

CITY OF AUGUSTA, MAINE

Financial Report

For the Year Ended June 30, 2008

CITY OF AUGUSTA, MAINE
Annual Financial Report
For the Year Ended June 30, 2008

Table of Contents

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
	<u>Statements</u>
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1 15
Statement of Activities	2 16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3 17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5 19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	6 20
Statement of Net Assets - Proprietary Funds	7 21
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	8 22
Statement of Cash Flows - Proprietary Funds	9 23
Statement of Fiduciary Net Assets - Fiduciary Funds	10 24
Notes to Financial Statements	25-43
	<u>Exhibits</u>
Combining and Individual Fund Statements and Schedules:	
General Fund:	
Comparative Balance Sheets	A-1 47
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	A-2 48-51
Combining Statement of Revenues, Expenses and Changes in Fund Balances - Reserves	A-3 52
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	B-1 55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	B-2 56
Combining Balance Sheet - Nonmajor Special Revenue Funds	C-1 57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	C-2 58
Balance Sheet - Nonmajor Capital Projects Funds	D-1 59
Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	D-2 60
Combining Balance Sheet - Nonmajor Permanent Funds	E-1 61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds	E-2 62

CITY OF AUGUSTA, MAINE
Annual Financial Report
June 30, 2008

Table of Contents, Continued

	<u>Schedules</u>	<u>Page</u>
City Special Revenue Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	1	65-66
Federal, State and Local Programs and Adult Education - School - Combining Statement of Revenue, Expenditures and Changes in Fund Balances	2	67-68
Nonmajor Capital Projects - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	3	69
Nonmajor Permanent Funds - City - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	70
Nonmajor Permanent Funds - School - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	5	71-72
Agency Funds - Statement of Changes in Assets and Liabilities	6	73
 STATISTICAL SECTION		
	<u>Tables</u>	
Government-wide Expenses by Function	1	77
Government-wide Revenues	2	78
General Fund Expenditures by Function - Budgetary Basis	3	79
General Fund Revenues by Source	4	80
Property Tax Levies and Collections	5	81
Assessed and State Value of Taxable Property	6	82
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	7	83
Principal Taxpayers	8	84
 SINGLE AUDIT SECTION		
Reports Required by <i>Government Auditing Standards</i> and OMB Circular A-133:		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		87-88
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		89-90
Schedule of Expenditures of Federal Awards		91-92
Notes to Schedule of Expenditures of Federal Awards		93
Schedule of Findings and Questioned Costs:		
Section I - Summary of Auditor's Results		94
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>		95
Section III - Findings and Questioned Costs for Federal Awards		96
Section IV - Status of Prior Year Findings and Questioned Costs		97



Independent Auditor's Report

City Council
City of Augusta, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Augusta, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2008, on our consideration of the City of Augusta, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Augusta, Maine's basic financial statements. The combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Augusta, Maine. The combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Ryan Kristen Ouellette". The signature is written in a cursive style with a large initial "R".

October 25, 2008
South Portland, Maine

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis
June 30, 2008

As management of the City of Augusta, we offer readers of the City of Augusta's financial statements this narrative overview and analysis of the financial activities of the City of Augusta for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the basic financial statements and the accompanying notes to the financial statements. The City's financial highlights are presented below:

Fiscal 2009 Financial Highlights

Financial highlights of the year include the following:

City-wide:

- The City's total net assets were \$35 million at June 30, 2008. Of this total, \$31.5 million were governmental assets and \$3.5 million were business-type assets.
- The City's net assets grew by \$3.3 million. Of this amount, the governmental activities had an increase in net assets of \$4.5 million. The business-type activities decreased by \$1.1 million. Governmental net assets invested in capital asset net of debt increased by \$2.8 million and unrestricted net assets increased by \$1.7 million. Business – type unrestricted net assets decreased by \$1.1 million.
- City-wide governmental revenues include program revenues of \$25 million, an increase of \$1.3 million, and general revenues of \$36.1 million, an increase of \$1.9 million. Business-type income was \$6.9 million, a decrease of \$0.1 million.
- Total City-wide governmental expenses were \$56.6 million, a decrease of \$0.15 million and business-type activities were \$7.9 million, an increase of \$1.38 million, for total expenditures of \$64.5 million, an increase of \$1.23 million or 1.9 %.

Fund Level:

- Governmental fund balance increased by \$1.1 million in Fiscal 2008 to \$18.2 million due to an increase in special revenue funds. Governmental fund revenues totaled \$61 million, with total expenditures of \$60.1 million. Other financing sources and uses added \$0.25 million. General fund revenues totaled \$51.4 million, with total expenditures of \$51.3 million, for an excess of revenues over expenditures of \$0.17 million. Total other financial sources and uses was (\$0.22) million. The General Fund balance decreased \$0.056 million for fiscal 2008.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Augusta's Annual Financial Report. The City of Augusta's Basic Financial Report is comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Basic Financial Statements

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

CITY OF AUGUSTA, MAINE
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June 30, 2008

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CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

City-wide Financial Statements provide longer term view of the City's activities as a whole and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provide information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities under full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all of its expenses, also on the full-accrual basis, with the emphasis on measuring net revenues or expenditures of each of the City's programs. The Statement of Activities explains in detail the change in net assets for the year.

All of the City's activities are grouped into governmental activities and business-type activities, as explained below. All of the amounts in the Statement of Net Assets and Statement of Activities are separated into governmental activities and business-type activities in order to provide a summary of these two activities of the City as a whole.

The Fund Financial Statements report the City's operations in more detail than the Government-wide Statements and focus primarily on the short-term activities of the City's General Fund and Other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances. They exclude capital assets, long-term debt and other long-term amounts.

Major Funds, which account for the major financial activities of the City, are presented individually while the activities of the Nonmajor Funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major funds are explained below.

The Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental Activities:

- All of the City's basic services are considered to be governmental activities including General Government, Community Development, City Services, Public Safety, Public Works, Education and General Administration. These services are supported by general City revenues such as taxes and specific program revenues such as Code Enforcement fees.

Business-type Activities:

- The City's four enterprise activities, Augusta Civic Center, Hatch Hill Landfill, Airport, and Ambulance, are reported here. Unlike governmental services, these services are supported by charges paid by users based on the amount of service they use.
- The City-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements:

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement 34, and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Nonmajor Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Nonmajor Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

Fund Financial Statements include Governmental, Enterprise, and Internal Service Funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements. Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis, as in the past, and include all of their assets and liabilities, current and long term.

Comparisons of budget and actual financial information are presented only for the General Fund, as required by GASB 34. Fiduciary Funds are used to account for resources held for the benefit of parties outside of the City.

Fiduciary Funds are not reflected in the Government-wide Financial Statement because the resources of those funds are not available to support the City of Augusta's own programs. The accounting use for Fiduciary Funds is much like that used for Proprietary Funds.

Financial Activities of the City as a Whole:

This analysis focuses on the net assets and changes in net assets of the City's Governmental activities (Table 1) and Business-type activities (Table 3) presented in the city-wide statement of net assets and statement of activities.

Table 1
Governmental Activities Net Assets

	<u>2008</u>	<u>2007</u>	<u>Variance</u>
Current and other assets	\$ 24,715,902	23,351,667	1,364,235
Capital assets	59,620,723	59,359,221	261,502
Total assets	84,336,625	82,710,888	1,625,737
Long-term liabilities	44,014,700	47,043,041	(3,028,341)
Other liabilities	8,800,698	8,620,191	180,507
Total liabilities	52,815,398	55,663,232	(2,847,834)
Net assets:			
Invested in capital assets (net of debt)	28,082,113	25,255,830	2,826,283
Restricted	607,643	607,643	-
Unrestricted	2,831,471	1,184,193	1,647,278
Total net assets	\$ 31,521,227	27,047,666	4,473,561

Capital assets net of related debt increased by 11% or \$2.82 million due to an increase in capital assets net of related debt. The City's long-term liabilities (primarily debt) decreased by \$3 million. The City's other liabilities increased by \$0.2 million due to a slight increase in accrued payroll and benefits from an additional day of accruals. The City's investment in Capital assets net of related debt represents 88.9 % of the total net assets. The City uses these capital assets to provide services and transportation infrastructure to citizens, businesses, and visitors. These assets are not available to finance future operations nor are they available to repay outstanding debt. 1.9 % of net assets are represented by resources that are subject to external restrictions in their uses. The remaining balance of \$2.8 million is unrestricted net assets.

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

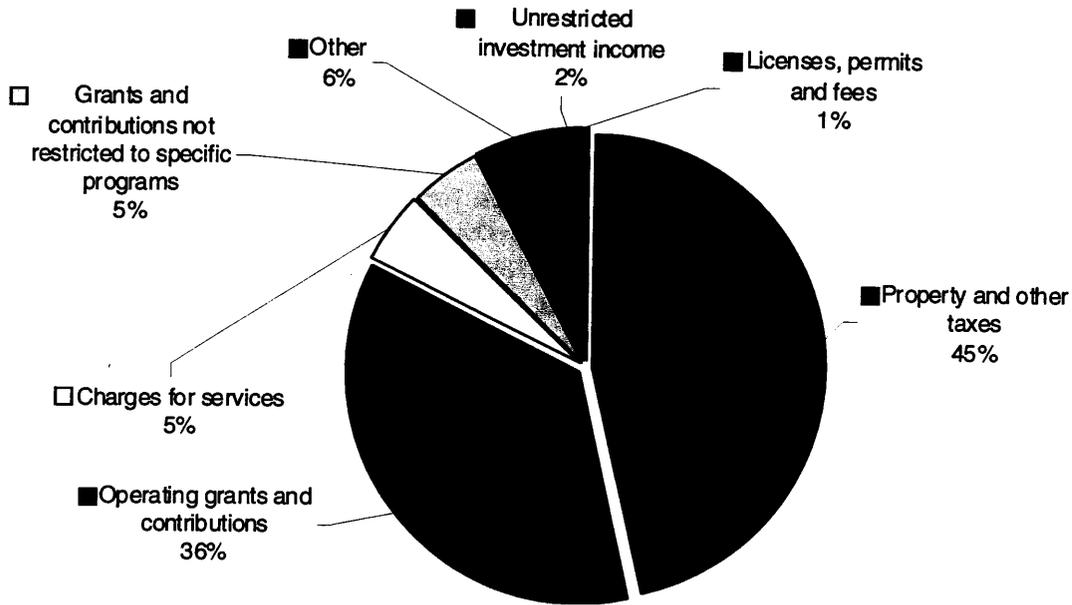
Changes in Net Assets:

	<u>2008</u>	<u>2007</u>	<u>Variance</u>
Sources of Revenues			
Program Revenues:			
Charges for services	\$ 3,195,865	3,331,409	(135,544)
Operating grants and contributions	21,802,350	20,385,932	1,416,418
Capital grants and contributions	-	-	-
	<u>24,998,215</u>	<u>23,717,341</u>	<u>1,280,874</u>
General Revenues:			
Property and other taxes	28,354,126	27,174,760	1,179,366
Grants and contributions not restricted to specific programs	3,034,885	3,014,023	20,862
Licenses, permits and fees	385,535	506,293	(120,758)
Unrestricted investment income	932,983	1,157,167	(224,184)
Other	3,387,519	2,361,324	1,026,195
	<u>36,095,048</u>	<u>34,213,567</u>	<u>1,881,481</u>
Total revenues	61,093,263	57,930,908	3,162,355
Functional Expenses:			
Legislative and executive	584,648	590,439	(5,791)
Finance and administration	2,609,272	2,804,888	(195,616)
City services	2,652,472	2,783,333	(130,861)
Community services	2,533,233	2,435,759	97,474
Public safety	6,017,489	5,868,011	149,478
Public works	3,296,167	2,645,499	650,668
Education	32,098,339	31,804,424	293,915
Insurance and retiree benefits	1,478,380	1,433,560	44,820
Utilities	2,103,034	2,043,033	60,001
Unclassified	1,575,514	1,440,886	134,628
Interest on debt	191,356	1,442,027	(1,250,671)
Central garage	1,460,457	1,353,725	106,732
Capital maintenance expenses	19,341	127,814	(108,473)
	<u>56,619,702</u>	<u>56,773,398</u>	<u>(153,696)</u>
Increase (decrease) in net assets	4,473,561	1,157,510	3,316,051
Net assets – beginning of year	27,047,666	25,890,156	1,157,510
Net assets – end of year	\$ 31,521,227	27,047,666	4,473,561

Governmental activities resulted in a positive change in net assets of \$4.5 million. Program revenues increased \$1.28 million, with operating grants and contributions increasing 6.9 % or \$1.4 million. The State of Maine increased intergovernmental transfers to the school department by \$2.4 million. General revenues increased \$1.88 million. Property and other taxes increased \$1.2 million. Functional expenses were basically flat at \$56.6 million.

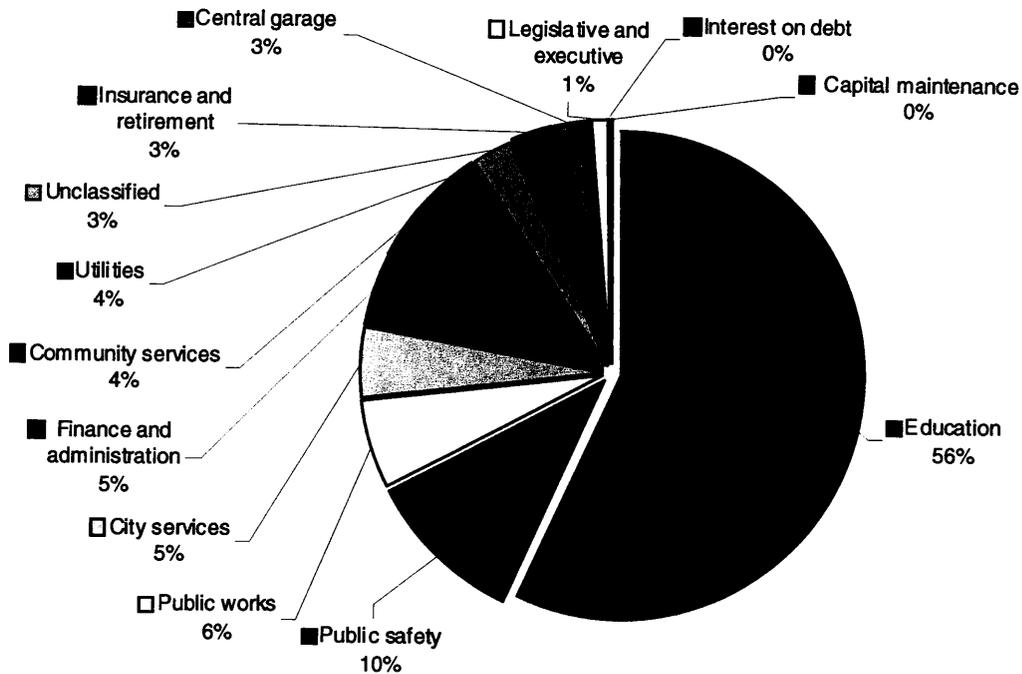
CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

Source of Revenues



As the source of revenues chart above shows, 45% of the City's fiscal 2008 governmental activities revenues came from property and other taxes, and 36% from operating grants and contributions. The remaining 19% came from charges for services (5%), other (6%), and unrestricted investment income (2%).

Functional Expense



The Functional expenses chart above reflects only current year expenses, which are discussed below. Education accounted for 56% and Municipal Services 44% of expenses. Public safety accounted for 10% of total expenses. Public works 6% Finance and administration accounted for 5%, Community Services 4%, and Utilities 4% of total expenses. City services accounted for 5%, Insurance and retiree benefits 3%, and central garage 3% and capital maintenance 0.03% of total expenses. Legislative and executive, and interest on non - educational debt, combined totaled 1% of expenses.

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

Expenses do not include capital outlays, which are capitalized to the City's capital assets. In 2008, Governmental capital assets increased \$3.1 million, due primarily to an increase in infrastructure assets of \$1.86 and machinery, vehicles and equipment of .9 million. Capital assets net of depreciation decreased \$1.1 million.

Governmental Activities:

Table 2 presents the net expenses of each of the City's largest programs. Net expense is defined as total program cost less the revenue generated by those specific activities. Net expenses totaled \$(31.62) million as the City is dependent on general revenues for 63.75% of expenses. Overall, program revenues reduced program expenses by an average of 44% of total expenses compared to 41.78% in FY 2007. The range of reduction was 0% to 70.54% for education. Over all, governmental activities net expenses decreased \$1.44 million or 4.32%. The City's program revenues include license fees, cable franchise fees, building permits, charges for services, State subsidies, and operating grants and contributions.

Table 2
Governmental Activities
(In Millions)

	<u>2008</u>	<u>2007</u>	<u>Variance</u>
Legislative and executive	\$ (0.58)	(0.59)	0.01
Finance and administration	(2.49)	(2.69)	0.20
City services	(1.87)	(1.70)	(0.17)
Community services	(2.43)	(2.34)	(0.09)
Public safety	(5.26)	(5.53)	0.27
Public works	(2.93)	(2.30)	(0.63)
Education	(9.46)	(10.97)	1.51
Retirement and insurance	(1.48)	(1.43)	(0.05)
Utilities	(2.10)	(2.04)	(0.06)
Unclassified	(1.58)	(1.44)	(0.14)
Debt service	(0.19)	(0.82)	0.63
Central garage	(1.23)	(1.08)	(0.15)
Capital maintenance expenses	(0.02)	(0.13)	0.11
Total	\$ (31.62)	(33.06)	1.44

Table 3
Business-type Net Assets
(In Millions)

	<u>2008</u>	<u>2007</u>	<u>Variance</u>
Current and other assets	\$ 6.58	6.62	(0.04)
Capital assets	11.38	12.15	(0.77)
Total assets	17.96	18.77	(0.81)
Long-term liabilities	14.03	13.76	0.27
Other liabilities	0.41	0.39	0.02
Total liabilities	14.44	14.15	0.29
Net assets:			
Invested in capital assets (net of debt)	2.62	2.67	(0.05)
Unrestricted	0.90	1.95	(1.05)
Total net assets	\$ 3.52	4.62	(1.10)

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

Business-type activities net assets decreased by \$1.1 million in fiscal year 2008. The decrease in net assets is attributable to an operating income of \$6.88 million, being offset by operating expenses of \$7.34 million, nonoperating expense (primarily interest expense) of \$0.5 million and a transfer of \$0.1 million.

The City's Fund Financial Statement

Governmental Funds

At June 30, 2008, the City's governmental funds reported a combined fund balance of \$18.2 million. The governmental fund balance is comprised of the following; General Fund \$11.3 million, and Other Funds \$6.9 million.

Government funds revenues totaled \$61 million with expenditures totaling \$60.1 million, an excess of revenues over expenditures of \$0.9 million. Other financing sources and uses netted \$0.2 million, resulting in a net increase of fund balance by \$1.1 million. The increase is entirely attributable to Other Governmental Funds.

Proprietary Funds

Proprietary Funds net assets decreased by \$1.1 million for FY 2008. Proprietary Funds operating revenues were \$6.88 million, with operating expenses of \$7.34 million resulting in a net operating loss of \$0.46 million. Nonoperating expenses were \$0.5 million and operating transfers out of \$0.1 million, for a net decrease in net assets of \$1.1 million.

Analysis of Major Governmental Funds

General Fund

General Fund revenues exceeded estimates by 0.1 % or \$0.48 million. The City experienced positive variations in all anticipated revenues by sources with the exceptions of tuition and other charges – education and unclassified revenues. Taxes were within 1.26% of expectations. The City's two primary revenue sources, taxes and intergovernmental revenues which account for 92.25 % of revenues were within estimates by 1.1 %. Licenses and permits exceeded estimates by 46.95% as major retail expansion continued. Investment earnings exceeded estimates by 18.3%.

General fund expenditures had a budgetary surplus of 3% or \$1.5 million. Educational expenditures were 3.5% or \$1 million under budget. Municipal operating expenditures were 97.7% expended or \$.5 million under budget.

Major positive variances were: Public safety, \$0.21 million (3.5%) under budget due to the police department effectively managing overtime and staff vacancies. Community services had a \$0.1 million positive expenditure variance due to effective management of seasonal labor and equipment

Other Governmental Funds

These funds are not presented in the Basic Financial Statements but are presented as exhibits for supplemental information.

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

Proprietary Funds

Augusta Civic Center

Net assets of the Civic Center decreased by \$0.1 million for FY 2008. Net assets totaled \$2.44 million of which \$2.1 million represents investment in capital assets, net of related debt, and unrestricted net assets totaled \$0.34 million. The Civic Center had net operating income of \$0.07 million, with a nonoperating expense of \$(0.1 million) and an operating transfer out of \$0.06 million for a loss of \$0.1 million in net assets

Hatch Hill Landfill

Net assets of the regional Hatch Hill Landfill decreased \$0.6 million in fiscal 2008. Net assets totaled \$1.81 million of which \$0.16 million represents investments in capital assets net of related debt, and \$1 million in unrestricted net assets. Operating losses totaled \$0.2 million; nonoperating expense totaled \$0.35 million and an operating transfer out of \$0.05 million for a loss of \$0.6 million in net assets.

Airport

The City manages the Augusta State Airport through a contract with the State of Maine.

Ambulance

Net assets of the Ambulance Fund decreased \$0.35 million. Net assets invested in capital assets net of related debt totaled \$0.36 and unrestricted net assets totaled (\$0.4 million). Operating loss for FY 2008 totaled \$0.3 million for a change in net assets of \$0.35 million.

Central Garage (Internal Service Fund)

Net assets of the Central Garage fund remained basically unchanged at \$1.8 million. \$1.57 million of net assets was invested in capital assets net of debt and unrestricted net assets totaled \$0.2 million. The Central garage fund had operating revenues equaled to operating expenses, non operating expenses and transfers out.

Capital Assets

GASB 34 requires the City to record all its capital assets, including infrastructure. Infrastructure assets include roads, sidewalks, and similar assets used by the entire population.

In fiscal 2003, the City recorded the cost of all its infrastructure assets based upon their original acquisition dates and computed the accumulated depreciation for these assets. At the end of fiscal 2008, the cost of infrastructure and other capital assets of Government Funds recorded on the City's financial statements net of depreciation was \$59.6 million, an increase of \$0.26 million or 0.43% percent. The City's investment in infrastructure assets increased \$1.47 million and investment in machinery and equipment increased \$0.28 million. The City's investment in buildings increased by \$29.38 million with the completion of the new Cony High School. However, construction in progress decreased \$31 million.

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

The capital assets of the business-type activities continued to decrease as the capacity of Hatch Hill landfill is utilized. Table 4 reflects Capital assets at June 30, 2008, by Governmental activities and Business-type activities.

Table 4
Capital Assets at Year End

	<u>2008</u>	<u>2007</u>	<u>Variance</u>
Governmental activities:			
Capital assets, not being depreciated			
Land	\$ 1,375,713	1,200,713	175,000
Construction in progress	-	31,040,013	(31,040,013)
Capital assets being depreciated			
Buildings and improvements	60,923,704	32,346,328	28,577,376
Machinery, vehicles, and equipment	6,614,949	5,924,679	690,270
Infrastructure	29,668,131	27,806,320	1,861,811
Internal service fund equipment	4,122,782	3,934,821	187,961
Less: Accumulated depreciation	(43,084,556)	(42,893,653)	(190,903)
	59,620,723	59,359,221	261,502
Business-type activities:			
Capital assets, not being depreciated	428,950	428,950	-
Capital assets, being depreciated			
Buildings and improvements	8,593,702	8,501,692	92,010
Machinery and equipment	1,850,839	1,763,023	87,816
Landfill	14,685,287	14,685,287	-
Less: Accumulated depreciation	(14,179,456)	(13,233,523)	(945,933)
	\$ 11,379,322	12,145,429	(766,107)

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of capital assets over the years of its useful life so that an allocable portion of the cost of the asset is born by all users.

Debt Administration

The City's total bonded indebtedness at June 30, 2008 was \$52.68 million, a decrease of \$3.79 million. The City did not issue any new debt during FY 2008 and retired \$3.79 million principal amount of bonds and made all scheduled repayments of existing bonded indebtedness for fiscal year 2008.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City Manager's office at 207-626-2300.

BASIC FINANCIAL STATEMENTS

CITY OF AUGUSTA, MAINE
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,828,805	9,502	16,838,307
Investments	10,318,417	758,348	11,076,765
Receivables:			
Taxes	861,715	-	861,715
Tax liens	545,255	-	545,255
Intergovernmental	579,136	-	579,136
Accounts, (net of allowance for uncollectibles)	32,515	517,437	549,952
Notes	172,134	-	172,134
Internal balances	(5,224,206)	5,224,206	-
Inventories	166,161	25,937	192,098
Prepaid expenses	435,970	48,208	484,178
Capital assets, not being depreciated	1,375,713	428,950	1,804,663
Capital assets, net of accumulated depreciation	58,245,010	10,950,372	69,195,382
Total assets	84,336,625	17,962,960	102,299,585
LIABILITIES			
Accounts payable and other current liabilities	2,025,369	106,487	2,131,856
Accrued payroll and benefits	3,002,490	52,594	3,055,084
Compensated absences payable	3,384,791	222,053	3,606,844
Escrow payable	9,100	32,430	41,530
Taxes paid in advance	84,652	-	84,652
Accrued interest	294,296	-	294,296
Noncurrent liabilities:			
Due within one year	3,133,585	711,315	3,844,900
Due in more than one year	40,881,115	13,316,545	54,197,660
Total liabilities	52,815,398	14,441,424	67,256,822
NET ASSETS			
Invested in capital assets, net of related debt	28,082,113	2,617,212	30,699,325
Restricted for:			
Nonexpendable principal	557,645	-	557,645
Unrestricted	2,881,469	904,324	3,785,793
Total net assets	\$ 31,521,227	3,521,536	35,042,763

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Activities
For the Year Ended June 30, 2008

Functions/programs	Net (expense) revenue and changes in net assets						
	Program Revenues			Primary Government			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
Legislative and executive	\$ 584,648	-	-	-	(584,648)	-	(584,648)
Finance and administration	2,609,272	119,520	-	-	(2,489,752)	-	(2,489,752)
City services	2,652,472	-	783,370	-	(1,869,102)	-	(1,869,102)
Community services	2,533,233	43,803	50,405	-	(2,439,025)	-	(2,439,025)
Public safety	6,017,489	140,036	621,949	-	(5,255,504)	-	(5,255,504)
Public works	3,296,167	29,945	332,967	-	(2,933,255)	-	(2,933,255)
Education	32,098,339	2,628,838	20,013,659	-	(9,455,842)	-	(9,455,842)
Retirement and insurance	1,478,380	-	-	-	(1,478,380)	-	(1,478,380)
Utilities	2,103,034	-	-	-	(2,103,034)	-	(2,103,034)
Unclassified	1,575,514	-	-	-	(1,575,514)	-	(1,575,514)
Interest on debt	191,356	-	-	-	(191,356)	-	(191,356)
Central garage	1,460,457	233,723	-	-	(1,226,734)	-	(1,226,734)
Capital maintenance	19,341	-	-	-	(19,341)	-	(19,341)
Total governmental activities	56,619,702	3,195,865	21,802,350	-	(31,621,487)	-	(31,621,487)
Business-type activities:							
Augusta Civic Center	2,913,963	2,831,324	-	-	-	(82,639)	(82,639)
Hatch Hill Landfill	3,066,414	2,484,339	-	-	-	(582,075)	(582,075)
Airport	520,177	178,077	327,590	-	-	(14,510)	(14,510)
Ambulance	1,362,669	1,055,622	-	-	-	(307,047)	(307,047)
Total business-type activities	7,863,223	6,549,362	327,590	-	(986,271)	-	(986,271)
Total primary government	\$ 64,482,925	9,745,227	22,129,940	-	(31,621,487)	(986,271)	(32,607,758)
General revenues:							
Property taxes, levied for general purposes					\$ 25,314,010	-	25,314,010
Motor vehicle excise taxes					3,040,116	-	3,040,116
Licenses and permits					175,598	-	175,598
Cable TV franchise fee					209,937	-	209,937
Grants and contributions not restricted to specific programs					-	-	-
Homestead exemption					445,367	-	445,367
State Revenue Sharing					2,556,662	-	2,556,662
Other					32,856	-	32,856
Unrestricted investment earnings					932,983	35,222	968,205
Miscellaneous revenues					3,594,928	-	3,594,928
Loss on disposal of assets					(338,370)	(23,320)	(361,690)
Transfers					130,961	(130,961)	-
Total general revenues and transfers:					36,095,048	(119,059)	35,975,989
Change in net assets							
Net assets - beginning					4,473,561	(1,105,330)	3,368,231
Net assets - ending					27,047,666	4,626,866	31,674,532
Net assets - ending					\$ 31,521,227	3,521,536	35,042,763

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Balance Sheet
Governmental Funds
June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 16,715,807	112,998	16,828,805
Investments	9,615,117	703,300	10,318,417
Receivables:			
Taxes	861,715	-	861,715
Tax liens	545,255	-	545,255
Due from other governments	220,453	358,683	579,136
Accounts receivable, net of allowance for uncollectibles	32,314	-	32,314
Notes receivable	-	172,134	172,134
Interfund loans receivable	-	6,001,480	6,001,480
Inventory	4,010	35,839	39,849
Prepaid items	430,953	2,342	433,295
Total assets	\$ 28,425,624	7,386,776	35,812,400
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued liabilities	1,715,698	174,085	1,889,783
Accrued payroll and benefits	2,678,182	318,304	2,996,486
Escrow payable	9,100	-	9,100
Deferred revenue	1,159,430	-	1,159,430
Taxes received in advance	84,652	-	84,652
Interfund loans payable	11,452,005	20,804	11,472,809
Total liabilities	17,099,067	513,193	17,612,260
Fund balances:			
Reserved for:			
Encumbrances	607,337	389,306	996,643
Noncurrent receivables	-	172,134	172,134
Inventory	4,010	35,839	39,849
Nonexpendable trust principal	-	557,645	557,645
Unreserved, reported in:			
General fund:			
City designated	3,134,930	-	3,134,930
School designated	1,061,140	-	1,061,140
City undesignated	5,251,560	-	5,251,560
School undesignated	1,267,580	-	1,267,580
Special revenue funds	-	3,027,818	3,027,818
Capital projects funds	-	2,184,472	2,184,472
Permanent funds	-	506,369	506,369
Total fund balances	11,326,557	6,873,583	18,200,140
Total liabilities and fund balances	\$ 28,425,624	7,386,776	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			58,054,539
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			1,159,430
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			1,771,355
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:			
Accrued compensated absences			(3,355,241)
Accrued interest			(294,296)
Capital leases			(91,950)
Bonds payable			(43,922,750)
Net assets of governmental activities		\$	31,521,227

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 27,075,553	1,187,271	28,262,824
Licenses and permits	175,598	-	175,598
Intergovernmental	20,612,033	4,225,202	24,837,235
Tuition and other charges - education	1,899,526	-	1,899,526
Charges for services	277,521	729,312	1,006,833
Fees and fines	55,783	-	55,783
Unclassified	487,338	3,310,212	3,797,550
Investment earnings	897,340	35,643	932,983
Total revenues	51,480,692	9,487,640	60,968,332
Expenditures:			
Current:			
Legislative and executive	596,606	279	596,885
Finance and administration	1,416,395	1,127,274	2,543,669
City services	1,505,847	1,164,196	2,670,043
Community services	2,089,352	623,582	2,712,934
Public safety	5,694,381	643,681	6,338,062
Public works	3,414,536	102,998	3,517,534
Education	29,905,334	3,582,417	33,487,751
Retirement and insurance	1,848,206	-	1,848,206
Utilities	2,103,034	-	2,103,034
Unclassified	1,521,650	53,864	1,575,514
Debt service (excluding education)	1,118,484	-	1,118,484
Capital outlay	100,756	1,505,644	1,606,400
Total expenditures	51,314,581	8,803,935	60,118,516
Excess (deficiency) of revenues over (under) expenditures	166,111	683,705	849,816
Other financing sources (uses):			
Lease proceeds	91,950	-	91,950
Transfers from other funds	514,871	993,499	1,508,370
Transfers to other funds	(829,414)	(516,351)	(1,345,765)
Total other financing sources (uses)	(222,593)	477,148	254,555
Net change in fund balances	(56,482)	1,160,853	1,104,371
Fund balances, beginning of year	11,383,039	5,712,730	17,095,769
Fund balances, end of year	\$ 11,326,557	6,873,583	18,200,140

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds (from Statement 4)	\$	1,104,371
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures (\$3,118,156) exceeded depreciation expense (\$2,480,465) and loss on disposal of assets (\$334,636).		303,055
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		91,302
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Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of which proceeds (\$91,950) exceed repayments (\$41,741).		(50,209)
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Change in accruals are recorded on the statement of net assets, but not on the governmental fund balance sheet - accrued compensated absences (\$57,185) and accrued interest (\$30,578).		(26,607)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments.		3,078,550
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Internal service funds are used by management to charge the costs of fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(26,901)
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Change in net assets of governmental activities (see Statement 2)	\$	4,473,561
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See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2008

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 26,738,747	26,738,747	27,075,553	336,806
Licenses and permits	119,495	119,495	175,598	56,103
Intergovernmental	17,929,365	17,929,365	18,071,244	141,879
Tuition and other charges - education	2,100,000	2,100,000	1,899,526	(200,474)
Charges for services	261,105	255,505	277,521	22,016
Fees and fines	54,000	54,000	55,783	1,783
Unclassified	505,412	505,412	486,725	(18,687)
Investment earnings	643,493	758,493	897,340	138,847
Total revenues	48,351,617	48,461,017	48,939,290	478,273
Expenditures:				
Current:				
Legislative and executive	619,125	624,035	599,225	24,810
Finance and administration	1,550,667	1,568,046	1,509,133	58,913
City services	1,614,056	1,630,926	1,531,529	99,397
Community services	2,184,812	2,208,294	2,099,892	108,402
Public safety	5,874,281	5,937,242	5,728,125	209,117
Public works	3,193,848	3,644,862	3,649,168	(4,306)
Education	28,519,990	28,571,280	27,571,927	999,353
Retirement and insurance	1,970,287	1,884,247	1,848,206	36,041
Utilities	2,086,039	2,103,141	2,103,034	107
Unclassified	1,441,418	1,441,418	1,521,650	(80,232)
Debt service (excluding education)	1,178,003	1,178,003	1,118,484	59,519
Total expenditures	50,232,526	50,791,494	49,280,373	1,511,121
Excess (deficiency) of revenues over (under) expenditures	(1,880,909)	(2,330,477)	(341,083)	1,989,394
Other financing sources (uses):				
Budgeted utilization of surplus - City	576,822	621,251	-	(621,251)
Budgeted utilization of surplus - School	1,045,000	1,045,000	-	(1,045,000)
Use of carryforwards - City	-	392,678	-	(392,678)
Use of carryforwards - School	-	51,290	-	(51,290)
Transfers to other funds - City	(431,000)	(475,429)	(829,414)	(353,985)
Transfers from other funds	690,087	695,687	641,106	(54,581)
Total other financing sources (uses)	1,880,909	2,330,477	(188,308)	(2,518,785)
Net change in fund balance - budgetary basis	-	-	(529,391)	(529,391)
Reconciliation to GAAP basis:				
Add back: encumbrances expended in budgetary - City			399,955	
Add back: encumbrances expended in budgetary - School			207,382	
Change in reserves			(134,428)	
Net change in fund balance - GAAP basis			(56,482)	
Fund balance, beginning of year			11,383,039	
Fund balance, end of year	\$		11,326,557	

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Totals	
ASSETS						
Current assets:						
Cash	\$ 9,502	-	-	-	9,502	-
Investments	758,348	-	-	-	758,348	-
Accounts receivable, net	181,143	88,514	104,772	143,008	517,437	201
Interfund loans receivable	-	6,249,217	-	-	6,249,217	247,123
Prepaid expenses	5,585	36,549	1,518	4,556	48,208	2,675
Inventory	25,937	-	-	-	25,937	126,312
Total current assets	980,515	6,374,280	106,290	147,564	7,608,649	376,311
Noncurrent assets:						
Property, plant, and equipment:						
Land	390,000	38,950	-	-	428,950	-
Buildings and improvements	8,570,331	23,372	-	-	8,593,703	55,076
Equipment and vehicles	430,487	860,024	-	560,328	1,850,839	4,098,402
Hatch Hill landfill system	-	14,685,287	-	-	14,685,287	-
Less accumulated depreciation	(4,345,777)	(9,631,953)	-	(201,727)	(14,179,457)	(2,587,294)
Total noncurrent assets	5,045,041	5,975,680	-	358,601	11,379,322	1,566,184
Total assets	6,025,556	12,349,960	106,290	506,165	18,987,971	1,942,495
LIABILITIES						
Current liabilities:						
Accounts payable	39,278	22,182	11,911	33,116	106,487	135,586
Accrued wages and benefits payable	19,440	8,149	5,042	19,963	52,594	6,004
Accrued compensated absences	121,750	52,150	21,695	26,458	222,053	29,550
Refundable deposits	32,430	-	-	-	32,430	-
Current portion of bonds payable	226,315	485,000	-	-	711,315	-
Interfund loans payable	428,648	-	121,222	475,141	1,025,011	-
Total current liabilities	867,861	567,481	159,870	554,678	2,149,890	171,140
Noncurrent liabilities:						
Bonds payable	2,715,795	5,335,000	-	-	8,050,795	-
Accrued landfill closure and postclosure costs	-	5,265,750	-	-	5,265,750	-
Total noncurrent liabilities	2,715,795	10,600,750	-	-	13,316,545	-
Total liabilities	3,583,656	11,168,231	159,870	554,678	15,466,435	171,140
NET ASSETS						
Invested in capital assets, net of related debt	2,102,931	155,680	-	358,601	2,617,212	1,566,184
Unrestricted	338,969	1,026,049	(53,580)	(407,114)	904,324	205,171
Total net assets	\$ 2,441,900	1,181,729	(53,580)	(48,513)	3,521,536	1,771,355

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Totals	
Operating revenues:						
Rental income	\$ 1,308,774	-	56,961	-	1,365,735	-
Fees	-	2,484,339	121,116	1,055,622	3,661,077	1,461,619
Food and beverage sales	1,522,550	-	-	-	1,522,550	-
State of Maine	-	-	327,590	-	327,590	-
Miscellaneous	-	-	-	-	-	7,315
Total operating revenues	2,831,324	2,484,339	505,667	1,055,622	6,876,952	1,468,934
Operating expenses:						
Personnel services	1,418,713	444,693	286,313	982,521	3,132,240	362,436
Contractual services	475,405	481,189	158,200	84,901	1,199,695	64,279
Supplies and materials	546,764	92,726	60,333	82,358	782,181	695,889
Fixed charges	16,027	1,025,057	7,535	163,084	1,211,703	-
Capital outlay	8,610	236	1,168	4,988	15,002	-
Depreciation	297,647	663,424	-	36,560	997,631	325,700
Total operating expenses	2,763,166	2,707,325	513,549	1,354,412	7,338,452	1,448,304
Operating income (loss)	68,158	(222,986)	(7,882)	(298,790)	(461,500)	20,630
Nonoperating revenue (expense):						
Interest income	32,825	2,397	-	-	35,222	-
Interest expense	(150,797)	(359,089)	(6,628)	(8,257)	(524,771)	(12,153)
Gain (loss) on disposal of equipment	-	-	-	(23,320)	(23,320)	(3,734)
Total nonoperating revenue (expense)	(117,972)	(356,692)	(6,628)	(31,577)	(512,869)	(15,887)
Net income (loss) before transfers	(49,814)	(579,678)	(14,510)	(330,367)	(974,369)	4,743
Transfers:						
Transfer to other funds	(57,176)	(51,664)	-	(22,121)	(130,961)	(31,644)
Total transfers	(57,176)	(51,664)	-	(22,121)	(130,961)	(31,644)
Change in net assets	(106,990)	(631,342)	(14,510)	(352,488)	(1,105,330)	(26,901)
Total net assets, beginning of year	2,548,890	1,813,071	(39,070)	303,975	4,626,866	1,798,256
Total net assets (deficits), end of year	\$ 2,441,900	1,181,729	(53,580)	(48,513)	3,521,536	1,771,355

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2008

Business-type Activities - Enterprise Funds							Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Totals		
Cash flows from operating activities:							
Receipts from customers and users	\$ 2,772,130	2,492,754	502,239	1,205,120	6,972,243	1,469,399	
Payments to suppliers	(1,042,673)	(419,095)	(217,233)	(314,468)	(1,993,469)	(679,768)	
Payments to employees	(1,398,834)	(446,595)	(283,771)	(970,713)	(3,099,913)	(361,469)	
Payments for interfund services used	(2,756)	(195,941)	(5,583)	(26,372)	(230,652)	-	
Net cash provided by (used in) operating activities	327,867	1,431,123	(4,348)	(106,433)	1,648,209	428,162	
Cash flows from non-capital financing activities:							
Transfers to other funds	(57,176)	(51,664)	-	(22,121)	(130,961)	(31,644)	
(Increase) decrease in interfund loans	215,589	(537,767)	10,976	282,584	(28,618)	(96,484)	
Net cash used in non-capital financing activities	158,413	(589,431)	10,976	260,463	(159,579)	(128,128)	
Cash flows from capital and related financing activities:							
Purchase of capital assets	(109,071)	-	-	(145,773)	(254,844)	(287,881)	
Bond, note and lease principal payments	(226,315)	(485,000)	-	-	(711,315)	-	
Interest paid	(150,797)	(359,089)	(6,628)	(8,257)	(524,771)	(12,153)	
Net cash provided by (used in) financing activities	(486,183)	(844,089)	(6,628)	(154,030)	(1,490,930)	(300,034)	
Cash flows from investing activities:							
Sale of investments	(32,825)	-	-	-	(32,825)	-	
Investment income	32,825	2,397	-	-	35,222	-	
Net cash provided by investing activities	-	2,397	-	-	2,397	-	
Increase in cash	97	-	-	-	97	-	
Cash, beginning of year	9,405	-	-	-	9,405	-	
Cash, end of year	\$ 9,502	-	-	-	9,502	-	
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 68,158	(222,986)	(7,882)	(298,790)	(461,500)	20,630	
Adjustments to reconcile net income to net cash provided by (used in) operating activities:							
Depreciation	297,647	663,424	-	36,560	997,631	325,700	
(Increase) decrease in operating assets:							
Accounts receivable	(59,194)	8,415	(3,428)	149,498	95,291	465	
Prepaid expenses	9,078	122	1,076	(1,068)	9,208	607	
Inventory	(2,824)	-	-	-	(2,824)	7,307	
Increase (decrease) in operating liabilities:							
Accounts payable	7,330	170	3,344	(4,441)	6,403	72,486	
Accrued wages and benefits	2,605	1,972	1,292	8,392	14,261	983	
Accrued compensated absences	17,274	(3,874)	1,250	3,416	18,066	(16)	
Refundable deposit	(12,207)	-	-	-	(12,207)	-	
Accrued landfill closure and postclosure costs	-	983,880	-	-	983,880	-	
Net cash provided by (used in) operating activities	327,867	1,431,123	(4,348)	(106,433)	1,648,209	428,162	

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Agency Funds	
	SIB Loans	Student Activities
ASSETS		
Cash	\$ -	322,018
Investments	359,634	-
Total assets	359,634	322,018
LIABILITIES		
Due to student groups	-	322,018
Total liabilities	-	322,018
NET ASSETS		
Held in trust	\$ 359,634	-

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures of the City of Augusta conform to generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Augusta was incorporated under the laws of the State of Maine in 1797 and operates under a council/manager form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Augusta (the primary government) and its component units. The decision to include a potential component unit was made by applying the criteria set forth in accounting principles generally accepted in the United States of America which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability of the primary government to impose its will on the component unit, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

Related Organizations:

There are certain organizations whose governing boards are appointed by the Augusta City Council. The City is not financially accountable for these organizations and therefore they are not component units of the City, but rather are considered "related organizations". They are as follows:

- Greater Augusta Utilities District
- Augusta Parking District
- Augusta Housing Authority
- Old Fort Western Fund
- Trustees of the Lithgow Library and Reading Room

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers tax revenues to be available in the fund financial statements if they are collected within 60 days of the end of the current fiscal period. A one-year period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, ambulance receivables, interest revenue, and charges for services. Fines, licenses, and permits are not susceptible to accrual because generally they are not measurable until received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports the following major proprietary funds:

Hatch Hill Landfill Fund accounts for the operation of the City's solid waste disposal.

Augusta Civic Center Fund accounts for the operation of the City's Civic Center.

Ambulance Fund accounts for the operation of the City's ambulance and emergency services.

Airport Fund accounts for the management of the airport owned by the State of Maine.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's general and internal service funds and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Equity

1. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are stated at fair value. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Interfund Receivables/Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Community Development Loans Receivable

The Community Development office maintains a revolving loan fund. The loans are made from program income derived from community development grants. There are two types of loans, direct and deferred.

Deferred loans are awarded to owner tenants, and are non-interest bearing. The outstanding loan balance is reduced by 10% each year the owner lives on the premises. Direct loans are interest bearing and monthly payments are due the City.

4. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are generally recorded as expenditures when consumed rather than when purchased.

5. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Equipment and vehicles	5-25 years
Infrastructure	20-70 years

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accrued vacation and sick leave are accrued when incurred in the governmental-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charged and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

10. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. All other interfund transfers are reported as transfers.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

11. Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

12. Comparative Data

Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The City utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. These budgets are established in accordance with the various laws which govern the City's operations. Historically, the budget has been prepared on a modified accrual basis of accounting.

The City charter requires that new budgets be submitted to the City Council not later than 90 days prior to the beginning of the new fiscal year, and the City Council shall make a reasonable effort to pass an annual appropriation resolve not later than 30 days prior to the beginning of that fiscal year.

Hearings are held to obtain public comments. The budget is legally enacted at the bureau level through the passage of an appropriation resolve. Any revisions to the budget that alter total expenditures must be approved by the Council.

All unexpended appropriations lapse at year end unless specific approval is granted to carry forward such amounts. Department level total expenditures should not exceed appropriations.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. For reporting under accounting principles generally accepted in the United States of America, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

Each year, the City Manager submits to the City Council a budget for the ensuing fiscal year with an accompanying budget message. The Manager's message explains the budget both in fiscal terms and in terms of the work programs. It outlines the proposed financial policies of the City for the coming fiscal year, describes the important features of the budget, indicates any major changes from the current year in financial policies, expenditures, and revenues, together with the reasons for such changes, summarizes the City's debt position, and includes such other material as the manager deems desirable. It also describes the tax impact of the proposed budget.

During the year ended June 30, 2008, the City budgeted to utilize \$621,251 and the Department of Public Schools budgeted to utilize \$1,045,000 of prior year undesignated fund balance as a budgeted use of surplus.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, public works expenditures exceeded appropriations by \$4,306.

C. Deficit Fund Balances

At June 30, 2008, the following funds had deficit fund balances:

Special Revenue Funds:

Canal Street	\$ 2,777	Healthy Community Maine	1,487
Title IA – Chapter I	22,128	Chizzle Whizzle	16,998
Reading First - Farrington	31,561	<u>Proprietary Funds:</u>	
Region 2 Administrative	9,272	Airport	53,580
State Agency Grant	31,090	Ambulance	48,513

These deficits will be funded by future grant revenue, charges for services or transfers.

DEPOSITS AND INVESTMENTS

As of June 30, 2008, the City had the following investments, some of which are classified as cash and cash equivalents:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
Money market	\$ 702,307	N/A
Government mutual fund	19,372	N/A
U.S. Treasury Notes	5,526,401	3.408
Federal Home Loan Banks	3,233,277	1.482
Federal Home Loan Management	497,658	2.658
Federal National Mortgage Association	1,256,430	3.698
Federal Farm Credit Bank	200,954	0.769

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Custodial credit risk- deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City currently does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$71,525 of the City’s bank balance of \$17,421,597 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City currently does not have an investment policy for custodial credit risk. Of the City’s \$702,307 investment in money market, 100% was collateralized by underlying securities held by the related bank, which were not in the City’s name.

Credit risk – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The City currently does not have an investment policy for credit risk. As of June 30, 2008, all of the City’s investment in were rated AAA by Standard & Poor’s.

Interest rate risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates have subsequently increased. Accordingly, holders of debt securities in the situation just described face the prospect of a loss should those securities be sold prior to maturity, even though cash flows under the debt contract remain unaffected by changes in interest rates. The City currently does not have a deposit policy for interest rate risk.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of June 30, 2008, the City had the following accounts receivable with allowance for uncollectible account balances:

	<u>General Fund</u>	<u>After School Daycare</u>	<u>Augusta Civic Center</u>	<u>Hatch Hill Landfill</u>	<u>Ambulance</u>
Accounts receivable	\$ 47,517	16,898	221,967	109,644	778,233
<u>Allowance for uncollectible accounts</u>	<u>(15,203)</u>	<u>(7,045)</u>	<u>(40,824)</u>	<u>(21,130)</u>	<u>(635,225)</u>
<u>Accounts receivable, net</u>	<u>\$ 32,314</u>	<u>9,853</u>	<u>181,143</u>	<u>88,514</u>	<u>143,008</u>

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX

Property taxes for the current year were committed on July 19, 2007, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. Prior to the commitment the City performed a revaluation.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$231,607 for the year ended June 30, 2008.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the levy:

	<u>2008</u>	<u>2007</u>
Assessed value	\$ 1,506,062,300	1,461,889,800
<u>Tax rate (per \$1,000)</u>	<u>16.70</u>	<u>16.50</u>
Commitment	25,151,240	24,121,182
<u>Supplemental taxes assessed</u>	<u>9,509</u>	<u>41,633</u>
	25,160,749	24,162,815
Less:		
Abatements	18,851	44,132
Collections	24,524,593	23,493,905
	<u>617,305</u>	<u>624,778</u>
<u>Current year taxes receivable at end of year</u>	<u>\$ 617,305</u>	<u>624,778</u>
Due date(s) - current year	½ Sept. 13, 2007 ½ March 13, 2008	½ Sept. 14, 2006 ½ March 15, 2007
Interest rate on delinquent taxes	12.00%	11.00%
Collection rate	97.54%	97.41%
Taxes receivable - current year	\$ 617,305	624,778
Taxes receivable - prior years	244,410	237,985
<u>Tax liens - prior year</u>	<u>545,255</u>	<u>460,883</u>
	<u>1,406,970</u>	<u>1,323,646</u>
<u>Total taxes receivables</u>	<u>\$ 1,406,970</u>	<u>1,323,646</u>

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,200,713	175,000	-	1,375,713
<u>Construction in progress</u>	<u>31,040,013</u>	-	<u>31,040,013</u>	-
Total capital assets not being depreciated	32,240,726	175,000	31,040,013	1,375,713
Capital assets, being depreciated:				
Buildings and building improvements	32,346,328	30,746,168	2,168,792	60,923,704
Machinery, vehicles and equipment	5,924,679	959,409	269,139	6,614,949
Infrastructure	27,806,320	2,289,191	427,380	29,668,131
<u>Internal service fund equipment</u>	<u>3,934,821</u>	<u>276,281</u>	<u>88,320</u>	<u>4,122,782</u>
Total capital assets being depreciated	70,012,148	34,271,049	2,953,631	101,329,566
Less accumulated depreciation for:				
Buildings and building improvements	22,258,491	1,285,775	2,083,961	21,460,305
Machinery, vehicles and equipment	3,981,102	542,154	185,704	4,337,552
Infrastructure	14,307,985	653,794	261,010	14,700,769
<u>Internal service fund equipment</u>	<u>2,346,075</u>	<u>324,442</u>	<u>84,587</u>	<u>2,585,930</u>
Total accumulated depreciation	42,893,653	2,806,165	2,615,262	43,084,556
<u>Total capital assets being depreciated, net</u>	<u>27,118,495</u>	<u>31,464,884</u>	<u>338,369</u>	<u>58,245,010</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 59,359,221</u>	<u>31,639,884</u>	<u>31,378,382</u>	<u>59,620,723</u>

Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 428,950	-	-	428,950
Total capital assets not being depreciated	428,950	-	-	428,950
Capital assets, being depreciated:				
Buildings and building improvements	8,501,692	92,010	-	8,593,702
Machinery and equipment	1,763,023	162,834	75,018	1,850,839
<u>Landfill</u>	<u>14,685,287</u>	-	-	<u>14,685,287</u>
Total capital assets being depreciated	24,950,002	254,844	75,018	25,129,828
Less accumulated depreciation for:				
Buildings and building improvements	3,869,200	261,126	-	4,130,326
Machinery and equipment	915,034	118,059	51,698	981,395
<u>Landfill</u>	<u>8,449,289</u>	<u>618,446</u>	-	<u>9,067,735</u>
Total accumulated depreciation	13,233,523	997,631	51,698	14,179,456
<u>Total capital assets being depreciated, net</u>	<u>11,716,479</u>	<u>(742,787)</u>	<u>(23,320)</u>	<u>10,950,372</u>
<u>Business-type activities capital assets, net</u>	<u>\$ 12,145,429</u>	<u>(742,787)</u>	<u>(23,320)</u>	<u>11,379,322</u>

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Legislative and executive	\$ 1,853
Finance and administration	28,899
City services	275,701
Community services	40,166
Public safety	239,908
Public works	653,794
Education	1,240,144
Central garage	325,700

Total depreciation expense – governmental activities \$ 2,806,165

Business-type activities:

Augusta Civic Center	\$ 297,647
Hatch Hill Landfill	663,424
Ambulance	36,560

Total depreciation expense – business-type activities \$ 997,631

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 47,001,300	-	3,078,550	43,922,750	3,114,750
Capital leases	41,741	91,950	41,741	91,950	18,835
Compensated absences	3,327,622	57,169	-	3,384,791	-
Governmental activities long-term liabilities	\$ 50,370,663	149,119	3,120,291	47,399,491	3,133,585
Business-type activities:					
General obligation bonds	\$ 9,473,425	-	711,315	8,762,110	711,315
Landfill closure	4,281,870	983,880	-	5,265,750	-
Compensated absences	203,987	18,066	-	222,053	-
Business-type activities long-term liabilities	\$ 13,959,282	1,001,946	711,315	14,249,913	711,315

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2008 are comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2008</u>
Governmental activities:					
Farrington, Lincoln/Cony	07/12/88	\$ 7,260,000	2009	6.900-7.500%	350,000
Public improvements Lot B	08/15/89	4,395,000	2010	6.500-6.700%	420,000
Public improvements	05/01/98	980,000	2009	4.533-4.833%	98,000
Public improvements	5/31/00	922,500	2010	5.281-5.406%	276,750
Public improvements	5/25/01	495,000	2011	4.149-4.574%	198,000
General obligation bonds #2 2002	10/30/02	500,000	2012	2.500-3.450%	250,000
Pension obligation bonds 2003	2/13/03	13,150,000	2013	4.000-5.250%	12,105,000
General obligation bonds 2004	12/9/04	3,495,000	2024	2.750-4.250%	2,825,000
General obligation bonds 2005	5/18/06	28,450,000	2026	4.125-5.000%	26,950,000
General Obligation Bonds 2007	4/25/07	500,000	2017	1.100-6.000%	450,000
Total governmental activities					43,922,750
Business-type activities:					
Hatch Hill Expansion Bond	5/31/00	9,700,000	2019	4.528-5.903%	5,820,000
Civic Center Expansion	5/25/01	4,300,000	2020	4.039-5.539%	2,942,110
Total business-type activities					8,762,110
Total bonds and notes payable					\$ 52,684,860

The annual requirements to amortize all long-term debt outstanding as of June 30, 2008 are as follows:

<u>June 30,</u>	<u>Governmental activities</u>			<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,114,750	1,935,228	5,049,978	711,315	468,303	1,179,618
2010	2,791,750	1,798,046	4,589,796	711,315	433,305	1,144,620
2011	2,716,750	1,676,159	4,392,909	711,315	396,569	1,107,884
2012	2,764,500	1,554,513	4,319,013	711,315	357,970	1,069,285
2013	2,865,000	1,426,713	4,291,713	711,315	318,729	1,030,044
2014-2018	16,245,000	4,990,337	21,235,337	3,556,575	986,352	4,542,927
2019-2023	7,625,000	2,204,375	9,829,375	1,648,960	113,670	1,762,630
2024-2027	5,800,000	547,875	6,347,875	-	-	-
Total	\$ 43,922,750	16,133,246	60,055,996	8,762,110	3,074,898	11,837,008

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These leases qualify as capital leases for accounting purposes, and therefore, has been recorded at the present value of future minimum lease payments as of the date of its inception.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2008.

	<u>Governmental Funds</u>
2009	\$ 19,920
2010	19,920
2011	19,920
2012	19,920
<u>2013</u>	<u>19,920</u>
Total minimum lease payments	99,600
<u>Less: amount representing interest</u>	<u>7,650</u>
Present value of future minimum lease payments	<u>\$ 91,950</u>

STATUTORY DEBT LIMIT

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City. The City's outstanding long-term debt of \$52,684,860 at June 30, 2008 was within the statutory limit.

OVERLAPPING DEBT

In addition to the bonds and notes payable, the City is contingently responsible for the following debt as of June 30, 2008:

<u>Governmental Unit</u>	<u>Net debt outstanding</u>	<u>Applicable to Augusta</u>	<u>City of Augusta's share of debt</u>
Kennebec County	\$ 1,319,650	15.57%	205,470

The debt of Kennebec County is paid through annual county tax assessments to the City. Additionally, the City would be responsible for \$8,850,000 of the Greater Augusta Utilities District's debt if the District was to default payment.

Reimbursement for Debt Service Expenditures - The State of Maine currently reimburses the City for a portion of the financing costs of certain school buildings. Continuation of such reimbursements is dependent upon continued appropriation by the state legislature.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

ARBITRAGE REFUND

Pursuant to the Tax Reform Act of 1986, governments issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. Since August 15, 1986, the effective date of these rules, the City has not been subject to any arbitrage refunds as they have met the exceptions to the arbitrage regulations. In the past, the City has issued bonds which may be subject to an arbitrage calculation. The amount will not be determined until the related projects are completed.

INTERFUND BALANCES

As of June 30, 2008, the balances of interfund loans receivable/payable were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in (out)</u>
General Fund	\$ -	11,452,005	(314,543)
Special Revenue Funds:			
CDBG Loan Fund	-	20,804	-
Other City Special Revenues	2,161,443	-	(332,001)
Other School Special Revenues	564,849	-	6,200
School Lunch	339,616	-	(50,000)
Internal Service Fund	247,123	-	(31,644)
Proprietary Funds:			
Hatch Hill Fund	6,249,217	-	(51,664)
Augusta Civic Center	-	428,648	(57,176)
Airport	-	121,222	-
Ambulance	-	475,141	(22,121)
Capital Projects Fund	2,612,466	-	993,499
Permanent Fund	323,106	-	(140,550)
Totals	\$ 12,497,820	12,497,820	-

BUDGETARY VS. GAAP BASIS OF ACCOUNTING - GENERAL FUND

As required by accounting principles generally accepted in the United States of America, the School Department has recorded a revenue and an expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$2,540,789.

These amounts have been included as an intergovernmental revenue and as an education expenditure on Statement 2 and 4 (GAAP basis). There is no effect on the fund balance at the end of the year.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

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

Description of the Plan - The City contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer 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 Maine State Legislature establishes and amends benefit provisions. 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 City is required to contribute at actuarially determined rates. The current rates range from 2.8 - 6.5% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Legislature. The City and School Department's contributions to the Retirement Participating Local District for the year ended June 30, 2008, 2007, and 2006 were \$359,508, \$339,253, and \$324,201, respectively.

Maine Public Employees Retirement System - Teachers Group

Description of Plan - All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, 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 Maine State Legislature establishes and amends benefit provisions. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,540,789 (18.71%) for the fiscal year 2008. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 18.71% of their compensation. This cost is charged to the applicable grant.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) 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.

The City amended the plan in accordance with the provisions of IRS Section 457(g). Assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRS Section prescribes that the City no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on their plan assets, were removed from the City's financial statements.

POST RETIREMENT - EMPLOYEE HEALTH CARE BENEFITS

In addition to providing pension benefits, the government provides certain health care and life insurance benefits for certain retired employees. All municipal employees except firefighters hired prior to January 1, 1992, and all firefighters hired prior to December 31, 2005 may become eligible for those benefits if they reach normal retirement age, while working for the government. Currently 74 employees are eligible and receiving benefits. The cost of retiree health care and life insurance benefits is recognized as an expenditure as claims are paid. For the year ending June 30, 2008, those costs total \$537,581.

The issuance of GASB Statements Nos. 43 and 45, which address accounting and financial reporting for post employment benefit plans other than pension plans, will have an impact on the recorded liabilities of the governmental activities of the City. These statements become effective for the City for the year ending June 30, 2009.

DESIGNATED FUND BALANCE

At June 30, 2008 designated fund balances consisted of the following:

General Fund - City:	
2009 use of fund balance	\$ 921,414
Other reserves (see exhibit A-3)	235,625
Accrued benefit reserve	<u>1,977,891</u>
Total General Fund designated City fund balance	<u>\$ 3,134,930</u>
General Fund - School:	
2009 use of fund balance	924,363
Accrued benefit reserve	<u>136,777</u>
Total General Fund designated School fund balance	<u>\$ 1,061,140</u>

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS

The City has established six tax increment financing districts under the terms of applicable state laws.

	<u>Original value</u>	<u>Increase in value</u>	<u>TIF cap</u>	<u>Captured value</u>	<u>Captured tax</u>
Marketplace Phase I	\$ 1,663,100	53,289,200	(A)	53,289,200	535,000
Marketplace Phase II	6,346,100	69,543,700	(B)	69,543,700	330,000
McCarthy	2,949,700	1,819,800	100%	1,819,800	30,391
Pomerleau	262,600	4,849,800	40%	1,939,920	32,397
Water Street Apartments	336,800	1,478,900	50%	739,450	12,349
Kennebec Arsenal	-	1,598,500	100%	1,598,500	26,695
Downtown	30,377,100	13,200,000	100%	13,200,000	220,440

(A) \$285,000 to be captured for credit enhancement agreement with developers and \$250,000 to be captured for economic development.

(B) \$330,000 to be captured for credit enhancement agreement with developers.

LANDFILL LIABILITIES

The City currently has a landfill which is accounted for in the Hatch Hill Enterprise Fund. The landfill is comprised of several sites: an old site, expansion I, an interim site, and expansion II. The old site and the expansion I site are currently at capacity and have been closed in accordance with Department of Environmental Protection Standards (DEP). The interim site has been temporarily closed in accordance with a DEP operating license. Expansion II and III are the current operating landfills. Expansion II and III have capacity for approximately 300,000 tons and 586,000 tons, respectively, of municipal solid waste. As of June 30, 2008, a total of approximately 280,400 tons and 165,000 tons, respectively, have been placed in the expansion II and III sites.

The City has recognized a liability for landfill closure and postclosure costs in the Hatch Hill Enterprise Fund. This liability was calculated based on current cost estimates for closure of each site, estimates for leachate transportation, postclosure monitoring and maintenance. The total liability on current capacity is estimated at \$5,265,000 as follows:

Closure:	
Expansion II (94%)	\$ 2,256,299
Interim site	398,750
Expansion III (28%)	1,753,257
Postclosure monitoring, maintenance and leachate removal	<u>857,444</u>
Total accrued liability for land- fill closure and postclosure costs	<u>\$ 5,265,750</u>

The actual cost of closure and postclosure care may be higher or lower due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

RISK MANAGEMENT - CITY

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors, and omissions, and natural disasters for which the City either carries commercial insurance, or participates in public entity risk pools or is effectively self-insured. Currently, the City participates in two public entity risk pool sponsored by the Maine Municipal Association. These pools and the risks of loss to which the City is exposed are as follows:

Based on the coverage provided by these pools, as well as certain coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2008.

CONTINGENT LIABILITIES

Grant Funds - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Other Contingent Liabilities - The City is a defendant in various law suits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CONTRACT COMMITMENTS

The Augusta School Department has entered into a contract for school transportation services with First Students, Inc. The contract expires in June of 2011. Future payments under this contract are as follows:

2009	\$ 410,020
2010	385,000
<u>2011</u>	<u>385,000</u>
<u>Total</u>	<u>\$ 1,180,020</u>

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements, Continued

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2008:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 102,705,279	25,558,778
Accumulated depreciation	(43,084,556)	(14,179,456)
Bonds payable	(43,922,750)	(8,762,110)
Add back unspent bond proceeds	371,090	-
Add back pension obligation bonds	12,105,000	-
Capital leases payable	(91,950)	-
<u>Total invested in capital assets net of related debt</u>	<u>\$ 28,082,113</u>	<u>2,617,212</u>

SCHOOL ADMINISTRATIVE REORGANIZATION

On June 6, 2007, and as amended in April of 2008, the Maine House and Senate enacted the two-year state budget including the school administrative reorganization legislation "School Administrative Reorganization" ("SAR") as Public Law 2007, Chapter 240. The law sets forth state policy to ensure that schools are organized as units in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All school units and municipal school units (collectively School Administrative Units or "SAU") are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the unit would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to create a maximum of 80 school units or the number of units appropriate to achieve administrative efficiencies.

The City is exempt from reorganization because the City currently serves approximately 2,519 students. They have submitted an alternative plan, instead of a regionalization plan.

GENERAL FUND

CITY OF AUGUSTA, MAINE
General Fund
Comparative Balance Sheets
June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 16,715,807	14,605,013
Investments	9,615,117	9,343,367
Receivables:		
Taxes	861,715	862,763
Tax liens	545,255	460,883
Due from other governments	220,453	362,173
Accounts receivable, (net of allowance for uncollectibles)	32,314	93,877
Inventory	4,010	6,938
Prepaid items	430,953	492,801
Total assets	\$ 28,425,624	26,227,815
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and other accrued liabilities	1,715,698	1,602,095
Accrued payroll and benefits	2,678,182	2,395,908
Escrow payable	9,100	10,800
Deferred revenue	1,159,430	1,068,128
Taxes received in advance	84,652	41,505
Interfund loans payable	11,452,005	9,726,340
Total liabilities	17,099,067	14,844,776
Fund balances:		
Reserved for:		
Encumbrances - City	399,955	437,635
Encumbrances - School	207,382	82,460
Inventory	4,010	6,938
Unreserved:		
Designated - City	3,134,930	2,924,766
Designated - School	1,061,140	1,181,777
Undesignated - City	5,251,560	5,448,042
Undesignated - School	1,267,580	1,301,421
Total fund balances	11,326,557	11,383,039
Total liabilities and fund balances	\$ 28,425,624	26,227,815

CITY OF AUGUSTA, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2008
(with comparative actual amounts for the year ended June 30, 2007)

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Real and personal property	\$ 23,812,362	23,900,060	87,698	22,992,663
Tax interest, lien penalties, payments in lieu	130,500	135,377	4,877	130,392
Excise taxes	2,795,885	3,040,116	244,231	2,917,174
Total taxes	26,738,747	27,075,553	336,806	26,040,229
Licenses and permits	119,495	175,598	56,103	293,264
Intergovernmental:				
Education	14,625,086	14,685,559	60,473	12,368,273
Tree growth reimbursement	15,000	12,850	(2,150)	28,622
Veterans exemption reimbursement	13,000	20,006	7,006	13,060
Homestead exemption	445,133	445,367	234	451,747
State revenue sharing	2,508,842	2,556,662	47,820	2,520,594
General assistance DHS/SSI	2,500	17,833	15,333	8,055
Urban Rural Initiative Payment	319,804	332,967	13,163	319,804
Total intergovernmental	17,929,365	18,071,244	141,879	15,710,155
Tuition and other charges for services - education	2,100,000	1,899,526	(200,474)	2,038,329
Charges for services:				
Police	101,761	104,783	3,022	102,935
Fire	-	1,348	1,348	15
Library	1,200	1,001	(199)	864
Recreation	3,500	4,063	563	11,433
Parks	10,600	16,861	6,261	16,483
Public works	26,000	29,945	3,945	29,286
Finance and admin	112,444	119,520	7,076	114,449
Total charges for services	255,505	277,521	22,016	275,465
Fees and fines:				
Traffic tickets	10,000	5,330	(4,670)	7,360
Court fees	17,000	22,300	5,300	17,514
Lithgow Library	22,000	21,878	(122)	21,410
False alarm calls	5,000	6,275	1,275	5,175
Total fees and fines	54,000	55,783	1,783	51,459
Unclassified:				
Rents - City property	90,157	58,100	(32,057)	93,594
Cemeteries	26,000	27,710	1,710	33,587
Contributions	70,000	70,000	-	70,000
Animal control program	8,700	12,560	3,860	13,155
General assistance reimbursement	39,175	32,752	(6,423)	37,053
Cable TV franchise	211,885	209,937	(1,948)	213,029
Public safety miscellaneous revenue	-	5,009	5,009	18,008
Public works miscellaneous	25,150	35,960	10,810	39,703
Workers compensation	5,000	31,154	26,154	40,245
Unclassified	29,345	3,543	(25,802)	38,979
Total unclassified	505,412	486,725	(18,687)	597,353
Investment earnings	758,493	897,340	138,847	990,043
Total revenues	48,461,017	48,939,290	478,273	45,996,297

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund, Continued

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Expenditures:				
Current:				
Legislative and executive:				
Mayor and council	\$ 41,081	39,563	1,518	37,045
City management	256,156	257,562	(1,406)	247,350
Corporation counsel	117,180	116,188	992	135,362
Central services	5,925	6,951	(1,026)	11,016
Unclassified	173,693	152,919	20,774	145,325
Contingency	30,000	26,042	3,958	31,220
Total legislative and executive	624,035	599,225	24,810	607,318
Finance and administration:				
City clerk/treasurer/collection	465,656	442,664	22,992	437,450
Registrations and elections	31,918	25,523	6,395	27,000
City auditor	143,786	143,143	643	139,229
Information systems	398,886	373,324	25,562	356,768
Assessor	198,453	196,753	1,700	188,630
Finance and administration	108,200	106,210	1,990	101,043
Human resources	221,147	221,516	(369)	212,364
Total finance and administration	1,568,046	1,509,133	58,913	1,462,484
City services:				
Economic development	264,049	234,315	29,734	211,443
Planning	126,707	117,567	9,140	110,739
Historic preservation	5,825	4,089	1,736	1,434
Code enforcement	280,009	270,262	9,747	271,636
City services administration	59,276	55,407	3,869	46,645
Engineering	177,446	162,484	14,962	146,526
City facilities	717,614	687,405	30,209	680,802
Total City services	1,630,926	1,531,529	99,397	1,469,225
Community services:				
Conservation Commission	2,661	1,443	1,218	1,819
Community services administration	202,639	197,554	5,085	192,336
Public library	587,837	575,491	12,346	547,525
Recreation	179,344	179,680	(336)	188,135
Bureau of trees and landscaping	-	-	-	175
Parks and cemeteries	796,447	726,102	70,345	780,034
Fort Western	116,186	115,059	1,127	108,466
Bicentennial Nature Park	67,292	67,289	3	56,383
Health and welfare	177,538	174,167	3,371	166,380
General assistance	78,350	63,107	15,243	73,805
Total community services	2,208,294	2,099,892	108,402	2,115,058

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund, Continued

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Public safety:				
Police	\$ 3,810,739	3,631,244	179,495	3,434,968
Fire	2,118,578	2,089,514	29,064	2,023,924
Civil Emergency Preparedness	7,925	7,367	558	3,578
Total public safety	5,937,242	5,728,125	209,117	5,462,470
Public works:				
Public works administration	114,174	116,740	(2,566)	121,762
Highway	1,761,471	1,604,816	156,655	1,405,634
Snow removal	993,844	1,210,087	(216,243)	742,295
Waste removal	775,373	717,525	57,848	716,229
Total public works	3,644,862	3,649,168	(4,306)	2,985,920
Education:				
Current:				
Administration	-	-	-	693,665
Elementary	10,446,904	10,125,798	321,106	7,031,245
Secondary	9,484,445	9,263,537	220,908	8,161,108
Special education	-	-	-	3,680,193
Adult education	585,220	538,668	46,552	507,276
District-wide	3,171,970	2,844,246	327,724	4,752,036
Grade span costs	1,779,328	1,696,459	82,869	-
Debt service	3,103,413	3,103,219	194	508,646
Total education	28,571,280	27,571,927	999,353	25,334,169
Retirement and insurance:				
Retirement and insurance	1,884,247	1,848,206	36,041	1,702,124
Total retirement and insurance	1,884,247	1,848,206	36,041	1,702,124
Utilities:				
Sanitary sewer and drains	820,056	808,159	11,897	804,046
Lighting and electricity	562,961	574,558	(11,597)	519,015
Water	720,124	720,317	(193)	722,074
Total utilities	2,103,141	2,103,034	107	2,045,135

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund, Continued

	2008			2007 Actual
	Budget	Actual	Variance positive (negative)	
Expenditures, continued:				
Current, continued:				
Unclassified:				
Bad debts	\$ 12,500	9,996	2,504	1,834
County tax	1,428,918	1,395,237	33,681	1,349,609
Sick/vacation payout	-	116,417	(116,417)	48,464
Total unclassified	1,441,418	1,521,650	(80,232)	1,399,907
Debt service (excluding education)	1,178,003	1,118,484	59,519	1,224,430
Total expenditures	50,791,494	49,280,373	1,511,121	45,808,240
Excess (deficiency) of revenues over (under) expenditures	(2,330,477)	(341,083)	1,989,394	188,057
Other financing sources (uses):				
Budgeted utilization of surplus - City	621,251	-	(621,251)	-
Budgeted utilization of surplus - School	1,045,000	-	(1,045,000)	-
Use of carryforwards - City	392,678	-	(392,678)	-
Use of carryforwards - School	51,290	-	(51,290)	-
Transfers to other funds - City	(475,429)	(829,414)	(353,985)	(1,297,086)
Transfers from other funds	695,687	641,106	(54,581)	611,176
Total other financing sources (uses)	2,330,477	(188,308)	(2,518,785)	(1,165,910)
Net change in fund balance - budgetary basis	-	(529,391)	(529,391)	(977,853)
Reconciliation to GAAP basis:				
Add back: encumbrances expended in budgetary - City		399,955		437,635
Add back: encumbrances expended in budgetary - School		207,382		82,460
Transfers to reserves from undesignated fund balance		-		(60,000)
Change in reserves		(134,428)		64,457
Net change in fund balance - GAAP basis		(56,482)		(453,301)
Fund balance, beginning of year		11,383,039		11,836,340
Fund balance, end of year	\$	11,326,557		11,383,039

CITY OF AUGUSTA, MAINE
Reserves - General Fund
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the year ended June 30, 2008

		Fund balances beginning of year	Revenues Unclassified	Expenditures Capital outlay Transfers		Fund balances end of year
City reserves:						
1820	City Carryforward	\$ 961	-	-	-	961
1901	Central service reserve	24,190	613	3,792	682	21,693
1902	Equipment maintenance self reserve	18,896	-	3,997	25,000	39,899
1903	Sick and vacation reserve	1,977,891	-	-	-	1,977,891
1904	Cemetery land purchase reserve	160,000	-	-	(160,000)	-
1905	Historic preservation reserve	12,541	-	-	1,735	14,276
1906	Police local match reserve	50,000	-	1,017	-	48,983
1907	Fire local match reserve	31,128	-	-	(6,152)	24,976
1908	Quimby lot infrastructure reserve	59,837	-	-	-	59,837
1909	Actuarial study	12,500	-	-	12,500	25,000
Total City reserves		2,347,944	613	8,806	(126,235)	2,213,516
School reserves:						
1952	Sick and vacation reserve	136,777	-	-	-	136,777
Total School reserves		136,777	-	-	-	136,777
Total reserves		\$ 2,484,721	613	8,806	(126,235)	2,350,293

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the purchase or construction of capital assets other than those accounted for in other funds.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 69,871	-	43,127	112,998
Investments	-	-	703,300	703,300
Due from other governments	358,683	-	-	358,683
Inventory	35,839	-	-	35,839
Interfund loans receivable	3,065,908	2,612,466	323,106	6,001,480
Prepaid items	2,342	-	-	2,342
Notes receivable	172,134	-	-	172,134
Total assets	\$ 3,704,777	2,612,466	1,069,533	7,386,776
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	129,878	38,688	5,519	174,085
Accrued payroll and benefits	318,304	-	-	318,304
Interfund loans payable	20,804	-	-	20,804
Total liabilities	468,986	38,688	5,519	513,193
Fund balances:				
Reserved for:				
Encumbrances	-	389,306	-	389,306
Inventory	35,839	-	-	35,839
Noncurrent receivables	172,134	-	-	172,134
Principal	-	-	557,645	557,645
Unreserved, undesignated	3,027,818	2,184,472	506,369	5,718,659
Total fund balances	3,235,791	2,573,778	1,064,014	6,873,583
Total liabilities and fund balances	\$ 3,704,777	2,612,466	1,069,533	7,386,776

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:				
Property taxes	\$ 1,187,271	-	-	1,187,271
Intergovernmental	4,225,202	-	-	4,225,202
Unclassified	3,085,552	109,395	-	3,194,947
Charges for services	729,312	-	-	729,312
Investment income	-	-	35,643	35,643
Donations	-	-	115,265	115,265
Total revenues	9,227,337	109,395	150,908	9,487,640
Expenditures:				
Finance and administration	1,127,274	-	-	1,127,274
City services	1,164,196	-	-	1,164,196
Community services	623,582	-	-	623,582
Public safety	643,681	-	-	643,681
Public works	102,998	-	-	102,998
Education	2,454,957	-	-	2,454,957
Food services	1,127,460	-	-	1,127,460
Capital outlay	-	1,505,644	-	1,505,644
Other miscellaneous	-	-	53,864	53,864
Total expenditures	7,244,427	1,505,644	53,864	8,803,935
Excess (deficiency) of revenues over (under) expenditures	1,982,910	(1,396,249)	97,044	683,705
Other financing sources (uses):				
Transfer to other funds	(375,801)	-	(140,550)	(516,351)
Transfer from other funds	-	993,499	-	993,499
Total other financing sources (uses)	(375,801)	993,499	(140,550)	477,148
Net change in fund balance	1,607,109	(402,750)	(43,506)	1,160,853
Fund balances, beginning of year	1,628,682	2,976,528	1,107,520	5,712,730
Fund balances, end of year	\$ 3,235,791	2,573,778	1,064,014	6,873,583

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008
(with comparative totals for June 30, 2007)

	CDBG Loan Fund	Other City Special Revenue Funds	Other School Special Revenue Funds	School Lunch	Totals	
					2008	2007
ASSETS						
Cash and cash equivalents	\$ 69,871	-	-	-	69,871	54,622
Due from other governments	-	169,541	160,578	28,564	358,683	940,675
Inventory	-	-	-	35,839	35,839	35,838
Interfund loans receivable	-	2,161,443	564,849	339,616	3,065,908	925,408
Prepaid items	-	2,342	-	-	2,342	2,371
Notes receivable	172,134	-	-	-	172,134	191,571
Total assets	\$ 242,005	2,333,326	725,427	404,019	3,704,777	2,150,485
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other accrued liabilities	12	57,330	33,842	38,694	129,878	164,016
Accrued payroll and benefits payable	-	17,364	227,100	73,840	318,304	350,150
Interfund loans payable	20,804	-	-	-	20,804	7,637
Total liabilities	20,816	74,694	260,942	112,534	468,986	521,803
Fund balances:						
Reserved for inventory	-	-	-	35,839	35,839	35,838
Reserved for noncurrent loans receivable	172,134	-	-	-	172,134	191,571
Unreserved, undesignated	49,055	2,258,632	464,485	255,646	3,027,818	1,401,273
Total fund balances	221,189	2,258,632	464,485	291,485	3,235,791	1,628,682
Total liabilities and fund balances	\$ 242,005	2,333,326	725,427	404,019	3,704,777	2,150,485

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	CDBG Loan Fund	City Special Revenue (Schedule 1)	School Special Revenue (Schedule 2)	School Lunch	Totals	
					2008	2007
Revenues:						
Property taxes	\$ -	1,187,271	-	-	1,187,271	1,076,150
Intergovernmental	-	1,437,891	2,271,537	515,774	4,225,202	4,520,291
Charges for services	-	-	61,069	668,243	729,312	696,695
Unclassified	15,043	3,038,354	26,126	6,029	3,085,552	1,515,363
Total revenues	15,043	5,663,516	2,358,732	1,190,046	9,227,337	7,808,499
Expenditures:						
Legislative and executive	-	279	-	-	279	310
Finance and administration	-	1,127,274	-	-	1,127,274	1,077,813
City services	32,290	1,131,906	-	-	1,164,196	1,449,762
Community services	-	623,582	-	-	623,582	620,547
Public safety	-	643,681	-	-	643,681	498,891
Public works	-	102,998	-	-	102,998	123,902
Education	-	-	2,454,957	-	2,454,957	2,865,877
Food services	-	-	-	1,127,460	1,127,460	1,044,409
Total expenditures	32,290	3,629,720	2,454,957	1,127,460	7,244,427	7,681,511
Excess (deficiency) of revenues over (under) expenditures	(17,247)	2,033,796	(96,225)	62,586	1,982,910	126,988
Other financing uses:						
Transfer to other funds	-	(332,001)	6,200	(50,000)	(375,801)	(341,229)
Total other financing uses	-	(332,001)	6,200	(50,000)	(375,801)	(341,229)
Net change in fund balances	(17,247)	1,701,795	(90,025)	12,586	1,607,109	(214,241)
Fund balances, beginning of year	238,436	556,837	554,510	278,899	1,628,682	1,842,923
Fund balances, end of year	\$ 221,189	2,258,632	464,485	291,485	3,235,791	1,628,682

CITY OF AUGUSTA, MAINE
Balance Sheet
Nonmajor Capital Project Funds
June 30, 2008
(with comparative totals for June 30, 2007)

	Totals	
	2008	2007
ASSETS		
Accounts receivable	\$ -	201,959
Interfund loans receivable	2,612,466	2,620,873
Total assets	\$ 2,612,466	2,822,832
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and other accrued liabilities	38,688	260,954
Total liabilities	38,688	260,954
Fund balances:		
Reserved for encumbrances	389,306	-
Unreserved, undesignated	2,184,472	2,561,878
Total fund balances	2,573,778	2,561,878
Total liabilities and fund balances	\$ 2,612,466	2,822,832

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	Totals	
	2008 (Schedule 3)	2007
Revenues:		
Intergovernmental	\$ -	626,839
Unclassified	109,395	488,228
Total revenues	109,395	1,115,067
Expenditures:		
Debt service	-	1,206,592
Capital outlay	1,505,644	5,289,236
Total expenditures	1,505,644	6,495,828
Deficiency of revenues under expenditures	(1,396,249)	(5,380,761)
Other financing sources:		
Bond proceeds	-	500,000
Transfer from other funds	993,499	2,964,958
Total other financing sources	993,499	3,464,958
Net change in fund balances	(402,750)	(1,915,803)
Fund balances, beginning of year	2,976,528	4,892,331
Fund balances, end of year	\$ 2,573,778	2,976,528

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2008

	City	School	Totals
ASSETS			
Cash and cash equivalents	\$ 16,322	26,805	43,127
Investments	482,340	220,960	703,300
Interfund loans receivable	322,906	200	323,106
Total assets	\$ 821,568	247,965	1,069,533
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	5,319	200	5,519
Total liabilities	5,319	200	5,519
Fund balances:			
Principal	535,987	21,658	557,645
Unexpended income	280,262	226,107	506,369
Total fund balances	816,249	247,765	1,064,014
Total liabilities and and fund balances	\$ 821,568	247,965	1,069,533

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2008

	City (Schedule 4)	School (Schedule 5)	Totals
Revenues:			
Investment income	\$ 31,775	3,868	35,643
Donations	81,573	33,692	115,265
Total revenues	113,348	37,560	150,908
Expenditures:			
Current:			
Other miscellaneous	15,646	38,218	53,864
Total expenditures	15,646	38,218	53,864
Excess of revenues over expenditures	97,702	(658)	97,044
Other financing uses:			
Transfer to other funds	(140,550)	-	(140,550)
Total other financing uses	(140,550)	-	(140,550)
Net change in fund balance	(42,848)	(658)	(43,506)
Fund balances, beginning of year	859,097	248,423	1,107,520
Fund balances, end of year	\$ 816,249	247,765	1,064,014

SCHEDULES

CITY OF AUGUSTA, MAINE
City Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	Balances beginning of year	Revenues		Expenditures	Transfers in (out)	Balances end of year
		Inter- governmental	Other			
Legislative and executive:						
Other programs:						
2019 Commemorative Quilts	\$ 3,705	-	565	-	-	4,270
2135 Meetings	-	-	279	279	-	-
Total legislative and executive	3,705	-	844	279	-	4,270
Finance and administration:						
Federal/State programs:						
2016 MMEHT Wellness Grant 2002	1,315	-	4,764	5,038	-	1,041
2017 MMEHT Employee Assistant Grant	5,040	-	2,440	3,878	-	3,602
Other programs:						
2009 TIF	-	-	1,187,271	703,395	(416,506)	67,370
2013 Fort Western Trustees	-	-	63,748	63,748	-	-
2014 Augusta Housing Authority	486	-	328,066	328,552	-	-
2015 Augusta Parking District	-	-	22,663	22,663	-	-
Total finance and administration	6,841	-	1,608,952	1,127,274	(416,506)	72,013
City services:						
Federal/State programs:						
2003 Maine State Housing Authority	1,306	-	-	-	-	1,306
2073 Façade Water Street	6,653	-	-	6,653	-	-
2083 Union Street Reconstruction	-	283,355	-	357,309	73,954	-
2108 FEMA - Spring flooding	28,889	-	-	-	-	28,889
2115 Storm water pollution	-	16,841	-	16,841	-	-
2122 Canal Street	-	9,757	-	12,534	-	(2,777)
2142 Regional efficiency grant	14,411	-	-	11,588	-	2,823
2144 Kenway Corporation	-	244,431	-	244,431	-	-
2146 Wildlife management plan	-	62,906	-	62,906	-	-
2149 Land acquisition grant	-	3,547	-	3,547	-	-
2150 Airport layout plan	-	4,834	-	4,834	-	-
2151 Fuel farm	-	124,231	-	124,231	-	-
2155 CRID	-	20,000	-	20,000	-	-
2169 CIP part 139 upgrades	-	13,468	-	13,468	-	-
Other programs:						
2012 Sale of Cony HS	24,850	-	1,478,245	-	-	1,503,095
2021 APD/CRID parking solution	4,981	-	-	-	-	4,981
2024 Job retention program	50,000	-	-	-	-	50,000
2028 Greenway bike path	1,222	-	-	-	-	1,222
2033 Kennebec River Rail Trail Phase 3	-	-	80,000	80,000	-	-
2075 Signalized intersections	21,886	-	936	-	-	22,822
2124 First time home buyers program	7,009	-	-	-	-	7,009
2127 Cony Road Ext sewer lines	126,965	-	-	126,965	-	-
2128 Tim Hortin traffic signal	21,149	-	-	21,149	-	-
2133 Museum in the streets	5,000	-	4,000	-	-	9,000
2134 Flat Iron reuse	29,539	-	-	24,336	-	5,203
2137 Fairfield Inn - Anthony Ave.	21,409	-	916	-	-	22,325
2147 Impact fee Packard Development	-	-	17,962	-	-	17,962
2148 Capitol Street extension	-	-	30,792	-	-	30,792
2157 Augusta charter commission	-	-	-	1,114	1,600	486
2160 CVS	-	-	195,000	-	-	195,000
Total City services	365,269	783,370	1,807,851	1,131,906	75,554	1,900,138
Public works:						
Other programs:						
2035 ADP misc. work highway	63	-	33,339	33,402	-	-
2036 Accidents	2,353	-	32,960	31,819	-	3,494
2037 Civic Center outside work	-	-	7,514	7,514	-	-
2038 School miscellaneous work	-	-	29,960	29,960	-	-
2117 Public works special revenues	130	-	244	303	-	71
2154 Cony Village LLC	-	-	27,324	-	-	27,324
2162 Sidewalks Cony Circle	-	-	8,640	-	-	8,640
Total public works	2,546	-	139,981	102,998	-	39,529

CITY OF AUGUSTA, MAINE
City Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	Balances beginning of year	Revenues		Expenditures	Transfers in (out)	Balances end of year
		Inter- governmental	Other			
Community services:						
Federal/State programs:						
2065 After School Daycare	\$ 50,370	21,054	321,560	313,296	-	79,688
2094 Greenway Trail Enhancement	3,309	-	-	-	-	3,309
2095 Blaine Memorial Trees	5,610	-	-	3,932	-	1,678
2163 Snowmobile grant	-	9,600	-	9,600	-	-
2168 Togus watershed	-	1,918	-	1,918	-	-
Other programs:						
2055 Tree board	4,882	-	6,545	12,300	6,000	5,127
2056 Edward Mill Site	6,603	-	-	427	-	6,176
2060 Stain Glass Lithgow Library	1,660	-	71	-	-	1,731
2061 Lost library books	7,184	-	25,833	29,026	-	3,991
2071 Skateboard park	1,314	-	-	-	-	1,314
2079 Recreation - adult	24,917	-	30,837	25,765	(6,136)	23,853
2080 Recreation - youth	2,212	-	87,954	87,767	-	2,399
2081 Recreation - special events	-	-	4,732	13,257	8,525	-
2085 School mowing contract	15,209	-	98,817	85,128	(1,046)	27,852
2086 Bicentennial park	499	-	100	-	-	599
2087 Trolley Cars	910	-	2,175	206	-	2,879
2088 4th of July	6,105	-	11,951	6,746	-	11,310
2091 Urban comm forestry assistance	575	-	-	575	-	-
2096 Pleasant Hill Saw timber	270	-	-	-	-	270
2110 Bukee School donations	71	-	-	-	-	71
2111 Spring running	2,466	-	2,399	4,521	-	344
2121 Augusta Nature Trail	-	-	91	1,137	1,046	-
2130 Youth football	5,000	-	-	5,000	-	-
2138 Farmer's market	2,191	-	7,275	4,764	-	4,702
2140 New Cony planting	172	-	-	172	-	-
2145 Viles Park Memorial	-	-	12,640	-	-	12,640
2156 Great Sidney Bog	-	-	-	15,000	15,000	-
2161 EHAP certifications	-	-	2,429	2,429	-	-
2164 Graffiti removal	-	-	5,000	616	-	4,384
2165 Forest mgmt plan - Bond Brook	-	-	-	-	6,000	6,000
Total community services	141,529	32,572	620,409	623,582	29,389	200,317
Public safety:						
Federal/State programs:						
2041 Ride-a-long	-	9,742	-	8,557	(1,185)	-
2043 Community Policing	7,533	-	-	7,533	-	-
2046 Cop Fast program	-	7,868	-	7,868	-	-
2047 Bullet Proof Vest	67	2,051	-	2,118	-	-
2048 Seatbelt Grant	-	1,476	-	1,476	-	-
2049 OUI Grant	-	5,551	-	5,551	-	-
2062 Fire prevention	7,602	-	-	-	-	7,602
2072 Safe Ways to School	-	17,561	-	9,166	(8,395)	-
2112 Homeland Security Grant	-	441,559	-	441,559	-	-
2118 JAG Grant Canine Unit	609	-	8	617	-	-
2120 HSF - Kennebec Pool	633	-	-	633	-	-
2125 Speed enforcement	-	7,092	-	6,519	-	573
2126 Police service airport	-	19,911	-	19,911	-	-
2129 Firefighter assistance grant	-	1,299	-	1,251	(48)	-
2136 Homeland Security Grant 06	-	22,251	-	22,251	-	-
2137 MMA safety enhancement grant	-	1,327	-	1,327	-	-
2152 DHS law enforcement reimb	-	65,154	-	65,154	-	-
2166 Justice assistance grant	-	19,107	-	-	-	19,107
Other programs:						
2040 Forfeiture fund	3,695	-	1,798	987	-	4,506
2042 Police outside work	1,793	-	39,767	28,957	(10,810)	1,793
2044 Juvenile program	7,282	-	-	4,942	-	2,340
2050 Fire prevention education	3,538	-	1,142	4,286	-	394
2051 Fire alarm maintenance	3,240	-	4,800	2,945	-	5,095
2132 Safety grant	955	-	-	-	-	955
2141 SOG Team V response	-	-	73	73	-	-
Total public safety	36,947	621,949	47,588	643,681	(20,438)	42,365
Total City special revenue funds	\$ 556,837	1,437,891	4,225,625	3,629,720	(332,001)	2,258,632

CITY OF AUGUSTA, MAINE
Federal, State and Local Programs and Adult Education - School
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	Balances beginning of year	Revenues	Expenditures	Transfers	Balances end of year
Federal programs:					
2507/41 Title IVA - Drug Free Schools	\$ 22,339	21,460	6,121	(10,000)	27,678
2508 Title IIA - Improving Teacher Quality	175,696	172,000	187,878	-	159,818
2509 Title IA - Chapter I - Disadvantaged	104,827	757,474	884,429	-	(22,128)
2511 Title V	11,383	6,704	15,468	10,000	12,619
2515 Local Entitlement	6,716	682,538	610,676	-	78,578
2520-23 Perkins Learning Center	16,386	141,170	141,299	-	16,257
2524 Technology Literacy	20,528	12,188	12,097	-	20,619
2526/33 National Science Foundation	35	-	-	-	35
2527 PreSchool	15,210	13,000	25,434	-	2,776
2534 Rural Low Income	1,354	73,032	71,618	-	2,768
2537 School Health Grant	(112)	112	-	-	-
2538 Reading First - Gilbert	1,858	118,019	104,710	-	15,167
2539 Title III - ESL	11,374	18,915	11,725	-	18,564
2542 Reading First - Farrington	16,949	124,158	172,668	-	(31,561)
2547 FEMA generator hook up	-	-	2,716	6,200	3,484
2603 Cony Maine Youth Voices	809	1,800	-	-	2,609
2615 ESL Refugee	776	-	776	-	-
Total federal programs	406,128	2,142,570	2,247,615	6,200	307,283
State programs:					
2503 Work Study Project	1,273	1,500	1,580	-	1,193
2505 Region 2 Administrative	(5,906)	-	3,366	-	(9,272)
2518 PPPD Professional Development	4,739	-	790	-	3,949
2525 Health Clinic	307	-	-	-	307
2536 State Agency Grant	(31,090)	-	-	-	(31,090)
2544 Healthy Community Maine Grant	93	1,800	3,380	-	(1,487)
2545 Maine Math science Alliance	-	3,060	876	-	2,184
2546 Barbara Bush Project Llife	-	22,500	20,748	-	1,752
2612 State Agency - Outside Students	43,134	-	-	-	43,134
Total state programs	12,550	28,860	30,740	-	10,670
Other programs:					
2535 Teamwork for Kids	1,000	-	-	-	1,000
2540 MELMAC College Access	(1,476)	10,000	8,544	-	(20)
2549 School Based Health	-	9,103	2,852	-	6,251
2604 Sports Done Right	139	-	70	-	69
2605-06 Summer School	5,448	-	-	-	5,448
2607 Chizzle Whizzle	(580)	-	16,418	-	(16,998)
2616 Stagehand, student stipends	222	-	-	-	222
Total other programs	4,753	19,103	27,884	-	(4,028)
Special projects:					
2625 CTV 7	35,081	7,023	-	-	42,104
Total special projects	35,081	7,023	-	-	42,104
Subtotal	\$ 458,512	2,197,556	2,306,239	6,200	356,029

CITY OF AUGUSTA, MAINE
Federal, State and Local Programs and Adult Education - School
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

		Balances beginning of year	Revenues	Expenditures	Transfers	Balances end of year
Federal programs:						
2512	ABE Federal Program	\$ -	59,534	59,534	-	-
2516	Workforce Development	784	-	784	-	-
2529	Perkins Title II C	(3,192)	-	(2,970)	-	(222)
Total federal programs		(2,408)	59,534	57,348	-	(222)
State programs:						
2532	Jail Education Program	20,189	31,874	26,883	-	25,180
2548	College Transition Initiative	-	8,699	8,756	-	(57)
Total state programs		20,189	40,573	35,639	-	25,123
Other programs:						
2613	Self-supporting General Teaching	23,673	33,427	25,440	-	31,660
2614	Health Occupation Education	38,050	22,797	26,706	-	34,141
2622	KLC Computer Lab	16,494	4,845	3,585	-	17,754
Total other programs		78,217	61,069	55,731	-	83,555
Total School Special Revenues \$		554,510	2,358,732	2,454,957	6,200	464,485

CITY OF AUGUSTA, MAINE
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	Balances beginning of year	Revenues	Expenditures	Bond Proceeds	Transfers in (out)	Balances end of year
City Funds:						
3000 Fiscal 2000	\$ 32,338	-	6,404	-	-	25,934
3001 Fiscal 2001	44,695	1,911	-	-	-	46,606
3002 Fiscal 2002	20	1	-	-	-	21
3003 Fiscal 2003	282,502	-	1,931	-	8,395	288,966
3004 Fiscal 2004	168,904	4,957	80,544	-	2,736	96,053
3005 Fiscal 2005	156,082	6,454	32,057	-	-	130,479
3006 Fiscal 2006	950,676	20,740	716,217	-	1,400	256,599
3007 Fiscal 2007	590,997	20,442	185,460	-	(23,062)	402,917
3008 Fiscal 2008	14,580	21,509	398,633	-	1,004,030	641,486
3085 New Cony High School	414,650	21,164	64,724	-	-	371,090
3086 Dickman Parking Garage	295,819	12,217	16,500	-	-	291,536
3097 Fiscal 1997	8,432	-	3,174	-	-	5,258
3098 Carryforward	16,833	-	-	-	-	16,833
Total nonmajor capital projects	\$ 2,976,528	109,395	1,505,644	-	993,499	2,573,778

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds - City
For the year ended June 30, 2008

City Funds	Fund balance									
	Fund balance, principal, beginning of year	unexpended income, beginning of year	Donations	Investment income	Expenditures	Transfers in (out)	Fund balance principal, end of year	Fund balance unexpended income, end of year		
6001 New Cony High School	\$ -	246,817	76,623	8,391	128	(128,550)	-	203,153		
6501 L. W. Titcomb Playground	6,281	(380)	-	215	191	-	6,281	(356)		
6502 Lithgow Library	24,933	754	-	939	832	-	24,933	861		
6503 St. Mark's Church	11,968	143	-	443	392	-	11,968	194		
6507 Cemetery Trust Fund	150,105	(413)	-	5,472	4,846	-	150,105	213		
6516 Forest Grove Cemetery	75,538	1,672	-	2,822	2,500	-	75,538	1,994		
6529 Kling Trust	9,974	220	-	373	330	-	9,974	263		
6543 Alice Reynolds Trust	11,565	69	-	426	600	-	11,565	(105)		
6544 Ed E. Gage Family Trust	49,566	754	-	1,832	2,600	-	49,566	(14)		
6545 Edwards Dam Scholarship	27,899	467	-	1,064	1,500	-	27,899	31		
6546 Eliza Church Fund	3,376	42	-	125	111	-	3,376	56		
6547 Ira Bunker	499	(14)	-	18	-	-	499	4		
6548 Lipman Memorial Trust	4,057	1,019	-	185	100	-	4,057	1,104		
6549 Miriam Titcomb Trust	22,660	1,257	-	838	742	-	22,660	1,353		
6550 Peavy Scholarship Fund	4,211	29	-	155	225	-	4,211	(41)		
6551 Sanford Legacy	1,496	18	-	55	49	-	1,496	24		
6552 Cony Family Fund	12,497	(1,550)	-	400	500	-	12,497	(1,650)		
6553 Tree Board Trust	-	30,165	-	1,234	-	(12,000)	-	19,399		
6554 Bicentennial Nature Park	-	29,709	-	1,530	-	-	-	31,239		
6555 Cemetery Perpetual Care	104,362	14,182	4,950	4,944	-	-	104,362	24,076		
6556 Mall Mitigation Land Trust	15,000	(1,850)	-	314	-	-	15,000	(1,536)		
Total City Funds	\$ 535,987	323,110	81,573	31,775	15,646	(140,550)	535,987	280,262		

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds - School
For the year ended June 30, 2008

School Funds	Fund balance							Fund balance unexpended income, end of year
	Fund balance, principal, beginning of year	unexpended income, beginning of year	Investment income	Other revenues	Expenditures	Fund balance principal, end of year		
6251 Auto Mechanic Scholarship	\$ -	5,015	100	-	250	-	4,865	
6252 Childcare Scholarship	290	237	10	-	-	290	247	
6253 CATC Multi-media Scholarship	595	88	13	-	-	595	101	
6254 CATC Plumbing And Heating	-	548	11	-	-	-	559	
6255 CHS Class of 1926 Perkins Award (held at CHS)	-	304	2	-	-	-	306	
6256 CHS Class of 1938 Scholarship Fund	-	2,429	51	-	250	-	2,230	
6257 CHS Special Music Concert. (held at CHS)	-	234	1	-	-	-	235	
6258 Cony Restoration Fund	-	1,591	31	-	-	-	1,622	
6259 Devina Mudge Scholarship	-	120	3	-	-	-	123	
6260 Ebbie Brooks Math and Science Fund	-	588	12	-	60	-	540	
6261 Edgar A. Hussey Memorial	-	5,531	112	-	200	-	5,443	
6262 Eliza Church Fund	-	833	16	-	-	-	849	
6263 Frank Hewins Music	-	711	14	-	-	-	725	
6264 Friedlander Memorial Award	-	49	1	-	-	-	50	
6265 Georgianna Hayes English	-	1,136	22	-	-	-	1,158	
6266 Jon Crockett Memorial Fund	-	2,472	50	-	150	-	2,372	
6267 Lanny Cooper Memorial	-	1,080	21	-	-	-	1,101	
6268 Lee and Larry Leighton Scholars	-	4,309	86	-	100	-	4,295	
6269 Mable Thompson	-	630	13	-	25	-	618	
6270 Theresa Brannigan Memorial	-	804	15	-	-	-	819	
6271 Titcomb Fund	-	34,814	678	-	-	-	35,492	
6272 Florence Tanner McIntire Memorial	-	1,450	34	-	300	-	1,184	
6274 Mallory Dulac Scholarship	-	5,253	112	-	500	-	4,865	
6275 Cony High Scholarship (held at CHS)	-	3,764	34	-	500	-	3,298	
6701 Ann Williams Funds	2,000	9,832	230	-	-	2,000	10,062	
6702 Alumni Hall restoration	400	19,626	391	-	-	400	20,017	
6703 Arthur E. Shea Memorial	1,161	(280)	17	-	-	1,161	(263)	
6704 CATC School Wide Scholarship	10,000	452	218	770	-	10,000	1,440	
6705 CHS Class of 1943 Scholarship Fund	7,212	2,644	197	-	500	7,212	2,341	
6706 CHS Scholarship and Student Aid (held at CHS in checking)	-	30,570	10	13,315	30,083	-	13,812	
6707 CHS Scholarship and Student Aid (held at CHS in CD)	-	9,153	-	-	-	-	9,153	
Subtotal School Funds	\$ 21,658	145,987	2,505	14,085	32,918	21,658	129,659	

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued
Nonmajor Permanent Funds - School
For the year ended June 30, 2008

School Funds	Fund balance						Fund balance unexpended income, end of year
	Fund balance, principal, beginning of year	unexpended income, beginning of year	Investment income	Other revenues	Expenditures	Fund balance principal, end of year	
6708	75	415	15	-	350	75	80
6709	3,257	1,027	84	-	-	3,257	1,111
6710	1,000	2,723	74	-	100	1,000	2,697
6711	500	198	14	-	15	500	197
6713	15	82	2	-	-	15	84
6714	600	88	15	-	60	600	43
6715	1,717	823	57	-	500	1,717	380
6716	2,500	(245)	44	-	-	2,500	(201)
6717	1,705	5,581	147	975	2,000	1,705	4,703
6718	2,577	490	60	-	-	2,577	550
6719	2,500	786	64	-	-	2,500	850
6720	10,000	5,832	317	-	500	10,000	5,649
6722	1,970	945	57	-	-	1,970	1,002
6723	200	204	9	-	25	200	188
6724	15	187	23	1,732	-	15	1,942
6725	1,800	2,097	76	-	-	1,800	2,173
6726	3,000	4,960	155	-	-	3,000	5,115
6727	5,000	765	112	-	-	5,000	877
6728	2,050	194	44	-	100	2,050	138
6729	2,220	(604)	33	-	150	2,220	(721)
6730	5,000	2,087	148	-	1,000	5,000	1,235
6731	2,297	800	61	50	-	2,297	911
6732	-	42	1	-	-	-	43
6733	-	263	5	-	-	-	268
6734	-	536	15	-	500	-	51
6735	-	504	2	500	-	-	1,006
6736	-	-	(154)	9,930	-	-	9,776
6737	-	-	(117)	6,420	-	-	6,303
Total School Funds	71,656	176,767	3,868	33,692	38,218	71,656	176,109

CITY OF AUGUSTA, MAINE
Statement of Changes in Assets and Liabilities
Agency Funds
For the year Ended June 30, 2008

	Beginning of year	Additions	Deletions	End of year
ASSETS				
Cash	\$ 303,792	690,381	672,155	322,018
Total assets	\$ 303,792	690,381	672,155	322,018
LIABILITIES				
Due to student groups	303,792	690,381	672,155	322,018
Total liabilities	\$ 303,792	690,381	672,155	322,018

STATISTICAL SECTION

Table 1

CITY OF AUGUSTA, MAINE
Government-wide Expenses by Function
Last Six Fiscal Years

Fiscal year	City services						Retirement and insurance	Education	Utilities
	Legislative and executive	Finance and administration	and public works	Community services	Public safety				
2003	\$ 1,649,442	759,861	3,365,923	2,222,759	4,990,504	28,609,739	1,444,711	2,107,913	
2004	1,525,583	799,314	3,560,352	2,340,370	5,017,437	28,167,122	1,579,957	2,110,899	
2005	593,157	2,574,468	3,238,089	2,465,706	5,459,336	28,860,857	1,458,605	1,891,239	
2006	577,232	2,616,040	4,559,929	2,432,732	5,164,109	29,396,723	1,541,180	1,953,588	
2007	590,439	2,804,888	5,428,832	2,435,759	5,868,011	31,804,424	1,433,560	2,043,033	
2008	584,648	2,609,272	5,948,639	2,533,233	6,017,489	32,098,339	1,478,380	2,103,034	

Unclassified	Capital						Ambulance	Total
	Interest on debt	Central garage	Capital maintenance expenses	Augusta Civic Center	Hatch Hill Landfill	Airport		
\$ 3,375,553	217,015	1,093,333	989,578	2,740,829	1,882,110	383,866	56,687,566	
5,404,041	240,820	1,030,789	320,249	2,804,081	2,423,384	375,821	58,838,803	
1,245,371	154,231	1,129,094	101,826	2,756,456	2,212,682	411,678	55,541,477	
1,336,969	181,357	1,348,833	1,461,956	2,828,352	3,018,672	432,140	60,079,110	
1,440,886	1,442,027	1,353,725	127,814	2,837,679	1,954,597	489,185	63,260,879	
1,575,514	191,356	1,460,457	19,341	2,913,963	3,066,414	520,177	64,482,925	

Only six years have been presented because 2003 was the year GASB Statement No. 34 implemented.

Table 2

CITY OF AUGUSTA, MAINE
Government-wide Revenues
Last Six Fiscal Years

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues	Contributions not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous		
2003	\$ 10,591,058	16,828,960	249,349	25,698,103	2,773,577	572,677	455,410	57,169,134	
2004	10,669,424	18,176,812	591,418	25,977,414	2,969,273	230,190	795,914	59,410,445	
2005	10,126,546	15,852,689	336,377	27,648,715	2,932,607	913,190	2,533,438	60,343,562	
2006	10,571,366	17,097,427	120,274	27,479,074	3,010,331	1,686,457	2,146,525	62,111,454	
2007	10,366,856	20,385,932	-	27,681,053	3,014,023	1,195,325	2,207,466	64,850,655	
2008	9,745,227	22,129,940	-	28,739,661	3,034,885	968,205	3,233,238	67,851,156	

Only six years have been presented because 2003 was the year GASB Statement No. 34 implemented.

CITY OF AUGUSTA, MAINE
General Fund Expenditures by Function - Budgetary Basis
Last Ten Fiscal Years

Year	City services and										Debt service	Capital	Total
	Legislative and executive	Finance and administration	public works	Community services	Public safety	Insurances and utilities	Unclassified	County	Education				
1999 \$	1,294,178	621,615	2,872,967	1,657,595	4,469,332	2,423,836	550,961	907,261	20,048,538	1,274,000	288,064	36,408,347	
2000	1,348,789	687,942	2,810,895	1,696,616	4,668,417	2,563,493	46,271	923,910	20,292,065	1,295,121	500,573	36,834,092	
2001	1,479,817	732,150	3,069,726	1,758,860	4,333,753	3,369,256	361,650	967,133	21,189,136	1,053,031	1,235,604	39,550,116	
2002	1,393,480	734,239	3,001,316	2,058,400	4,771,026	3,679,068	55,902	1,032,866	22,232,493	1,210,712	301,359	40,470,861	
2003	1,333,025	750,628	2,966,127	2,219,539	4,845,665	3,552,624	158,188	1,092,007	22,710,095	1,052,479	-	40,680,377	
2004	1,357,108	770,768	2,981,857	2,335,567	4,876,575	3,690,856	41,498	1,175,364	22,422,435	1,052,084	-	40,704,112	
2005	610,324	1,374,810	3,953,540	2,003,704	4,903,819	3,349,844	(14,454)	1,234,872	23,037,625	1,065,492	-	41,519,576	
2006	589,899	1,464,086	4,101,693	2,020,853	5,232,339	3,516,706	50,774	1,271,219	23,893,952	1,305,832	-	43,447,353	
2007	607,318	1,462,484	4,455,145	2,115,058	5,462,470	3,747,259	50,298	1,349,609	25,334,169	1,224,430	-	45,808,240	
2008	599,225	1,509,133	5,180,697	2,099,892	5,728,125	3,951,240	126,413	1,395,237	27,571,927	1,118,484	-	49,280,373	

Table 4

CITY OF AUGUSTA, MAINE
General Fund Revenues by Source - Budgetary Basis
Last Ten Fiscal Years

Fiscal year	Taxes	Licenses and permits	Inter-governmental	Charges for services	Fines and fees	Investment earnings	Unclassified	Total
1999	\$ 22,388,370	218,097	11,039,470	1,767,706	18,359	561,559	710,280	36,703,841
2000	23,392,171	199,655	11,280,800	2,300,802	24,078	665,626	627,739	38,490,871
2001	24,233,540	180,316	12,410,358	1,779,140	37,325	976,638	472,931	40,090,248
2002	24,638,041	178,492	12,697,557	2,008,673	44,301	608,637	757,532	40,933,233
2003	25,251,253	204,666	12,739,376	2,099,126	24,527	475,208	673,116	41,467,272
2004	25,514,600	180,976	13,222,437	2,233,881	42,945	219,288	492,791	41,906,918
2005	26,166,249	228,753	13,521,824	2,320,924	63,645	453,846	520,503	43,275,744
2006	25,861,766	219,924	13,817,461	2,357,632	53,462	844,846	494,799	43,649,890
2007	26,040,229	293,264	15,710,155	2,313,794	51,459	990,043	597,353	45,996,297
2008	27,075,553	175,598	18,071,244	2,177,047	55,783	897,340	486,725	48,939,290

Table 5

CITY OF AUGUSTA, MAINE
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal year		Total tax levy	Current tax collections	% of levy collected	Prior year tax collections	Total tax collections	% of total tax collection to levy
1999	\$	20,286,033	19,319,920	95.24%	713,514	20,033,434	98.75%
2000		20,789,821	19,886,796	95.66%	825,434	20,712,230	99.63%
2001		22,010,273	21,111,582	95.92%	1,075,709	22,187,291	100.80%
2002		22,629,151	21,816,956	96.41%	755,714	22,572,670	99.75%
2003		23,263,776	22,364,810	96.14%	683,187	23,047,997	99.07%
2004		23,700,680	22,990,568	97.00%	704,836	23,695,404	99.98%
2005		24,254,710	23,661,231	97.55%	827,605	24,488,836	100.97%
2006		24,105,601	23,312,969	96.71%	520,677	23,833,646	98.87%
2007		24,118,683	23,493,905	97.41%	681,130	24,175,035	100.23%
2008		25,141,898	24,524,593	97.54%	533,982	25,058,575	99.67%

Table 6

CITY OF AUGUSTA, MAINE
Assessed and State Value of Taxable Property
Last Ten Fiscal Years

Fiscal year	Assessed Value		Total		Ratio assessed to state
	Real property	Personal property	Assessed value	State value	
1999	\$ 758,011,300	111,141,800	869,153,100	861,700,000	100.86%
2000	762,747,900	101,983,200	864,731,100	861,850,000	100.33%
2001	788,781,700	108,786,200	897,567,900	869,500,000	103.23%
2002	801,226,100	118,658,100	919,884,200	912,200,000	100.84%
2003	815,134,900	120,636,100	935,771,000	928,000,000	100.84%
2004	822,193,800	113,263,200	935,457,000	990,400,000	94.45%
2005	836,811,900	96,499,400	933,311,300	1,064,250,000	87.70%
2006	834,194,300	93,978,600	928,172,900	1,202,450,000	77.19%
2007	1,364,574,200	97,315,600	1,461,889,800	1,380,800,000	105.87%
2008	1,402,015,000	104,047,300	1,506,062,300	1,478,400,000	101.87%

CITY OF AUGUSTA, MAINE
Ratio of Net General Bonded Debt
to Assessed Value and Net Bonded
Debt Per Capita
Last Ten Fiscal Years

Fiscal year	Population	Assessed value	Gross debt	Enterprise debt	Net bonded debt	Ratio net debt to value	Net debt per capita
1999	20,915	\$ 869,153,100	9,809,785	-	9,809,785	1.13%	469
2000	21,325	864,731,100	19,446,093	9,700,000	9,746,093	1.13%	457
2001	18,560	897,567,900	22,843,473	13,515,000	9,328,473	1.04%	503
2002	18,560	919,884,200	21,128,600	13,030,000	8,098,600	0.88%	436
2003	18,560	935,771,000	32,863,829	12,318,685	20,545,144	2.20%	1,107
2004	18,560	935,457,000	30,872,107	11,607,370	19,264,737	2.06%	1,038
2005	18,560	933,311,300	32,295,385	10,896,055	21,399,330	2.29%	1,153
2006	18,560	928,172,900	58,383,662	10,184,740	48,198,922	5.19%	2,597
2007 (a)	18,560	1,461,889,800	56,474,725	9,473,425	47,001,300	3.22%	2,532
2008	18,560	1,506,062,300	52,684,860	8,762,110	43,922,750	2.92%	2,367

Sources for population information:

State of Maine Department of Human Services, research department, for 1995 through 2000, except for 1996 and 1997 which were estimated by Kennebec Valley Council of Governments. Population for 2001 was obtained from the U.S. Census Bureau.

(a) The City performed a revaluation prior to the commitment.

Table 8

CITY OF AUGUSTA, MAINE
Principal Taxpayers
June 30, 2008

Taxpayer	Business	Assessed value	% of total value
Capital Augusta Properties	Retail	\$ 82,804,500	5.50%
Central Maine Power	Public Utility	66,833,600	4.44%
Gall, Edward	Rental/retail	28,905,200	1.92%
Wal-Mart Stores, Inc.	Retail	22,798,700	1.51%
Harpers/Central Maine Commerce	Office Building	21,207,400	1.41%
Taurus Business Center Lmted	Retail	20,802,500	1.38%
Townsend Road Assoc.	Developer	19,246,700	1.28%
Meadowpark Development Corp	Apts/Offices	18,097,000	1.20%
CAP Center Associates LP	Developer	14,973,200	0.99%
Pomerleau, Frank	Retail	13,407,000	0.89%

SINGLE AUDIT SECTION

**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**

City Council and Board of Education
City of Augusta, Maine:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of and for the year ended June 30, 2008, which collectively comprise the City of Augusta, Maine's basic financial statements and have issued our report thereon dated October 25, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Augusta, Maine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Augusta, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Augusta, Maine's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Augusta, Maine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Augusta, Maine's financial statements that is more than inconsequential will not be prevented or detected by the City of Augusta, Maine's internal control. We consider the deficiency described in the accompanying schedule of findings as item #2008-1 to be a significant deficiency in internal control over financial reporting.

**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**

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Augusta, Maine's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Augusta, Maine'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*.

We also noted certain additional matters that we reported to management of the City of Augusta, Maine in a separate letter dated October 25, 2008.

This report is intended solely for the information and use of the City Council, Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 25, 2008
South Portland, Maine



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

City Council and Board of Education
City of Augusta, Maine:

Compliance

We have audited the compliance of the City of Augusta, Maine, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Augusta, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Augusta, Maine's management. Our responsibility is to express an opinion on the City of Augusta, Maine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Augusta, Maine's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Augusta's compliance with those requirements.

As described in item #2008-2 in the accompanying schedule of findings and questioned costs, the City of Augusta, Maine did not comply with the requirements regarding cash management that is applicable to its U.S. Department of Education, Title IIA – Improving Teacher Quality (CFDA#84.367) program. Compliance with such requirements is necessary, in our opinion, for the City of Augusta, Maine to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Augusta, Maine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

Internal Control Over Compliance

The management of the City of Augusta, Maine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Augusta, Maine's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Augusta, Maine's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Augusta, Maine's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Augusta, Maine's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Augusta, Maine's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of and for the year ended June 30, 2008, and have issued our report thereon dated October 25, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Augusta, Maine's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the City Council, Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 25, 2008

South Portland, Maine

CITY OF AUGUSTA, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through number	Program or award amount	Balance at June 30, 2007	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2008
					Federal	Other			
U.S. Department of Education,									
Passed through Maine Department of Education:									
2512 Adult Basic Education	84.002	6296/6297	\$ 100,000	-	100,000	-	100,000	-	-
2509 Title IA	84.010	6334	757,474	104,827	757,474	-	884,429	-	(22,128)
2515 Special Education State Grants Individuals with Disabilities Act	84.027	6317	682,538	6,716	682,538	-	610,676	-	78,578
2520 Carl Perkins - Basic Grant (learning center)	84.048	5159	141,170	16,386	141,170	-	141,299	-	16,257
2527 Preschool	84.173	6241	13,000	15,210	13,000	-	25,434	-	2,776
2511 Title V - Innovative	84.298	1072	6,704	11,383	6,704	10,000	15,468	-	12,619
2524 Technology Literacy	84.318	1006	12,188	20,528	12,188	-	12,097	-	20,619
2538 Reading First - Gilbert	84.357	1101	118,019	1,858	118,019	-	104,710	-	15,167
2542 Reading First - Farrington	84.357	1101	124,158	16,949	124,158	-	172,668	-	(31,561)
2534 Rural Low Income	84.358	1078	73,032	1,354	73,032	-	71,618	-	2,768
2539 Title III - ESL	84.365	1004	18,915	11,374	18,915	-	11,725	-	18,564
2508 Teacher Quality Grant	84.367	1138	172,000	175,696	172,000	-	187,878	-	159,818
Passed through Maine Office of Substance Abuse:									
2507 Drug Free Schools and Communities	84.186	N/A	21,460	22,339	21,460	-	6,121	10,000	27,678
Total U.S. Department of Education				404,620	2,240,658	10,000	2,344,123	10,000	301,155
U.S. Department of Housing and Urban Development, passed through Department of Economic and Community Development:									
2144 2007 Business Assistance Grant	14.228	N/A	400,000	-	244,431	-	244,431	-	-
Total U.S. Department of Housing and Urban Development				-	244,431	-	244,431	-	-
U.S. Department of Agriculture, passed through the Maine Dept. of Ed:									
2617 National School Lunch Program	10.555	7128	N/A	261,427	399,703	625,624	399,703	609,210	277,841
School Breakfast Program	10.553	7127	N/A	-	100,696	-	100,696	-	-
Summer Food Service Program	10.559	7130	N/A	-	5,486	-	5,486	-	-
Food Donation Program	10.550	6134	N/A	17,472	58,537	-	62,365	-	13,644
Total U.S. Department of Agriculture				278,899	564,422	625,624	568,250	609,210	291,485
U.S. Department of Justice, passed through the Maine Department of Justice:									
2043 Community Policing	16.579	N/A	23,060	7,533	-	-	7,533	-	-
2047 Bulletproof Vests	16.607	N/A	N/A	67	2,051	-	2,118	-	-
2118 Justice Assistance Grant	16.738	N/A	N/A	609	-	8	617	-	-
Passed through the Maine Department of Education:									
2603 Youth Voices	16.727	N/A	N/A	809	1,800	-	-	-	2,609
Total U.S. Department of Justice				9,018	3,851	8	10,268	-	2,609

CITY OF AUGUSTA, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through number	Program or award amount	Balance at June 30, 2007	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2008
					Federal	Other			
U.S. Department of Transportation:									
Direct programs:									
2049 OUI Grant	20.600	N/A	\$ N/A	-	5,551	-	5,551	-	-
2125 Speed Enforcement	20.600	N/A	N/A	-	7,092	-	6,519	-	573
2048 Seatbelt Grant	20.604	N/A	N/A	-	1,476	-	1,476	-	-
Passed through the Maine Department of Transportation:									
2146 Airport Improvement Program	20.106	N/A	77,900	-	62,906	-	62,906	-	-
2149 Airport Improvement Program	20.106	N/A	5,111	-	3,547	-	3,547	-	-
Total U.S. Department of Transportation				-	80,572	-	79,999	-	573
U.S. Department of Human Services, passed through the									
Maine Department of Education:									
2615 Refugee resettlement	93.576	5019	-	776	-	-	776	-	-
Passed through the Maine Department of Human Services:									
2065 Child Care Development Fund	93.575	N/A	21,046	50,370	21,054	321,560	21,054	292,242	79,688
Total U.S. Department of Human Services				51,146	21,054	321,560	21,830	292,242	79,688
U.S. Department of Homeland Security:									
Direct program:									
2062 Fire Prevention Safety Grant	97.044	N/A	25,665	7,602	-	-	-	-	7,602
2129 Assistance to Firefighters Grant	97.044	N/A	47,366	-	1,299	-	1,299	-	-
2108 FEMA Disaster Assistance	97.036	N/A	91,842	28,889	-	-	-	-	28,889
Passed through Maine Emergency Management Agency:									
2120 Homeland Security Grant	97.004	N/A	24,141	633	-	-	633	-	-
2112 Homeland Security Grant	97.066	N/A	459,062	-	441,559	-	441,559	-	-
2126 Law Enforcement Terrorism Prevention	97.074	N/A	N/A	-	19,911	-	19,911	-	-
2152 TSA - Officer Reimbursement	97.090	N/A	N/A	-	65,154	-	65,154	-	-
Total U.S. Department of Homeland Security				37,124	527,923	-	528,556	-	36,491
Totals			\$	780,807	3,682,911	957,192	3,797,457	911,452	712,001

See accompanying notes to schedule of expenditures of federal awards.

CITY OF AUGUSTA, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2008

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-profit Organizations, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Augusta, Maine for the fiscal year ended June 30, 2008. The reporting entity is defined in notes to basic financial statements of the City of Augusta, Maine.

- B. Basis of Presentation - The information in the accompanying schedule of expenditures of federal awards is presented in accordance with OMB Circular A-133.
 - 1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.

 - 2. Major Programs - OMB Circular A-133 establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Augusta, Maine are identified in the summary of auditor's results in the schedule of findings and questioned costs.

- C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City of Augusta, Maine's fund financial statements.

CITY OF AUGUSTA, MAINE
Schedule of Findings and Questioned Costs
June 30, 2008

Section I-Summary of Auditor's Results

Basic financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Significant deficiencies identified not considered to be material weaknesses? yes

Noncompliance material to financial statements noted? no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? no

Significant deficiencies identified not considered to be material weaknesses? no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
84.010	Title 1A
97.066	Homeland Security

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

CITY OF AUGUSTA, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*

SIGNIFICANT DEFICIENCIES

#2008-1 - School Department Accounting System

In the past, the School Department accounting system only accounted for expenditures within the School Department's general and special funds. We recommended that the system be expanded such that proper accounting practices could be followed. The system should represent a complete, self-balancing group of accounts organized by funds as required by the State Department of Education mandated chart of accounts. This required that the School Department maintain balance sheet accounts to represent their assets and liabilities, as well as accounts in which revenues could be posted and tracked. All accounts should be reconciled to the City on a regular basis.

During the fiscal year ended June 30, 2007 the School Department began recording revenues within the general fund and all special funds with the exception of the school lunch program. In February of the current fiscal year, the School Department entered in beginning balances for all balance sheet accounts. At June 30, 2008, most revenues and all expenditures accounts reconciled with the City; however, there were material differences between the balance sheet account balances on the School Department's accounting system and the balance sheet account balances recorded on the City's accounting system. In addition, revenues were not recorded for the school lunch program. Although there have been improvements over the past two fiscal years, reconciliations with the City for balance sheet accounts were not performed and material audit adjustments were needed to correct those balances. Additionally, we recommend that the School Department begin to record school lunch revenues and incorporate reconciling balance sheet accounts in conjunction with reconciling the revenues and expenditures.

CITY OF AUGUSTA, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

#2008-2 - U.S. Department of Education, for the Period July 1, 2007 through June 30, 2008, CFDA #84.367 Title IIA – Improving Teacher Quality

Statement of Condition: The Title IIA – Improving Teacher Quality program had excess cash balances on hand for excessive periods of time.

Criteria: Draw downs of federal funds must be made as close as possible to the time of making distributions. Time should be minimized between the transfer from the U. S. Treasury and the disbursement of funds by the recipient.

Effect: Excess cash on hand could result in the payment of federal funds being delayed or denied.

Cause: Allowable cost expenditures under the Special Education Grant from July 1, 2007 through June 30, 2008 were not sufficient to prevent a month-end cash overflow, as defined by the State of Maine, for certain months.

Recommendation: Request for draw downs, which are accomplished in the application, should be timed such that they are received in the later periods of the grant resulting in these payments being reimbursements for expenditures already made rather than advances.

Questioned Costs: None

CITY OF AUGUSTA, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs

#2007-3 - U.S. Department of Education, for the Period July 1, 2006 through June 30, 2007, CFDA #84.010 Title IA – Disadvantaged and CFDA #84.027, 84.173 Special Education Cluster

Statement of Condition: The ending balances reported on the cash management report for federal programs did not reflect the balances reported on the City's accounting system.

Cause: Some beginning balances on the cash management report did not reconcile with the balances on the accounting system. Also, some revenues and expenditures reported on the accounting system did not reconcile with those that were reported on the cash management report.

Status: No findings in the current year.

#2007-4 - U.S. Department of Education, for the Period July 1, 2006 through June 30, 2007, CFDA #84.367 Title IIA – Improving Teacher Quality

Statement of Condition: The Title IIA – Improving Teacher Quality program had excess cash balances on hand for excessive periods of time.

Cause: Allowable cost expenditures under the Special Education Grant from July 1, 2005 through June 30, 2006 were not sufficient to prevent a month-end cash overflow, as defined by the State of Maine, for certain months.

Status: See current year finding #2008-2

#2007-5 - U.S. Department of Homeland Security, for the Period July 1, 2006 through June 30, 2007, CFDA #97.004, 97.074 Homeland Security Grant Program

Statement of Condition: The City drew down funds and did not disburse all of those funds in the required 120 days. Also, the City had a significant drawdown of funds on hand for a period of time (108 days) before disbursing those funds, without submitting the interest earned on those funds to the U.S. Treasury.

Cause: The City did not disburse all funds until 143 days after receiving them (\$15,000). The City also held on to a significant amount of funds (\$231,331) for a significant amount of time (108 days) before making the disbursement, and did not submit the applicable interest earned on those funds.

Status: No finding in the current year.