430-606042-00209 | Retirement                 |          | 83.72    |
|           | 3113432-626200-00209 | Supplies                   |          | 1,464.51 |
|           | 3113436-666360-00209 | Outside Contractors        |          | 1,485.04 |
|           | 3113436-666758-00209 | Capitalized Overheads      |          | 358.38   |
|           | 3050007-474740       | Other revenue              |          | 1,926.11 |
|           | 4050007-474740       | Other Revenues             |          | 1,131.21 |
|           | 3030430-604082       | Payroll Taxes              | 85.11    |          |
|           | 3030430-606011       | Salaries and Regular Wages | 779.38   |          |
|           | 3030430-606019       | Overtime                   | 408.89   |          |
|           | 3030430-606041       | Health                     | 380.61   |          |
|           | 3030430-606042       | Retirement                 | 52.74    |          |
|           | 3030432-626200       | Supplies                   | 1,148.42 |          |
|           | 3030436-666360       | Outside Contractors        | 935.58   |          |
|           | 4030336-666902       | Allocate Storm             | 2,226.30 |          |

*To reclass Project 00209 revenues and expenses to Sanitary/Storm Fund.*

|           |                |                  |           |           |
|-----------|----------------|------------------|-----------|-----------|
| <b>17</b> | 3020036-666360 | Engineering      | 10,950.03 |           |
|           | 4020036-666902 | Allocate Storm   | 6,430.97  |           |
|           | 3112036-666900 | Work in progress |           | 17,381.00 |

*To expense additional amounts for project 12022.*

**Water**

|          |                      |                            |        |        |
|----------|----------------------|----------------------------|--------|--------|
| <b>1</b> | 2000-00-00-00-292150 | Undesignated Fund Balances | 120.04 |        |
|          | 2110-00-00-00-292150 | Undesignated Fund Balances |        | 120.04 |

*To move net position out of the CWIP fund.*

|          |                      |                        |           |           |
|----------|----------------------|------------------------|-----------|-----------|
| <b>2</b> | 2050034-644271       | Debt interest          | 16,859.00 |           |
|          | 2000-00-00-00-212530 | Other Deferred Credits |           | 16,859.00 |

*To adjust the deferred credits to actual.*

|          |                   |                                |          |          |
|----------|-------------------|--------------------------------|----------|----------|
| <b>3</b> | 2000-242241       | Other Post Employment Benefits | 2,009.59 |          |
|          | 2000-05-00-606044 | OPEB                           |          | 2,009.59 |

*To adjust allocation of OPEB liability and OPEB expenses*

|   |   |                            |           |           |
|---|---|----------------------------|-----------|-----------|
| 4 | 2115007-474740-00209  | Other revenue              | 23,125.09 |           |
|   | 2113036-666900-00209  | Work in Progress           | 1,977.42  |           |
|   | 2113030-604082-00209  | Payroll Taxes              |           | 480.18    |
|   | 2113030-606011-00209  | Salaries and Regular Wages |           | 5,427.51  |
|   | 2113030-606019-00209  | Overtime                   |           | 1,216.72  |
|   | 2113030-606041-00209  | Health                     |           | 1,536.23  |
|   | 2113030-606042-00209  | Retirement                 |           | 339.39    |
|   | 2113032-626200-00209  | Supplies                   |           | 11,880.32 |
|   | 2113036-666758-00209  | Capitalized Overheads      |           | 1,262.45  |
|   | 2110-101010   | Due To Due from            |           | 2,959.71  |
|   | 2050007-474740  | Other revenue              |           | 23,125.09 |
|   | 2030130-604082  | Payroll Taxes              | 480.18    |           |
|   | 2030130-606011  | Salaries and Regular Wages | 5,427.51  |           |
|   | 2030130-606019  | Overtime                   | 1,216.72  |           |
|   | 2030130-606041  | Health                     | 1,536.23  |           |
|   | 2030130-606042  | Retirement                 | 339.39    |           |
|   | 2030132-626200  | Supplies                   | 11,165.35 |           |
|   | 2000-101010   | Due To Due from            | 2,959.71  |           |
|   | <i>To reclass Project 00209 revenues and expenses to Water Fund.</i>          |                            |           |           |
| 5 | 2000-121050   | Construction in Progress   | 1,704.28  |           |
|   | 2000-101010   | Due to Due From            |           | 1,704.28  |
|   | 2110-101010   | Due to Due From            | 1,704.28  |           |
|   | 2113036-666900-11010  | Work In Progress           |           | 1,704.28  |
|   | <i>To capitalize additional expenses for project 11010.</i>                   |                            |           |           |
| 6 | 2010236-666360  | Outside Contractors        | 49,418.82 |           |
|   | 2000-121050   | Construction in Progress   |           | 49,418.82 |
|   | <i>To expense Project 12026 disbursements related to feasibility studies.</i> |                            |           |           |
| 7 | 2000-121050   | Construction in Progress   | 12,900.82 |           |
|   | 2000-101010   | Due to Due From            |           | 12,900.82 |
|   | 2110-101010   | Due to Due From            | 12,900.82 |           |
|   | 2113036-666900-12031  | Work In Progress           |           | 12,900.82 |
|   | <i>To capitalize additional expenses for project 12031.</i>                   |                            |           |           |
| 8 | 2030236-666310  | Engineering                | 6,525.26  |           |
|   | 2000-121050   | Construction in Progress   |           | 6,525.26  |
|   | <i>To expense Project 12034 disbursements related to feasibility studies.</i> |                            |           |           |
| 9 | 2030236-666310  | Engineering                | 7,402.74  |           |
|   | 2000-121050   | Construction in Progress   |           | 7,402.74  |
|   | <i>To expense Project 90103 disbursements related to feasibility studies.</i> |                            |           |           |

**GREATER AUGUSTA UTILITY DISTRICT  
PASSED ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2012**

|          | Acct #   | Acct Name                | DR        | CR        |
|----------|--|--------------------------|-----------|-----------|
| <b>1</b> | 3000-121050  | Construction in Progress | 46,832.70 |           |
|          | 3000-202330  | Retainage Payable        |           | 46,832.70 |
|          | <i>To record retainage for Apex Construction contract for upgrades to secondary disinfection system.</i> |                          |           |           |
| <b>2</b> | 3050007-474740   | Other Revenues           | 4,873.44  |           |
|          | 3050006-464190   | Interest and Dividends   |           | 4,873.44  |
|          | <i>To reclass revenues to appropriate account.</i>   |                          |           |           |

Phone: (207) 622-3701

# GREATER AUGUSTA UTILITY DISTRICT

Fax: (207) 622-4539

12 Williams Street  
Augusta, ME 04330-5225  
[www.augustawater.org](http://www.augustawater.org)

BRIAN TARBUCK  
General Manager

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

TRUSTEES:  
DAVID BUSTIN  
LESLEY JONES  
ANDREW McPHERSON  
DONALD A. ROBERTS  
SUKEY SIKORA

May 15, 2013

Runyon Kersteen Ouellette  
20 Long Creek Drive  
South Portland, ME

This representation letter is provided in connection with your audit of the financial statements of the Greater Augusta Utility District as of December 31, 2012, and the changes in financial position and, where applicable, 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 May 15, 2013, 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 January 8, 2013.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 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 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 the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.



- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

### **Information Provided**


- 11) 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 entity 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.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) 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.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have disclosed to you all known 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.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.


### **Government—specific**

- 19) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us.
- 22) We have a process to track the status of audit findings and recommendations.
- 23) 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.
- 24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 25) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 27) 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.
- 28) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 29) 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.
- 30) 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.
- 31) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 32) 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.
- 33) The financial statements properly classify all funds and activities.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 35) Investments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) 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.
- 38) Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) 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 was properly recognized under the policy.
- 43) 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.
- 44) With respect to the comparative exhibits and schedules:
  - a) We acknowledge our responsibility for presenting the comparative exhibits and schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the comparative exhibits and schedules, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the comparative exhibits and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b) If the comparative exhibits and schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signed:   
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Brian Tarbuck  
General Manager

Signed:   
\_\_\_\_\_  
Greg Leighton  
Contracted Finance Administrator

**GREATER AUGUSTA UTILITY DISTRICT**

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

**For the Year Ended December 31, 2012**

**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**

Independent Auditor's Report

Board of Trustees  
Greater Augusta Utility 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, 2012, 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 May 15, 2013.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item #2012-1, that we consider to be a significant deficiency.

**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*.

**Greater Augusta Utility District's Response to Finding**

The Greater Augusta Utility District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Greater Augusta Utility District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.



May 15, 2013  
South Portland, Maine

**GREATER AUGUSTA UTILITY DISTRICT**  
**Schedule of Findings and Responses**  
**December 31, 2012**

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**SIGNIFICANT DEFICIENCY**

**#2012-1 Material Audit Adjustments**

As part of the audit process, we use and rely on reports provided by management to compile the financial statements. When auditors prepare the financial statements, management must take responsibility for the financial statements and the records used to prepare them. If it is likely that misstatements may occur in these records and go undetected by management, and these misstatements are more than inconsequential, a significant deficiency exists in the entity's control system. When our audit procedures detect misstatements and we provide audit entries to correct these misstatements, it becomes a foregone conclusion that a significant deficiency does indeed exist. We provided management with a number of audit entries which we feel are more than inconsequential. Many of the entries pertained to misstatements regarding the District's capital assets and allocation of expenses between the Sewer and Storm Water funds.

The capital assets are currently tracked in several excel worksheets which are cumbersome and prone to errors. We recommend that the District utilized their accounting software to track capital assets (including construction in progress). Consolidating the capital asset listings into the accounting software will provide more concise reports and eliminate potential errors.

The expense allocation between the Sewer and Storm Water funds is performed monthly by the accounting staff. However, after the entries for the allocation are made each month, there may be additional entries for expenses that were not recorded initially. The omission of these late entries in the allocation process causes inaccurate reporting. We recommend a more thorough review of monthly financial reports and the development of formal policies and procedures to aid in ensuring the allocation of expenses is accurate. Additionally, any entries done after the initial monthly allocation is made should be adjusted to reflect the proper expense allocation.

*Management's response: The District has completed entering all fixed assets into the Munis Fixed Asset module. This module went "live" in early May, 2013. The spreadsheets that were previously used have been saved for future reference but are not actively used.*

*Allocation of costs between Sewer and Storm Water divisions is performed monthly and is the final procedure performed before the monthly "close" process. All entries identified after the close will be input to the following month.*

*Accounting procedure for monthly allocation of sewer and storm water funds.*

- 1. After each month has been closed, verify that funds have been allocated in accordance with the 2011 directive of the Board of Trustees.*
- 2. Any additional expenses that come in after the month has been closed will be expensed in the following month and included in the normal monthly allocation process.*
- 3. A final review process will be performed each month by a person who did not make the original allocation to verify that the monthly allocations were done properly. If discrepancies are noted they will be investigated and reported immediately to the General Manager.*
- 4. At year end, due to the timing of the audit process, interim reports will be generated but allocations will not be finalized until after audit accruals, entries and reviews have been completed by the independent auditor.*