

CITY OF AUGUSTA, MAINE

Financial Report

June 30, 2003

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Annual Financial Report
June 30, 2003

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Independent Auditor's Report

City Council
City of Augusta, Maine

We have audited the accompanying basic financial statements of the City of Augusta, Maine as of June 30, 2003 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the City of Augusta, Maine's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

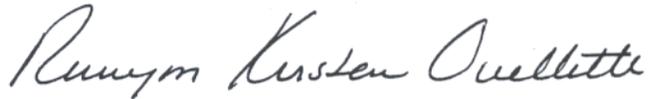
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Augusta, Maine, as of June 30, 2003, and the results of its operations and cash flows for its business-type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statements No. 34, 36, 37, and 38 as well as GASB Interpretation 6 as of and for the year ended June 30, 2003. This resulted in changes in the City's method of accounting for certain transactions and a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis, as listed in the table of contents, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Augusta, Maine. 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. The information in Tables 1 through 8 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2003 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, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report can be found on pages 69-70.

A handwritten signature in cursive script, reading "Raymond Kirschen Ouellette".

October 8, 2003
South Portland, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED 2003

Fiscal 2003 is the first year the City has issued its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 "basic financial statements – and management's discussion and analysis – for state and local governments" (GASB 34), and the first year that a significant number of municipalities are required to use this new format. GASB 34 requires the City to provide this overview of its financial activities for the fiscal year and should be read in conjunction with the basic financial statements and notes thereto. The City's financial highlights are presented below:

Fiscal 2003 Financial Highlights

Financial highlights of the year include the following:

City-wide:

- The City's total net assets were \$23 million at June 30, 2003. Of this total, \$18 million were governmental assets and \$5 million were business-type assets.
- The City's net assets grew by \$481,000. Of this amount, the governmental activities had a decrease in net assets of \$218,000 and the business-type activities grew by just under \$700,000. City-wide governmental revenues include program revenues of \$27 million and general revenues of \$29.5 million.
- Total City-wide governmental expenses were \$50.8 million and business-type activities were \$5.8 million, for total expenditures of \$56.6 million.

Fund Level:

- Governmental Fund Balance declined \$292,000 in Fiscal 2003 to \$11.3 million. Governmental Fund Revenues total \$49.7 million, with total expenditures of \$50.2 million. Other Financing Sources and Uses added \$229,000. General Fund Revenues totaled \$44 million, with total expenditures of \$43.2 million, for an excess of revenues over expenditures of \$787,000. Total Other Financial Sources and Uses was a negative \$1.2 million. The decrease in the General Fund Fund Balance was \$431,000 for Fiscal 2003.

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-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 account for the major financial activities of the City and are presented individually while the activities of the Non-Major 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 Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major 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.

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 Propriety 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 2) presented in the city-wide statement of net assets and statement of activities.

Governmental Activities:

	<u>2003</u>
Current and other assets	\$17,403,490
Capital assets	<u>26,825,730</u>
Total assets	<u>44,229,220</u>
Long term liabilities	20,826,917
Other liabilities	<u>5,448,331</u>
Total liabilities	<u>26,275,248</u>
Net assets:	
Invested in capital assets (net of debt)	19,148,813
Restricted	667,788
Unrestricted	<u>(1,862,629)</u>
Total net assets	<u>\$17,953,972</u>

One hundred and six percent (106%) of the Governmental net assets are represented by the City's investment in Capital assets net of related debt. 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. Three percent (3%) of net assets represent resources that are subject to external restrictions in their uses. The remaining balance is unrestricted net assets, a deficit of \$1.8 million. The negative amount arose primarily as a result of the City's unfunded prior service liabilities of its employee retirement plan. At June 30, 2002, the City's unfunded pension obligation was \$13,182,872. The City issued \$13,150,000 of pension obligation bonds to refinance its unfunded liabilities, producing a savings of \$2.7 million over the 15-year amortization of the bonds.

Changes in Net Assets:

Sources of Revenues:

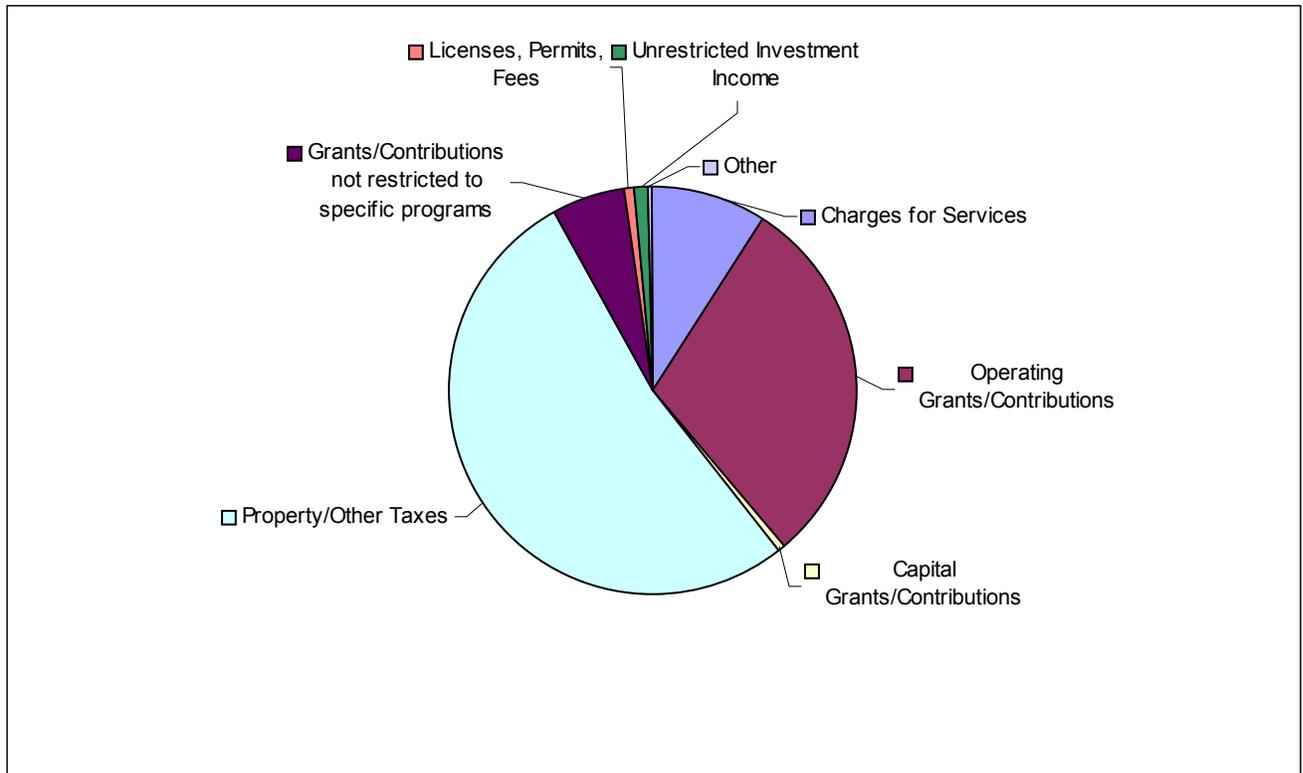
Program Revenues	
Charges for services	\$ 4,366,030
Operating grants and contributions	16,828,960
Capital grants and contributions	249,349
General Revenues	
Property and other taxes	25,301,253
Grants and contributions not restricted to specific programs	2,773,577
Licenses, permits and fees	396,850
Unrestricted investment income	538,120
Other	<u>153,826</u>
Total Revenues	<u>\$ 50,607,965</u>

Functional Expenses:

General government	\$ 1,649,442
Finance and administration	759,861
City services	3,365,923
Community services	2,222,759
Public safety	4,990,504
Education	28,609,739
Insurance and retiree benefits	1,444,711
Utilities	2,107,913
Unclassified	3,375,553
Debt service	217,015
Central garage	1,093,333
Capital maintenance expenses	<u>989,578</u>
Total Expenses	<u>\$ 50,826,331</u>
Increase (decrease) in net assets	(218,366)
Net assets – beginning of year	<u>18,172,339</u>
Net assets – end of year	<u>\$ 17,953,973</u>

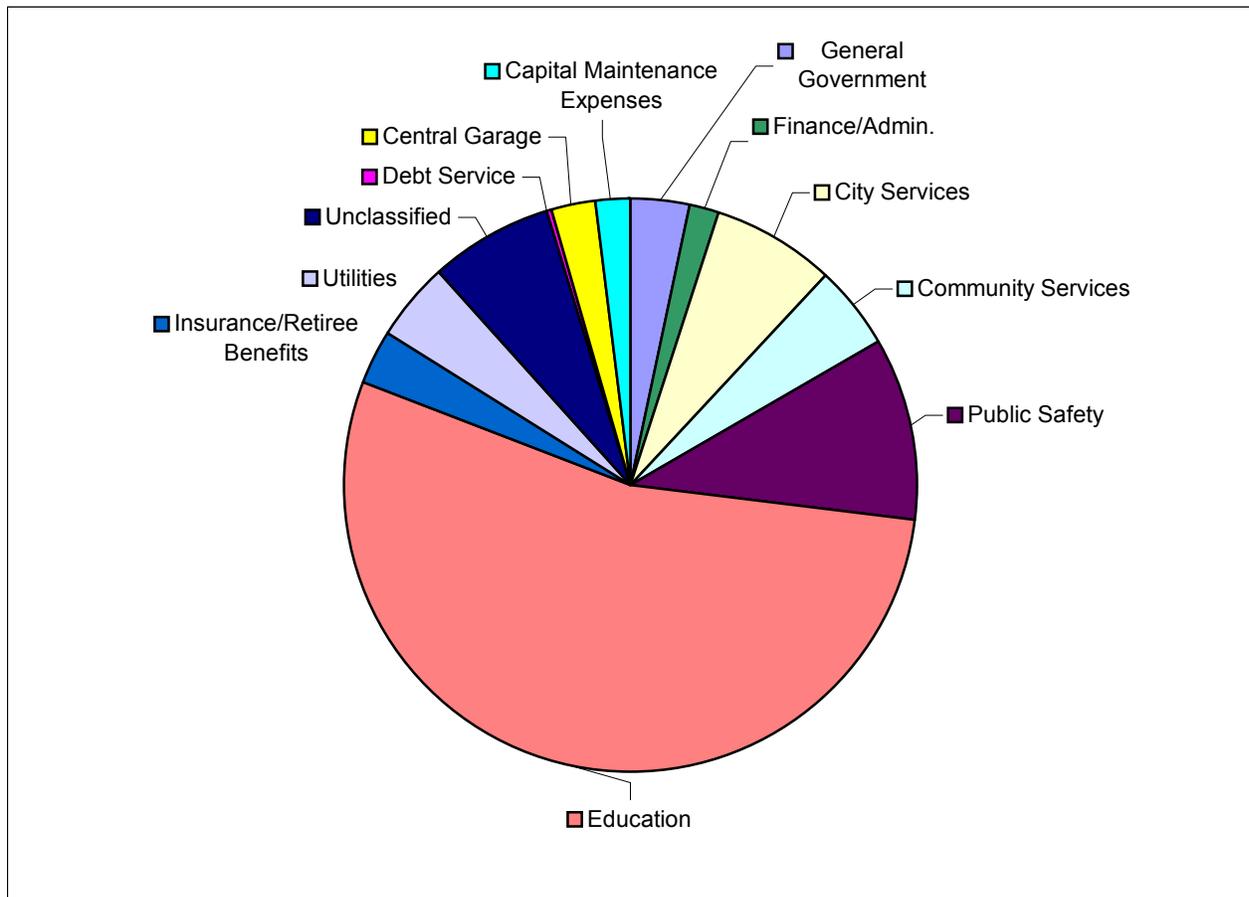
Governmental activities resulted in a negative change in net assets of \$218,366, due primarily to an operating transfer to a business-type activity fund. The City's governmental funds had a net transfer out to Augusta Civic Center enterprise fund of \$361,314. The transfer was to support the interest expense of the Civic Center expansion and upgrade.

Source of Revenues



As the source of revenues chart above shows, 53% of the City's fiscal 2003 governmental activities revenues came from property and other taxes, and 30% from operating grants and contributions. The remaining 17% came from charges for services (9%), grants and contributions not restricted to specific purposes (5.7%) and other (2.3%).

Functional Expenses



The Functional expenses chart above reflects only current year expenses, which are discussed below. Education accounted for 54% and County taxes for 2.26% of expenses. Public Safety accounted for 10.34%, City Services 6.97%, Community Services 4.6%, Utilities 4.37%, General Government 3.42%, Insurance and Retiree Benefits 2.99%, Central Garage 2.27%, Finance and Administration 1.57% and other 5.1%.

Expenses do not include capital outlays, which are now capitalized to the City's capital assets. In 2003, the City's capital assets declined a net \$585,223 as depreciation more than offset capital additions as shown in detail at Table 4.

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. In the City's case, the net expenses of several programs varied significantly from the total expense above. Overall, program revenues reduced program expenses by an average of 39% of total expenses. The range of reduction was 0% to 109.4%. The City's program revenues include license fees, cable franchise fees, building permits, charges for services, and operating grants and contributions.

Table 2
Governmental Activities
(In Millions)

General government	\$ (1.55)
Finance and administration	(0.76)
City services	(3.10)
Community services	(1.24)
Public safety	(4.68)
Education	(11.71)
Insurance and fringe benefits	(1.44)
Other fixed charges	(2.11)
Unclassified	(2.66)
Debt service	(0.22)
Central garage	(0.005)
Capital maintenance expenses	<u>0.09</u>
Total	<u>\$ (29.38)</u>

Business-type Activities:

Table 3
Business-type Net Assets at June 30, 2003
(In Millions)

Current and other assets	\$ 15.075
Capital assets	<u>6.960</u>
Total assets	22.035
Long-term liabilities	15.830
Other liabilities	<u>1.199</u>
Total liabilities	17.029
Net assets:	
Invested in capital assets (net of debt)	2.653
Unrestricted	<u>2.353</u>
Total net assets	<u>\$ 5.006</u>

The net assets of business-type activities increased by \$699,664 in fiscal year 2003. The increase in net assets is attributable to a net transfer from the governmental activities fund of \$301,314, the result of a \$344,457 excess of Ambulance revenues over expenses and the Hatch Hill Landfill was profitable by \$146,239.

The City's Fund Financial Statement

Governmental Funds

At June 30, 2003, the City's governmental funds reported a combined fund balance of \$11.3 million. The General Fund accounted for \$8.2 million and Other Fund \$3.1 million.

Government funds revenues totaled \$49.7 million with expenditures totaling \$50.3, a deficiency of revenues under expenditures of \$.5 million. Other financing sources and uses netted \$.2 million, resulting in a net decrease of fund balance by \$.3 million.

Proprietary Funds

Proprietary Fund net assets grew by \$.7 million. Enterprise operating income was \$1 million, with non-operating expenses of \$.6 million for a net income of \$.4 million, net operating transfers in totaled \$.3 million.

Analysis of Major Governmental Funds

General Fund

General Fund revenues exceeded estimates by \$145,642. The City experienced wide variations in anticipated revenues by sources. Investment earnings were only 75% of expectation as interest rates continued to decline during fiscal year 2003. Intergovernmental revenues were off 1% or \$138,000 due primarily to Municipal Revenue Sharing. Motor vehicle excise taxes continued to exceed expectations by \$193,000 and Unclassified revenues had a positive budget variance of 24% or \$134,416.

General fund expenditures had a budgetary surplus of 3% or \$1.3 million. Educational expenditures were 1.8% (\$419,000) under budget, with Insurance and fringe benefits under by 16% (\$266,000) due to refinancing the City's unfunded pension obligations. Other financing uses totaled \$1.9 million, resulting in a decrease to the City's fund balance of \$431,319.

Other Governmental Funds

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

Proprietary Funds

Augusta Civic Center

Net assets of the Civic Center increased \$262,277 in fiscal 2003. Net assets totaled \$2.68 million, of which \$1.6 million represents investment in capital assets, net of related debt, and unrestricted net assets totaled \$1.07 million. The Civic Center experienced a net loss before operating transfers of \$99,000. However, the City transferred a net of \$361,000 to support the Civic Center activities during the final phase of a \$4.3 million upgrade.

Hatch Hill Landfill

Net assets of the regional Hatch Hill Landfill increased \$109,932 in fiscal 2003. Net assets totaled \$1.85 million, of which \$.8 million represents investments in capital assets net of related debt and \$1 million in unrestricted net assets. Net income was \$160,000 before an operating transfer out of \$50,000.

Airport

The City manages the Augusta State Airport through a contract with the State of Maine. The Airport Fund ran a deficit of \$8,200 during fiscal year 2003, which the City expects to recover during 2004.

Ambulance

Net assets of the Ambulance Fund increased \$334,000 in fiscal 2003. Net assets totaled \$478,000, of which \$232,000 represents investment in capital assets net of related debt and unrestricted net assets totaled \$245,000.

Central Garage (Internal Service Fund)

Net assets of the Central Garage fund decreased \$84,000 in fiscal 2003. Net assets totaled \$1.8 million, of which \$1.1 represents investment in capital assets net of debt and unrestricted net assets totaled \$.7 million.

Capital Assets

GASB 34 requires the City to record all its capital assets, including infrastructure, which was not capitalized in prior years. 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 2003, the cost of infrastructure and other capital assets of Government Funds recorded on the City's financial statements was \$26,825,730. Table 4 reflects Capital assets at June 30, 2003, by Governmental activities and Business-type activities.

Table 4
Capital Assets at Year End

Governmental activities:

Capital assets, not being depreciated	\$ 1,200,712
Capital assets being depreciated:	
Land improvements	1,000,000
Buildings and improvements	27,641,660
Machinery, vehicles, and equipment	6,102,810
Infrastructure	26,175,100
Internal service fund equipment	3,340,666
Less: Accumulated depreciation	<u>(38,635,218)</u>
	<u>\$ 26,825,730</u>

Business-type activities:

Capital assets, not being depreciated	\$ 428,950
Capital assets, being depreciated:	
Buildings and improvements	7,103,067
Machinery and equipment	1,994,206
Landfill	14,658,218
Less: Accumulated depreciation	<u>(9,108,884)</u>
	<u>\$ 15,075,557</u>

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, 2003 was \$20,545,143, an increase of \$12,446,543. The City issued \$13,150,000 of Pension Obligation Bonds to refinance and fund outstanding unfunded pension obligation. The City will save over \$2.7 million in interest expense over the life of the bonds. In addition, the City issued \$500,000 of bonds for downtown parking facilities and \$179,000 for street and road improvements (\$100,000), basketball/tennis court improvements (\$29,000) and West Side neighborhood Improvements (\$50,000). The City retired \$1,382,457 principal amount of bonds and made all scheduled repayments of existing bonded indebtedness for fiscal year 2003.

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 Finance Department, at 207-626-2300 extension 4168.

BASIC FINANCIAL STATEMENTS

CITY OF AUGUSTA, MAINE
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,438,217	126,863	1,565,080
Investments	18,312,679	657,368	18,970,047
Receivables:			
Accounts	457,576	898,359	1,355,935
Intergovernmental	251,504	-	251,504
Taxes receivable	1,029,141	-	1,029,141
Tax liens	296,093	-	296,093
Notes	387,619	-	387,619
Internal balances	(5,209,727)	5,209,727	-
Inventories	192,301	26,869	219,170
Prepaid expenses	248,088	40,327	288,415
Capital assets, net	26,825,730	15,075,557	41,901,287
Total assets	44,229,221	22,035,070	66,264,291
LIABILITIES			
Accounts payable and other current liabilities	1,163,665	74,159	1,237,824
Accrued payroll	2,158,357	53,677	2,212,034
Compensated absences payable	1,816,187	159,975	1,976,162
Escrow payable	288,900	168,455	457,355
Taxes paid in advance	21,222	-	21,222
Noncurrent liabilities:			
Due within one year	1,369,223	742,676	2,111,899
Due in more than one year	19,457,694	15,830,127	35,287,821
Total liabilities	26,275,248	17,029,069	43,304,317
NET ASSETS			
Invested in capital assets, net of related debt	19,148,813	2,652,754	21,801,567
Restricted for:			
Nonexpendable principal	667,788	-	667,788
Unrestricted	(1,862,628)	2,353,247	490,619
Total net assets	\$ 17,953,973	5,006,001	22,959,974

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Activities
For the Year Ended June 30, 2003

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,649,442	96,660	-	-	(1,552,782)	-	(1,552,782)
Finance and administration	759,861	-	-	-	(759,861)	-	(759,861)
City services	3,365,923	11,441	250,064	-	(3,104,418)	-	(3,104,418)
Community services	2,222,759	-	985,507	-	(1,237,252)	-	(1,237,252)
Public safety	4,990,504	21,998	287,602	-	(4,680,904)	-	(4,680,904)
Education	28,609,739	2,502,559	14,398,029	-	(11,709,151)	-	(11,709,151)
Insurance and fringe benefits	1,444,711	-	-	-	(1,444,711)	-	(1,444,711)
Other fixed charges	2,107,913	-	-	-	(2,107,913)	-	(2,107,913)
Unclassified	3,375,553	644,610	74,286	-	(2,656,657)	-	(2,656,657)
Interest on debt	217,015	-	-	-	(217,015)	-	(217,015)
Central Garage	1,093,333	1,088,762	-	-	(4,571)	-	(4,571)
Capital maintenance expenses	989,578	-	833,472	249,349	93,243	-	93,243
Total governmental activities	50,826,331	4,366,030	16,828,960	249,349	(29,381,992)	-	(29,381,992)
Business-type activities:							
Augusta Civic Center	2,740,829	2,620,928	-	-	-	(119,901)	(119,901)
Hatch Hill Landfill	1,882,110	2,028,349	-	-	-	146,239	146,239
Airport	383,866	376,864	-	-	-	(7,002)	(7,002)
Ambulance	854,430	1,198,887	-	-	-	344,457	344,457
Total business-type activities	5,861,235	6,225,028	-	-	-	363,793	363,793
Total primary government	\$ 56,687,566	10,591,058	16,828,960	249,349	(29,381,992)	363,793	(29,018,199)
General revenues:							
Property taxes, levied for general purposes					\$ 22,560,688	-	22,560,688
Motor vehicle excise taxes					2,740,565	-	2,740,565
Licenses and permits					204,666	-	204,666
Franchise fees					192,184	-	192,184
Grants and contributions not restricted to specific programs:							
Homestead exemption					781,669	-	781,669
State Revenue Sharing					1,991,908	-	1,991,908
Unrestricted investment earnings					538,120	34,557	572,677
Miscellaneous revenues					455,140	-	455,140
Transfers					(301,314)	301,314	-
Total general revenues and transfers					29,163,626	335,871	29,499,497
Change in net assets					(218,366)	699,664	481,298
Net assets - beginning					18,172,339	4,306,337	22,478,676
Net assets - ending					\$ 17,953,973	5,006,001	22,959,974

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Balance Sheet
Governmental Funds
June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
Cash	\$ 1,170,008	268,209	1,438,217
Investments	17,600,551	712,128	18,312,679
Receivables:			
Taxes receivable	1,029,141	-	1,029,141
Tax liens	296,093	-	296,093
Due from other governments	-	251,504	251,504
Accounts receivable (net of allowance of \$17,274 and \$108,184)	337,280	111,472	448,752
Notes receivable	-	387,619	387,619
Interfund loans receivable	-	1,844,890	1,844,890
Inventory	2,304	42,467	44,771
Prepaid expenses	245,704	1,468	247,172
Total assets	\$ 20,681,081	3,619,757	24,300,838
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued liabilities	1,153,220	175,413	1,328,633
Accrued payroll and benefits	1,975,456	176,969	2,152,425
Accrued compensated absences	725,849	9,276	735,125
Escrow payable	3,800	109,687	113,487
Deferred revenue	1,000,000	-	1,000,000
Taxes received in advance	21,222	-	21,222
Interfund loans payable	7,624,020	2,062	7,626,082
Total liabilities	12,503,567	473,407	12,976,974
Fund balances:			
Reserved for:			
Encumbrances - City	94,605	-	94,605
Encumbrances - School	53,339	-	53,339
Noncurrent receivables	-	387,619	387,619
Inventory	-	42,467	42,467
Nonexpendable trust principal	-	667,788	667,788
Unreserved, reported in:			
General fund:			
City designated	1,362,511	-	1,362,511
School designated	420,000	-	420,000
City undesignated	5,283,139	-	5,283,139
School undesignated	963,920	-	963,920
Special revenue funds	-	1,224,955	1,224,955
Capital projects funds	-	671,992	671,992
Permanent funds	-	151,529	151,529
Total fund balances	8,177,514	3,146,350	11,323,864
Total liabilities and fund balances	\$ 20,681,081	3,619,757	
Amounts reported for governmental activities in the statement of net assets (Statement 1) are different because (See Note 4, also):			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			26,825,730
More specifically, non-depreciable & depreciable capital assets as reported on Statement 1			26,825,730
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (See Note 1).			(21,907,979)
Noncurrent liabilities as reported on Statement 1 (Long-term debt)			(22,643,104)
Plus: short term accrued compensated absences as reported above			735,125
Deferred revenues- more specifically, deferred property taxes not reported on Statement 1			1,000,000
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.			712,358
Net assets of governmental activities			\$ 17,953,973

See accompanying notes to basic financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 25,251,253	-	25,251,253
Licenses and permits	204,666	-	204,666
Intergovernmental	15,295,798	2,407,102	17,702,900
Tuition and other charges - education	1,868,412	-	1,868,412
Charges for services	230,714	647,194	877,908
Fees and fines	24,527	-	24,527
Unclassified	673,116	2,661,772	3,334,888
Investment earnings	475,208	30,340	505,548
Total revenues	44,023,694	5,746,408	49,770,102
Expenditures:			
Current:			
General government	1,333,025	-	1,333,025
Finance and administration	750,628	-	750,628
City services	2,966,127	-	2,966,127
Community services	2,219,539	-	2,219,539
Public safety	4,845,665	-	4,845,665
Education	25,266,517	3,186,604	28,453,121
Insurance and fringe benefits	1,444,711	-	1,444,711
Other fixed charges	2,107,913	105,009	2,212,922
Unclassified	1,250,195	2,020,349	3,270,544
Debt service (excluding education)	1,052,479	-	1,052,479
Capital outlay	-	1,742,586	1,742,586
Total expenditures	43,236,799	7,054,548	50,291,347
Excess (deficiency) of revenues over (under) expenditures	786,895	(1,308,140)	(521,245)
Other financing sources (uses):			
Payment - Maine State Retirement refunding	-	(13,378,367)	(13,378,367)
Bond proceeds	-	13,829,000	13,829,000
Operating transfers from other funds	205,000	996,900	1,201,900
Operating transfers to other funds	(1,423,214)	-	(1,423,214)
Total other financing sources (uses)	(1,218,214)	1,447,533	229,319
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(431,319)	139,393	(291,926)
Fund balances, beginning of year	8,608,833	3,006,957	11,615,790
Fund balances, end of year	\$ 8,177,514	3,146,350	11,323,864

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - All Budgeted Governmental Fund Types
General Fund
For the year ended June 30, 2003

	Budgeted amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 25,020,421	25,020,421	25,251,253	230,832
Licenses and permits	169,900	169,900	204,666	34,766
Intergovernmental	12,876,934	12,876,934	12,739,376	(137,558)
Tuition and other charges - education	1,827,000	1,827,000	1,868,412	41,412
Charges for services	204,175	223,675	230,714	7,039
Fees and fines	26,000	26,000	24,527	(1,473)
Unclassified	558,200	538,700	673,116	134,416
Investment earnings	639,000	639,000	475,208	(163,792)
Total revenues	41,321,630	41,321,630	41,467,272	145,642
Expenditures:				
Current:				
General government	1,456,951	1,456,951	1,333,025	123,926
Finance and administration	800,936	800,936	750,628	50,308
City services	3,116,512	3,116,512	2,966,127	150,385
Community services	2,275,133	2,275,133	2,219,539	55,594
Public safety	4,960,175	4,960,175	4,845,665	114,510
Education	23,128,883	23,128,883	22,710,095	418,788
Insurance and fringe benefits	1,710,640	1,710,640	1,444,711	265,929
Other fixed charges	2,269,400	2,269,400	2,107,913	161,487
Unclassified	1,148,000	1,148,000	1,250,195	(102,195)
Debt service (excluding education)	1,142,936	1,142,936	1,052,479	90,457
Total expenditures	42,009,566	42,009,566	40,680,377	1,329,189
Excess (deficiency) of revenues over (under) expenditures	(687,936)	(687,936)	786,895	1,474,831
Other financing sources (uses):				
Budgeted utilization of surplus - City	862,000	962,176	-	(962,176)
Budgeted utilization of surplus - School	390,000	390,000	-	(390,000)
Capital improvement budget carryforward	-	553,974	-	(553,974)
Operating transfers to other funds	(769,064)	(1,423,214)	(1,423,214)	-
Operating transfers from other funds	205,000	205,000	205,000	-
Total other financing sources (uses)	687,936	687,936	(1,218,214)	(1,906,150)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(431,319)	(431,319)
Fund balance, beginning of year			8,608,833	
Fund balance, end of year	\$		8,177,514	

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-type Activities - Enterprise Funds				Totals Current Year	Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance		
ASSETS						
Current assets:						
Cash	\$ 126,863	-	-	-	126,863	-
Investments	657,368	-	-	-	657,368	-
Accounts receivable	111,009	91,359	73,013	622,978	898,359	8,824
Interfund loans receivable	455,395	5,168,058	-	-	5,623,453	571,465
Prepaid expenses	9,155	29,119	2,053	-	40,327	916
Inventory	26,869	-	-	-	26,869	147,530
Total current assets	1,386,659	5,288,536	75,066	622,978	7,373,239	728,735
Non-current assets:						
Property, plant, and equipment						
Land and buildings	7,469,695	62,322	-	-	7,532,017	-
Equipment and vehicles	1,218,471	307,444	-	468,291	1,994,206	3,340,666
Hatch Hill landfill system	-	14,658,218	-	-	14,658,218	-
Less accumulated depreciation	(2,897,357)	(5,975,666)	-	(235,861)	(9,108,884)	(2,056,879)
Total noncurrent assets	5,790,809	9,052,318	-	232,430	15,075,557	1,283,787
Total assets	\$ 7,177,468	14,340,854	75,066	855,408	22,448,796	2,012,522
LIABILITIES						
Current liabilities:						
Accounts payable	22,912	43,457	78	7,712	74,159	10,445
Accrued wages and benefits payable	26,762	7,474	3,843	15,598	53,677	5,932
Accrued compensated absences	98,732	41,311	7,949	11,983	159,975	17,062
Refundable deposits	168,455	-	-	-	168,455	-
Current portion of bonds payable	226,315	485,000	-	-	711,315	-
Current portion of leases payable	31,361	-	-	-	31,361	49,901
Interfund loans payable	-	-	71,393	342,333	413,726	-
Total current liabilities	574,537	577,242	83,263	377,626	1,612,668	83,340
Noncurrent liabilities:						
Bonds payable	3,847,370	7,760,000	-	-	11,607,370	-
Capital leases payable	72,757	-	-	-	72,757	106,356
Accrued landfill closure and postclosure costs	-	4,150,000	-	-	4,150,000	-
Total noncurrent liabilities	3,920,127	11,910,000	-	-	15,830,127	106,356
Total liabilities	\$ 4,494,664	12,487,242	83,263	377,626	17,442,795	189,696
NET ASSETS						
Invested in capital assets, net of related debt	1,613,006	807,318	-	232,430	2,652,754	1,127,530
Restricted	-	-	-	-	-	-
Unrestricted	1,069,798	1,046,294	(8,197)	245,352	2,353,247	695,296
Total net assets	\$ 2,682,804	1,853,612	(8,197)	477,782	5,006,001	1,822,826

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2003

	Business Type Activities - Enterprise				Enterprise Fund Totals	Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance		
Operating revenues:						
Rental income	\$ 919,728	-	-	-	919,728	-
Fees	-	2,019,804	-	1,198,887	3,218,691	1,088,762
Food and beverage sales	1,388,043	-	-	-	1,388,043	-
State of Maine	-	-	376,864	-	376,864	-
Miscellaneous	313,157	8,545	-	-	321,702	837
Total operating revenues	2,620,928	2,028,349	376,864	1,198,887	6,225,028	1,089,599
Operating expenses:						
Personnel services	1,382,588	326,193	235,073	606,247	2,550,101	304,373
Contractual services	333,916	395,891	115,658	61,517	906,982	55,018
Supplies and materials	510,437	113,026	27,088	54,814	705,365	427,223
Fixed charges	90,898	26,815	5,747	3,095	126,555	1,973
Capital maintenance expense	-	4,358	300	-	4,658	-
Depreciation	215,542	263,161	-	56,213	534,916	304,746
Miscellaneous	-	281,416	-	72,544	353,960	-
Total operating expenses	2,533,381	1,410,860	383,866	854,430	5,182,537	1,093,333
Operating income (loss)	87,547	617,489	(7,002)	344,457	1,042,491	(3,734)
Nonoperating revenue (expense):						
Interest income	20,864	13,693	-	-	34,557	-
Interest expense	(207,448)	(471,250)	-	-	(678,698)	-
Total nonoperating revenue (expense)	(186,584)	(457,557)	-	-	(644,141)	-
Net income (loss) before operating transfers	(99,037)	159,932	(7,002)	344,457	398,350	(3,734)
Operating transfers:						
Transfer from other funds	426,314	-	-	-	426,314	-
Transfer to other funds	(65,000)	(50,000)	-	(10,000)	(125,000)	(80,000)
Total operating transfers	361,314	(50,000)	-	(10,000)	301,314	(80,000)
Change in net assets	262,277	109,932	(7,002)	334,457	699,664	(83,734)
Total net assets, beginning of year	1,456,414	1,780,859	(1,195)	143,325	3,379,403	1,906,560
Prior period adjustment - reclassification of capital assets	964,113	(37,179)	-	-	926,934	-
Total net assets, end of year	\$ 2,682,804	1,853,612	(8,197)	477,782	5,006,001	1,822,826

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Combining Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2003

	Business-type Activities - Enterprise Funds					Totals	Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance			
Cash flows from operating activities:							
Receipts from customers and users	\$ 2,610,374	2,022,263	366,913	794,562	5,794,112	-	-
Receipts from interfund services provided	-	-	-	-	-	1,201,526	1,201,526
Payments to suppliers	(1,116,694)	(658,711)	(150,145)	(195,926)	(2,121,476)	(483,303)	(483,303)
Payments to employees	(1,368,743)	(322,591)	(234,072)	(599,749)	(2,525,155)	(311,837)	(311,837)
Payments for interfund services used	-	-	-	-	-	-	-
Net cash provided by operating activities	124,937	1,040,961	(17,304)	(1,113)	1,147,481	406,386	406,386
Cash flows from non-capital financing activities:							
Operating transfers from other funds	426,314	-	-	-	426,314	-	-
Operating transfers to other funds	(65,000)	(50,000)	-	(10,000)	(125,000)	(80,000)	(80,000)
Net cash provided by (used in) non-capital financing activities	361,314	(50,000)	-	(10,000)	301,314	(80,000)	(80,000)
Cash flows from capital and related financing activities:							
(Purchase) disposal of fixed assets	(1,525,191)	(380,507)	-	-	(1,905,698)	(246,460)	(246,460)
Increase (decrease) in interfund loans	(373,525)	(5,168,058)	17,304	11,113	(5,513,166)	(19,672)	(19,672)
Bond, note and lease principal payments	(250,227)	(485,000)	-	-	(735,227)	(60,254)	(60,254)
Interest paid	(207,448)	(471,250)	-	-	(678,698)	-	-
Net cash used in financing activities	(2,356,391)	(6,504,815)	17,304	11,113	(8,832,789)	(326,386)	(326,386)
Cash flows from investing activities:							
(Purchase) sale of investments	1,561,351	5,500,000	-	-	7,061,351	-	-
Investment income	20,864	13,693	-	-	34,557	-	-
Net cash provided by investing activities	1,582,215	5,513,693	-	-	7,095,908	-	-
Increase (decrease) in cash	(287,925)	(161)	-	-	(288,086)	-	-
Cash, beginning of year	414,788	161	-	-	414,949	-	-
Cash, end of year	\$ 126,863	-	-	-	126,863	-	-
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 87,547	617,489	(7,002)	344,457	1,042,491	(3,734)	(3,734)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:							
Depreciation	215,542	263,161	-	56,213	534,916	304,746	304,746
Landfill closure costs	-	281,416	-	-	281,416	-	-
(Increase) decrease in operating assets:							
Accounts receivable	(10,554)	(6,086)	(9,951)	(404,325)	(430,916)	111,928	111,928
Prepaid expenses	845	(29,119)	(1,430)	-	(29,704)	(916)	(916)
Inventory	-	-	-	-	-	(8,619)	(8,619)
Increase (decrease) in operating liabilities:							
Accounts payable	(217,340)	(89,502)	78	(3,956)	(310,720)	10,445	10,445
Accrued wages and related liabilities	13,845	3,602	1,001	6,498	24,946	(7,464)	(7,464)
Security deposit	35,052	-	-	-	35,052	-	-
Net cash provided by operating activities	124,937	1,040,961	(17,304)	(1,113)	1,147,481	406,386	406,386

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds - Agency Funds - Student Activity Funds
June 30, 2003

		Agency Funds (Student Activities)
<hr/>		
ASSETS		
Cash	\$	157,016
<hr/>		
Total assets		157,016
<hr/>		
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to student Groups		157,016
Total liabilities		157,016
<hr/>		
Net assets	\$	-

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:

- Augusta Water District
- Augusta Sanitary 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 changes in net assets) 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 revenues to be available 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 funds:

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, 2003 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 market 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 is 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. Vacation pay is accrued when incurred in government-wide and proprietary fund financial statements. Vacation pay that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay it. A liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as "terminal leave" at retirement. Amounts not expected to be liquidated with expendable available financial resources as well as the current portion of vacation and sick leave is recorded as a liability and related expense in the government-wide financial statements for both governmental and business-type activities.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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. Bureau 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 generally accepted accounting principles, 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. For budgetary reporting, encumbrances for the Department of Public Schools have been shown as additional expenditures for the year.

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

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

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.

B. Adjusted Budget

During the year ended June 30, 2003, the City budgeted to utilize \$862,000 and the Department of Public Schools budgeted to utilize \$390,000 of prior year undesignated fund balance as a budgeted use of surplus. The revised budget presented for the General Fund in the Statement of Revenues and Expenditures - Budget and Actual - Budgetary Basis (Statement 6) includes the following adjustment:

	Revenues and other <u>sources</u>	Expenditures and other <u>uses</u>
2002-2003 budget as originally adopted	\$ 42,778,630	42,778,630
Budgetary adjustments:		
Subsequent appropriations	100,176	100,176
Capital improvement budget carryforward	553,974	553,974
Total budget as adjusted	\$ 43,432,780	43,432,780

C. Deficit Fund Balances

Three of the City's individual Special Revenue Funds are carrying fund deficits as of June 30, 2003:

New Neighbor program	\$ 100
CDBG North Water Street	13,765
Kennebec River Rail Trail	1,707

The Airport enterprise fund had a deficit fund balance of \$8,197 at June 30, 2003.

These deficits will be funded by future program income.

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

CASH AND INVESTMENTS

A. Deposits

The City's deposits are categorized as follows to give an indication of the level of risk assumed by the City at year end: Category one includes deposits covered by federal depository insurance or by collateral held by the City or by the City's agent in the City's name; category two includes uninsured deposits covered by collateral held by the pledging financial institution's trust department or agent in the City's name; category three includes uninsured and uncollateralized deposits.

At June 30, 2003 cash and cash equivalents consisted of:

	Carrying amount	Bank balance	Category		
			<u>1</u>	<u>2</u>	<u>3</u>
Petty cash	\$ 7,116	-	-	-	-
Checking and savings accounts	1,699,767	2,473,010	952,957	1,097,174	422,879
Certificates of deposit	15,213	15,213	15,213	-	-
Total cash and cash equivalents	\$1,722,096	2,332,770	968,170	1,097,174	422,879

B. Investments

Investments are classified into the following three categories: Category one includes investments which are held by the City or its agent in the City's name. Category two includes uninsured and unregistered investments held by the financial institution's trust department or agent in the City's name. Category three includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent, but not in the City's name.

At June 30, 2003 investments consisted of:

	Carrying amount (fair value)	Category		
		<u>1</u>	<u>2</u>	<u>3</u>
Investments:				
U.S. Treasury	\$ 7,231,875	7,231,907	-	-
Common stock	8,064	8,064	-	-
Mutual Funds (1)	11,730,108			
Total investments	\$ 18,970,047	7,239,971	-	-

(1) Mutual Fund investments are not classified in any of the three above categories because they are not evidenced by securities that exist in physical or book entry form.

Due to higher cash flows at certain times during the year, the City's investments in category 2 fluctuate significantly.

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

PROPERTY TAX

Property taxes for the current year were committed on July 26, 2002, 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.

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 \$122,020 for the year ended June 30, 2003.

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>2003</u>	<u>2002</u>
Assessed value	\$ 935,771,000	919,884,200
Tax rate (per \$1,000)	24.85	24.60
Commitment	23,253,933	22,629,151
Supplemental taxes assessed	9,843	177,587
	23,263,776	22,806,738
Less:		
Abatements	97,905	176,074
Collections	22,364,810	21,816,956
	\$ 801,061	813,708
Due date(s) - current year	½ Sept. 14, 2002 ½ March 15, 2003	½ Sept. 14, 2001 ½ March 15, 2002
Interest rate on delinquent taxes	8.75%	11.50%
Collection rate	96.14%	96.43%
Taxes receivable - current year	\$ 801,061	813,708
Taxes receivable - prior years	228,080	393,652
	\$ 1,029,141	1,207,360

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 was as follows:

	Balance June 30, <u>2002</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2003</u>
Governmental activities:				
<u>Capital assets, not being depreciated:</u>	<u>\$ 1,200,712</u>	-	-	<u>1,200,712</u>
Capital assets, being depreciated:				
Land improvements	1,000,000	-	-	1,000,000
Buildings and building improvements	27,641,660	-	-	27,641,660
Machinery, vehicles and equipment	5,909,802	193,008	-	6,102,810
Infrastructure	25,615,100	560,000	-	26,175,100
<u>Internal service fund equipment</u>	<u>3,101,359</u>	<u>239,307</u>	-	<u>3,340,666</u>
Total capital assets being depreciated	63,267,921	992,315		64,260,236
Less accumulated depreciation for:				
Land improvements	435,417	25,000	-	460,417
Buildings and building improvements	19,004,661	542,692	-	19,547,353
Machinery, vehicles and equipment	3,676,440	426,179	-	4,102,619
Infrastructure	11,884,283	583,667	-	12,467,950
<u>Internal service fund equipment</u>	<u>2,056,879</u>	-	-	<u>2,056,879</u>
Total accumulated depreciation	37,057,680	1,577,538	-	38,635,218
<u>Total capital assets being depreciated, net</u>	<u>26,210,241</u>	<u>(585,223)</u>	-	<u>25,625,018</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 27,410,953</u>	<u>(585,223)</u>	<u>-</u>	<u>26,825,730</u>

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

CAPITAL ASSETS, CONTINUED

	Balance June 30, <u>2002</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2003</u>
Business-type activities:				
Capital assets, not being depreciated	\$ 428,950	-	-	428,950
Capital assets, being depreciated:				
Buildings and building improvements	3,217,335	3,885,732	-	7,103,067
Machinery and equipment	1,802,003	205,703	13,500	1,994,206
Landfill	5,410,529	9,247,689	-	14,658,218
<u>Construction in progress</u>	<u>11,414,211</u>	<u>-</u>	<u>11,414,211</u>	<u>-</u>
Total capital assets being depreciated	21,844,078	13,339,124	11,427,711	23,755,491
Less accumulated depreciation for:				
Buildings and building improvements	2,644,383	98,749	-	2,743,132
Machinery and equipment	307,875	198,055	5,400	500,530
<u>Landfill</u>	<u>5,627,110</u>	<u>238,112</u>	<u>-</u>	<u>5,865,222</u>
Total accumulated depreciation	8,579,368	534,916	5,400	9,108,884
<u>Total capital assets being depreciated, net</u>	<u>13,264,710</u>	<u>12,804,208</u>	<u>11,422,311</u>	<u>1446,607</u>
<u>Business-type activities capital assets, net</u>	<u>\$ 13,693,660</u>	<u>12,804,208</u>	<u>11,422,311</u>	<u>15,075,557</u>

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

Governmental activities:

General government	\$ 316,417
Finance and administration	9,233
City services	399,796
Community services	3,220
Public safety	144,839
<u>Education</u>	<u>704,033</u>

Total depreciation expense – governmental activities **\$ 1,577,538**

Business-type activities:

Augusta Civic Center	\$ 215,542
Hatch Hill Landfill	263,161
Airport	-
<u>Ambulance</u>	<u>56,213</u>

Total depreciation expense – business-type activities **\$ 534,916**

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

GOVERNMENTAL DEBT

The following is a summary of bond and note transactions of the City for the year ended June 30, 2003:

Bonds and notes payable at June 30, 2002	\$ 8,098,600
Principal additions	13,829,000
Principal payments	(1,382,457)

Bonds and notes payable at June 30, 2003 **\$ 20,545,143**

Bonds and notes payable at June 30, 2003 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, 2003</u>
Long-term debt:					
Public improvements	10/29/98	\$ 492,000	2005	4.02%	210,856
Farrington, Lincoln/Cony	07/12/88	7,260,000	2009	Various	2,150,000
Public improvements Lot B	08/15/89	4,395,000	2010	Various	1,480,000
Public improvements	10/26/95	925,000	2005	7.75%	127,500
Public improvements	10/30/96	460,000	2006	7%	184,000
Public improvements	11/6/99	497,500	2006	7%	284,287
Public improvements	5/31/00	922,500	2010	Various	738,000
Public improvements	10/29/97	498,000	2008	5.4%	248,000
Public improvements	05/01/98	980,000	2009	5.93%	588,000
Public improvements	5/25/01	495,000	2011	Various	445,500
Pension Obligation bonds 2003	2/13/03	13,150,000	2013	Various	13,150,000
General Obligation bonds #1 2002	10/30/02	179,000	2007	Various	179,000
General Obligation bonds #2 2002	10/30/02	500,000	2012	Various	500,000
New Cony Architect	5/25/01	325,000	2006	Various	260,000
Total bonds and notes payable					\$ 20,545,143

On February 13, 2003 the City issued bonds in the amount of \$13,150,000 in connection with the repayment of the City's liability to the Maine State Retirement System Consolidated Plan. The Maine State Retirement System Consolidated Plan is a cost sharing multiple-employer retirement system established by the Maine State legislature. Upon joining the consolidated plan on July 1, 1997, the City's initial unfunded unpooled actuarial liability (IUUAL) was calculated. The IUUAL represents the remaining amount of the pension liability upon transitioning to the consolidated plan from a participating local district (PLD). The City's IUUAL at the date of transition was being amortized over a period of 21 years. At June 30, 2002, the remaining balance was \$13,182,872. The entire liability was paid in full as of the date of the February 13, 2003 bond issue.

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

GENERAL LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all long-term debt outstanding as of June 30, 2003 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,280,407	1,177,500	2,457,907
2005	1,360,408	990,915	2,351,323
2006	1,430,406	914,325	2,344,731
2007	1,422,622	837,027	2,259,649
2008	1,353,550	761,939	2,115,489
2009-2013	5,627,750	2,834,689	8,462,439
2014-2018	8,070,000	1,158,931	9,228,931
<u>Totals</u>	<u>\$ 20,545,143</u>	<u>8,675,326</u>	<u>29,220,469</u>

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 \$20,545,143 at June 30, 2003 was within the statutory limit.

In addition to the bonds and notes payable, the City is contingently responsible for the following debt as of June 30, 2003:

<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	\$ 3,639,479	16.884%	614,490

The debt of Kennebec County is paid through annual county tax assessments to the City. Additionally, the City would be responsible for Augusta Water District debt if the Water 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.

PROPRIETARY FUND DEBT

The following is a summary of bond transactions of the proprietary funds for the year ended June 30, 2003:

Bonds payable at June 30, 2002	\$ 13,030,000
Principal additions	-
Principal payments	(711,315)
<u>Bonds and notes payable at June 30, 2003</u>	<u>\$ 12,318,685</u>

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

PROPRIETARY FUND DEBT, CONTINUED

Bonds payable at June 30, 2003 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, 2003</u>
Long-term debt:					
Hatch Hill expansion	5/31/00	\$ 9,700,000	2019	Various	8,245,000
Civic Center expansion	5/25/01	4,300,000	2020	Various	4,073,685
<u>Total bonds payable</u>					<u>\$ 12,318,685</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2003 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 711,315	637,723	1,349,038
2005	711,315	604,196	1,315,511
2006	711,315	570,669	1,281,984
2007	711,315	536,900	1,248,215
2008	711,315	502,685	1,214,000
2009-2013	3,556,575	1,974,877	5,531,452
2014-2018	3,556,575	986,352	4,542,927
<u>2019-2023</u>	<u>1,648,960</u>	<u>113,670</u>	<u>1,762,630</u>
<u>Totals</u>		<u>\$ 12,318,685</u>	<u>5,927,072</u>
			<u>18,245,757</u>

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. During the past two fiscal years, 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.

CAPITAL LEASES

The Department of Public Schools has entered into a lease agreement as lessee for financing the acquisition of computers, copiers, energy improvements and equipment. The agreements contain a fiscal funding clause that permits the Department to terminate the agreement on an annual basis if funds are not appropriated.

The City has entered into a lease agreement for various vehicles and equipment in the Internal Service Fund. According to the terms of the agreement, the City may lease up to a maximum of \$350,000 worth of equipment, and is liable for payment for the amount of equipment actually leased.

The City has entered into an agreement with Associates Commercial Corporation to lease equipment for the Civic Center. The equipment is to increase the efficiency of the energy management of the building and reduce costs.

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

CAPITAL LEASES, CONTINUED

The below leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The School and Police Department leases are reported in governmental activities fund on the Statement of Net Assets and the equipment lease for the Internal Service Fund and the sign board lease for the Civic Center are reported in the Internal Service and Enterprise Proprietary Funds, respectively.

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2003.

Fiscal year ending June 30,	Enterprise Funds	Internal Service Fund	Govern- mental Fund Fire
2004	\$ 31,361	56,728	38,915
2005	31,361	56,728	33,052
2006	31,361	56,728	33,052
2007	23,521	-	33,052
Total minimum lease payments	117,604	170,184	138,071
Less: amount representing interest	13,485	13,925	12,554
Present value of future minimum lease payments	\$ 104,119	156,259	125,517

INTERFUND BALANCES

As of June 30, 2003, the balances of interfund loans receivable/payable were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>
General Fund	\$ -	7,624,020
Special Revenue Funds:		
CDBG Loan Fund	-	26,949
Other City Special Revenues	845,003	-
Other School Special Revenues	179,431	-
Proprietary Funds:		
Internal Service Fund	571,465	-
Hatch Hill Fund	5,168,058	-
Augusta Civic Center	455,395	-
Airport	-	71,393
Ambulance	-	342,333
Capital Projects Fund	847,405	-
Permanent Fund	-	2,062
Totals	\$ 8,066,757	8,066,757

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

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 State 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 \$2,556,000.

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

MAINE STATE RETIREMENT SYSTEM (MSRS) - CONSOLIDATED RETIREMENT PENSION PLAN

Description of the Plan - The City contributes to the Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine State 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 State 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 State Retirement, 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 Maine State Legislature Consolidated Plan for the year ended June 30, 2003 and 2002 were \$296,086 and \$131,103, respectively.

On February 13, 2003 the City issued bonds in the amount of \$13,150,000 in connection with the repayment of the City's liability to the Maine State Retirement System Consolidated Plan. The Maine State Retirement System Consolidated Plan is a cost sharing multiple-employer retirement system established by the Maine State legislature. Upon joining the consolidated plan on July 1, 1997, the City's initial unfunded unpooled actuarial liability (IUUAL) was calculated. The IUUAL represents the remaining amount of the pension liability upon transitioning to the consolidated plan from a participating local district (PLD). The City's IUUAL at the date of transition was being amortized over a period of 21 years. At June 30, 2002, the remaining balance was \$13,182,872. The entire liability was paid in full as of the date of the February 13, 2003 bond issue.

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

MAINE STATE RETIREMENT - TEACHERS PLAN

Maine State Retirement - Teachers Group

Description of Plan - All school teachers, plus other qualified educators, participate in the Maine State 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 State 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 State 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 State 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 \$2,556,000 (19.17%) for the fiscal year 2003. 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 19.17% of their compensation. This cost is charged to the applicable grant.

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. Substantially all of the government's public safety employees may become eligible for those benefits if they reach normal retirement age while working for the government. Currently 56 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, 2003, those costs total \$395,314.

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

DESIGNATED FUND BALANCE

At June 30, 2003 designated fund balances consisted of the following:

General Fund:	
2004 use of fund balance	\$ 500,000
Cemetery land purchase	100,000
Central services	13,459
Equipment maintenance	6,893
Accrued benefit reserve	742,159
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Total General Fund designated City fund balance	\$ 1,362,511
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School Department designated fund balance – 2004 use of fund balance	420,000
<hr/>	
Total General Fund designated School fund balance	\$ 420,000

TAX INCREMENT FINANCING DISTRICTS

The City currently has three approved tax increment financing districts the objective of which are to stimulate new investment in the community by financing, through a tax increment financing projects, various public improvements. Taxes derived from increased assessed valuation within the districts can be "captured" for approved uses. The following are a brief description of each:

Mall Area Development District: Initially established in 1990, the Mall Area Development District (also known as the Marketplace TIF) was created to support the development of a Mall Project. In May of 1992, the City amended its designation of the District and amended the Development Program. This amendment included approval of a 'Credit Enhancement Agreement' between the City and the project developers. As a result of these changes the City has the following obligations. No debt will be issued by the City as a result of the Mall Area Development District TIF. Rather, the City has agreed to pay the developers certain amounts over certain time periods as the area provides increased assessed value. The project is broken down into two phases. Phase I provides for annual payments of \$285,000 commencing in fiscal year 1993-1994 for a period of 20 years. Phase II provides for annual payments of \$400,000 for a period of 20 years commencing when the City's development within Phase II has increased the assessed value of the District by \$1,000,000. For the year ended June 30, 2003, the City captured and paid \$285,000 and \$400,000 for Phase I and Phase II respectively. The obligation of the City to make such payments is limited solely to the availability of funds provided for by Tax Increment Revenues and does not constitute a general debt or obligation on the part of the City. If funds are not sufficient to meet required payments, any deficiency shall be added to the next periodic payment obligation and paid from tax increment receipts. The City has reported this amount in the "Other City Special Revenue Funds".

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

McCarthy TIF: Initially established in 2001, the McCarthy TIF calls for 100% captured value in excess of the original district value of \$2,204,500. 43% of this captured amount is earmarked to satisfy a credit enhancement agreement calling for allocations to the J.S. McCarthy Printing Co. The remaining 57% will be set aside by the City to fund the costs of the City's economic development office. For the year ended June 30, 2003, the City captured \$65,818, paying \$28,302 out under the credit enhancement agreement. The obligation of the City to make such payments is limited solely to the availability of funds provided for by Tax Increment Revenues and does not constitute a general debt or obligation on the part of the City. If funds are not sufficient to meet required payments, any deficiency shall be added to the next periodic payment obligation and paid from tax increment receipts. The City has reported this amount in the "Other City Special Revenue Funds".

NRF Distributors TIF: Initially approved in 2002, this TIF is currently (as of June 30, 2003) inactive. It is expected that taxes may be captured under this TIF agreement in the 2004 fiscal year.

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.

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 is the current operating landfill. Expansion II has capacity for approximately 250,000 tons of municipal solid waste. As of June 30, 2003, a total of approximately 267,000 tons have been placed in the expansion II site.

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

LANDFILL LIABILITIES, CONTINUED

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 \$4,150,000 as follows:

Closure:	
Expansion II (106%)	\$ 2,355,000
Interim site	400,000
Expansion III (3%)	335,000
Postclosure monitoring, maintenance and leachate removal	<u>1,060,000</u>
Total accrued liability for land- fill closure and postclosure costs	<u>\$ 4,150,000</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.

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 a public entity risk pool sponsored by the Maine Municipal Association. This pool and the risks of loss to which the City is exposed, is as follows:

MMA's workers' compensation fund retains the first \$500,000 of each claim and purchases reinsurance for individual claims above \$500,000. Reinsurance is also purchased on an aggregate basis for all fund claims in total above the \$10,122,000 minimum loss fund with no maximum indemnity limit.

Based on the coverage provided by this pool, as well as 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, 2003.

COMMITMENTS

The Augusta Civic Center has leased space in its building under an operating lease. The lease calls for annual rental payments of \$60,000. The lease contains two renewal options of ten years each. Lease payments during the option periods are to be negotiated.

On July 20, 2002, the City entered into a construction contract with Nitram T. Buck Construction, Inc., whereby T. Buck agrees to complete construction of Lower Water Street Revitalization. The contract is for \$606,333. The commitment under this contract was \$64,998 at June 30, 2003.

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 acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City Capital Projects consist of the following funds at June 30, 2003:

- ACC ADA Upgrade
- Basketball/Tennis Court
- Central Garage Faculty Upgrade
- City Center Roof Recap
- Civic Center Capital Improvement
- Computer Enterprise System
- Cony Street Ext. Reconstruction
- DPW Bldg Upgrade/Generator
- Eastern Avenue Sidewalks
- Geographic Info System
- Hartford Station Repair
- Hatch Hill Expansion III
- IUUAL Payoff
- New Cony High School
- Northern Water St. Public Improvements
- Parking Facilities Downtown
- Paving Bond Roads/Streets
- Replacement Phone System
- SCBA Breathing Apparatus
- Signalization
- Vacant Land Building Acquisition
- West Side Neighborhood Improvements

In addition various other smaller funds are included in City Capital Projects.

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
All Other Nonmajor Governmental Funds
June 30, 2003

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash	\$ 158,958	-	109,251	268,209
Investments	-	-	712,128	712,128
Due from other governments	251,504	-	-	251,504
Accounts receivable	111,472	-	-	111,472
Inventory	42,467	-	-	42,467
Interfund loans receivable	997,485	847,405	-	1,844,890
Prepaid items	1,468	-	-	1,468
Notes receivable	387,619	-	-	387,619
Total assets	\$ 1,950,973	847,405	821,379	3,619,757
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and deposits	109,687	175,413	-	285,100
Accrued wages and benefits	176,969	-	-	176,969
Accrued compensated absences	9,276	-	-	9,276
Interfund loans	-	-	2,062	2,062
Total liabilities	295,932	175,413	2,062	473,407
Fund balances:				
Reserved for:				
Inventory	42,467	-	-	42,467
Noncurrent receivables	387,619	-	-	387,619
Principal	-	-	667,788	667,788
Unreserved, undesignated	1,224,955	671,992	151,529	2,048,476
Total fund balances	1,655,041	671,992	819,317	3,146,350
Total liabilities and fund balances	\$ 1,950,973	847,405	821,379	3,619,757

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Nonmajor Governmental Funds
For the year ended June 30, 2003

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 2,407,102	-	-	2,407,102
Unclassified	2,355,342	249,349	-	2,604,691
Charges for services	647,194	-	-	647,194
Investment income	-	-	30,340	30,340
Donations	-	-	57,081	57,081
Total revenues	5,409,638	249,349	87,421	5,746,408
Expenditures:				
Education	2,219,025	-	-	2,219,025
Unclassified	2,020,349	-	-	2,020,349
Food services	967,579	-	-	967,579
Capital outlay	-	1,742,586	-	1,742,586
Other miscellaneous	-	-	105,009	105,009
Total expenditures	5,206,953	1,742,586	105,009	7,054,548
Excess (deficiency) of revenues over (under) expenditures	202,685	(1,493,237)	(17,588)	(1,308,140)
Other financing sources (uses):				
Payment - Maine State Retirement refunding	-	(13,378,367)	-	(13,378,367)
Bond proceeds	-	13,829,000	-	13,829,000
Transfer from other funds	-	996,900	-	996,900
Total other financing sources (uses)	-	1,447,533	-	1,447,533
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing use	202,685	(45,704)	(17,588)	139,393
Fund balances, beginning of year	1,452,356	717,696	836,905	3,006,957
Fund balances, end of year	\$ 1,655,041	671,992	819,317	3,146,350

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003
(with comparative totals for June 30, 2002)

	CDBG Loan Fund	Other City Special Revenue Funds (Exhibit B-3)	Other School Special Revenue Funds	School Lunch	Totals	
					2003	2002
ASSETS						
Cash	\$ -	-	-	158,958	158,958	88,864
Investments	-	-	-	-	-	-
Due from other governments	-	-	251,504	-	251,504	147,296
Accounts receivable	-	93,573	-	17,899	111,472	104,340
Inventory	-	-	-	42,467	42,467	53,268
Interfund loans receivable	-	845,003	179,431	-	1,024,434	867,165
Prepaid expenses	-	109	1,359	-	1,468	-
Notes receivable	387,619	-	-	-	387,619	482,942
Total assets	\$ 387,619	938,685	432,294	219,324	1,977,922	1,743,875
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	4,800	66,777	38,110	-	109,687	111,758
Accrued wages and benefits payable	-	17,720	126,803	32,446	176,969	144,298
Accrued compensated absences	-	-	6,729	2,547	9,276	3,743
Interfund loans payable	26,949	-	-	-	26,949	34,220
Total liabilities	31,749	84,497	171,642	34,993	322,881	294,019
Fund balances (deficit):						
Reserved for inventory	-	-	-	42,467	42,467	53,268
Reserved for encumbrances	-	-	-	-	-	4,155
Reserved for non-current loans receivable	387,619	-	-	-	387,619	482,942
Unreserved, undesignated	(31,749)	854,188	260,652	141,864	1,224,955	909,491
Total fund balances	355,870	854,188	260,652	184,331	1,655,041	1,449,856
Total liabilities and fund balances	\$ 387,619	938,685	432,294	219,324	1,977,922	1,743,875

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2003
(with comparative totals for the year ended June 30, 2002)

	CDBG Loan Fund	Other City Special Revenue Funds (Exhibit B-3)	Other School Special Revenue Funds	School Lunch	Totals	
					2003	2002
Revenues:						
Property taxes	\$ -	-	-	-	-	342,500
Intergovernmental	-	-	1,997,795	409,307	2,407,102	2,411,285
Charges for services	-	-	43,035	604,159	647,194	-
Unclassified	33,128	2,131,578	189,375	1,261	2,355,342	2,872,233
Total revenues	33,128	2,131,578	2,230,205	1,014,727	5,409,638	5,626,018
Expenditures:						
Education	-	-	2,219,025	-	2,219,025	2,376,243
Unclassified	133,602	1,886,747	-	-	2,020,349	2,193,981
Food services	-	-	-	967,579	967,579	1,145,694
Total expenditures	133,602	1,886,747	2,219,025	967,579	5,206,953	5,715,918
Excess (deficiency) of revenues over (under) expenditures	(100,474)	244,831	11,180	47,148	202,685	(89,900)
Fund balances, beginning of year	456,344	609,357	249,472	137,183	1,452,356	1,539,756
Fund balances, end of year	\$ 355,870	854,188	260,652	184,331	1,655,041	1,449,856

CITY OF AUGUSTA, MAINE
Other City Special Revenue Funds
Combining Statement of Changes in Fund Balances

	Balance 2002	Revenues and transfers	Expenditures and transfers	Balance 2003
2002 CDBG North Water Street	\$ (233)	652,259	665,791	(13,765)
2003 Maine State Housing Authority	1,306	-	-	1,306
2004 Boothby Street	-	65,000	16,988	48,012
2005 Housing opportunity zone	28,778	-	28,778	-
2006 Main St. Maine	-	25,000	12,500	12,500
2010 Cable TV franchise	25,264	251	-	25,515
2011 Old City Hall Redevelopment	94,746	-	-	94,746
2016 MMEHT Wellness Grant 2002	1,756	9,009	8,831	1,934
2017 MMEHT Employee Assistant Grant	2,320	2,290	2,320	2,290
2018 Edwards Dam scholarship	224	-	-	224
2019 Commemorative Quilts	5,456	1,035	-	6,491
2020 Development Sites Third Bridge	12,438	-	-	12,438
2021 APD/CRID parking solution	4,981	-	-	4,981
2022 New Neighbor Program	50	400	550	(100)
2023 Augusta Growth fund	132,346	159,946	-	292,292
2024 Job retention program	75,000	-	-	75,000
2027 Lower Water St.	-	68,000	-	68,000
2028 Greenway bike path	1,222	-	-	1,222
2029 Kennebec River Rail Trail	15,790	24,633	42,130	(1,707)
2030 Augusta Bike Parking	-	1,259	1,254	5
2031 Lower Capital Construction	5,545	1,566	1,566	5,545
2035 ADP Misc. Work Highway	-	18,488	18,488	-
2036 Accidents	-	4,537	4,537	-
2037 Civic Center Outside	-	1,785	1,785	-
2038 School Misc. Work	-	186	186	-
2040 Forfeiture fund	1,393	-	1,297	96
2041 Ride-a-long	-	11,225	8,939	2,286
2042 Police Outside Work	-	196,256	196,256	-
2043 Community Policing	-	9,573	9,572	1
2044 Juvenile Program	5,457	3,343	7,223	1,577
2045- Police Grants	-	57,130	57,130	-
2050 Fire prevention	680	275	282	673
2051 Fire alarm maintenance	108	5,800	4,273	1,635
2052 MMA Safety Enhancement	-	4,000	4,000	-
2053 Ice Sled	-	3,672	3,672	-
2055 Tree board	19,350	7,125	6,116	20,359
2056 Edward Mill Site	-	8,352	2,351	6,001
2060 Stain Glass Lithgow Library	45,127	1,379	4,915	41,591
2061 Lost library books	5,796	18,317	21,604	2,509
2065 After School Daycare	80,045	236,342	238,578	77,809
2066 New Dimensions	-	53,997	53,701	296
2067 21st Century	-	49,068	49,068	-
2068 DHS 12-15 Year Old Capital Kids	-	14,352	14,352	-
2069 Summer Arts	-	9,640	1,185	8,455
2079- Recreation programs	51,287	237,774	264,269	24,792
2085 School contract	4,155	69,312	70,612	2,855
2086 Bicentennial park	4,289	699	183	4,805
2087 Riverside Cemetery	(31,737)	31,737	-	-
2090 Tree grant	93	-	93	-
2091 Urban comm forestry assistance	4,642	-	3,669	973
2092 Open space forest management	2,744	-	505	2,239
2093 Maine Forest Service	9,762	-	8,566	1,196
2094 Greenway Trail Enhancement	5,353	-	-	5,353
2095 Blaine Memorial Trees	5,664	-	-	5,664
2088 Fourth of July Carnival	-	5,027	5,027	-
2097 Augusta Gateway planters	2,890	-	-	2,890
2096 Pleasant Hill Sawtimber	-	2,790	-	2,790
2098 2000 Maine Comm. Forestry	5,425	-	5,425	-
2099 2002 Maine Comm. Forestry	(20,155)	58,749	38,180	414
Total other City special revenue funds	\$ 609,357	2,131,578	1,886,747	854,188

CITY OF AUGUSTA, MAINE
Nonmajor Special Revenue Funds - Federal, State and Local programs - School
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2003

		Balances beginning of year	Revenues	Expenditures	Balances end of year
Federal programs:					
200-28	Bullying grant (sex equity)	153	-	-	153
200-43	Title IVA - Drug free schools	6,522	26,748	8,611	24,659
200-44	Title IIB - Eisenhower math	36,663	164,749	45,496	155,916
200-45	Title IA - Chapter I - disadvantaged	27,033	501,170	563,868	(35,665)
200-46	Class size reduction grant	(601)	33	-	(568)
200-48	Title VI - Chapter II	(629)	25,825	30,777	(5,581)
200-52	Local entitlement	9,442	454,092	503,057	(39,523)
200-53	Parent Education Consortium	743	-	-	743
200-58	Aids grant	-	-	31	(31)
200-68	21st Century Grant	(63,199)	394,946	386,348	(54,601)
200-70	Learning center	5,746	124,771	117,228	13,289
200-74	Technology Literacy	-	22,440	13,997	8,443
200-83	National Science Foundation	2,498	-	-	2,498
200-87	Pre-School (2000-2001)	42,712	12,018	51,777	2,953
300-62	ESL Refugee	704	495	-	1,199
Total federal programs		67,786	1,727,287	1,721,190	73,883
State programs:					
200-07	Maine Arts Commission	6,033	-	1,342	4,691
200-23	Work study project	1,201	5,600	5,778	1,023
200-25	State Agency Grant	18,453	34,843	25,882	27,414
200-38	Region 2 Administrative	2,910	6,000	4,401	4,509
200-59	Schools need parents	5,201	57,634	54,852	7,983
200-67	Learning results	(782)	21,664	8,072	12,810
200-79	Health clinic	1,271	-	964	307
300-06	Museum	1,231	4,000	4,604	627
300-54	State agency - outside students	8,253	30,808	2,610	36,451
Total state programs		43,771	160,549	108,505	95,815
Other programs:					
300-20	Chizzle whizzle	(195)	7,583	7,583	(195)
300-28	Gates Grants/reimbursable	(9,186)	-	819	(10,005)
300-39	Landmark conference	728	(728)	-	-
300-42	Crisis Team	-	1,500	1,500	-
300-51	Tuition out of district	(19,680)	-	-	(19,680)
300-66	Tech time - Stewart	1,002	-	-	1,002
300-18	Summer School	(7,622)	17,490	18,779	(8,911)
300-69	CAEA Capital Area Ed Alliance	5,479	(5,479)	-	-
300-76	Stagehand, student stipends	(2,309)	2,084	1,170	(1,395)
Total other programs		(31,783)	22,450	29,851	(39,184)
Special projects:					
300-03	Cony High Architect	(9,799)	80,863	71,064	-
300-29	Cony Boiler	-	81,662	81,662	-
300-05	Equipment lease	-	-	-	-
300-26	CTV 7	-	4,400	9,572	(5,172)
Total special projects		(9,799)	166,925	162,298	(5,172)
Subtotal		\$ 69,976	2,077,211	2,021,844	125,343

CITY OF AUGUSTA, MAINE
Nonmajor Special Revenue Funds - Adult Education
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2003

			Balances beginning of year	Revenues	Expenditures	Balances end of year
Federal programs:						
200-10	Aspire - Customer Service #6/7	\$	46,950	6,575	24,132	29,393
200-24	Perkins Teen Transport		(671)	-	-	(671)
200-27	Perkins Title II C		(298)	800	800	(298)
200-33	Aspire - Lab		23,570	950	-	24,520
200-34	Aspire - overhead		9,260	-	8,671	589
200-40	Aspire program		6,515	-	510	6,005
200-49	ABE federal program		-	77,435	77,435	-
200-56	Workforce development		3,918	-	3,970	(52)
200-80	Aspire - customer service		-	-	-	-
Total federal programs			89,243	85,760	115,518	59,485
State programs:						
300-75	Jail education program		19,811	24,199	25,673	18,337
Total state programs			19,811	24,199	25,673	18,337
Other programs:						
200-57	Health Occupation Education		24,497	23,050	19,568	27,979
300-55	Self-supporting General Teaching		28,085	17,031	18,933	26,183
300-78	Adult Ed TV Production		(574)	-	-	(574)
300-84	Capital Area Consortium		(95)	-	-	(95)
300-86	DEEP Program - Intervention		7,556	85	8,481	(840)
300-89	KLC Computer Lab		10,973	2,869	9,008	4,834
Total other programs			70,442	43,035	55,990	57,487
Total School Special Revenues		\$	249,472	2,230,205	2,219,025	260,652

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Capital Project Funds - City
June 30, 2003
(with comparative totals for June 30, 2002)

	Totals	
	2003	2002
ASSETS		
Accounts receivable	\$ -	692
Interfund loans receivable	847,405	717,410
Total assets	\$ 847,405	718,102
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	175,413	406
Total liabilities	175,413	406
Fund balances:		
Unreserved, undesignated	671,992	717,696
Total fund balances	671,992	717,696
Total liabilities and fund balances	\$ 847,405	718,102

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds - City
Year ended June 30, 2003
(with comparative totals for the year ended June 30, 2002)

	Totals	
	2003	2002
Revenues:		
Unclassified	\$ 249,349	29,117
Total revenues	249,349	29,117
Expenditures:		
Capital outlay	1,742,586	508,671
Total expenditures	1,742,586	508,671
Deficiency of revenues under expenditures	(1,493,237)	(479,554)
Other financing sources:		
Payment - Maine State Retirement refunding	(13,378,367)	-
Bond proceeds	13,829,000	-
Transfer from other funds	996,900	-
Total other financing sources	1,447,533	-
Deficiency of revenues and other financing sources under expenditures and other financing uses	(45,704)	(479,554)
Fund balances, beginning of year	717,696	1,197,250
Fund balances, end of year	\$ 671,992	717,696

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2003

	City	School	Totals
ASSETS			
Cash	\$ 109,251	-	109,251
Investments	498,222	213,906	712,128
Total assets	\$ 607,473	213,906	821,379
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund loans payable	2,062	-	2,062
Total liabilities	2,062	-	2,062
Fund balances:			
Principal	595,276	72,512	667,788
Unexpended income	10,135	141,394	151,529
Total fund balances	605,411	213,906	819,317
Total liabilities and and fund balances	\$ 607,473	213,906	821,379

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2003

	City (Exhibit D-3)	School (Exhibit D-4)	Totals
Revenues:			
Investment income	\$ 27,963	2,377	30,340
Donations	26,607	30,474	57,081
Total revenues	54,570	32,851	87,421
Expenditures:			
Current:			
Other miscellaneous	61,166	43,843	105,009
Total expenditures	61,166	43,843	105,009
Deficiency of revenues and other financing sources under expenditures and other financing uses	(6,596)	(10,992)	(17,588)
Fund balances, beginning of year	612,007	224,898	836,905
Fund balances, end of year	\$ 605,411	213,906	819,317

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds - City
For the year ended June 30, 2003

City Funds	Fund balance, principal, beginning of year	Fund balance unexpended income, beginning of year	Principal additions	Other revenues	Expenditures	Fund balance principal, end of year	Fund balance unexpended income, end of year
L. W. Titcomb Playground	\$ 6,281	69	-	295	257	6,281	107
Lithgow Library	24,933	274	-	1,171	1,017	24,933	428
St. Mark's Church	11,968	132	-	1,048	975	11,968	205
Addie Wright	150	1	-	7	6	150	2
Anna Brown	74	2	-	3	3	74	2
Annie and Seth Goodwin	400	3	-	19	16	400	6
Cemetery Trust Fund	141,483	1,558	-	6,638	5,763	141,483	2,433
Church Williams	100	1	-	5	4	100	2
Dora Barry Taylor	100	1	-	5	4	100	2
Dr. Carl Hutchinson	598	6	-	29	25	598	10
Elaine Webber	249	3	-	12	11	249	4
Ellen F. Dutton	100	1	-	5	4	100	2
Emma Sylvester	100	1	-	5	4	100	2
EST Leadbetter & Page	149	2	-	7	6	149	3
Everett Withee	100	1	-	5	4	100	2
Forest Grove Cemetery	75,538	832	-	3,544	3,077	75,538	1,299
George Cottle	100	1	-	5	4	100	2
Gordon Drew	1,995	22	-	93	82	1,995	33
H. Williams	149	2	-	7	6	149	3
Horace Leighton	100	1	-	5	4	100	2
Isaac and Alice Garside	498	6	-	24	21	498	9
ITF Edwin B. Thorne	199	3	-	9	8	199	4
ITF Janet Wade	299	4	-	14	13	299	5
ITF Lucinda Downe	50	-	-	3	2	50	1
ITF Silas Jackson	100	1	-	5	4	100	2
J. Albert Knowles	100	1	-	5	4	100	2
John M. Currier	100	1	-	5	4	100	2
John R. Phillbrook	100	1	-	5	4	100	2
Kling Trust	9,974	109	-	468	407	9,974	170
L. B. Scribner	249	3	-	12	10	249	5
Lena Haskell	291	4	-	14	12	291	6
Luther Barr	180	2	-	8	7	180	3
M. Morrell/Burns	149	2	-	7	6	149	3
M. Tuek & E. Steve	199	3	-	9	8	199	4
N.B.K Pettingill	299	4	-	14	13	299	5
Nash Robinson	100	1	-	5	4	100	2
Pauline B. Carter	498	6	-	23	21	498	8
Pearl Fisher Scholarship	199	2	-	10	8	199	4
Pierce Flower	199	3	-	9	8	199	4
R. W. Brown/Pelton	100	1	-	5	4	100	2
Wesley Cummings	149	2	-	7	6	149	3
Wm. and Sylvia Vaughn	100	1	-	5	4	100	2
Alice Reynolds Trust	11,565	127	-	895	700	11,565	322
Ed E. Gage Family Trust	49,566	2,249	-	4,011	3,200	49,566	3,060
Edwards Dam Scholarship	27,899	306	-	2,311	2,000	27,899	617
Eliza Church Fund	3,376	37	-	296	275	3,376	58
Ira Bunker	499	5	-	24	-	499	29
Lipman Memorial Trust	4,057	721	-	323	200	4,057	844
Miriam Titcomb Trust	22,660	249	-	2,050	924	22,660	1,375
Peavy Scholarship Fund	4,211	46	-	348	300	4,211	94
Sanford Legacy	1,496	16	-	132	123	1,496	25
Albert Scholarship	31,802	5,471	-	2	37,275	-	-
Lipman and Katz	-	-	25,167	889	27	25,167	863
Cony Family Fund	12,497	(4,810)	-	1,591	1,000	12,497	(4,219)
Tree Board Trust	19,382	3,915	-	773	-	19,382	4,688
Bicentennial Nature Park	25,000	243	-	310	-	25,000	553
Cemetery Perpetual Care	92,662	(112)	1,440	156	156	94,102	(112)
Mall Mitigation Land Trust	15,000	-	-	278	3,136	15,000	(2,858)
Total City Funds	\$ 600,471	11,536	26,607	27,963	61,166	595,276	10,136

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds

School Funds	Fund balance					Expenditures	Fund balance principal, end of year	Fund balance unexpended income, end of year
	Fund balance principal, beginning of year	unexpended income, beginning of year	Interest earned	Other revenues				
Ann Williams Funds	\$ 2,000	8,638	122	-	-	-	2,000	8,760
Alumni Hall restoration	400	15,916	191	435	-	-	400	16,542
Arthur E. Shea Memorial	1,161	(94)	12	-	-	-	1,161	(82)
CATC School Wide Scholarship	10,000	(602)	108	-	-	-	10,000	(494)
CHS Class of 1943 Scholarship Fund	7,212	2,986	115	-	500	-	7,212	2,601
CHS Scholarship and Student Aid (held at CHS in)	-	15,390	-	19,209	28,239	-	-	6,360
CHS Scholarship and Student Aid (held at CHS in)	-	8,954	100	8,385	9,054	-	-	8,385
Carpentry Scholarship	75	1,669	20	-	-	-	75	1,689
Charles McGrail Scholarship	3,257	1,120	50	-	-	-	3,257	1,170
Dorothy Giddings Fund	1,000	2,902	44	-	-	-	1,000	2,946
Edward Albing Math Fund	500	228	8	-	20	-	500	216
Ferland Memorial Scholarship	1,006	308	15	-	-	-	1,006	323
Food Service Scholarship	15	4,213	41	-	1,700	-	15	2,554
Garside English Fund	600	156	8	-	40	-	600	124
Helen Dyer Scholarship	1,717	1,564	36	-	500	-	1,717	1,100
H. Graham Nye CATC Scholarship	2,500	488	35	-	-	-	2,500	523
Jim Marchildon Scholarship	1,705	7,942	106	1,700	2,000	-	1,705	7,748
Karen Carey Scholarship	2,577	938	40	-	200	-	2,577	778
Louis Ochmanski Scholarship	2,500	735	37	-	-	-	2,500	772
Louise Webber Fund	10,000	5,693	178	-	500	-	10,000	5,371
Mable I. Morton	1,970	654	30	-	-	-	1,970	684
Mable Richmond Fund	200	268	5	-	20	-	200	253
Machine Tool Scholarship	15	171	2	-	-	-	15	173
Melanie Ann Cote Scholarship	1,800	1,707	40	-	-	-	1,800	1,747
Nora Jackson Scholarship	3,000	4,631	88	-	-	-	3,000	4,719
Raymond Falconia Fund	5,000	1,320	73	-	-	-	5,000	1,393
Richard Ayotte Scholarship	2,050	407	28	-	100	-	2,050	335
Sandra Lipman Arts Fund	2,220	(33)	24	-	300	-	2,220	(309)
Theodore Rhoades Memorial	5,000	1,813	76	-	200	-	5,000	1,689
Thomas Bishop Memorial Scholarship	2,297	798	36	50	-	-	2,297	884
Auto Mechanic Scholarship	-	5,776	66	-	-	-	-	5,842
Childcare Scholarship	290	673	11	-	-	-	290	684
CATC Multi-media Scholarship	595	23	7	-	-	-	595	30
CATC Plumbing And Heating	-	1,021	12	-	-	-	-	1,033
CHS Class of 1926 Perkins Award (held at CHS)	-	294	2	-	-	-	-	296
CHS Class of 1938 Scholarship Fund	-	2,802	32	-	-	-	-	2,834
CHS Special Music Concert (held at CHS)	-	579	3	-	-	-	-	582
Cony Restoration Fund	-	538	8	695	-	-	-	1,241
Devina Mudge Scholarship (held at CHS)	-	1,171	14	-	-	-	-	1,185
Ebbie Brooks Math and Science Fund	-	628	7	-	20	-	-	615
Edgar A. Hussey Memorial	-	6,130	68	-	400	-	-	5,798
Eliza Church Fund	-	617	7	-	-	-	-	624
Frank Hewins Music	-	682	7	-	-	-	-	689
Friedlander Memorial Award	-	49	-	-	-	-	-	49
Georgianna Hayes English	-	1,025	12	-	-	-	-	1,037
Jon Crockett Memorial Fund	-	1,400	17	-	-	-	-	1,417
Lanny Cooper Memorial	-	975	12	-	-	-	-	987
Lee and Larry Leighton Scholars	(150)	4,402	49	-	-	-	(150)	4,451
Mable Thompson	-	701	8	-	50	-	-	659
Theresa Brannigan Memorial	-	727	8	-	-	-	-	735
Titcomb Fund	-	31,293	359	-	-	-	-	31,652
Total School Funds	\$ 72,512	152,386	2,377	30,474	43,843	72,512	141,394	

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF AUGUSTA, MAINE
Capital Assets Used in the Operation of Governmental Funds - By Source
June 30, 2003

General fixed assets:	
Land and buildings	\$ 29,842,372
Equipment	9,443,476
Infrastructure	26,175,100
<hr/>	
Total governmental fund capital assets	\$ 65,460,948
<hr/>	
Investments in general fixed assets by source:	
Governmental Funds	65,460,948
<hr/>	
Total governmental fund capital assets	\$ 65,460,948
<hr/>	

CITY OF AUGUSTA, MAINE
Schedule of capital assets used in the operation of Governmental Funds by Function and Activity
June 30, 2003

Function and Activity	Land and buildings	Equipment	Infrastructure	Total
General government	\$ 4,262,718	602,817	26,175,100	31,040,635
Education	24,237,257	3,437,525	-	27,674,782
Public safety	519,549	1,991,319	-	2,510,868
Library	822,848	-	-	822,848
Recreation	-	71,149	-	71,149
Central Garage (internal service fund)	-	3,340,666	-	3,340,666
Total governmental fund capital assets	\$ 29,842,372	9,443,476	26,175,100	65,460,948

Exhibit E-3

Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
June 30, 2003

Function and Activity	Balance 2002	Additions	Deletions	Balance 2003
General government	\$ 30,387,042	653,593	-	31,040,635
Education	27,659,882	14,900	-	27,674,782
Public safety	2,426,353	84,515	-	2,510,868
Library	822,848	-	-	822,848
Recreation	71,149	-	-	71,149
Central Garage (internal service fund)	3,101,359	239,307	-	3,340,666
Totals	\$ 64,468,633	992,315	-	65,460,948

STATISTICAL SECTION

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

Fiscal year	General government	Finance and administration	City services	Community services	Public Safety	Education	Insurance and other fringe benefits	Other fixed charges	Unclassified	Interest on debt	Central garage	Capital maintenance expenses	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Total
2003	\$ 1,649,442	759,861	3,365,923	2,222,759	4,990,504	28,609,739	1,444,711	2,107,913	3,375,553	217,015	1,093,333	989,578	2,740,829	1,882,110	383,866	854,430	56,687,566

Only one year has been presented because 2003 was the year GASB Statement No. 34 was implemented.

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

Fiscal year	Program Revenues			General Revenues				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues	Grants and 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	455,140	57,168,864

Only one year has been presented because 2003 was the year GASB Statement No. 34 was implemented.

Table 3

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

Year	General government	Finance and administration	City services	Community services	Public safety	Insurances and fixed charges		Unclassified	County	Education	Debt service	Capital	Total
1994	\$ 580,870	568,737	2,826,205	1,639,381	4,207,078	2,551,381	105,772	850,187	17,013,759	1,319,042	283,967	31,946,379	
1995	786,741	533,587	2,681,117	1,448,254	4,325,757	2,612,811	198,213	864,545	17,665,109	1,111,563	236,244	32,463,941	
1996	938,447	565,508	2,868,632	1,509,976	4,487,926	2,484,092	346,495	890,168	18,113,381	1,223,376	358,068	33,786,069	
1997	1,093,285	578,432	2,797,878	1,468,807	4,619,294	2,422,003	547,391	905,186	18,841,881	1,223,131	258,044	34,755,332	
1998	1,154,125	567,169	3,525,582	1,752,270	4,383,198	2,319,645	163,570	905,443	19,023,866	1,223,905	331,787	35,350,560	
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	

Table 4

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

Fiscal year	Taxes	Licenses and permits	Inter-governmental	Charges for services	Fines and fees	Investment earnings	Unclassified	Total
1994	\$ 21,373,070	129,810	9,229,430	1,245,814	21,415	237,419	368,884	32,605,842
1995	21,439,816	148,545	8,524,104	1,806,378	20,648	464,961	386,761	32,791,213
1996	21,630,465	116,476	8,369,863	1,963,744	19,456	459,167	571,851	33,131,022
1997	21,845,648	124,856	8,663,614	2,132,230	19,813	505,694	497,645	33,789,500
1998	22,664,914	139,650	10,357,846	1,643,261	17,954	514,797	593,347	35,931,769
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

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
1994	\$	19,353,628	18,234,971	94.22%	1,066,058	19,301,029	99.73%
1995		19,702,804	18,542,752	94.11%	797,576	19,340,328	98.16%
1996		20,029,900	18,661,340	93.17%	763,007	19,424,347	96.98%
1997		19,869,390	18,643,530	93.83%	1,062,182	19,705,712	99.18%
1998		20,196,369	19,318,947	95.66%	1,169,763	20,488,710	101.45%
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%

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	
1994	\$ 792,132,955	99,739,300	891,872,255	910,250,000	97.98%
1995	800,826,300	107,137,000	907,963,300	894,100,000	101.55%
1996	799,549,800	101,075,200	900,625,000	890,750,000	101.11%
1997	792,195,900	101,211,900	893,407,800	874,800,000	102.13%
1998	789,231,500	102,046,900	891,278,400	853,350,000	104.44%
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%

Table 7

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
1994	20,384	891,872,255	15,185,192	2,990,000	12,195,192	1.37%	598
1995	20,556	907,963,300	13,949,383	2,390,000	11,559,383	1.27%	562
1996	21,041	900,625,000	13,428,573	1,790,000	11,638,573	1.29%	553
1997	21,041	893,407,800	11,935,597	1,190,000	10,745,597	1.20%	511
1998	21,041	891,278,400	11,383,191	590,000	10,793,191	1.21%	513
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	2.25%	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	20,545,143	2.20%	1,107

Sources for population information:

State of Maine Department of Human Services, research department, for 1992 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.

Table 8

**CITY OF AUGUSTA, MAINE
Principal Taxpayers
June 30, 2003**

Taxpayer	Business		Assessed value	% of total value
Central Maine Power	Public Utility	\$	62,456,900	6.79%
SCI Technology	Industrial		27,034,200	2.94%
Wal-Mart Stores, Inc.	Retail		20,239,800	2.20%
Capital Augusta Prop. LP	Retail		16,875,200	1.83%
Gall, Edward	Rental/retail		16,809,900	1.83%
Meadowpark Dev. Corp.	Rental		11,065,100	1.20%
Key Bank of Maine	Financial Institution		10,085,800	1.10%
CAP Center Associates	Developer		9,322,400	1.01%
Pomerleau, Frank	Retail		8,113,600	0.88%
J.S. McCarthy Co., Inc.	Manufacturer		8,027,600	0.87%

SINGLE AUDIT SECTION



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council and School Board
City of Augusta, Maine:

We have audited the basic financial statements of the City of Augusta as of and for the year ended June 30, 2003, and have issued our report thereon dated October 8, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Augusta's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Augusta's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the City of Augusta in a separate letter dated October 8, 2003.

This report is intended for the information of the City Council, School Board, 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 specific parties.



October 8, 2003
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 School Board
City of Augusta, Maine:

Compliance

We have audited the compliance of the City of Augusta 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, 2003. The City of Augusta'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's management. Our responsibility is to express an opinion on the City of Augusta's compliance 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; 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'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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item #2003-1.

Internal Control Over Compliance

The management of the City of Augusta is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City'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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City of Augusta as of and for the year ended June 30, 2003, and have issued our report thereon dated October 8, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 for the information of the City Council, School Board, 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 specific parties.



October 8, 2003
South Portland, Maine

CITY OF AUGUSTA, MAINE
Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass- through number	Program or award amount	Balance at June 30, 2002	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2003
					Federal	Other			
U.S. Department of Education,									
Direct funding:									
21st Century Grant (project year 1)	84.287	n/a	\$ 298,757	(72,025)	293,946	101,000	293,946	92,402	(63,427)
Passed through Maine Department of Education:									
Adult Basic Education	84.002	6296/6297	77,435	-	77,435	-	77,435	-	-
Title IA	84.010	6334	501,170	27,033	501,170	-	563,868	-	(35,665)
Special Education State Grants Individuals with Disabilities Act	84.027	6317	454,092	9,442	454,092	-	503,055	-	(39,521)
Special Education State Grants Individuals with Disabilities Act	84.027	6317	-	5,201	-	-	-	-	5,201
Title VI - Innovative	84.298	5063/1072	25,825	(629)	25,825	-	30,777	-	(5,581)
Class size reduction grant	84.340	5088	-	(601)	-	-	-	-	(601)
PreSchool	84.173	6241	12,018	42,712	12,018	-	51,777	-	2,953
Teacher Quality grant	84.367	1138	164,749	36,663	164,749	-	45,496	-	155,916
Carl Perkins - Basic grant (learning center)	84.048	5159	124,771	5,746	124,771	-	117,110	-	13,407
Carl Perkins - Single Parent (teen transportation)	84.048	n/a	-	(671)	-	-	-	-	(671)
Carl Perkins - Basic grants (sex equity)	84.048	n/a	-	153	-	-	-	-	153
Technology Literacy	84.318	1006	22,440	-	22,440	-	13,997	-	8,443
U.S. Department of Education, passed through Maine Department of Substance Abuse:									
Drug Free Schools and Communities	84.186	n/a	26,748	6,522	26,748	-	8,611	-	24,659
Total U.S. Department of Education				59,546	1,703,194	101,000	1,706,072	92,402	65,266
U.S. Department of Housing and Urban Development, passed through Department of Economic and Community Development:									
CDBG - Economic Development I	14.228	G6600329	300,000	37,971	-	-	-	-	37,971
CDBG - North Water Street	14.228	G302086	500,000	-	500,000	152,259	500,000	165,791	(13,532)
Total U.S. Department of Housing and Urban Development				37,971	500,000	152,259	500,000	165,791	24,439
U.S. Department of Transportation, passed through the Maine Department of Transportation:									
Scenic and Environmental	20.205	N/A	690,000	15,789	22,254	2,379	42,130	-	(1,708)
Passed through the Department of Conservation	20.219	N/A	42,000	1,221	-	-	-	-	1,221
Total U.S. Department of Transportation				17,010	22,254	2,379	42,130	-	(487)
U.S. Department of Agriculture, passed through the Maine Department of Education:									
National School Lunch Program	10.555	7128	N/A	108,948	284,465	616,138	284,465	563,280	161,806
School Breakfast Program	10.553	7127	N/A	-	67,165	-	67,165	-	-
Summer Food Service Program	10.559	7130	N/A	-	21,812	-	21,812	-	-
Food Donation Program	10.550	6134	N/A	28,235	46,959	-	52,669	-	22,525
Total U.S. Department of Agriculture				137,183	420,401	616,138	426,111	563,280	184,331
U.S. Department of Agriculture Cooperative Forestry Service, passed through the Pine State Arboretum:									
2000 Maine Community Forestry Ice Storm Recovery Grant	10.664		59,895	5,425	-	-	5,425	-	-
2002 Maine Community Forestry Ice Storm Recovery Grant	10.664		59,400	(20,154)	58,597	152	38,180	-	415
Total U.S. Department of Agriculture Cooperative Forestry Service				(14,729)	58,597	152	43,605	-	415
U.S. Department of Human Services, passed through the Maine Department of Human Services:									
Child Care and Development Block Grant (2002-2003)	93.575	1818	-	-	20,787	-	20,787	-	-
U.S. Department of Human Services, passed through the Maine Department of Education:									
Refugee resettlement	93.576	5019	-	835	495	-	131	-	1,199
Total U.S. Department of Human Services				47,193	21,282	-	20,918	-	47,557
U.S. Department of Justice, passed through the Maine Department of Justice									
Law Enforcement Block Grant	16.592		21,947	-	21,947	2,464	21,947	2,464	-
Cops Fast Grant	16.710		24,404	-	24,404	-	24,404	-	-
Total U.S. Department of Justice				-	46,351	2,464	46,351	2,464	-
U.S. Department of Public Safety, passed through the Maine Department of Justice									
Community Policing	16.710		9,572	-	9,572	-	9,572	-	-
Total U.S. Department of Public Safety				-	9,572	-	9,572	-	-
Totals				284,174	2,781,651	874,392	2,794,759	823,937	321,521

See accompanying notes to schedule of expenditures of federal awards.

CITY OF AUGUSTA, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2003

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 for the fiscal year ended June 30, 2003. The reporting entity is defined in Notes to Basic Financial Statements of the City of Augusta.
- 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 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's fund financial statements.

CITY OF AUGUSTA
Schedule of Findings and Questioned Costs
June 30, 2003

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
Reportable condition identified not considered to be a material weakness?	no
Noncompliance material to financial statements noted?	no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified not considered to be material weaknesses?	no
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Local Entitlement
10.553-555	School Lunch Cluster
14.228	CDBG
84.287	21 st Century Grant

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

REPORTABLE CONDITIONS

NONE

* * * * *

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated October 8, 2003.

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

Section III - Findings and Questioned Costs for Federal Awards

Compliance Findings

#2003-1 - U.S. Dept. of Education, CFDA #10.553, School Breakfast Program, for the year July 1, 2002 through June 30, 2003:

Statement of Condition: Although differences were small, the breakfast counts (meal counts) for the program as reported to the State Department of Education on the monthly claims form did not agree with underlying count records maintained by the individual schools participating in the program.

Criteria: Accurate counts and reporting is required for proper calculation of federal subsidy.

Effect: The federal funds reimbursed under this program may have been under or over what was actually earned.

Cause: The breakfast program was not following the same control protocols as the lunch programs.

Recommendation: The breakfast program should use the information provided by the individual schools and the program director should periodically double check the reported amounts for breakfast counts back to the individual records to ensure accuracy.

Questioned Costs: None