

March 25, 2014

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, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 20, 2013 and in our discussion with the Chair of the Board of Trustees on January 14, 2014. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated December 20, 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. No new accounting policies were adopted and the application of existing policies was not changed during 2013.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimate of depreciation expense, which is based on estimated useful lives of assets and management's estimate of the other post employment benefits (OPEB) liability, which is based on actuarial calculations and assumptions regarding future plan expenses. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are clearly trivial, and communicate them to the appropriate level of management. The 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.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 25, 2014 which we have attached to this letter.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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,



GAUD - Sanitary Division
12/31/13

	Acct #	Account Name	DR	CR	WP
1	3000-202310	Accounts Payable	46,230.39		AA
	3000-101010	Due To Due From		46,230.39	
	3110-202310	Accounts Payable	14,668.75		
	3110-101010	Due To Due From		14,668.75	
	4000-101010	Due To Due From	60,899.14		
	4000-202310	Accounts Payable		60,899.14	
	<i>To reclass payables from sanitary to storm</i>				
2	3000-101010	Due To Due From	12,074.66		E
	3000-101620	Prepayments		12,074.66	
	4000-101620	Prepayments	12,074.66		
	4000-101010	Due To Due From		12,074.66	
	<i>To reclass prepaid expenditures from sanitary to storm</i>				
3	3000-121050	Construction in Progress	25,856.03		AA-04
	4000-202330	Retainage Payable	62,359.52		
	3000-101010	Due To Due From	62,359.52		
	3000-202330	Retainage Payable		88,215.55	
	4000-101010	Due To Due From		62,359.52	
	<i>To correct client allocation of retainage payable</i>				
4	4050030-606044	OPEB	18,874.02		FF
	4000-101010	Due To Due From		18,874.02	
	3000-101010	Due To Due From	18,874.02		
	3050030-606044	OPEB		18,874.02	
	<i>To adjust OPEB expense allocation to reflect actual</i>				
5	3000-121050	Construction in Progress		5,884,173.00	F-04.7
	3000-101010	Due To Due From	5,884,173.00		
	4000-121050	Construction in Progress	5,884,173.00		
	4000-101010	Due To Due From		5,884,173.00	
	<i>To allocate construction in progress between sanitary /storm</i>				
6	3000-242210	Long Term Debt	19,207.21		EE-04
	3000-101010	Due To Due From		19,207.21	
	4000-242210	Long Term Debt		19,207.21	
	4000-101010	Due To Due From	19,207.21		
	<i>To allocate bonds payable between sanitary/storm</i>				
7	3000-212530	Other Defferred credits		4,687.87	GG-1a
	3000-101010	Due To Due From	4,687.87		
	4000-212530	Other Defferred credits	4,687.87		
	4000-101010	Due To Due From		4,687.87	
	<i>To allocate deferred credits between sanitary/storm</i>				
8	305034-644271	Debt interest	6,250.42		EE-04
	3000-101010	Due To Due From		6,250.42	
	405034-644271	Debt interest		6,250.42	
	4000-101010	Due To Due From	6,250.42		
	<i>To allocate debt interest expense between sanitary/storm</i>				
9	3000-131250	SRF LOC	701,682.90		EE-03
	3000-101010	Due To Due From		701,682.90	
	4000-101010	Due To Due From	701,682.90		
	4000-131250	SRF LOC		701,682.90	
	<i>To adjust unspent bond proceeds to actual.</i>				

**GAUD - Water Division
12/31/13**

	Acct #	Account Name	DR	CR	WP
1	2000-202330	Retainage Payable	25,856.03		AA-04
	2000-121050	Construction in Progress		25,856.03	
	<i>To adjust retainage payable to reflect actual</i>				
2	2030232-626200	Supplies	18,296.84		F-01
	2000-123340	Meters/Install T&D		18,296.84	
	<i>To eliminate meters from capital assets as they are included in inventory.</i>				

BRIAN TARBUCK
General Manager

TRUSTEES:

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

TRUSTEES:

DAVE BUSTIN
LESLEY JONES
ANDREW McPHERSON
DONALD A. ROBERTS
SUKEY SIKORA

March 25, 2014

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, 2013, which comprise the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2013, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of March 19, 2014, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 20, 2013.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates 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 all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the 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.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the 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.
- 14) 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.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

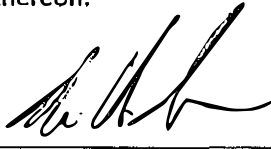
Government—specific

- 18) 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.
- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) 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.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

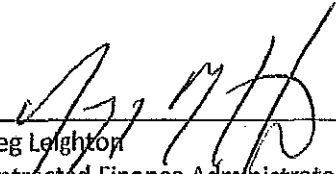
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that 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.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 27) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 30) 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.
- 31) The financial statements properly classify all funds and activities.
- 32) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) 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.
- 37) Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) 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.
- 42) 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.
- 43) 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: 

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, 2013

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

Board of Trustees
Greater Augusta Utilities District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater Augusta Utility District, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Greater Augusta Utility District's basic financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Greater Augusta Utility District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters involving internal control over financial reporting that we have reported as "Other Comments".

Greater Augusta Utility District's response to the other comments 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.



March 25, 2014
South Portland, Maine

GREATER AUGUSTA UTILITY DISTRICT
Schedule of Findings and Responses
December 31, 2013

OTHER COMMENTS

Journal Entry Review

During our review of journal entries, it was noted that the District's staff accountant often posts journal entries that are not subject to a secondary review. While our review revealed no instances of impropriety, the current process exposes the District to additional risks that could be mitigated through the implementation of proper controls. In order to improve internal control, we recommend that management review supporting documents for each journal entry prior to posting and then review the general ledger after the entry has been posted to ensure amounts are appropriate and are posted to the correct accounts.

Balance Sheet Allocations

Our examination of the balance sheet accounts for the Sewer and Storm Water funds revealed that certain assets and liabilities that are shared among the funds were not properly allocated. The expense allocation between the Sewer and Storm Water funds is reviewed and performed monthly by the accounting staff. However, there is no similar review of the balance sheet account allocations. The lack of review of the balance sheet accounts during the year causes inaccurate reporting. Ideally, the balance sheet account allocations would be reviewed and adjusted monthly, but at a minimum the balance sheet account allocations should be reviewed and adjusted annually. We recommend a more thorough review of financial reports and the development of formal policies and procedures to aid in ensuring the allocations of balance sheet accounts are accurate.

Management's Response: The District implemented two policies as a result of the findings of the independent audit of the District's finances. The first requires a second check of journal entries prior to entry into Munis at least until the Finance Director is hired. The second requires GAUD personnel to complete balance sheet entries for the allocation of sewer and stormwater amounts on a monthly, quarterly, or annual basis, as the District deems appropriate. The District has hired a Finance Director who will implement these policies in April, 2014.

GREATER AUGUSTA UTILITY DISTRICT

Financial Statements

**For the Year Ended
December 31, 2013**

GREATER AUGUSTA UTILITY DISTRICT
Financial Statements
For the Year Ended December 31, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the Greater Augusta Utility District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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


Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2014 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.



March 25, 2014
South Portland, Maine

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2013

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, 2013. The Water Division is the drinking water and fire protection division of GAUD. For discussion and analysis purposes, the Sewer and Storm Water divisions of the GAUD are combined and referred to as the Sanitary Division.

Financial Highlights - Water Division

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

- The Water Division's cash and cash equivalents increased by \$346,671. Net cash provided by operating activities totaled \$2.2 million. Receipts from customers increased by \$417,900, payments to suppliers decreased by \$33,200 and payments to employees increased by \$65,200. Net cash used in capital and related financing activities totaled \$1.8 million. Principal and interest on long-term debt totaled \$1.2 million up from 2012 by \$663,000. Investment in capital assets totaled \$2.6 million, an increase of \$2.4 million.
- Accounts receivable decreased by \$35,800 from 2012 due timing of customer payments and billings.
- The work in process (WIP) account increased by \$2.7 million due to timing of main replacement on Riverside Drive (\$1.2 million), new wells (\$299,000) and a new North Augusta Tank (\$964,000). Operating property decreased by \$365,000 due to retirement of old property fully depreciated and out of service.
- Accumulated depreciation increased by \$313,500 from 2012.
- The Water Division increased its long-term financial indebtedness obligation by \$915,000 this year. All the required scheduled debt payments on all outstanding debt were made. A 2001 bond was paid off in 2013 to save on interest costs and a new \$2 million bond was issued to pay for the new wells and the new North Augusta tank.
- The Water Division's net position as of December 31, 2013 was \$22.8 million. Net position consists of investments in capital assets of \$19 million and the remaining unrestricted net position of \$3.9 million. The change in net position for the year ended December 31, 2013 was a net increase of \$1.2 million. The increase is the result of operating revenues being higher than operating expenses and a small amount of non-operating revenues. Operating revenues totaled \$3.7 million, a slight increase of 2.0%. Sales to customers totaled \$2.4 million, equivalent to prior year. Fire protection revenues totaled \$1.3 million, an increase of \$124,000. Operating expenses totaled \$2.5 million, no change from 2012. Non-operating revenue (expense) increased to \$67,300 due to an increase in non-utility income and a decrease in interest expense. All metered customers of the Water Division are charged a minimum fee depending on the size of the meter which includes a minimum water allowance of 300 cubic feet of water. For usage in excess of 300 cubic feet, the charge is \$2.40 per 100 cubic feet. The Maine Public Utilities Commission approved the Water Division's schedule of rates which became effective October 3, 2011.

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

Financial Highlights - Sanitary Division

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

- The Sanitary Division's cash and cash equivalents balance increased by \$726,902 due to net cash provided by operating activities greater than net cash used in capital and related financing activities.
- Net capital assets decreased by \$836,000. Work in process increased by \$876,000 and operating property increased by \$29,000. The increase in Work in process is attributable to the on-going Combined Sewer Overflow Phase 3 Project at Bond Brook and Main Replacements. The increase to operating property relates to the new plant placed into service net of retirements.
- Construction retainage decreased by \$2.1 million due to payments made related to the Combined Sewer Overflow Phase 3 project that is nearing completion.
- Accumulated depreciation increased by \$1.7 million from 2012. The increase is due to depreciation on the 2013 completed projects; full year depreciation on major projects closed in 2012, and offset by retirements of equipment no longer in service.
- 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 2013.
- The Sanitary Division's operating revenues totaled \$8.2 million and operating expenses totaled \$6 million. Net non-operating revenues (expenses) totaled (\$867,800), due to interest expense of (\$537,000) and loss on disposal of assets of (\$368,100).
- The Sanitary Division's net position as of December 31, 2013 was \$38.1 million. Net position consists of investment in capital assets of \$36 million and the remaining unrestricted net position totaled \$2.1 million. The change in net position for the year ended December 31, 2013 was an increase of \$1.3 million.
- All customers of the Sanitary Division are charged \$4.34 per 100 cubic feet of metered sewage, \$25.49 for a quarterly service charge and \$22.64 per equivalent residential unit for storm water.

Overview of Annual Financial Reports

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

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

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

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 15th day of the month following the particular month of operation. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by contributed capital, contributions from customers (cash and meter services), bonds payable, and customer revenues.

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

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

Financial Analysis - Water Division

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

CONDENSED STATEMENTS OF NET POSITION - WATER DIVISION

	December 31, 2013	December 31, 2012
Assets		
Current assets	\$ 4,499,833	4,165,925
Capital and other assets (net)	23,064,997	21,004,172
Total Assets	\$ 27,564,830	25,170,097
Liabilities		
Current liabilities	\$ 896,773	525,113
Long-term liabilities	3,804,112	2,989,836
Total Liabilities	4,700,885	3,514,949
Deferred Inflows of Resources		
Deferred credits	56,279	73,138
Net Position		
Net investment in capital assets	18,875,533	20,962,640
Unrestricted	3,932,133	619,370
Total Net Position	\$ 22,807,666	21,582,010

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

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

	December 31, 2013	December 31, 2012
Operating Revenues		
Metered	\$ 2,352,163	2,402,500
Fire protection	1,301,371	1,177,856
Other water revenues	8,390	9,843
Total Operating Revenues	3,661,924	3,590,199
Operating Expenses		
Operating expenses	1,862,211	1,766,053
Depreciation	680,814	783,848
Total Operating Expenses	2,543,025	2,549,901
Nonoperating Revenue	106,757	39,424
Change in Net Position	1,225,656	1,079,722
Net Position- Beginning of Year	21,582,010	20,502,288
Net Position - End of Year	\$ 22,807,666	21,582,010

Financial Analysis - Sanitary Division

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

CONDENSED STATEMENTS OF NET POSITION - SANITARY DIVISION

	December 31, 2013	December 31, 2012
Assets		
Current assets	\$ 4,653,444	4,092,404
Capital and other assets (net)	66,282,923	69,972,740
Total Assets	\$ 70,936,367	74,065,144
Liabilities		
Current liabilities	\$ 3,298,482	5,292,746
Long-term liabilities	28,679,204	30,998,050
Total Liabilities	31,977,686	36,290,796
Deferred Inflows of Resources		
Deferred credits	878,899	952,384
Net Position		
Net investment in capital assets	36,021,873	37,281,168
Unrestricted	2,057,909	(459,204)
Total Net Position	\$ 38,079,782	36,821,964

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

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

	December 31, 2013	December 31, 2012
Operating revenues:		
Sewer	\$ 3,617,016	3,503,655
Storm water	3,234,395	3,219,716
Trunkline	706,827	798,901
Other	602,690	614,407
Total operating revenues	8,160,928	8,136,679
Operating expenses:		
Operating expenses	4,121,393	3,839,335
Depreciation	1,913,934	1,778,767
Total operating expenses	6,035,327	5,618,102
Nonoperating expenses	(867,783)	(407,712)
Change in net position	1,257,818	2,110,865
Net position, beginning of year	36,821,964	34,711,099
Net position, end of year	\$ 38,079,782	36,821,964

Capital Asset Activity

During the year, the District continued to carry out plans to upgrade vital components of both the Water and Sanitary systems. These projects are expected to improve efficiencies within the District and reduce future maintenance costs. Within the Water division there was roughly \$1.2 million invested to upgrade the Riverside Drive water mains; this project was still ongoing at year end. Additionally, there are ongoing projects for the construction of a new well at Riverside drive (\$300,657) and a new water storage tank in north Augusta (\$963,946).

Within the Sanitary division several pump stations were upgraded with new equipment and flow meters were installed. Significant ongoing projects at year end included the Combined Sewer Overflow project for Bond Brook which is nearing completion. At year end the District had invested approximately \$13.9 million in this project. Additionally, School street sewer mains are undergoing upgrades with approximately \$166,969 spent as of year end.

Debt Activity

During 2013 the District made all required principal and interest payments on existing debt. In addition, the 2001 Series A Bond was retired nearly eleven years early and thereby reduced long term interest costs significantly. One new bond of \$2 million was issued in 2013 to finance the construction of the new water storage tank in north Augusta. The District was able to realize significant savings by taking advantage of historically low interest rates.

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

GREATER AUGUSTA UTILITY DISTRICT
Statement of Net Position
December 31, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$	6,875,045
Accounts receivable:		
Customer service		1,265,601
Unbilled		654,136
Intercommunity trunkline - operations		61,462
Other		71,975
Inventory		168,563
Prepaid expenses		56,495
Total current assets		9,153,277

Noncurrent assets:

Other assets:

Unamortized debt discount		34,587
Unspent bond proceeds		1,857,357
Total other assets		1,891,944

Capital assets:

Work in process		17,460,384
Operating property		110,398,744
Less accumulated depreciation		(40,403,152)
Net capital assets		87,455,976

Total noncurrent assets		89,347,920
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Total assets		98,501,197
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LIABILITIES

Current liabilities:

Accounts payable:

Trade		222,140
Construction/retainage		659,203
Accrued payroll		115,913
Accrued compensated absences		88,519
Accrued interest		181,876
Current portion of bonds and notes payable		2,927,604
Total current liabilities		4,195,255

Noncurrent liabilities:

OPEB liabilities		994,993
Bonds and notes payable		31,488,323
Total noncurrent liabilities		32,483,316

Total liabilities		36,678,571
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DEFERRED INFLOWS OF RESOURCES

Deferred credits		935,178
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Total deferred inflows of resources		935,178
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NET POSITION

Net investment in capital assets		54,897,406
Unrestricted		5,990,042

Total net position	\$	60,887,448
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See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013

Operating revenues:		
Metered	\$	5,954,297
Flat rate		14,882
Storm water		1,252,623
Catch basins		1,981,772
Trunkline communities		706,827
Public fire protection		806,055
Private fire protection		495,316
Other revenues		611,080
Total operating revenues		11,822,852
Operating expenses:		
Source of supply		146,273
Treatment plant		1,910,642
Transportation and distribution		2,207,700
Customer accounts		416,747
Administrative and general		1,105,625
Trunkline expenses		196,617
Depreciation		2,594,748
Total operating expenses		8,578,352
Operating income		3,244,500
Nonoperating revenues (expenses):		
Interest revenue		8,875
Utility contract income		13,800
Non-utility income		261,215
Miscellaneous		49,251
Interest expense		(699,658)
Amortization expense		(6,945)
Loss on disposal of capital assets		(387,564)
Total nonoperating revenues (expenses)		(761,026)
Change in net position		2,483,474
Net position, beginning of year		58,403,974
Net position, end of year		\$ 60,887,448

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash flows from operating activities:		
Receipts from customers and users	\$	12,376,821
Payments to suppliers		(3,039,568)
Payments to employees		(2,735,982)
Net cash provided by operating activities		6,601,271
Cash flows from capital and related financing activities:		
Purchase of capital assets		(6,092,041)
Proceeds from long-term debt		4,846,812
Principal payments on long-term debt		(3,509,183)
Interest payments on long-term debt		(782,161)
Net cash used in capital and related financing activities		(5,536,573)
Cash flows from investing activities:		
Interest income		8,875
Net cash provided by investing activities		8,875
Net increase in cash		1,073,573
Cash at beginning of year		5,801,472
Cash at end of year	\$	6,875,045
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	3,244,500
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		2,594,748
Utility, non-utility, jobbing and miscellaneous revenues		324,266
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customer service		165,011
(Increase) decrease in accounts receivable - unbilled		(67,020)
(Increase) decrease in accounts receivable - intercommunity trunkline		114,147
(Increase) decrease in accounts receivable - other		17,565
(Increase) decrease in inventory		6,986
(Increase) decrease in prepaid expenses		(51,499)
(Decrease) increase in accounts payable - trade		93,813
(Decrease) increase in accrued payroll		39,552
(Decrease) increase in accrued compensated absences		(8,833)
(Decrease) increase in OPEB liabilities		128,035
Net cash provided by operating activities		6,601,271
Noncash capital and related financing activities:		
Amortized debt discount		(6,945)
Amortized deferred credits from bond refinancing proceeds		90,344

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting - The accounting 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, 2013, there was no allowance for uncollectible accounts receivable recorded as the District estimated 100% of receivables were collectible. The District also accrues revenue for estimated water, sanitary, and storm water services which were not yet billed as of the balance sheet dates.

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

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

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets - Capital assets with an initial individual cost of more than \$5,000 and an estimated useful life of 3 years are stated at the cost to acquire or construct the asset. Capital assets acquired through contributions or donations are capitalized at their fair value. Routine maintenance and repairs are charged to expense. Expenses which materially increase values, change capacities or extend useful lives are capitalized. The provision for depreciation has been computed by the use of the straight-line method at rates intended to amortize the cost of the related assets over their estimated useful lives, ranging from 3-75 years.

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

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, deferred credits, that qualifies for reporting in this category. Deferred credits reflect the difference between the value of new bond proceeds received from the Maine Municipal Bond Bank and the carrying value of the refunded bonds. Deferred credits are being amortized and recognized as inflows of resources over the remaining terms of the refinanced bonds using the straight-line method.

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

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

DEPOSITS

Custodial credit risk- deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2013, \$250,000 of the District's bank balance of \$6,896,583 was insured by the FDIC and \$6,646,583 was collateralized by a \$6,750,000 irrevocable standby letter of credit issued by the Federal Home Loan Bank of Pittsburgh. In accordance with its investment policy, the District's funds must be made in financial institutions that are insured by FDIC or FSLIC. Any funds deposited or invested above those insurance limits must be collateralized by the financial institution, or any excess funds over that limit must be placed with other insured (FDIC or FSLIC) financial institutions.

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

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

CAPITAL ASSETS

The following is a summary of the changes in capital assets from December 31, 2013:

	<u>Balance</u> <u>12/31/12</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/13</u>
Capital assets not being depreciated:				
Land	\$ 1,643,951	-	-	1,643,951
<u>Work in process</u>	<u>13,838,085</u>	<u>3,976,581</u>	<u>354,282</u>	<u>17,460,384</u>
Total capital assets not being depreciated	15,482,036	3,976,581	354,282	19,104,335
Capital assets being depreciated:				
Building and structures	24,377,514	12,605	-	24,390,119
Equipment	3,726,882	102,647	34,640	3,794,889
Transportation	2,622,754	29,306	538,934	2,113,126
<u>Infrastructure</u>	<u>78,364,156</u>	<u>92,503</u>	<u>-</u>	<u>78,456,659</u>
Total capital assets being depreciated	109,091,306	237,061	573,574	108,754,793
Less accumulated depreciation for:				
Building and structures	5,972,102	389,870	-	6,361,972
Equipment	2,558,472	162,783	2,724	2,718,531
Transportation	2,198,027	118,897	537,568	1,779,356
<u>Infrastructure</u>	<u>27,620,095</u>	<u>1,923,198</u>	<u>-</u>	<u>29,543,293</u>
Total accumulated depreciation	38,348,696	2,594,748	540,292	40,403,152
<u>Total capital assets being depreciated, net</u>	<u>70,742,610</u>	<u>(2,357,687)</u>	<u>33,282</u>	<u>68,351,641</u>
<u>Capital assets, net</u>	<u>\$ 86,224,646</u>	<u>1,618,894</u>	<u>387,564</u>	<u>87,455,976</u>

Depreciation expense was charged as follows:

Sewer division	\$ 1,205,652
Storm water division	708,282
<u>Water division</u>	<u>680,814</u>
<u>Total depreciation expense</u>	<u>\$ 2,594,748</u>

Certain assets in the beginning balance of capital assets have been reclassified to be consistent with current asset classes. Total beginning balance remains unchanged.

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

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

LONG-TERM DEBT

The following is a summary of long-term liability transactions of the District for the year ended December 31, 2013:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds and notes payable	\$ 35,925,110	2,000,000	3,509,183	34,415,927	2,927,604
Other post employment benefits	866,958	194,101	66,066	994,993	-
Accrued compensated absences	97,352	-	8,833	88,519	-
Total long-term liabilities	\$ 36,889,420	2,194,101	3,584,082	35,499,439	2,927,604

The following is a summary of the long-term debt payable at December 31, 2013 and 2012:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 12/31/12</u>	<u>Balance 12/31/13</u>
Bond 1990 MMBB	\$ 6,000,000	2020	7.10-7.20%	1,600,000	1,400,000
Bond 1994 MMBB	1,100,000	2014	5.325-6.35%	110,000	55,000
Bond 2001 Series A	1,725,000	2021	5.75-6.00%	790,000	-
Bond 2009 MMBB SRF	190,000	2029	0.00%	75,102	69,877
Bond 2011 MMBB	700,000	2031	2.12-5.62%	665,000	630,000
Bond 1997 MMBB	11,676,144	2017	2.96%	2,300,000	1,840,000
Bond 2002 MMBB	10,750,000	2021	2.34%	5,040,000	4,480,000
Bond 2003 MMBB	249,694	2015	1.10%	57,550	38,343
Bond 2003 KSB	65,650	2013	4.50%	6,565	-
Bond 2005 MMBB	1,500,000	2025	1.53%	975,000	900,000
Bond 2006 MMBB	1,250,000	2026	1.42-3.00%	875,000	812,500
Hallowell Bond	579,793	2018	5.00-7.85%	234,061	202,034
2008 Taxable Sewer Bond	2,000,000	2028	1.27%	1,639,332	1,546,284
2009 CWSRF	6,500,000	2029	1.00%	5,419,996	5,125,918
2010 CWSRF - SR	1,750,000 (1)	2030	1.17%	1,592,746	1,512,736
2010 CWSRF - FFR	1,610,000 (2)	2030	1.00%	1,532,637	1,454,500
2011 CWSRF	14,520,000 (3)	2030	1.00%	13,012,121	12,348,735
Bond 2013 TD Bank	2,000,000	2023	2.79%	-	2,000,000
				35,925,110	34,415,927
Less current portion				2,804,182	2,927,604
Total long-term portion				\$ 33,120,928	31,488,323

(1) As of December 31, 2013, the District has drawn down \$1,570,950 of the \$1,750,000.

(2) As of December 31, 2013, the District has drawn down \$1,477,700 of the \$1,610,000.

(3) As of December 31, 2013, the District has drawn down \$12,973,993 of the \$14,520,000.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

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

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2014	\$ 2,927,604	721,688	3,649,292
2015	2,887,848	618,928	3,506,776
2016	2,884,372	555,480	3,439,852
2017	2,900,391	487,950	3,388,341
2018	2,456,792	416,801	2,873,593
2019-2023	10,530,081	1,400,040	11,930,121
2024-2028	7,437,449	752,909	8,190,358
2029-2031	2,391,390	155,365	2,546,755
Totals	\$ 34,415,927	5,109,161	39,525,088

JOINT PROJECT— WMMHA TRUNKLINE PROJECT

The participants in the Joint Project, WMMHA Trunkline, are Winthrop Utility District, Manchester Sanitary District, Hallowell Water District, and Monmouth Sanitary District. These participants have entered into an agreement whereby they are liable for bonds payable (\$38,343 and \$64,115 at December 31, 2013 and 2012, respectively) issued to fund the construction of said Joint Project. The participants also pay for all operating expenses of the trunkline and operations and maintenance costs of the treatment plant based on a percentage of their flow.

OPERATING LEASE

On July 30, 2001, the District entered into a five-year non-cancelable lease with Global Tower (formerly Mesa Communications) for the use of the District's land to place communication facilities. Base rental payments are \$1,000 per month and the agreement automatically renews for seven additional terms of five years, with rental payments increasing 15% each renewal term. The lease was subsequently renewed at \$1,150 per month beginning in February of 2010. Future minimum rentals at December 31, 2013 are as follows:

2014	\$ 13,800
2015	1,150
<u>Total</u>	<u>\$ 14,950</u>

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

NET POSITION

Net position represents assets less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable and adding back any unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on the use of funds either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's net investment in capital assets was calculated as follows at December 31, 2013:

Capital assets	\$ 127,859,128
Unspent bond proceeds	1,857,357
Accumulated depreciation	(40,403,152)
Bonds payable	(34,415,927)
<u>Net investment in capital assets</u>	<u>\$ 54,897,406</u>

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

MainePERS - Consolidated Plan

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

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the District is required to contribute an actuarially determined rate. The District's rate of contribution at year end is 6.5% of annual covered payroll for the regular plan and 7.9% of annual covered payroll for the alternative plan offered. The contribution requirements of plan members and employers are established under the authority of the Maine State Legislature. The District's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended December 31, 2013, 2012 and 2011 were \$103,516, \$80,969 and \$65,853, respectively.

OTHER DEFERRED COMPENSATION PLAN

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

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

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER DEFERRED COMPENSATION PLAN, CONTINUED

The District also sponsors an employee money purchase plan to which it contributed 5.00%, 4.70% and 4.62% of compensation of electing union and non-union participants for 2013, 2012, and 2011, respectively. Total District contributions were \$11,742, \$11,380 and \$12,609 in 2013, 2012, and 2011, respectively.

COMMITMENTS

The District has entered into multiple contracts in connection with various construction projects. The following is a summary of the commitments at December 31, 2013:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Retainage</u>	<u>Balance Remaining</u>
CSO Phase IIIB - Engineering	\$ 795,000	60.77%	483,091	-	311,909*
CSO Phase IIIB - Construction	13,260,339	92.64%	12,283,977	394,397	976,362*
Riverside Drive – Engineering	165,500	11.25%	18,626	-	146,874
Riverside Drive – Construction	164,940	28.46%	46,942	-	117,998
CSO No. Belfast Ave. – Construction	157,200	83.84%	131,803	23,259	25,397
Maine School St. – Construction	225,583	98.00%	221,071	4,512	4,512
Mains Riverside Dr. – Construction	1,234,565	87.46%	1,079,703	56,826	154,862
No. Augusta Tanks – Construction	932,731	95.26%	888,509	18,133	44,222
Well Project – Engineering	116,500	80.07%	93,287	-	23,213
CSO Phase IIIA – Engineering	280,000	62.56%	175,175	-	104,825

*As of December 31, 2013, the District was disputing the adequate completion of certain tasks contained in the approved contracts with the respective vendors. After year-end, the District reached a settlement agreement with the vendors and agreed to provide an additional \$104,617 in compensation for services rendered.

SANITARY DIVISION EXPENSE ALLOCATIONS

During 2011, the District decided to display financial information for the Sanitary Division by each of its subdivisions, sewer and storm water, in its individual fund financial statements located in Exhibits 4 through 9 following the notes to the financial statements. The Board approved allocating expenses between sewer and storm water by the following ratios on September 19, 2011. Operations and maintenance expenses on the treatment plant, pump stations, and sanitary pipes are allocated at 63% sewer and 37% storm water; catch basin and storm pipe expenses are 100% storm water; sewer pipe expenses are 100% sewer; customer accounts expenses are allocated at 84% sewer and 16% storm water; and administration and general expenses are allocated at 58% sewer and 42% storm water. Additionally, the Board approved allocating debt and interest expenses separately based on the related projects and the purpose for bonds issuances.

OTHER POST EMPLOYMENT BENEFITS

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

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

The District is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The District is an individually rated member within the Association. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the District's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in October 2013.

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

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

Funding Policy and Annual OPEB Cost - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The District currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the years ending December 31 and the annual required contribution:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal cost	\$ 45,372	51,224	51,224
Amortization of unfunded	156,127	149,503	149,503
Adjustment to ARC	(50,136)	(43,453)	-
Interest	42,738	38,084	8,029
Annual required contribution	\$ 194,101	195,358	208,756

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPEB liability, January 1	\$ 866,958	751,386	624,365
Annual required contribution	194,101	195,358	208,756
<u>Less: actual contributions</u>	<u>(66,066)</u>	<u>(79,786)</u>	<u>(81,735)</u>
OPEB liability, December 31	\$ 994,993	866,958	751,386

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>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 194,101	195,358	208,756
Actual contribution	66,066	79,786	81,735
Percent contributed	34.04%	40.84%	39.15%
Actuarial accrued liability	\$ 2,807,752	2,688,618	2,688,618
<u>Plan assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	\$ 2,807,752	2,688,618	2,688,618
Covered payroll	2,068,801	2,008,545	2,096,603
Unfunded actuarial accrued liability as a percentage of covered payroll	135.72%	133.86%	128.24%

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

GREATER AUGUSTA UTILITY DISTRICT
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

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

RELATED PARTY TRANSACTION

On November 19, 2013, the District contracted with a local communications company for consulting and professional services related to system engineering, RFP development and project management. The owner of the communications company serves as the District's Board Chair and will act as sole consultant. The agreement specifies that services be fully executed within three months at a cost not to exceed \$10,000. As of December 31, 2013, the District had not paid, nor was indebted, any amount for consulting services related to the agreement.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Retiree Healthcare Plan

Fiscal year	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) – entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll [(b-a) / c]
2008	1/1/09	\$ -	3,131,977	3,131,977	0.00%	1,887,266	165.95%
2009	1/1/09	-	3,131,977	3,131,977	0.00%	1,889,018	165.80%
2010	1/1/09	-	3,131,977	3,131,977	0.00%	1,912,804	163.74%
2011	1/1/11	-	2,688,618	2,688,618	0.00%	2,096,603	128.24%
2012	1/1/11	-	2,688,618	2,688,618	0.00%	2,008,545	133.86%
2013	1/1/13	-	2,807,752	2,807,752	0.00%	2,068,801	135.72%

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Net Position
December 31, 2013
(with comparative totals for December 31, 2012)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,753,934	3,407,263
Accounts receivable:		
Customer	351,152	386,662
Unbilled	254,584	246,995
Other	2,240	10,137
Inventory	110,178	113,319
Prepaid expenses	27,745	1,549
Total current assets	4,499,833	4,165,925
Noncurrent assets:		
Other assets:		
Unamortized debt discount	34,587	41,532
Total other assets	34,587	41,532
Capital assets:		
Work in process	2,777,775	31,058
Operating property	34,084,900	34,450,375
Less accumulated depreciation	(13,832,265)	(13,518,793)
Net capital assets	23,030,410	20,962,640
Total noncurrent assets	23,064,997	21,004,172
Total assets	27,564,830	25,170,097
LIABILITIES		
Current liabilities:		
Accounts payable:		
Trade	36,941	26,567
Construction/retainage	214,258	14,605
Accrued payroll	49,572	31,974
Accrued compensated absences	51,454	39,108
Accrued interest	49,323	32,634
Current portion of bonds and notes payable	495,225	380,225
Total current liabilities	896,773	525,113
Noncurrent liabilities:		
OPEB liabilities	144,460	129,958
Bonds and notes payable	3,659,652	2,859,878
Total noncurrent liabilities	3,804,112	2,989,836
Total liabilities	4,700,885	3,514,949
DEFERRED INFLOWS OF RESOURCES		
Deferred credits	56,279	73,138
Total deferred inflows of resources	56,279	73,138
NET POSITION		
Net investment in capital assets	18,875,533	20,962,640
Unrestricted	3,932,133	619,370
Total net position	\$ 22,807,666	21,582,010

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	2013	2012
Operating revenues:		
Metered:		
Residential	\$ 1,371,241	1,388,775
Commercial	688,228	749,378
Governmental	292,694	264,347
Public fire protection	806,055	806,055
Private fire protection	495,316	371,801
Other water revenues	8,390	9,843
Total operating revenues	3,661,924	3,590,199
Operating expenses:		
Source of supply	146,273	166,454
Treatment plant	149,534	129,927
Transportation and distribution	1,004,864	901,360
Customer accounts	180,113	185,426
Administrative and general	381,427	382,886
Depreciation	680,814	783,848
Total operating expenses	2,543,025	2,549,901
Operating income	1,118,899	1,040,298
Nonoperating revenues (expenses):		
Interest revenue	3,650	4,633
Utility contract income	13,800	13,800
Non-utility income	261,215	192,454
Merchandising and jobbing revenue	16,939	16,853
Interest expense	(162,484)	(181,363)
Amortization expense	(6,945)	(6,953)
Loss on disposal of capital assets	(19,418)	-
Total nonoperating revenues (expenses)	106,757	39,424
Change in net position	1,225,656	1,079,722
Net position, beginning of year	21,582,010	20,502,288
Net position, end of year	\$ 22,807,666	21,582,010

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	2013	2012
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,989,696	3,571,785
Payments to suppliers	(760,588)	(793,832)
Payments to employees	(1,069,858)	(1,004,664)
Net cash provided by operating activities	2,159,250	1,773,289
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,568,349)	(177,285)
Proceeds from long-term debt	2,000,000	-
Principal payments on long-term debt	(1,085,226)	(380,225)
Interest payments on long-term debt	(162,654)	(204,827)
Net cash used in capital and related financing activities	(1,816,229)	(762,337)
Cash flows from investing activities:		
Interest revenue	3,650	4,633
Net cash provided by investing activities	3,650	4,633
Net increase in cash	346,671	1,015,585
Cash at beginning of year	3,407,263	2,391,678
Cash at end of year	\$ 3,753,934	3,407,263
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,118,899	1,040,298
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	680,814	783,848
Utility, non-utility, jobbing and miscellaneous revenues	291,954	223,107
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customers	35,510	(33,588)
(Increase) decrease in accounts receivable - unbilled	(7,589)	57,444
(Increase) decrease in accounts receivable - other	7,897	(2,425)
(Increase) decrease in inventory	3,141	(6,888)
(Increase) decrease in prepaid expenses	(26,196)	7,729
(Decrease) increase in accounts payable - trade	10,374	(59,760)
(Decrease) increase in accrued payroll	17,598	8,165
(Decrease) increase in accrued compensated absences	12,346	2,601
(Decrease) increase in OPEB liabilities	14,502	15,710
(Decrease) increase in unearned revenue	-	(262,952)
Net cash provided by operating activities	2,159,250	1,773,289
Noncash capital and related financing activities:		
Amortized debt discount	(6,945)	(6,953)
Amortized deferred credits from bond refinancing proceeds	16,859	19,304

GREATER AUGUSTA UTILITY DISTRICT
SEWER DIVISION
Statements of Net Position
December 31, 2013
(with comparative totals for December 31, 2012)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,138,128	1,389,597
Accounts receivable:		
Customer service	549,905	679,708
Unbilled	294,869	253,251
Intercommunity trunkline - operations	61,462	169,044
Other	69,735	79,403
Inventory	36,561	40,743
Prepaid expenses	16,675	2,008
Total current assets	3,167,335	2,613,754
Noncurrent assets:		
Other assets:		
Accounts receivable - intercommunity trunkline - debt	-	6,565
Unspent bond proceeds	942,642	2,211,278
Total other assets	942,642	2,217,843
Capital assets:		
Work in process	6,577,830	6,110,054
Operating property	47,277,453	47,242,705
Less accumulated depreciation	(16,735,045)	(15,639,360)
Net capital assets	37,120,238	37,713,399
Total noncurrent assets	38,062,880	39,931,242
Total assets	41,230,215	42,544,996
LIABILITIES		
Current liabilities:		
Accounts payable:		
Trade	111,358	96,330
Construction/retainage	286,442	1,110,119
Accrued payroll	43,126	27,686
Accrued compensated absences	24,596	36,979
Accrued interest	61,755	65,845
Current portion of bonds and notes payable	1,217,251	1,213,494
Total current liabilities	1,744,528	2,550,453
Noncurrent liabilities:		
OPEB liabilities	598,446	526,598
Bonds and notes payable	15,230,623	16,447,874
Total noncurrent liabilities	15,829,069	16,974,472
Total liabilities	17,573,597	19,524,925
DEFERRED INFLOWS OF RESOURCES		
Deferred credits	420,180	460,509
Total deferred inflows of resources	420,180	460,509
NET POSITION		
Net investment in capital assets	21,615,006	22,263,309
Unrestricted	1,621,432	296,253
Total net position	\$ 23,236,438	22,559,562

GREATER AUGUSTA UTILITY DISTRICT
SEWER DIVISION
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	2013	2012
Operating revenues:		
Metered	\$ 3,602,134	3,489,148
Flat rate	14,882	14,507
Trunkline communities	706,827	798,901
Late fees	19,279	31,754
Connection fees	168,832	167,912
Togus debt	376,216	378,210
Total operating revenues	4,888,170	4,880,432
Operating expenses:		
Treatment plant	1,109,498	1,053,503
Transportation and distribution	647,523	429,704
Customer accounts	196,663	195,888
Administrative and general	423,054	475,926
Trunkline	196,617	210,738
Depreciation	1,205,652	1,083,639
Total operating expenses	3,779,007	3,449,398
Operating income	1,109,163	1,431,034
Nonoperating revenues (expenses):		
Interest revenue	2,929	235
Miscellaneous	31,750	79,834
Interest expense	(268,468)	(255,715)
Loss on disposal of capital assets	(198,498)	-
Total nonoperating revenues (expenses)	(432,287)	(175,646)
Change in net position	676,876	1,255,388
Net position, beginning of year	22,559,562	21,304,174
Net position, end of year	\$ 23,236,438	22,559,562

GREATER AUGUSTA UTILITY DISTRICT
SEWER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	2013	2012
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,131,920	4,679,020
Payments to suppliers	(1,447,140)	(1,542,611)
Payments to employees	(1,046,767)	(782,394)
Net cash provided by operating activities	2,638,013	2,354,015
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,634,666)	(3,683,657)
Proceeds from long-term debt	1,268,636	3,059,121
Principal payments on long-term debt	(1,213,494)	(1,104,832)
Interest payments on long-term debt	(312,887)	(295,519)
Net cash used in capital and related financing activities	(1,892,411)	(2,024,887)
Cash flows from investing activities:		
Interest income	2,929	235
Net cash provided by investing activities	2,929	235
Net increase in cash	748,531	329,363
Cash at beginning of year	1,389,597	1,060,234
Cash at end of year	\$ 2,138,128	1,389,597
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,109,163	1,431,034
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,205,652	1,083,639
Miscellaneous and utility contract income	31,750	79,834
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customer service	129,803	134,840
(Increase) decrease in accounts receivable- unbilled	(41,618)	53,232
(Increase) decrease in accounts receivable - intercommunity trunkline	114,147	(162,479)
(Increase) decrease in accounts receivable- other	9,668	(306,839)
(Increase) decrease in inventory	4,182	7,260
(Increase) decrease in prepaid expenses	(14,667)	5,547
(Decrease) increase in accounts payable - trade	15,028	(9,549)
(Decrease) increase in accounts payable- trunkline	-	(26,043)
(Decrease) increase in accrued payroll	15,440	2,491
(Decrease) increase in accrued compensated absences	(12,383)	(2,354)
(Decrease) increase in OPEB liabilities	71,848	63,402
Net cash provided by operating activities	2,638,013	2,354,015
Noncash capital and related financing activities:		
Amortized deferred credits from bond refinancing proceeds	40,329	40,329

GREATER AUGUSTA UTILITY DISTRICT
STORM WATER DIVISION
Statements of Net Position
December 31, 2013
(with comparative totals for December 31, 2012)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 982,983	1,004,612
Accounts receivable:		
Customer service	364,544	364,242
Unbilled	104,683	86,870
Inventory	21,824	21,487
Prepaid expenses	12,075	1,439
Total current assets	1,486,109	1,478,650
Noncurrent assets:		
Other assets:		
Unspent bond proceeds	914,715	2,492,891
Total other assets	914,715	2,492,891
Capital assets:		
Work in process	8,104,779	7,696,973
Operating property	29,036,391	29,042,177
Less accumulated depreciation	(9,835,842)	(9,190,543)
Net capital assets	27,305,328	27,548,607
Total noncurrent assets	28,220,043	30,041,498
Total assets	29,706,152	31,520,148
LIABILITIES		
Current liabilities:		
Accounts payable:		
Trade	73,841	5,430
Construction/retainage	158,503	1,412,878
Accrued payroll	23,215	16,701
Accrued compensated absences	12,469	21,265
Accrued interest	70,798	75,556
Current portion of bonds and notes payable	1,215,128	1,210,463
Total current liabilities	1,553,954	2,742,293
Noncurrent liabilities:		
OPEB liabilities	252,087	210,402
Bonds and notes payable	12,598,048	13,813,176
Total noncurrent liabilities	12,850,135	14,023,578
Total liabilities	14,404,089	16,765,871
DEFERRED INFLOWS OF RESOURCES		
Deferred credits	458,719	491,875
Total deferred inflows of resources	458,719	491,875
NET POSITION		
Net investment in capital assets	14,406,867	15,017,859
Unrestricted	436,477	(755,457)
Total net position	\$ 14,843,344	14,262,402

GREATER AUGUSTA UTILITY DISTRICT
STORM WATER DIVISION
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	2013	2012
Operating revenues:		
Storm water	\$ 1,252,623	1,236,816
Catch basins	1,981,772	1,982,900
Other	38,363	36,531
Total operating revenues	<u>3,272,758</u>	<u>3,256,247</u>
Operating expenses:		
Treatment plant	651,610	618,724
Transportation and distribution	555,313	488,511
Customer accounts	39,971	37,312
Administrative and general	301,144	329,029
Depreciation	708,282	695,128
Total operating expenses	<u>2,256,320</u>	<u>2,168,704</u>
Operating income	<u>1,016,438</u>	<u>1,087,543</u>
Nonoperating revenues (expenses):		
Interest revenue	2,296	8,657
Miscellaneous	562	-
Interest expense	(268,706)	(240,723)
Loss on disposal of capital assets	(169,648)	-
Total nonoperating revenues (expenses)	<u>(435,496)</u>	<u>(232,066)</u>
Change in net position	580,942	855,477
Net position, beginning of year	<u>14,262,402</u>	<u>13,406,925</u>
Net position, end of year	\$ 14,843,344	14,262,402

GREATER AUGUSTA UTILITY DISTRICT
STORM WATER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	2013	2012
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,255,205	2,785,053
Payments to suppliers	(831,840)	(1,042,438)
Payments to employees	(619,357)	(385,358)
Net cash provided by operating activities	1,804,008	1,357,257
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,889,026)	(3,968,468)
Proceeds from long-term debt	1,578,176	3,674,182
Principal payments on long-term debt	(1,210,463)	(1,304,520)
Interest payments on long-term debt	(306,620)	(269,372)
Net cash used in capital and related financing activities	(1,827,933)	(1,868,178)
Cash flows from investing activities:		
Interest income	2,296	8,657
Net cash provided by investing activities	2,296	8,657
Net decrease in cash	(21,629)	(502,264)
Cash at beginning of year	1,004,612	1,506,876
Cash at end of year	\$ 982,983	1,004,612
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,016,438	1,087,543
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	708,282	695,128
Miscellaneous and utility contract income	562	-
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customer service	(302)	316,179
(Increase) decrease in accounts receivable - unbilled	(17,813)	36,934
(Increase) decrease in accounts receivable - other	-	(301,811)
(Increase) decrease in inventory	(337)	-
(Increase) decrease in prepaid expenses	(10,636)	-
(Decrease) increase in accounts payable - trade	68,411	(652)
(Decrease) increase in accrued payroll	6,514	3,478
(Decrease) increase in accrued compensated absences	(8,796)	6,494
(Decrease) increase in OPEB liabilities	41,685	36,460
(Decrease) increase in unearned revenue	-	(522,496)
Net cash provided by operating activities	1,804,008	1,357,257
Noncash capital and related financing activities:		
Amortized deferred credits from bond refinancing proceeds	33,156	33,157