

CITY OF AUGUSTA, MAINE

Financial Report

June 30, 2006

CITY OF AUGUSTA, MAINE
Annual Financial Report
June 30, 2006

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Independent Auditor's Report

City Council
City of Augusta, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Augusta, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

A handwritten signature in cursive script that reads "Raymond Kristen Ouellette".

October 5, 2006
South Portland, Maine

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis
June 30, 2006

As management of the City of Augusta, we offer readers of the City of Augusta's financial statements this narrative overview and analysis of the financial activities of the City of Augusta for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the basic financial statements and the accompanying notes to the financial statements. The City's financial highlights are presented below:

Fiscal 2006 Financial Highlights

Financial highlights of the year include the following:

City-wide:

- The City's total net assets were \$30.1 million at June 30, 2006. Of this total, \$25.9 million were governmental assets and \$4.2 million were business-type assets.
- The City's net assets grew by \$2.0 million. Of this amount, the governmental activities had an increase in net assets of \$2.4 million. The business-type activities decreased by \$0.4 million, an increase of \$2.6 million in net capital assets and a decrease of \$0.5 million in unrestricted net assets.
- City-wide governmental revenues include program revenues of \$20.6 million, an increase of \$1.2 million, and general revenues of \$34.4 million, an increase of \$0.4 million. Business-type income was \$7.2 million, an increase of \$0.3 million.
- Total City-wide governmental expenses were \$52.6 million, an increase of 7 % and business-type activities were \$7.5 million, an increase of 17 %, for total expenditures of \$60.1 million, an increase of \$4.6 million.

Fund Level:

- Governmental Fund Balance increased by \$12.9 million in Fiscal 2006 to \$20.8 million. Governmental Fund Revenues totaled \$54.5 million, with total expenditures of \$70.3 million. Other Financing Sources and Uses added \$28.6 million. General Fund Revenues totaled \$46.1 million, with total expenditures of \$45.4 million, for an excess of revenues over expenditures of \$0.7 million. Total Other Financial Sources and Uses was (\$0.6) million. The General Fund Balance increased \$0.1 million for Fiscal 2006.

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.

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

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

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

Major Funds, which account for the major financial activities of the City, are presented individually while the activities of the 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.

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

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

Financial Activities of the City as a Whole:

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

Table 1
Governmental Activities Net Assets

	<u>2006</u>	<u>2005</u>	<u>Variance</u>
Current and other assets	\$ 28,339,360	41,783,872	(13,444,512)
Capital assets	55,463,746	38,855,550	16,608,196
Total assets	83,803,106	80,639,422	3,163,684
Long-term liabilities	48,306,667	21,625,758	26,680,909
Other liabilities	9,606,283	35,535,421	(25,929,138)
Total liabilities	57,912,950	57,161,179	751,771
Net assets:			
Invested in capital assets			
(net of debt)	19,987,079	17,447,597	2,539,482
Restricted	609,243	604,093	5,150
Unrestricted	5,293,834	5,426,553	(132,719)
Total net assets	\$ 25,890,156	23,478,243	2,411,913

Capital assets net of related debt increased by 14.5% or \$2.5 million. The City's long-term liabilities (primarily debt) increased by \$26.7 million. The City's increase in long term liabilities due to issuing long term debt to repay bond anticipation notes. The City's other liabilities decreased by \$25.9 million. Seventy – seven and two tenths percent (77.2 %) 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 nor are they available to repay outstanding debt. Two and four tenths of one percent (2.4%) of net assets is represented by resources that are subject to external restrictions in their uses. The remaining balance of \$5.3 million is unrestricted net assets.

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

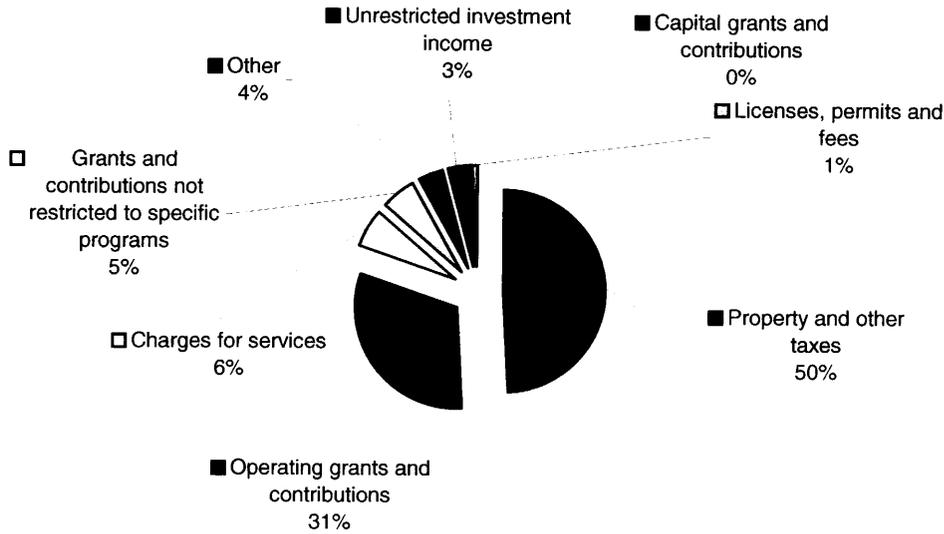
Changes in Net Assets:

	<u>2006</u>	<u>2005</u>	<u>Variance</u>
<u>Sources of Revenues:</u>			
Program Revenues			
Charges for services	\$3,362,594	\$3,210,003	\$152,591
Operating grants and contributions	17,097,427	15,852,689	1,244,738
Capital grants and contributions	120,274	336,377	(216,103)
	<u>20,580,295</u>	<u>19,399,069</u>	<u>1,181,226</u>
General Revenues			
Property and other taxes	27,047,265	27,206,753	(159,488)
Grants and contributions not restricted to specific programs	3,010,331	2,932,607	77,724
Licenses, permits and fees	431,809	441,962	(10,153)
Unrestricted investment income	1,668,457	631,647	1,036,810
Other	2,244,404	2,828,833	(584,429)
	<u>34,402,266</u>	<u>34,041,802</u>	<u>360,464</u>
Total revenues	54,982,561	53,440,871	1,541,690
Functional Expenses:			
Legislative and executive	577,232	586,959	(9,727)
Finance and administration	2,616,040	2,574,468	41,572
City services	1,684,635	1,529,364	155,271
Community services	2,432,732	2,465,706	(32,974)
Public safety	5,164,109	5,459,336	(295,227)
Public works	2,875,294	1,708,725	1,166,569
Education	29,396,723	28,860,857	535,866
Insurance and retiree benefits	1,541,180	1,458,605	82,575
Utilities	1,953,588	1,891,239	62,349
Unclassified	1,336,969	1,245,371	91,598
Interest on debt	181,357	154,231	27,126
Central garage	1,348,833	1,129,094	219,739
Capital maintenance expenses	1,461,956	101,826	1,360,130
Total Expenses	<u>52,570,648</u>	<u>49,165,781</u>	<u>3,404,867</u>
Increase (decrease) in net assets	2,411,913	4,275,090	(1,863,177)
Net assets – beginning of year	23,478,243	19,203,153	
Net assets – end of year	<u>25,890,156</u>	<u>23,478,243</u>	<u>2,411,913</u>

Governmental activities resulted in a positive change in net assets of \$2.4 million. Program revenues increased \$1.2 million, with Operating grants and contributions increasing 7.3 % or \$1.2 million. General revenues increased \$0.36 million or a 1 % growth. The growth in program revenues resulted from an increase in public safety grants of \$0.4 million and educational grants of \$ 0.8 million. Functional expenses increased \$3.5 million, an increase of six and nine tenths percent (6.9 %).

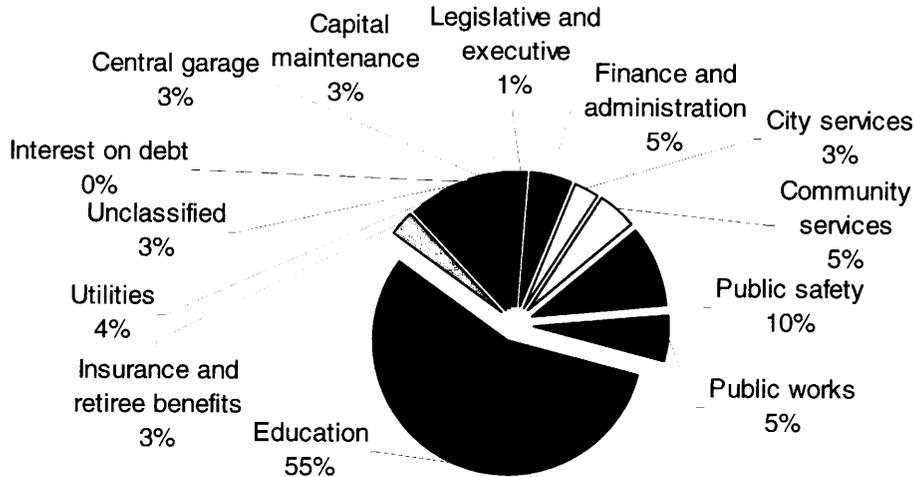
CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

Source of Revenues



As the source of revenues chart above shows, 50 % of the City's fiscal 2006 governmental activities revenues came from property and other taxes, and 31 % from operating grants and contributions. The remaining 20 % came from charges for services (6 %), grants and contributions not restricted to specific purposes (5.5 %), other (4 %), and unrestricted investment income (3 %).

Functional Expense



The Functional expenses chart above reflects only current year expenses, which are discussed below. Education accounted for 55% and Municipal Services 45% of expenses. Public safety accounted for 9.8% of total expenses. Public works 5.5%, Finance and administration accounted for 5.0 %, Community Services 4.6%, and Utilities 3.7% of total expenses. City services accounted for 3.2%, Insurance and retiree benefits 2.9%, Capital maintenance 2.8% and central garage 2.6% of total expenses of total expenses. Legislative and executive, interest on non - educational debt, and capital maintenance combined totaled 4% of expenses.

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

Expenses do not include capital outlays, which are now capitalized to the City's capital assets. In 2006, Governmental capital assets increased \$16.6 million, due primarily to the on going construction of a new high school. Capital assets being depreciated increased \$2.7 million, due to the completion of a new downtown parking garage.

Governmental Activities:

Table 2 presents the net expenses of each of the City's largest programs. Net expense is defined as total program cost less the revenue generated by those specific activities. Net expenses totaled \$32.0 million as the City is dependent on general revenues for 60.9% of expenses. 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 same percentage reductions as FY 2005. The range of reduction was 0 % to 64% for education. Over all, governmental activities net expenses increased \$2.2 million or 7.5 %. The City's program revenues include license fees, cable franchise fees, building permits, charges for services, State subsidies, and operating grants and contributions.

Table 2
Governmental Activities
(In Millions)

	<u>2006</u>	<u>2005</u>	<u>Variance</u>
Legislative and executive	(0.58)	(0.59)	0.01
Finance and administration	(2.48)	(2.45)	(0.03)
City services	(1.50)	(1.29)	(0.21)
Community services	(2.36)	(2.38)	0.02
Public safety	(4.43)	(4.91)	0.48
Public works	(2.52)	(1.38)	(1.14)
Education	(10.56)	(10.97)	0.41
Retirement and insurance	(1.54)	(1.46)	(0.08)
Other fixed charges	(1.95)	(1.89)	(0.06)
Unclassified	(1.34)	(1.26)	(0.08)
Debt service	(0.18)	(0.15)	(0.03)
Central garage	(1.07)	(0.94)	(0.13)
Capital maintenance expenses	(1.46)	(0.10)	(1.36)
Total	(31.97)	(29.77)	(2.20)

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

Table 3
Business-type Net Assets
(In Millions)

	<u>2006</u>	<u>2005</u>	<u>Variance</u>
Current and other assets	6.22	6.63	(0.41)
Capital assets	12.92	13.63	(0.71)
Total assets	19.14	20.26	(1.12)
Long-term liabilities	14.49	15.10	(0.61)
Other liabilities	0.45	0.58	(0.13)
Total liabilities	14.94	15.68	(0.74)
Net assets:			
Invested in capital assets (net of debt)	2.71	2.67	0.04
Unrestricted	1.48	1.90	(0.42)
Total net assets	4.19	4.57	(0.38)

Business-type activities net assets decreased by \$.38 million in fiscal year 2006. The decrease in net assets is attributable to an operating income of \$.32 million, being offset by interest expense of \$.61 million and an operating transfer of \$.09 million.

The City's Fund Financial Statement

Governmental Funds

At June 30, 2006, the City's governmental funds reported a combined fund balance of \$20.79 million. The governmental fund balance is comprised of the following; General Fund \$11.84 million, New Cony High School \$2.99 million and Other Funds \$5.97 million.

Government funds revenues totaled \$54.54 million with expenditures totaling \$70.27 million, a deficiency of revenues under expenditures of \$15.73 million. Other financing sources and uses netted \$28.65 million, resulting in a net increase of fund balance by \$12.92 million.

Proprietary Funds

Proprietary Funds net assets decreased by \$.38 million for FY 2006. Enterprise operating revenues were \$7.21 million, with operating expenses of \$6.88 million resulting in a net operating income of \$0.33 million. Non-operating expenses were \$.61 and operating transfers out of \$.09 million, for a net decrease in net asset of \$0.38 million.

Analysis of Major Governmental Funds

General Fund

General Fund revenues exceeded estimates by 1.3 % or \$0.54 million. The City experienced positive variations in all anticipated revenues by sources with the exception of taxes. Taxes were within 1% of expectations. The City's two primary revenue sources, taxes and intergovernmental revenues which account for 91% of revenues were within estimates by 1%. Licenses and permits exceeded estimates by 88.9% as major retail expansion continued. Investment earnings exceeded estimates by 92.6 % as interest rates continued to increase during fiscal year 2006.

General fund expenditures had a budgetary surplus of 2.5% or \$1.3 million. Educational expenditures were 2.9% or \$0.72 million under budget. Municipal operating expenditures were 97.2% expended (\$0.57 million) under budget.

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

Major positive variances were: Wages (\$185,000), Health insurance (\$284,850), Sand & Salt (\$39,000), General Assistance (\$32,000), Solid waste (\$17,120) and Bad debt (\$16,725), Contingency (\$23,800) Building repairs (\$11,474). Offsetting negative variances were incurred by: heating oil and gasoline (\$60,301) Corporation Counsel (\$34,000), and County tax (\$12,200).

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 \$16,785 in fiscal 2006. Net assets totaled \$2.61 million of which \$2.00 million represents investment in capital assets, net of related debt, and unrestricted net assets totaled \$0.60 million. The Civic Center had net operating income of \$0.30 million, with a non-operating expense of \$0.19 million (interest expense) and an operating transfer out of \$100,000.

Hatch Hill Landfill

Net assets of the regional Hatch Hill Landfill decreased \$0.33 million in fiscal 2006. Net assets totaled \$1.30 million of which \$0.52 million represents investments in capital assets net of related debt, and \$0.78 million in unrestricted net assets. Operating income totaled \$ 70,800; non-operating expense totaled \$0.40 million.

Airport

The City manages the Augusta State Airport through a contract with the State of Maine. The Airport Fund net assets increased by \$115,000.

Ambulance

Net assets of the Ambulance Fund decreased \$62,600 in fiscal 2006. Net assets totaled \$287,300, of which \$198,110 represents investment in capital assets net of related debt and unrestricted net assets totaled \$89,200. Operating loss for FY 2006 totaled (\$58,001). Non operating expenses totaled \$12,234 and operating transfers in totaled \$7,615.

Central Garage (Internal Service Fund)

Net assets of the Central Garage fund decreased \$62,596 in fiscal 2006. Net assets totaled \$1.78 million, of which \$1.45 million represents investment in capital assets net of debt and unrestricted net assets totaled \$0.33 million. Operating income was \$21,166, non operating revenue totaled \$16,238 and transfer out totaled \$100,000.

Capital Assets

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

In fiscal 2003, the City recorded the cost of all its infrastructure assets based upon their original acquisition dates and computed the accumulated depreciation for these assets. At the end of fiscal 2006, the cost of infrastructure and other capital assets of Government Funds recorded on the City's financial statements was \$55.46 million, an increase of \$16.61 million or 42.74 percent. The addition to the new Cony high school accounted for the increase. The City continued to invest in infrastructure and internal service fund equipment equaled to depreciation. Table 4 reflects Capital assets at June 30, 2006, by Governmental activities and Business-type activities.

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

Table 4
Capital Assets at Year End

	<u>2006</u>	<u>2005</u>	<u>Variance</u>
Governmental activities:			
Capital assets, not being depreciated			
Land	1,200,713	1,200,713	-
Construction in progress	26,740,831	12,812,195	13,928,636
Capital assets being depreciated			
Land improvements	1,000,000	1,000,000	-
Buildings and improvements	30,606,940	27,660,983	2,945,957
Machinery, vehicles, and equipment	6,867,377	6,087,224	780,153
Infrastructure	27,100,165	26,870,650	229,515
Internal service fund equipment	3,637,298	3,456,672	180,626
Less: Accumulated depreciation	(41,689,578)	(40,232,888)	(1,456,690)
	55,463,746	38,855,549	16,608,197
Business-type activities:			
Capital assets, not being depreciated	428,950	428,950	-
Capital assets, being depreciated			
Buildings and improvements	7,427,211	7,231,372	195,839
Machinery and equipment	2,643,649	2,582,714	60,935
Landfill	14,685,287	14,685,287	-
Less: Accumulated depreciation	(12,265,684)	(11,302,306)	(963,378)
	12,919,413	13,626,017	(706,604)

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, 2006 was \$58.38 million, an increase of \$26.09 million. The City issued \$28.45 million of new debt during FY 2006 and retired \$2.36 million principal amount of bonds and made all scheduled repayments of existing bonded indebtedness for fiscal year 2006.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF AUGUSTA, MAINE
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,070,668	9,203	21,079,871
Investments	9,357,690	689,616	10,047,306
Receivables:			
Taxes receivable	989,866	-	989,866
Tax liens	390,132	-	390,132
Intergovernmental	623,952	-	623,952
Accounts, net	305,696	674,293	979,989
Notes	66,762	-	66,762
Internal balances	(4,772,683)	4,772,683	-
Inventories	187,341	17,541	204,882
Prepaid expenses	119,936	54,965	174,901
Capital assets, not being depreciated	27,941,544	428,950	28,370,494
Capital assets, net of accumulated depreciation	27,522,202	12,490,462	40,012,664
Total assets	83,803,106	19,137,713	102,940,819
LIABILITIES			
Accounts payable and other current liabilities	3,827,222	159,660	3,986,882
Accrued payroll and benefits	2,313,025	38,597	2,351,622
Compensated absences payable	3,077,100	215,792	3,292,892
Escrow payable	2,400	39,650	42,050
Taxes paid in advance	38,289	-	38,289
Accrued interest	348,247	-	348,247
Noncurrent liabilities:			
Due within one year	1,763,627	734,119	2,497,746
Due in more than one year	46,543,040	13,755,295	60,298,335
Total liabilities	57,912,950	14,943,113	72,856,063
NET ASSETS			
Invested in capital assets, net of related debt	19,987,079	2,711,868	22,698,947
Restricted for:			
Nonexpendable principal	609,243	-	609,243
Unrestricted	5,293,834	1,482,732	6,776,566
Total net assets	\$ 25,890,156	4,194,600	30,084,756

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Activities
For the Year Ended June 30, 2006

Functions/programs	Program Revenues					Net (expense) revenue and changes in net assets	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary Government Business-type activities	
						Governmental activities	Business-type activities
Primary government:							
Governmental activities:							
Legislative and executive	\$ 577,232	-	-	-	(577,232)	-	(577,232)
Finance and administration	2,616,040	113,591	23,107	-	(2,479,342)	-	(2,479,342)
City services	1,684,635	-	183,689	-	(1,500,946)	-	(1,500,946)
Community services	2,432,732	47,375	22,688	-	(2,362,669)	-	(2,362,669)
Public safety	5,164,109	136,750	472,480	120,274	(4,434,605)	-	(4,434,605)
Public works	2,875,294	30,767	323,588	-	(2,520,939)	-	(2,520,939)
Education	29,396,723	2,760,244	16,071,875	-	(10,564,604)	-	(10,564,604)
Retirement and insurance	1,541,180	-	-	-	(1,541,180)	-	(1,541,180)
Utilities	1,953,588	-	-	-	(1,953,588)	-	(1,953,588)
Unclassified	1,336,969	-	-	-	(1,336,969)	-	(1,336,969)
Interest on debt	181,357	-	-	-	(181,357)	-	(181,357)
Central garage	1,348,833	273,867	-	-	(1,074,966)	-	(1,074,966)
Capital maintenance	1,461,956	-	-	-	(1,461,956)	-	(1,461,956)
Total governmental activities	52,570,648	3,362,594	17,097,427	120,274	(31,990,353)	-	(31,990,353)
Business-type activities:							
Augusta Civic Center	2,828,352	2,929,085	-	-	-	100,733	100,733
Hatch Hill Landfill	3,018,672	2,682,875	-	-	-	(335,797)	(335,797)
Airport	432,140	432,255	-	-	-	115	115
Ambulance	1,229,298	1,164,557	-	-	-	(64,741)	(64,741)
Total business-type activities	7,508,462	7,208,772	-	-	-	(299,690)	(299,690)
Total primary government	\$ 60,079,110	10,571,366	17,097,427	120,274	(31,990,353)	(299,690)	(32,290,043)
General revenues:							
Property taxes, levied for general purposes					\$ 24,200,647	-	24,200,647
Motor vehicle excise taxes					2,846,618	-	2,846,618
Licenses and permits					219,924	-	219,924
Cable TV franchise fee					211,885	-	211,885
Grants and contributions not restricted to specific programs:							
Homestead exemption					569,805	-	569,805
State Revenue Sharing					2,440,526	-	2,440,526
Unrestricted investment earnings					1,668,457	18,000	1,686,457
Miscellaneous revenues					2,146,604	(5,494)	2,141,110
Loss on disposal of assets					5,415	-	5,415
Transfers					92,385	(92,385)	-
Total general revenues and transfers					34,402,266	(79,879)	34,322,387
Change in net assets							
Net assets - beginning					2,411,913	(379,569)	2,032,344
Net assets - ending					23,478,243	4,574,169	28,052,412
					\$ 25,890,156	4,194,600	30,084,756

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Balance Sheet
Governmental Funds
June 30, 2006

	General	New Cony High School	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 16,137,025	4,478,101	455,542	21,070,668
Investments	8,881,709	-	475,981	9,357,690
Receivables:				
Taxes receivable	989,866	-	-	989,866
Tax liens	390,132	-	-	390,132
Due from other governments	72,610	-	551,342	623,952
Accounts receivable, net	177,074	-	120,737	297,811
Notes receivable	-	-	66,762	66,762
Interfund loans receivable	-	479,289	4,661,522	5,140,811
Inventory	3,001	-	34,770	37,771
Prepaid items	113,085	-	4,313	117,398
Total assets	\$ 26,764,502	4,957,390	6,370,969	38,092,861
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	1,673,737	1,969,753	150,095	3,793,585
Accrued payroll and benefits	2,053,087	1,870	253,177	2,308,134
Escrow payable	2,400	-	-	2,400
Deferred revenue	1,009,747	-	-	1,009,747
Taxes received in advance	38,289	-	-	38,289
Interfund loans payable	10,150,902	-	2,606	10,153,508
Total liabilities	14,928,162	1,971,623	405,878	17,305,663
Fund balances:				
Reserved for:				
Encumbrances - City	223,596	-	98,162	321,758
Encumbrances - School	389,227	-	-	389,227
Noncurrent receivables	-	-	66,762	66,762
Inventory	-	-	34,770	34,770
Nonexpendable trust principal	-	-	609,243	609,243
Unreserved, reported in:				
General fund:				
City designated	3,506,278	-	-	3,506,278
School designated	981,777	-	-	981,777
City undesignated	4,839,973	-	-	4,839,973
School undesignated	1,895,489	-	-	1,895,489
Special revenue funds	-	-	1,741,391	1,741,391
Capital projects funds	-	2,985,767	1,808,402	4,794,169
Permanent funds	-	-	1,606,361	1,606,361
Total fund balances	11,836,340	2,985,767	5,965,091	20,787,198
Total liabilities and fund balances	\$ 26,764,502	4,957,390	6,370,969	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				54,018,067
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				1,009,747
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.				1,780,499
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:				
Accrued compensated absences				(3,050,441)
Accrued interest				(348,247)
Capital leases				(107,745)
Bonds payable				(48,198,922)
Net assets of governmental activities			\$	25,890,156

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	General	New Cony High School	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 25,861,766	-	1,128,548	26,990,314
Licenses and permits	219,924	-	-	219,924
Intergovernmental	16,313,865	-	3,914,167	20,228,032
Tuition and other charges - education	2,082,611	-	-	2,082,611
Charges for services	275,021	-	677,633	952,654
Fees and fines	53,462	-	-	53,462
Unclassified	498,019	-	1,845,075	2,343,094
Investment earnings	844,846	401,625	421,986	1,668,457
Total revenues	46,149,514	401,625	7,987,409	54,538,548
Expenditures:				
Current:				
Legislative and executive	579,750	-	-	579,750
Finance and administration	1,457,854	-	1,128,294	2,586,148
City services	1,227,854	-	352,010	1,579,864
Community services	2,015,277	-	698,036	2,713,313
Public safety	5,223,390	-	379,231	5,602,621
Public works	2,703,087	-	469,386	3,172,473
Education	26,001,129	-	3,744,405	29,745,534
Retirement and insurance	1,541,180	-	-	1,541,180
Utilities	1,953,588	-	-	1,953,588
Unclassified	1,321,993	-	14,976	1,336,969
Debt service	1,305,832	1,187,778	-	2,493,610
Capital outlay	30,566	15,869,021	1,061,861	16,961,448
Total expenditures	45,361,500	17,056,799	7,848,199	70,266,498
Excess (deficiency) of revenues over (under) expenditures	788,014	(16,655,174)	139,210	(15,727,950)
Other financing sources (uses):				
Bond proceeds	-	27,950,000	500,000	28,450,000
Lease proceeds	-	-	-	-
Operating transfers from other funds	662,610	486,000	767,675	1,916,285
Operating transfers to other funds	(1,304,912)	-	(411,373)	(1,716,285)
Total other financing sources (uses)	(642,302)	28,436,000	856,302	28,650,000
Net change in fund balances	145,712	11,780,826	995,512	12,922,050
Fund balances (deficits), beginning of year	11,690,628	(8,795,059)	4,969,579	7,865,148
Fund balances, end of year	\$ 11,836,340	2,985,767	5,965,091	20,787,198

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2006

Net change in fund balances - total governmental funds (from Statement 4)	\$	12,922,050
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures (\$14,635,657) exceeded depreciation expense (\$1,596,353) and loss on disposal of assets (\$22,797).		16,364,239
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		56,951
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments.		64,010
Change in accruals are recorded on the statement of net assets, but not on the governmental fund balance sheet - accrued compensated absences (\$58,108) and accrued interest (\$75,041).		(133,149)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$28,450,000) exceeded repayments (\$1,650,408).		(26,799,592)
Internal service funds are used by management to charge the costs of fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(62,596)
Change in net assets of governmental activities (see Statement 2)	\$	2,411,913

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2006

	<u>Budgeted amounts</u>		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 25,985,075	25,985,075	25,861,766	(123,309)
Licenses and permits	116,395	116,395	219,924	103,529
Intergovernmental	13,789,847	13,789,847	13,817,461	27,614
Tuition and other charges - education	1,989,839	1,989,839	2,082,611	92,772
Charges for services	264,873	264,873	275,021	10,148
Fees and fines	58,000	58,000	53,462	(4,538)
Unclassified	465,835	465,835	494,799	28,964
Investment earnings	438,463	438,463	844,846	406,383
Total revenues	43,108,327	43,108,327	43,649,890	541,563
Expenditures:				
Current:				
Legislative and executive	648,348	590,869	589,899	970
Finance and administration	1,443,548	1,529,042	1,464,086	64,956
City services	1,278,359	1,298,384	1,237,988	60,396
Community services	2,053,512	2,083,717	2,020,853	62,864
Public safety	5,417,264	5,419,514	5,232,339	187,175
Public works	3,000,387	3,110,620	2,863,705	246,915
Education	24,386,814	24,609,954	23,893,952	716,002
Retirement and insurance	1,557,644	1,557,644	1,563,118	(5,474)
Utilities	1,950,633	1,950,633	1,953,588	(2,955)
Unclassified	1,279,006	1,279,006	1,321,993	(42,987)
Debt service (excluding education)	1,305,834	1,305,834	1,305,832	2
Total expenditures	44,321,349	44,735,217	43,447,353	1,287,864
Excess (deficiency) of revenues over (under) expenditures	(1,213,022)	(1,626,890)	202,537	1,829,427
Other financing sources (uses):				
Budgeted utilization of surplus - City	859,722	1,110,365	-	(1,110,365)
Budgeted utilization of surplus - School	720,000	720,000	-	(720,000)
Use of carryforwards - City	-	190,728	-	(190,728)
Use of carryforwards - School	-	223,140	-	(223,140)
Operating transfers to other funds - City	(534,700)	(785,343)	(816,112)	(30,769)
Operating transfers to other funds - School	(480,000)	(480,000)	(480,000)	-
Operating transfers from other funds	648,000	648,000	646,570	(1,430)
Total other financing sources (uses)	1,213,022	1,626,890	(649,542)	(2,276,432)
Net change in fund balance - budgetary basis	-	-	(447,005)	(447,005)
Reconciliation to GAAP basis:				
Add back: encumbrances expended in budgetary - City			223,596	
Add back: encumbrances expended in budgetary - School			389,227	
Change in reserves			(20,106)	
Net change in fund balance - GAAP basis			145,712	
Fund balance, beginning of year			11,690,628	
Fund balance, end of year	\$		11,836,340	

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Totals	
ASSETS						
Current assets:						
Cash	\$ 9,203	-	-	-	9,203	-
Investments	689,616	-	-	-	689,616	-
Accounts receivable, net	219,424	94,510	113,919	246,440	674,293	7,885
Interfund loans receivable	-	5,077,613	-	-	5,077,613	240,014
Prepaid expenses	13,138	36,524	2,562	2,741	54,965	2,538
Inventory	17,541	-	-	-	17,541	149,570
Total current assets	948,922	5,208,647	116,481	249,181	6,523,231	400,007
Noncurrent assets:						
Property, plant, and equipment:						
Land	390,000	38,950	-	-	428,950	-
Buildings	7,403,839	23,372	-	-	7,427,211	-
Equipment and vehicles	1,380,202	868,372	-	395,075	2,643,649	3,637,298
Hatch Hill landfill system	-	14,685,287	-	-	14,685,287	-
Less accumulated depreciation	(3,759,153)	(8,309,567)	-	(196,965)	(12,265,685)	(2,191,619)
Total noncurrent assets	5,414,888	7,306,414	-	198,110	12,919,412	1,445,679
Total assets	6,363,810	12,515,061	116,481	447,291	19,442,643	1,845,686
LIABILITIES						
Current liabilities:						
Accounts payable	71,558	40,806	10,541	36,755	159,660	33,637
Accrued wages and benefits payable	17,886	6,611	2,812	11,288	38,597	4,891
Accrued compensated absences	93,256	98,621	14,256	9,659	215,792	26,659
Refundable deposits	39,650	-	-	-	39,650	-
Current portion of bonds payable	226,315	485,000	-	-	711,315	-
Current portion of leases payable	22,804	-	-	-	22,804	-
Interfund loans payable	113,964	-	88,757	102,209	304,930	-
Total current liabilities	585,433	631,038	116,366	159,911	1,492,748	65,187
Noncurrent liabilities:						
Bonds payable	3,168,425	6,305,000	-	-	9,473,425	-
Accrued landfill closure and postclosure costs	-	4,281,870	-	-	4,281,870	-
Total noncurrent liabilities	3,168,425	10,586,870	-	-	13,755,295	-
Total liabilities	3,753,858	11,217,908	116,366	159,911	15,248,043	65,187
NET ASSETS						
Invested in capital assets, net of related debt	1,997,344	516,414	-	198,110	2,711,868	1,445,679
Unrestricted	612,608	780,739	115	89,270	1,482,732	334,820
Total net assets	\$ 2,609,952	1,297,153	115	287,380	4,194,600	1,780,499

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2006

	Business-type Activities - Enterprise				Enterprise Fund Totals	Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance		
Operating revenues:						
Rental income	\$ 1,160,690	-	45,649	-	1,206,339	-
Fees	-	2,549,481	64,005	1,164,557	3,778,043	1,342,631
Food and beverage sales	1,595,561	-	168	-	1,595,729	-
State of Maine	-	-	322,433	-	322,433	-
Miscellaneous	172,834	133,394	-	-	306,228	15,395
Total operating revenues	2,929,085	2,682,875	432,255	1,164,557	7,208,772	1,358,026
Operating expenses:						
Personnel services	1,390,113	431,481	207,767	752,257	2,781,618	337,096
Contractual services	404,411	1,161,029	164,708	68,613	1,798,761	58,283
Supplies and materials	530,724	107,289	37,275	65,751	741,039	660,566
Fixed charges	21,394	195,621	13,109	286,271	516,395	-
Capital outlay	999	8,523	2,615	6,597	18,734	3,652
Depreciation	275,820	708,070	-	43,069	1,026,959	277,263
Miscellaneous	-	-	1,256	-	1,256	-
Total operating expenses	2,623,461	2,612,013	426,730	1,222,558	6,884,762	1,336,860
Operating income (loss)	305,624	70,862	5,525	(58,001)	324,010	21,166
Nonoperating revenue (expense):						
Interest income	16,052	1,948	-	-	18,000	-
Interest expense	(204,891)	(406,659)	(5,410)	(6,740)	(623,700)	(11,973)
Gain (loss) on sale of equipment	-	-	-	(5,494)	(5,494)	28,211
Total nonoperating revenue (expense)	(188,839)	(404,711)	(5,410)	(12,234)	(611,194)	16,238
Net income (loss) before operating transfers	116,785	(333,849)	115	(70,235)	(287,184)	37,404
Operating transfers:						
Transfer from (to) other funds	(100,000)	-	-	7,615	(92,385)	(100,000)
Total operating transfers	(100,000)	-	-	7,615	(92,385)	(100,000)
Change in net assets	16,785	(333,849)	115	(62,620)	(379,569)	(62,596)
Total net assets, beginning of year	2,593,167	1,631,002	-	350,000	4,574,169	1,843,095
Total net assets, end of year	\$ 2,609,952	1,297,153	115	287,380	4,194,600	1,780,499

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2006

Business-type Activities - Enterprise Funds							Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Totals		
Cash flows from operating activities:							
Receipts from customers and users	\$ 2,809,455	2,738,874	439,641	1,205,555	7,193,525		1,353,747
Payments to suppliers	(940,331)	(1,325,819)	(224,061)	(396,231)	(2,886,442)		(748,109)
Payments to employees	(1,410,126)	(385,025)	(199,806)	(772,100)	(2,767,057)		(338,142)
Payments for interfund services used	(740)	(172,088)	(3,995)	(18,739)	(195,562)		-
Net cash provided by operating activities	458,258	855,942	11,779	18,485	1,344,464		267,496
Cash flows from non-capital financing activities:							
Operating transfers to other funds	(100,000)	-	-	-	(100,000)		(100,000)
Net cash used in non-capital financing activities	(100,000)	-	-	-	(100,000)		(100,000)
Cash flows from capital and related financing activities:							
Purchase of capital assets	(231,293)	(15,650)	-	(76,290)	(323,233)		(522,848)
Sale of capital assets	-	-	-	5,000	5,000		29,839
Increase (decrease) in interfund loans	333,203	49,419	(6,369)	59,545	435,798		392,159
Bond, note and lease principal payments	(255,117)	(485,000)	-	-	(740,117)		(54,673)
Interest paid	(204,891)	(406,659)	(5,410)	(6,740)	(623,700)		(11,973)
Net cash used in financing activities	(358,098)	(857,890)	(11,779)	(18,485)	(1,246,252)		(167,496)
Cash flows from investing activities:							
Sale of investments	(43,843)	-	-	-	(43,843)		-
Investment income	16,052	1,948	-	-	18,000		-
Net cash provided by (used in) investing activities	(27,791)	1,948	-	-	(25,843)		-
Decrease in cash	(27,631)	-	-	-	(27,631)		-
Cash, beginning of year	36,834	-	-	-	36,834		-
Cash, end of year	\$ 9,203	-	-	-	9,203		-
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 305,624	70,862	5,525	(58,001)	324,010		21,166
Adjustments to reconcile net income to net cash provided by operating activities:							
Depreciation	275,820	708,070	-	43,069	1,026,959		277,263
Landfill closure costs	-	131,870	-	-	131,870		-
(Increase) decrease in operating assets:							
Accounts receivable	(119,630)	55,999	7,386	40,998	(15,247)		(4,279)
Prepaid expenses	(4,016)	4,213	(527)	7,461	7,131		2,026
Inventory	(256)	-	-	-	(256)		(17,294)
Increase (decrease) in operating liabilities:							
Accounts payable	43,596	(161,528)	(8,566)	4,801	(121,697)		(10,340)
Accrued wages and benefits	(17,828)	(5,057)	(1,135)	(8,802)	(32,822)		(4,522)
Accrued compensated absences	(2,185)	51,513	9,096	(11,041)	47,383		3,476
Refundable deposit	(22,867)	-	-	-	(22,867)		-
Net cash provided by operating activities	458,258	855,942	11,779	18,485	1,344,464		267,496

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

		Agency Funds (Student Activities)
ASSETS		
Cash	\$	223,941
Total assets		223,941
LIABILITIES		
Due to student groups		223,941
Total liabilities		223,941
NET ASSETS		
Held in trust	\$	-

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

The City reports the following major governmental 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.

The New Cony High School fund is a capital projects fund, which accounts for the construction of the new Cony High School.

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, 2006 are recorded as prepaid items.

6. Capital Assets

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

7. Compensated Absences

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

8. Long-term Obligations

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

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

9. Fund Equity

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

10. Interfund Transactions

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

11. Use of Estimates

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

12. Comparative Data

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

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

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

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

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

During the year ended June 30, 2006, the City budgeted to utilize \$1,110,365 and the Department of Public Schools budgeted to utilize \$720,000 of prior year undesignated fund balance as a budgeted use of surplus.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2006, expenditures exceeded appropriations in the following categories:

Retirement and insurance	\$ 5,474
Utilities	2,955

C. Deficit Fund Balances

At June 30, 2006, the following funds had deficit fund balances:

Special Revenue Funds:

Augusta Housing Authority	\$ 379
American Tissue	2,250

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

DEPOSITS AND INVESTMENTS

As of June 30, 2006, the City had the following investments, some of which are classified as cash and cash equivalents:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
Repurchase agreement	\$ 17,100,000	N/A
Money market	70,754	N/A
Government mutual fund	21,760	N/A
U.S. Treasury Notes	3,446,005	0.425
Federal Home Loan Banks	6,338,975	1.468

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

DEPOSITS AND INVESTMENTS, CONTINUED

Custodial credit risk- deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City currently does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$166,529 of the City’s bank balance of \$4,726,332 was exposed to custodial credit risk because it was uninsured and uncollateralized and \$3,828,430 was collateralized by underlying securities held by the related bank in the City’s name.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City currently does not have an investment policy for custodial credit risk. Of the City’s \$17,100,000 investment in money market and repurchase agreements, 100% was collateralized by underlying securities held by the related bank, which were not in the City’s name.

Credit risk – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The City currently does not have an investment policy for credit risk. As of June 30, 2006, the City’s investment in Federal Home Loan Banks was rated AAA by Standard & Poor’s.

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

ACCOUNTS RECEIVABLE

As of June 30, 2006, the City had the following accounts receivable and allowance for uncollectible account balances:

	General Fund	Augusta Civic Center	Hatch Hill Landfill	Ambulance
Accounts receivable	\$ 183,017	228,452	127,604	779,998
<u>Allowance for uncollectible accounts</u>	<u>(5,943)</u>	<u>(9,028)</u>	<u>(33,094)</u>	<u>(533,558)</u>
<u>Accounts receivable, net</u>	<u>\$ 177,074</u>	<u>219,424</u>	<u>94,510</u>	<u>246,440</u>

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

PROPERTY TAX

Property taxes for the current year were committed on July 12, 2005, 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 \$67,129 for the year ended June 30, 2006.

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>2006</u>	<u>2005</u>
Assessed value	\$ 928,172,900	933,311,300
<u>Tax rate (per \$1,000)</u>	<u>26.00</u>	<u>26.00</u>
Commitment	24,132,495	24,266,094
<u>Supplemental taxes assessed</u>	<u>10,829</u>	<u>3,780</u>
	24,143,324	24,269,874
Less:		
Abatements	37,723	15,164
Collections	23,312,969	23,661,231
	<u>792,632</u>	<u>593,479</u>
<u>Current year taxes receivable at end of year</u>	<u>\$ 792,632</u>	<u>593,479</u>
Due date(s) - current year	½ Sept. 15, 2005	½ Sept. 15, 2004
	½ March 15, 2006	½ March 15, 2005
Interest rate on delinquent taxes	7.75%	6.50%
Collection rate	96.71%	97.55%
Taxes receivable - current year	\$ 792,632	74,778
Tax liens - current year	-	518,701
Taxes receivable - prior years	197,234	151,075
<u>Tax liens - prior year</u>	<u>390,132</u>	<u>363,489</u>
	<u>1,379,998</u>	<u>1,108,043</u>
<u>Total taxes receivables</u>	<u>\$ 1,379,998</u>	<u>1,108,043</u>

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance June 30, <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,200,713	-	-	1,200,713
<u>Construction in progress</u>	<u>12,812,195</u>	<u>16,676,721</u>	<u>2,748,085</u>	<u>26,740,831</u>
Total capital assets not being depreciated	14,012,908	16,676,721	2,748,085	27,941,544
Capital assets, being depreciated:				
Land improvements	1,000,000	-	-	1,000,000
Buildings and building improvements	27,660,983	2,945,957	-	30,606,940
Machinery, vehicles and equipment	6,087,224	879,280	99,127	6,867,377
Infrastructure	26,870,650	229,515	-	27,100,165
<u>Internal service fund equipment</u>	<u>3,456,672</u>	<u>522,848</u>	<u>342,222</u>	<u>3,637,298</u>
Total capital assets being depreciated	65,075,529	4,577,600	441,349	69,211,780
Less accumulated depreciation for:				
Land improvements	510,417	25,000	-	535,417
Buildings and building improvements	20,513,855	586,164	-	21,100,019
Machinery, vehicles and equipment	3,834,068	390,125	76,330	4,147,863
Infrastructure	13,119,597	595,064	-	13,714,661
<u>Internal service fund equipment</u>	<u>2,254,950</u>	<u>277,263</u>	<u>340,595</u>	<u>3,637,298</u>
Total accumulated depreciation	40,232,887	1,873,616	416,925	41,689,578
<u>Total capital assets being depreciated, net</u>	<u>24,842,642</u>	<u>2,703,984</u>	<u>24,424</u>	<u>27,522,202</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 38,855,550</u>	<u>19,380,705</u>	<u>2,772,509</u>	<u>55,463,746</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 428,950	-	-	428,950
Total capital assets not being depreciated	428,950	-	-	428,950
Capital assets, being depreciated:				
Buildings and building improvements	7,231,372	195,839	-	7,427,211
Machinery and equipment	2,582,714	135,009	74,075	2,643,648
<u>Landfill</u>	<u>14,685,287</u>	<u>-</u>	<u>-</u>	<u>14,685,287</u>
Total capital assets being depreciated	24,499,373	330,848	74,075	24,756,146
Less accumulated depreciation for:				
Buildings and building improvements	3,153,126	186,123	-	3,339,249
Machinery and equipment	936,783	222,390	63,581	1,095,592
<u>Landfill</u>	<u>7,212,397</u>	<u>618,446</u>	<u>-</u>	<u>7,830,843</u>
Total accumulated depreciation	11,302,306	1,026,959	63,581	12,265,684
<u>Total capital assets being depreciated, net</u>	<u>13,197,067</u>	<u>(696,111)</u>	<u>10,494</u>	<u>12,490,462</u>
<u>Business-type activities capital assets, net</u>	<u>\$ 13,626,017</u>	<u>(696,111)</u>	<u>10,494</u>	<u>12,919,412</u>

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

CAPITAL ASSETS, CONTINUED

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

Governmental activities:

Legislative and executive	\$ 9,632
Finance and administration	30,473
City services	202,808
Community services	17,893
Public safety	152,276
Public works	595,064
Education	588,207
Central garage	277,263

Total depreciation expense – governmental activities \$ 1,873,616

Business-type activities:

Augusta Civic Center	\$ 275,820
Hatch Hill Landfill	708,070
Ambulance	43,069

Total depreciation expense – business-type activities \$ 1,026,959

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds	\$ 21,399,330	28,450,000	1,650,408	48,198,922	1,697,622
Capital leases	226,428	-	118,683	107,745	66,005
Compensated absences	3,015,516	61,584	-	3,077,100	-
Governmental activities long-term liabilities	\$ 24,641,274	28,511,584	1,769,091	51,383,767	1,763,627
Business-type activities:					
General obligation bonds	\$ 10,896,055	-	711,315	10,184,740	711,315
Capital leases	51,606	-	28,802	22,804	22,804
Landfill closure	4,150,000	131,870	-	4,281,870	-
Compensated absences	168,409	47,383	-	215,792	-
Business-type activities long-term liabilities	\$ 15,266,070	179,253	740,117	14,705,206	734,119

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

BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2006 are comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2006
Governmental activities:					
Farrington, Lincoln/Cony	07/12/88	\$ 7,260,000	2009	6.900-7.500%	1,050,000
Public improvements Lot B	08/15/89	4,395,000	2010	6.500-6.700%	840,000
Public improvements	10/30/96	460,000	2006	4.938-5.050%	46,000
Public improvements	10/29/97	498,000	2008	4.537-4.687%	98,000
Public improvements	05/01/98	980,000	2009	4.533-4.833%	294,000
Public improvements	11/6/99	497,500	2006	4.038-5.038%	71,072
Public improvements	5/31/00	922,500	2010	5.281-5.406%	461,250
Public improvements	5/25/01	495,000	2011	4.149-4.574%	297,000
New Cony Architect	5/25/01	325,000	2006	4.149-4.224%	65,000
General obligation bonds #1 2002	10/30/02	179,000	2007	2.50%	71,600
General obligation bonds #2 2002	10/30/02	500,000	2012	2.500-3.450%	350,000
Pension obligation bonds 2003	2/13/03	13,150,000	2013	4.000-5.250%	12,830,000
General obligation bonds 2004	12/9/04	3,495,000	2024	2.750-4.250%	3,275,000
General obligation bonds 2005	5/18/06	28,450,000	2026	4.125-5.000%	28,450,000
Total governmental activities					48,198,922
Business-type activities:					
Hatch Hill Expansion Bond	5/31/00	9,700,000	2019	4.528-5.903%	6,790,000
Civic Center Expansion	5/25/01	4,300,000	2020	4.039-5.539%	3,394,740
Total governmental activities					10,184,740
Total bonds and notes payable					\$ 58,383,662

The annual requirements to amortize all long-term debt outstanding as of June 30, 2006 are as follows:

June 30,	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 1,697,622	2,175,488	3,873,110	711,315	536,900	1,248,215
2008	3,028,550	2,059,876	5,088,426	711,315	502,775	1,214,090
2009	3,064,750	1,916,778	4,981,528	711,315	468,303	1,179,618
2010	2,741,750	1,782,008	4,523,758	711,315	433,305	1,144,620
2011	2,666,750	1,662,721	4,329,471	711,315	396,569	1,107,884
2012-2016	14,724,500	6,402,724	21,127,224	3,556,575	1,390,987	4,947,562
2017-2021	11,425,000	3,059,072	14,484,072	3,071,590	385,734	3,457,324
2022-2026	7,500,000	1,197,811	8,697,811	-	-	-
2027	1,350,000	33,750	1,383,750	-	-	-
Total	\$ 48,198,922	20,290,228	68,489,150	10,184,740	4,114,573	14,299,313

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

CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These leases qualify as capital leases for accounting purposes, and therefore, has been recorded at the present value of future minimum lease payments as of the date of its inception. The value of assets capitalized under these leases as of June 30, 2006 was \$207,003.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2006.

	<u>Governmental Activities</u>			<u>Business-type Activities</u>
	<u>Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total</u>	
2007	\$ 69,866	-	69,866	23,521
2008	21,956	-	21,956	-
2009	21,956	-	21,956	-
Total minimum lease payments	113,778	-	113,778	23,521
Less: amount representing interest	6,033	-	6,033	717
Present value of future minimum lease payments	\$ 107,745	-	107,745	22,804

SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2006 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Governmental activities:				
Bond anticipation notes	\$ 26,725,000	-	26,725,000	-

STATUTORY DEBT LIMIT

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City. The City's outstanding long-term debt of \$58,383,662 at June 30, 2006 was within the statutory limit.

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

OVERLAPPING DEBT

In addition to the bonds and notes payable, the City is contingently responsible for the following debt as of June 30, 2006:

<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	\$ 2,247,637	16.06%	360,987

The debt of Kennebec County is paid through annual county tax assessments to the City. Additionally, the City would be responsible for \$6,535,000 of the Augusta Water District's debt if the District was to default payment.

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

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.

INTERFUND BALANCES

As of June 30, 2006, 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	\$ -	10,150,902
New Cony High School	479,289	-
Special Revenue Funds:		
CDBG Loan Fund	-	2,606
Other City Special Revenues	589,828	-
Other School Special Revenues	445,936	-
School Lunch	185,821	-
Internal Service Fund	240,014	-
Proprietary Funds:		
Hatch Hill Fund	5,077,613	-
Augusta Civic Center	-	113,964
Airport	-	88,757
Ambulance	-	102,209
Capital Projects Fund	1,956,378	-
Permanent Fund	1,483,559	-
Totals	\$ 10,458,438	10,458,438

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

INTERFUND TRANSFERS

As of June 30, 2006, the balances of interfund transfers were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Governmental activities	\$ -	7,615
General Fund	662,610	1,304,912
New Cony High School	486,000	-
Special Revenue Funds:		
Other City Special Revenues	-	375,373
School Lunch	-	30,000
Internal Service Fund	-	100,000
Proprietary Funds:		
Augusta Civic Center	-	100,000
Ambulance	7,615	-
Capital Projects Fund	767,675	-
Permanent Fund	-	6,000
Totals	\$ 1,923,900	1,923,900

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 \$2,496,404.

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

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 Retirement Participating Local District for the year ended June 30, 2006, 2005, and 2004 were \$324,201, \$300,237, and \$281,419, respectively.

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

MAINE STATE RETIREMENT SYSTEM (MSRS) - CONSOLIDATED RETIREMENT PENSION 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 \$2,496,404 (19.15%) for the fiscal year 2006. 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 19.15% 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. All municipal employees except firefighters hired prior to January 1, 1992, and all firefighters hired prior to December 31, 2005 may become eligible for those benefits if they reach normal retirement age, while working for the government. Currently 69 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, 2006, those costs total \$458,366.

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

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

DESIGNATED FUND BALANCE

At June 30, 2006 designated fund balances consisted of the following:

General Fund - City:	
2007 use of fund balance	\$ 1,222,791
Cemetery land purchase	100,000
Police local match reserve	50,000
Fire local match reserve	36,737
Quimby Lot infrastructure reserve	59,837
Other reserves	59,022
Accrued benefit reserve	1,977,891
<hr/>	
Total General Fund designated City fund balance	\$ 3,506,278

General Fund – School:	
2007 use of fund balance	845,000
Accrued benefit reserve	136,777
<hr/>	
Total General Fund designated School fund balance	\$ 981,777

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. 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 in fiscal year 2000-01 (amended to \$330,000 in fiscal year 2004-05). Additionally, in 2003-04, this TIF was amended to shelter additional amounts to support the economic development office of the City. For the year ended June 30, 2006, the City captured and paid \$531,665 and \$465,000 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 activity 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. In 2005-06, 50% of this captured amount is earmarked to satisfy a credit enhancement agreement calling for allocations to the J.S. McCarthy Printing Co. The remaining 50% will be set aside by the City to fund the costs of the City's economic development office. For the year ended June 30, 2006, the City captured \$56,670, paying \$28,335 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 activity in the "Other City Special Revenue Funds".

NRF Distributors TIF: Initially approved in 2002, this TIF calls for 40% captured value in excess of the original district value of \$262,600. This amount is earmarked to satisfy a credit enhancement agreement calling for allocations to NRF Distributors. The remaining balance will first be sheltered to fund an additional \$100,000 paid by the developers to extend Gabriel Drive. For the year ended June 30, 2006, the City captured and paid \$75,213 to the developers. Thereafter, the remaining funds will not be captured and will revert to the General Fund. 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 activity in the "Other City Special Revenue Funds".

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, 2006, a total of approximately 276,000 tons have been placed in the expansion II site.

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 \$4,281,870 as follows:

Closure:	
Expansion II (110%)	\$ 1,981,375
Interim site	343,750
Expansion III (14%)	1,015,526
Postclosure monitoring, maintenance and leachate removal	941,219
Total accrued liability for land- fill closure and postclosure costs	\$ 4,281,870

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

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

RISK MANAGEMENT - CITY

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

MMA's Property and Casualty Pool has a Loss Fund that is established from the fund members' contributions. For each fund year, the Pool also purchases specific reinsurance that provides coverage for claims exceeding \$100,000 per occurrence. In addition, for the fund years through 2001-2002, the Pool purchased aggregate reinsurance of \$1,000,000 in excess of the reinsurance attachment point. No aggregate coverage was purchased for the 2002 through 2006 fund years.

MMA's Workers' Compensation Fund retains the first \$1,000,000 of each claim and purchases excess insurance for individual claims above \$1,000,000 to meet statutory requirements without limitation.

Based on the coverage provided by these pools, as well as certain coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2006.

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.

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

COMMITMENTS

The Department of Public Schools has entered into contracts in connection with the construction of the new Cony High School with Wright-Ryan Construction and PDT Architects. The following is a summary of the commitments at June 30, 2006:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Retainage</u>	<u>Balance Remaining</u>
Construction contract	\$ 25,367,672	92.22%	23,393,100	1,169,655	3,144,227
Architectural services contract	1,584,916	95.00%	1,505,671	-	79,245
Reimbursable services contract	166,000	86.78%	144,053	-	21,947
Furnishings contract	66,468	89.52%	59,500	-	6,968
Totals	\$ 27,185,086		25,102,324	1,169,655	3,252,387

GENERAL FUND

CITY OF AUGUSTA, MAINE
General Fund
Comparative Balance Sheets
June 30, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 16,137,025	16,297,414
Investments	8,881,709	8,499,103
Receivables:		
Taxes receivable	989,866	225,853
Tax liens	390,132	882,190
Due from other governments	72,610	474,562
Accounts receivable, net	177,074	73,899
Inventory	3,001	3,099
Prepaid items	113,085	133,847
Total assets	\$ 26,764,502	26,589,967
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and other accrued liabilities	1,673,737	3,073,991
Accrued payroll and benefits	2,053,087	2,034,327
Escrow payable	2,400	1,500
Deferred revenue	1,009,747	952,796
Taxes received in advance	38,289	37,306
Interfund loans payable	10,150,902	8,799,419
Total liabilities	14,928,162	14,899,339
Fund balances:		
Reserved for:		
Encumbrances - City	223,596	206,004
Encumbrances - School	389,227	223,140
Unreserved:		
Designated - City	3,506,278	3,163,315
Designated - School	981,777	856,777
Undesignated - City	4,839,973	5,278,078
Undesignated - School	1,895,489	1,963,314
Total fund balances	11,836,340	11,690,628
Total liabilities and fund balances	\$ 26,764,502	26,589,967

CITY OF AUGUSTA, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2006
(with comparative actual amounts for the year ended June 30, 2005)

	2006		Variance positive (negative)	2005 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Real and personal property	\$ 23,040,400	22,887,351	(153,049)	23,265,824
Tax interest, lien penalties, payments in lieu	170,300	127,797	(42,503)	132,732
Excise taxes	2,774,375	2,846,618	72,243	2,767,693
Total taxes	25,985,075	25,861,766	(123,309)	26,166,249
Licenses and permits	116,395	219,924	103,529	228,753
Intergovernmental:				
Education	10,460,947	10,437,560	(23,387)	10,294,543
Tree growth reimbursement	15,000	-	(15,000)	17,611
Veterans exemption reimbursement	14,240	-	(14,240)	15,157
Homestead exemption	589,088	569,805	(19,283)	680,323
State revenue sharing	2,400,855	2,440,526	39,671	2,219,516
General assistance DHS/SSI	2,500	5,442	2,942	16,172
FEMA	-	40,540	40,540	1,030
Federal grant - police	29,745	-	(29,745)	-
Urban Rural Initiative Payment	277,472	323,588	46,116	277,472
Total intergovernmental	13,789,847	13,817,461	27,614	13,521,824
Tuition and other charges for services - education	1,989,839	2,082,611	92,772	2,033,618
Charges for services:				
Police	77,798	81,018	3,220	77,169
Fire	-	3,070	3,070	1,525
Library	1,500	867	(633)	1,077
Recreation	10,000	7,820	(2,180)	9,000
Trees	1,950	1,950	-	1,950
Parks	13,900	15,405	1,505	14,467
Dispatch	20,500	20,533	33	21,075
Public works	36,800	30,767	(6,033)	49,457
Finance and admin	102,425	113,591	11,166	111,586
Total charges for services	264,873	275,021	10,148	287,306
Fees and fines:				
Traffic tickets	14,000	7,816	(6,184)	10,988
Court fees	17,000	18,488	1,488	26,276
Lithgow Library	22,000	21,333	(667)	21,306
False alarm calls	5,000	5,825	825	5,075
Total fees and fines	58,000	53,462	(4,538)	63,645
Unclassified:				
Rents - City property	31,130	29,401	(1,729)	32,995
Cemeteries	26,000	23,165	(2,835)	21,895
Contributions	70,000	70,000	-	70,000
Animal control program	8,700	8,738	38	9,640
General assistance reimbursement	44,175	29,262	(14,913)	36,185
Cable TV franchise	213,000	211,885	(1,115)	213,209
Public safety miscellaneous revenue	-	4,454	4,454	26,706
Public Works miscellaneous	17,650	42,124	24,474	21,730
Workers compensation	5,000	26,362	21,362	22,989
Unclassified	50,180	49,408	(772)	65,154
Total unclassified	465,835	494,799	28,964	520,503
Investment earnings	438,463	844,846	406,383	453,846
Total revenues	43,108,327	43,649,890	541,563	43,275,744

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

	2006		Variance positive (negative)	2005 Actual
	Budget	Actual		
Expenditures:				
Current:				
Legislative and executive:				
Mayor and council	\$ 40,907	36,740	4,167	31,068
City management	241,162	239,279	1,883	235,459
Corporation counsel	96,600	130,568	(33,968)	146,050
Central services	9,625	9,602	23	(1,155)
Unclassified	162,575	149,883	12,692	187,864
Contingency	40,000	23,827	16,173	11,038
Total legislative and executive	590,869	589,899	970	610,324
Finance and administration:				
City clerk	181,638	174,687	6,951	174,701
Registrations and elections	32,224	30,005	2,219	46,875
City auditor	138,844	136,538	2,306	152,408
Information systems	348,863	321,467	27,396	220,986
Treasurer/tax collector	313,332	293,174	20,158	284,244
Assessor	210,989	209,049	1,940	206,689
Finance and administration	96,318	97,051	(733)	91,020
Human resources	206,834	202,115	4,719	197,887
Total finance and administration	1,529,042	1,464,086	64,956	1,374,810
City services:				
Economic development	215,781	190,167	25,614	195,895
Planning	84,731	78,762	5,969	76,000
Historic preservation	5,825	2,383	3,442	2,071
Code enforcement	264,944	240,392	24,552	234,653
City services administration	45,943	44,670	1,273	40,228
Engineering	174,501	143,505	30,996	150,548
City facilities	506,659	538,109	(31,450)	466,870
Total City services	1,298,384	1,237,988	60,396	1,166,265
Community services:				
Conservation Commission	2,819	1,781	1,038	3,073
Community services administration	187,390	185,263	2,127	181,689
Public library	556,442	515,488	40,954	511,848
Recreation	172,955	170,431	2,524	167,806
Bureau of trees and landscaping	98,492	92,011	6,481	84,134
Parks and cemeteries	651,407	677,863	(26,456)	670,318
Fort Western	111,890	106,031	5,859	105,210
Bicentennial Nature Park	50,001	54,833	(4,832)	50,482
Health and welfare	163,971	160,840	3,131	153,515
General assistance	88,350	56,312	32,038	75,629
Total community services	2,083,717	2,020,853	62,864	2,003,704

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

	2006		Variance positive (negative)	2005 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Public safety:				
Police	\$ 3,411,976	3,262,444	149,532	2,977,180
Fire	2,001,338	1,965,169	36,169	1,926,279
Civil Emergency Preparedness	6,200	4,726	1,474	360
Total public safety	5,419,514	5,232,339	187,175	4,903,819
Public works:				
Public works administration	103,828	119,692	(15,864)	100,914
Highway	1,424,633	1,196,715	227,918	494,730
Street cleaning	-	-	-	71,216
Snow removal	764,675	754,132	10,543	879,198
Waste removal	729,251	704,933	24,318	649,611
Walks	10,000	10,000	-	47,248
Street and road maintenance	11,000	11,000	-	168,405
Resurfacing of streets	60,000	60,000	-	290,751
Signs	7,233	7,233	-	85,202
Total public works	3,110,620	2,863,705	246,915	2,787,275
Education:				
Current:				
Administration	865,293	720,979	144,314	764,311
Elementary	7,026,955	6,802,659	224,296	6,724,046
Secondary	7,596,604	7,578,669	17,935	7,275,225
Special education	3,633,257	3,324,122	309,135	3,215,494
Adult education	494,965	483,346	11,619	450,693
District-wide	4,453,876	4,447,741	6,135	4,017,798
Debt service	539,004	536,436	2,568	590,058
Total education	24,609,954	23,893,952	716,002	23,037,625
Retirement and insurance:				
Retirement and insurance	1,557,644	1,563,118	(5,474)	1,458,605
Total retirement and insurance	1,557,644	1,563,118	(5,474)	1,458,605

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

	2006		Variance positive (negative)	2005 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Utilities:				
Sanitary sewer and drains	\$ 818,000	767,787	50,213	771,756
Lighting and electricity	417,633	472,308	(54,675)	403,658
Water	715,000	713,493	1,507	715,825
Total utilities	1,950,633	1,953,588	(2,955)	1,891,239
Unclassified:				
Bad debts	20,000	3,274	16,726	-
County tax	1,259,006	1,271,219	(12,213)	1,234,872
Sick/vacation payout	-	47,500	(47,500)	(14,454)
Total unclassified	1,279,006	1,321,993	(42,987)	1,220,418
Debt service (excluding education)	1,305,834	1,305,832	2	1,065,492
Total expenditures	44,735,217	43,447,353	1,287,864	41,519,576
Excess (deficiency) of revenues over (under) expenditures	(1,626,890)	202,537	1,829,427	1,756,168
Other financing sources (uses):				
Budgeted utilization of surplus - City	1,110,365	-	(1,110,365)	-
Budgeted utilization of surplus - School	720,000	-	(720,000)	-
Use of carryforwards - City	190,728	-	(190,728)	-
Use of carryforwards - School	223,140	-	(223,140)	-
Operating transfers to other funds - City	(785,343)	(816,112)	(30,769)	(1,026,154)
Operating transfers to other funds - School	(480,000)	(480,000)	-	(480,000)
Operating transfers from other funds	648,000	646,570	(1,430)	600,567
Total other financing sources (uses)	1,626,890	(649,542)	(2,276,432)	(905,587)
Net change in fund balance - budgetary basis	-	(447,005)	(447,005)	850,581
Reconciliation to GAAP basis:				
Add back: encumbrances expended in budgetary - City		223,596		206,004
Add back: encumbrances expended in budgetary - School		389,227		223,140
Transfers to reserves from undesignated fund balance		-		(1,372,509)
Change in reserves		(20,106)		1,521,204
Net change in fund balance - GAAP basis		145,712		1,428,420
Fund balance, beginning of year		11,690,628		10,262,208
Fund balance, end of year	\$	11,836,340		11,690,628

CITY OF AUGUSTA, MAINE
Reserves - General Fund
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the year ended June 30, 2006

		Fund balances beginning of year	Revenues Unclassified	Expenditures Capital outlay	Transfers	Fund balances end of year
City reserves:						
1820	City Carry Forward	\$ 19,300	-	9,539	(8,800)	961
1901	Central Service Reserve	28,561	3,220	5,885	482	26,378
1902	Equipment Maintenance Self Reserve	14,250	-	1,879	12,116	24,487
1903	Sick and Vacation Reserve	1,977,891	-	-	-	1,977,891
1904	Cemetery Land Purchase Reserve	100,000	-	-	-	100,000
1905	Historic Preservation Reserve	3,754	-	-	3,442	7,196
1906	Police Local Match Reserve	50,000	-	-	-	50,000
1907	Fire Local Match Reserve	50,000	-	13,263	-	36,737
1908	Quimby Lot Infrastructure Reserve	59,837	-	-	-	59,837
Total City reserves		2,303,593	3,220	30,566	7,240	2,283,487
School reserves:						
1952	Sick and Vacation Reserve	136,777	-	-	-	136,777
Total School reserves		136,777	-	-	-	136,777
Total reserves		\$ 2,440,370	3,220	30,566	7,240	2,420,264

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

CAPITAL PROJECTS FUNDS

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

PERMANENT FUNDS

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

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 199,478	-	256,064	455,542
Investments	-	-	475,981	475,981
Due from other governments	551,342	-	-	551,342
Accounts receivable	120,737	-	-	120,737
Inventory	34,770	-	-	34,770
Interfund loans receivable	1,221,585	1,956,378	1,483,559	4,661,522
Prepaid items	4,313	-	-	4,313
Notes receivable	66,762	-	-	66,762
Total assets	\$ 2,198,987	1,956,378	2,215,604	6,370,969
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and deposits	100,281	49,814	-	150,095
Accrued wages and benefits	253,177	-	-	253,177
Interfund loans payable	2,606	-	-	2,606
Total liabilities	356,064	49,814	-	405,878
Fund balances:				
Reserved for:				
Encumbrances	-	98,162	-	98,162
Inventory	34,770	-	-	34,770
Noncurrent receivables	66,762	-	-	66,762
Principal	-	-	609,243	609,243
Unreserved, undesignated	1,741,391	1,808,402	1,606,361	5,156,154
Total fund balances	1,842,923	1,906,564	2,215,604	5,965,091
Total liabilities and fund balances	\$ 2,198,987	1,956,378	2,215,604	6,370,969

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2006

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:				
Property taxes	\$ 1,128,548	-	-	1,128,548
Intergovernmental	3,914,167	-	-	3,914,167
Unclassified	1,738,140	97,730	-	1,835,870
Charges for services	677,633	-	-	677,633
Investment income	-	-	421,986	421,986
Donations	-	-	9,205	9,205
Total revenues	7,458,488	97,730	431,191	7,987,409
Expenditures:				
Finance and administration	1,128,294	-	-	1,128,294
City services	352,010	-	-	352,010
Community services	698,036	-	-	698,036
Public safety	379,231	-	-	379,231
Public works	469,386	-	-	469,386
Education	2,722,735	-	-	2,722,735
Food services	1,021,670	-	-	1,021,670
Capital outlay	-	1,061,861	-	1,061,861
Other miscellaneous	-	-	14,976	14,976
Total expenditures	6,771,362	1,061,861	14,976	7,848,199
Excess (deficiency) of revenues over (under) expenditures	687,126	(964,131)	416,215	139,210
Other financing sources (uses):				
Bond proceeds	-	500,000	-	500,000
Transfer to other funds	(405,373)	-	(6,000)	(411,373)
Transfer from other funds	-	767,675	-	767,675
Total other financing sources (uses)	(405,373)	1,267,675	(6,000)	856,302
Net change in fund balance	281,753	303,544	410,215	995,512
Fund balances, beginning of year	1,561,170	1,603,020	1,805,389	4,969,579
Fund balances, end of year	\$ 1,842,923	1,906,564	2,215,604	5,965,091

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006
(with comparative totals for June 30, 2005)

	CDBG Loan Fund	Other City Special Revenue Funds	Other School Special Revenue Funds	School Lunch	Totals	
					2006	2005
ASSETS						
Cash	\$ 199,478	-	-	-	199,478	210,156
Due from other governments	-	85,117	382,716	83,509	551,342	369,688
Accounts receivable	-	116,763	3,974	-	120,737	93,719
Inventory	-	-	-	34,770	34,770	27,755
Interfund loans receivable	-	589,828	445,936	185,821	1,221,585	1,042,650
Prepaid items	-	1,025	3,288	-	4,313	6,410
Notes receivable	66,762	-	-	-	66,762	115,505
Total assets	\$ 266,240	792,733	835,914	304,100	2,198,987	1,865,883
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	11	39,818	54,144	6,308	100,281	216,335
Accrued wages and benefits payable	-	7,412	195,964	49,801	253,177	85,904
Interfund loans payable	2,606	-	-	-	2,606	2,474
Total liabilities	2,617	47,230	250,108	56,109	356,064	304,713
Fund balances:						
Reserved for inventory	-	-	-	34,770	34,770	27,755
Reserved for noncurrent loans receivable	66,762	-	-	-	66,762	115,505
Unreserved, undesignated	196,861	745,503	585,806	213,221	1,741,391	1,417,910
Total fund balances	263,623	745,503	585,806	247,991	1,842,923	1,561,170
Total liabilities and fund balances	\$ 266,240	792,733	835,914	304,100	2,198,987	1,865,883

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2006
(with comparative totals for the year ended June 30, 2005)

	CDBG Loan Fund	City Special Revenue (Schedule 1)	School Special Revenue (Schedule 2)	School Lunch	Totals	
					2006	2005
Revenues:						
Property taxes	\$ -	1,128,548	-	-	1,128,548	1,173,129
Intergovernmental	-	776,256	2,687,428	450,483	3,914,167	3,290,117
Charges for services	-	-	47,826	629,807	677,633	639,587
Unclassified	9,012	1,667,552	57,721	3,855	1,738,140	1,166,289
Total revenues	9,012	3,572,356	2,792,975	1,084,145	7,458,488	6,269,122
Expenditures:						
Legislative and executive	-	-	-	-	-	224
Finance and administration	-	1,128,294	-	-	1,128,294	1,151,829
City services	25,639	326,371	-	-	352,010	298,940
Community services	-	698,036	-	-	698,036	634,228
Public safety	-	379,231	-	-	379,231	482,301
Public works	-	469,386	-	-	469,386	67,221
Education	-	-	2,722,735	-	2,722,735	2,290,405
Food services	-	-	-	1,021,670	1,021,670	979,010
Total expenditures	25,639	3,001,318	2,722,735	1,021,670	6,771,362	5,904,158
Excess (deficiency) of revenues over (under) expenditures	(16,627)	571,038	70,240	62,475	687,126	364,964
Other financing uses:						
Transfer to other funds	-	(375,373)	-	(30,000)	(405,373)	(424,410)
Total other financing uses	-	(375,373)	-	(30,000)	(405,373)	(424,410)
Net change in fund balances	(16,627)	195,665	70,240	32,475	281,753	(59,446)
Fund balances, beginning of year	280,250	549,838	515,566	215,516	1,561,170	1,620,616
Fund balances, end of year	\$ 263,623	745,503	585,806	247,991	1,842,923	1,561,170

CITY OF AUGUSTA, MAINE
Balance Sheet
Nonmajor Capital Project Funds
June 30, 2006
(with comparative totals for June 30, 2005)

	Totals	
	2006	2005
ASSETS		
Accounts receivable	\$ -	355
Interfund loans receivable	1,956,378	1,621,611
Total assets	\$ 1,956,378	1,621,966
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and other accrued liabilities	49,814	18,946
Total liabilities	49,814	18,946
Fund balances:		
Reserved for encumbrances	98,162	76,018
Unreserved, undesignated	1,808,402	1,527,002
Total fund balances	1,906,564	1,603,020
Total liabilities and fund balances	\$ 1,956,378	1,621,966

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the year ended June 30, 2006
(with comparative totals for the year ended June 30, 2005)

	Totals	
	2006 (Schedule 3)	2005
Revenues:		
Unclassified	\$ 97,730	729,608
Total revenues	97,730	729,608
Expenditures:		
Capital outlay	1,061,861	3,404,972
Total expenditures	1,061,861	3,404,972
Deficiency of revenues under expenditures	(964,131)	(2,675,364)
Other financing sources:		
Bond proceeds	500,000	3,495,000
Transfer from other funds	767,675	480,466
Total other financing sources	1,267,675	3,975,466
Net change in fund balances	303,544	1,300,102
Fund balances, beginning of year	1,603,020	302,918
Fund balances, end of year	\$ 1,906,564	1,603,020

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2006

	City	School	Totals
ASSETS			
Cash	\$ 15,628	240,436	256,064
Investments	475,981	-	475,981
Interfund loans receivable	1,483,559	-	1,483,559
Total assets	\$ 1,975,168	240,436	2,215,604
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Total liabilities	-	-	-
Fund balances:			
Principal	535,987	73,256	609,243
Unexpended income	1,439,181	167,180	1,606,361
Total fund balances	1,975,168	240,436	2,215,604
Total liabilities and and fund balances	\$ 1,975,168	240,436	2,215,604

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2006

	City (Schedule 4)	School (Schedule 5)	Totals
Revenues:			
Investment income	\$ 411,675	10,311	421,986
Donations	3,400	5,805	9,205
Total revenues	415,075	16,116	431,191
Expenditures:			
Current:			
Other miscellaneous	5,496	9,480	14,976
Total expenditures	5,496	9,480	14,976
Excess of revenues over expenditures	409,579	6,636	416,215
Other financing uses:			
Transfer to other funds	(6,000)	-	(6,000)
Total other financing uses	(6,000)	-	(6,000)
Net change in fund balance	403,579	6,636	410,215
Fund balances, beginning of year	1,571,589	233,800	1,805,389
Fund balances, end of year	\$ 1,975,168	240,436	2,215,604

SCHEDULES

CITY OF AUGUSTA, MAINE
City Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	Balances beginning of year	Revenues		Expenditures	Transfers in (out)	Balances end of year
		Inter- governmental	Other			
Legislative and executive:						
Other programs:						
2019 Commemorative Quilts	\$ 2,045	-	840	-	-	2,885
Total legislative and executive	2,045	-	840	-	-	2,885
Finance and administration:						
Federal/State programs:						
2016 MMEHT Wellness Grant 2002	119	6,681	-	5,820	-	980
2017 MMEHT Employee Assistant Grant	5,060	1,960	-	2,500	-	4,520
2034 Kennebec Valley Assessing Project	3,300	-	-	-	-	3,300
2107 FEMA (Katrina)	-	14,466	-	14,466	-	-
Other programs:						
2009 TIF	-	-	1,128,548	718,548	(410,000)	-
2011 Old City Hall Redevelopment	94,746	-	-	-	-	94,746
2013 Fort Western Trustees	-	-	59,469	59,469	-	-
2014 Augusta Housing Authority	-	-	291,231	291,610	-	(379)
2015 Augusta Parking District	-	-	23,285	23,285	-	-
2032 Old Cony High School Site	-	-	4,732	4,732	-	-
2089 Hurricane relief	-	-	6,556	5,614	-	942
2123 American Tissue	-	-	-	2,250	-	(2,250)
Total finance and administration	103,225	23,107	1,513,821	1,128,294	(410,000)	101,859
City services:						
Federal/State programs:						
2003 Maine State Housing Authority	1,306	-	-	-	-	1,306
2073 Façade Water Street	-	34,886	32,775	66,746	-	915
2077 MMA Safety Grant Mixer Guard	-	1,246	-	1,246	-	-
2078 Public Service Grant	-	27,315	-	27,315	-	-
2083 Union Street Reconstruction	-	11,881	-	11,881	-	-
2108 FEMA - Spring flooding	-	71,637	-	55,036	-	16,601
2114 Airport electrical work	-	21,000	-	21,000	-	-
2115 Storm water pollution	-	637	-	637	-	-
2116 Airport 139FAA	-	8,534	-	8,534	-	-
2122 Canal Street	-	-	50,000	-	-	50,000
Other programs:						
2012 Sale of Cony HS	19,850	-	5,000	-	-	24,850
2020 Development Sites Third Bridge	9,417	-	6	9,423	-	-
2021 APD/CRID parking solution	4,981	-	-	-	-	4,981
2024 Job retention program	75,000	-	-	-	-	75,000
2027 Lower Water St.	68,000	6,553	-	124,553	50,000	-
2028 Greenway bike path	1,222	-	-	-	-	1,222
2033 Kennebec River Rail Trail Phase 3	19,000	-	-	-	-	19,000
2075 Signalized intersections	-	-	20,765	-	-	20,765
2124 First time home buyers program	-	-	7,009	-	-	7,009
Total City services	198,776	183,689	115,555	326,371	50,000	221,649
Public works:						
Other programs:						
2035 ADP misc. work highway	1	-	21,725	21,726	-	-
2036 Accidents	-	-	2,469	2,469	-	-
2037 Civic Center outside work	-	-	76,392	76,392	-	-
2038 School miscellaneous work	-	-	35,574	35,574	-	-
2106 Townsend Road	-	-	346,297	333,089	-	13,208
2117 Public works special revenues	-	-	197	136	-	61
Total public works	1	-	482,654	469,386	-	13,269

CITY OF AUGUSTA, MAINE
City Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	Balances beginning of year	Revenues		Expenditures	Transfers in (out)	Balances end of year
		Inter- governmental	Other			
Community services:						
Federal/State programs:						
2065 After School Daycare	\$ 87,905	13,310	257,983	284,287	(26,171)	48,740
2094 Greenway Trail Enhancement	5,353	4,665	-	6,709	-	3,309
2095 Blaine Memorial Trees	5,664	-	-	-	-	5,664
2105 Tree Planting - New England Road	-	(729)	-	-	729	-
Other programs:						
2055 Tree board	11,685	-	500	1,401	-	10,784
2056 Edward Mill Site	6,603	-	-	-	-	6,603
2060 Stain Glass Lithgow Library	42,926	-	1,849	43,200	-	1,575
2061 Lost library books	2,771	-	31,023	30,903	-	2,891
2071 Skateboard park	10,192	-	980	9,858	-	1,314
2079 Recreation - Adult	(15,269)	-	38,391	27,782	10,468	5,808
2080 Recreation - Youth	6,358	-	82,631	92,358	3,635	266
2081 Recreation - Special Events	(2,318)	-	12,038	13,742	2,536	(1,486)
2085 School mowing contract	656	-	85,602	85,846	-	412
2086 Bicentennial park	-	-	214	-	-	214
2087 Trolley Cars	425	-	485	-	-	910
2088 4th of July	21,457	-	-	5,483	-	15,974
2091 Urban comm forestry assistance	575	-	-	-	-	575
2096 Pleasant Hill Saw timber	22,089	-	15,881	8,020	(18,330)	11,620
2097 Augusta Gateway planters	123	-	-	123	-	-
2110 Bukee School donations	-	-	1,500	1,429	-	71
2111 Spring running	-	-	4,825	3,353	-	1,472
2121 Augusta Nature Trail	-	-	67,410	83,542	18,330	2,198
Total community services	207,195	17,246	601,312	698,036	(8,803)	118,914
Public safety:						
Federal/State programs:						
2041 Ride-a-long	50	13,886	-	12,901	(1,035)	-
2043 Community Policing	7,533	-	-	-	-	7,533
2047 Bullet Proof Vest	-	5,219	-	5,219	-	-
2048 Seatbelt Grant	-	3,948	-	3,948	-	-
2049 OUI Grant	-	6,087	-	6,087	-	-
2054 Augusta Homeland Security	-	119,317	-	119,317	-	-
2062 Fire prevention	403	12,153	-	3,706	-	8,850
2070 Disaster Plan WMD Annex	-	7,692	-	7,692	-	-
2072 Safe Ways to School	21,980	-	-	6,277	-	15,703
2074 2004 Homeland Security Grant	-	262,631	-	26,800	-	235,831
2076 Edward Byrne Memorial Justice	-	25,663	-	23,359	-	2,304
2082 Assistance to Firefighters	106	957	-	1,063	-	-
2104 Law Enforcement Terrorist Prevention	-	68,655	-	68,655	-	-
2109 MMA 2005 Safety Grant	-	1,500	-	-	-	1,500
2112 Homeland Security Grant 2005	-	2,426	-	2,426	-	-
2113 Hazmat sustainment fund	-	1,665	-	1,665	-	-
2119 MMA Safety Grant - FDIC	-	1,000	-	1,000	-	-
2120 HSF - Kennebec Pool	-	19,415	-	19,415	-	-
Other programs:						
2040 Forfeiture fund	4,385	-	17,900	17,891	-	4,394
2042 Police outside work	167	-	52,097	44,936	(5,535)	1,793
2044 Juvenile program	3,545	-	3,625	2,478	-	4,692
2050 Fire prevention education	427	-	2,996	65	-	3,358
2051 Fire alarm maintenance	-	-	5,300	4,331	-	969
Total public safety	38,596	552,214	81,918	379,231	(6,570)	286,927
Total City special revenue funds	\$ 549,838	776,256	2,796,100	3,001,318	(375,373)	745,503

CITY OF AUGUSTA, MAINE
Federal, State and Local Programs and Adult Education - School
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

		Balances beginning of year	Revenues	Expenditures	Transfers	Balances end of year
Federal programs:						
2507/41	Title IVA - Drug free schools	\$ 17,698	27,000	22,293	-	22,405
2508	Title IIA - Improving Teacher Quality	193,003	312,746	223,851	-	281,898
2509	Title IA - Chapter I - disadvantaged	-	905,214	892,304	-	12,910
2510	Class size reduction grant	(568)	-	-	568	-
2511	Title V	-	53,537	53,537	-	-
2513	Parent Education Consortium	743	-	-	(743)	-
2514	Aids grant	(31)	-	-	31	-
2515	Local entitlement	-	748,470	748,470	-	-
2519	21st Century Grant	(1,376)	-	(77)	1,299	-
2520-23	Learning center	18,219	130,340	122,962	-	25,597
2524	Technology Literacy	38,926	27,207	38,431	-	27,702
2526/33	National Science Foundation	35	-	-	-	35
2527	Pre-School	16,658	19,764	19,104	-	17,318
2534	Rural Low Income	43,860	72,047	115,907	-	-
2537	School Health Grant	1,559	2,000	2,867	-	692
2538	Reading First - Gilbert	-	195,537	195,537	-	-
2539	Title III - ESL	-	14,746	4,937	-	9,809
2542	Reading First - Farrington	-	22,283	22,283	-	-
2603	Cony Maine Youth Voices	729	2,525	1,454	-	1,800
2608	Bullying grant (sex equity)	153	-	-	(153)	-
2615	ESL Refugee	3,237	-	2,461	-	776
Total federal programs		332,845	2,533,416	2,466,321	1,002	400,942
State programs:						
2501	Maine Arts Commission	4,701	-	2,084	-	2,617
2503	Work study project	(159)	3,288	2,523	-	606
2505	Region 2 Administrative	1,002	3,441	4,443	-	-
2517	Schools need parents	(5,478)	13,507	8,029	-	-
2518	Learning results	12,944	17,976	20,533	-	10,387
2525	Health clinic	307	-	-	-	307
2536	State Agency Grant	-	20,983	20,983	-	-
2612	State agency - outside students	43,134	-	-	-	43,134
Total state programs		56,451	59,195	58,595	-	57,051
Other programs:						
2535	Teamwork for Kids	1,000	-	-	-	1,000
2540	MELMAC College Access	-	6,446	6,446	-	-
2543	Sam's Club gifted/talented	-	1,000	-	-	1,000
2604	Sports Done Right	2,390	-	555	-	1,835
2605-06	Summer School	(12,320)	36,185	23,865	-	-
2607	Chizzle whizzle	-	7,832	7,832	-	-
2611	Tuition out of district	(1)	-	(1)	-	-
2616	Stagehand, student stipends	(147)	-	(1,228)	-	1,081
2618	Tech time - Stewart	1,002	-	-	(1,002)	-
Total other programs		(8,076)	51,463	37,469	(1,002)	4,916
Special projects:						
2625	CTV 7	30,658	6,258	-	-	36,916
Total special projects		30,658	6,258	-	-	36,916
Subtotal		\$ 411,878	2,650,332	2,562,385	-	499,825

CITY OF AUGUSTA, MAINE
Federal, State and Local Programs and Adult Education - School
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

		Balances beginning of year	Revenues	Expenditures	Transfers	Balances end of year
Federal programs:						
2502	Aspire - Customer Service #6/7	\$ 9,117	-	4,821	(4,296)	-
2506	Aspire program	3,325	-	195	(3,130)	-
2512	ABE federal program	-	64,406	64,406	-	-
2516	Workforce development	784	-	-	-	784
2529	Perkins Title II C	(298)	3,632	3,334	-	-
2530	Aspire - Lab	(5,123)	-	2,542	7,665	-
2531	Aspire - overhead	589	-	350	(239)	-
Total federal programs		8,394	68,038	75,648	-	784
State programs:						
2532	Jail education program	23,154	26,779	28,934	-	20,999
Total state programs		23,154	26,779	28,934	-	20,999
Other programs:						
2613	Self-supporting General Teaching	25,754	25,977	27,835	-	23,896
2614	Health Occupation Education	31,419	16,772	23,513	-	24,678
2622	KLC Computer Lab	14,967	5,077	4,420	-	15,624
Total other programs		72,140	47,826	55,768	-	64,198
Total School Special Revenues		\$ 515,566	2,792,975	2,722,735	-	585,806

CITY OF AUGUSTA, MAINE
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	Balances beginning of year	Revenues	Expenditures	Bond Proceeds	Transfers in (out)	Balances end of year
City Funds:						
3000 Fiscal 2000	\$ 90,515	-	40,843	-	-	49,672
3001 Fiscal 2001	41,826	1,594	1,013	-	-	42,407
3002 Fiscal 2002	1,221	(1,221)	-	-	-	-
3003 Fiscal 2003	303,245	-	3,693	-	-	299,552
3004 Fiscal 2004	370,976	12,199	156,586	-	4,980	231,569
3005 Fiscal 2005	382,697	40,622	141,937	-	4,552	285,934
3006 Fiscal 2006	-	23,869	622,743	500,000	784,840	685,966
3007 Fiscal 2007	-	4,015	1,394	-	-	2,621
3086 Dickman Parking Garage	343,770	12,179	75,270	-	-	280,679
3097 Fiscal 1997	9,275	-	-	-	-	9,275
3098 Carry Forward	59,495	4,473	18,382	-	(26,697)	18,889
Total nonmajor capital projects	\$ 1,603,020	97,730	1,061,861	500,000	767,675	1,906,564

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds - City
For the year ended June 30, 2006

City 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	Principal additions	Other revenues			
6001	New Cony High School	\$ -	979,671	-	401,641	6,138	-	1,375,174
6501	L. W. Titcomb Playground	6,281	(459)	-	58	67	6,281	(468)
6502	Lithgow Library	24,933	409	-	253	291	24,933	371
6503	St. Mark's Church	11,968	(19)	-	119	137	11,968	(37)
6504	Addie Wright	150	7	-	1	-	150	8
6505	Anna Brown	74	4	-	1	-	74	5
6506	Annie and Seth Goodwin	400	18	-	4	-	400	22
6507	Cemetery Trust Fund	141,483	(2,492)	-	1,384	1,596	141,483	(2,704)
6508	Church Williams	100	5	-	1	-	100	6
6509	Dora Barry Taylor	100	5	-	1	-	100	6
6510	Dr. Carl Hutchinson	598	29	-	6	-	598	35
6511	Elaine Webber	249	12	-	3	-	249	15
6512	Ellen F. Dutton	100	5	-	1	-	100	6
6513	Emma Sylvester	100	5	-	1	-	100	6
6514	EST Leadbetter & Page	149	8	-	1	-	149	9
6515	Everett Withee	100	5	-	1	-	100	6
6516	Forest Grove Cemetery	75,538	3,692	-	757	-	75,538	4,449
6517	George Cottle	100	5	-	1	-	100	6
6518	Gordon Drew	1,995	97	-	20	-	1,995	117
6519	H. Williams	149	8	-	1	-	149	9
6520	Horace Leighton	100	5	-	1	-	100	6
6521	Isaac and Alice Garside	498	25	-	5	-	498	30
6522	ITF Edwin B. Thorne	199	10	-	2	-	199	12
6523	ITF Janet Wade	299	15	-	3	-	299	18
6524	ITF Lucinda Downe	50	2	-	1	-	50	3
6525	ITF Silas Jackson	100	5	-	1	-	100	6
6526	J. Albert Knowles	100	5	-	1	-	100	6
6527	John M. Currier	100	5	-	1	-	100	6
6528	John R. Philbrook	100	5	-	1	-	100	6
6529	Kling Trust	9,974	487	-	100	-	9,974	587
6530	L. B. Scribner	249	12	-	3	-	249	15
6531	Lena Haskell	291	15	-	3	-	291	18
6532	Luther Barr	180	8	-	2	-	180	10
6533	M. Morrell/Burns	149	7	-	2	-	149	9
6534	M. Tuek & E. Steve	199	10	-	2	-	199	12
6535	N.B.K Pettingill	299	15	-	3	-	299	18
6536	Nash Robinson	100	5	-	1	-	100	6
6537	Pauline B. Carter	498	25	-	5	-	498	30
6538	Pearl Fisher Scholarship	199	10	-	2	-	199	12
6539	Pierce Flower	199	10	-	2	-	199	12
6540	R. W. Brown/Pelton	100	5	-	1	-	100	6
6541	Wesley Cummings	149	8	-	1	-	149	9
6542	Wm. and Sylvia Vaughn	100	5	-	1	-	100	6
6543	Alice Reynolds Trust	11,565	42	-	119	250	11,565	(89)
6544	Ed E. Gage Family Trust	49,566	2,291	-	529	1,000	49,566	1,820
6545	Edwards Dam Scholarship	27,899	204	-	290	600	27,899	(106)
6546	Eliza Church Fund	3,376	5	-	34	39	3,376	-
6547	Ira Bunker	499	12	-	5	-	499	17
6548	Lipman Memorial Trust	4,057	797	-	146	100	4,057	843
6549	Miriam Titcomb Trust	22,660	949	-	225	260	22,660	914
6550	Peavy Scholarship Fund	4,211	5	-	40	-	4,211	45
6551	Sanford Legacy	1,496	(2)	-	15	18	1,496	(5)
6552	Cony Family Fund	12,497	(852)	-	(313)	500	12,497	(1,665)
6553	Tree Board Trust	-	28,557	-	574	500	-	28,631
6554	Bicentennial Nature Park	-	26,150	-	1,167	-	-	27,317
6555	Cemetery Perpetual Care	100,962	1,641	3,400	4,164	-	104,362	5,805
6556	Mall Mitigation Land Trust	15,000	(2,511)	-	281	-	15,000	(2,230)
Total City Funds		\$ 532,587	1,039,002	3,400	411,675	11,496	535,987	1,439,181

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds - School
For the year ended June 30, 2006

School Funds	Fund balance					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	Expenditures		
6251 Auto Mechanic Scholarship	\$ -	5,635	142	-	300	-	5,477
6252 Childcare Scholarship	290	202	12	-	-	290	214
6253 CATC Multi-media Scholarship	595	42	16	-	-	595	58
6254 CATC Plumbing And Heating	-	749	19	-	-	-	768
6255 CHS Class of 1926 Perkins Award (held at CHS)	-	299	2	-	-	-	301
6256 CHS Class of 1938 Scholarship Fund	-	2,651	66	100	250	-	2,567
6257 CHS Special Music Concert (held at CHS)	-	588	5	-	-	-	593
6258 Cony Restoration Fund	-	1,484	38	-	-	-	1,522
6259 Devina Mudge Scholarship	-	906	19	70	300	-	695
6260 Ebbie Brooks Math and Science Fund	-	587	15	-	20	-	582
6261 Edgar A. Hussey Memorial	-	5,541	142	-	200	-	5,483
6262 Eliza Church Fund	-	777	20	-	-	-	797
6263 Frank Hewins Music	-	663	17	-	-	-	680
6264 Friedlander Memorial Award	-	46	1	-	-	-	47
6265 Georgianna Hayes English	-	1,059	27	-	-	-	1,086
6266 Jon Crockett Memorial Fund	-	2,455	60	-	150	-	2,365
6267 Lanny Cooper Memorial	-	1,008	26	-	-	-	1,034
6268 Lee and Larry Leighton Scholars	(150)	4,357	109	-	-	(150)	4,466
6269 Mable Thompson	-	621	16	-	10	-	627
6270 Theresa Brannigan Memorial	-	749	20	-	-	-	769
6271 Titcomb Fund	-	32,468	837	-	-	-	33,305
6272 Florence Tanner McIntire Memorial	-	2,226	49	-	600	-	1,675
6273 Pat MacFarland Memorial	-	529	8	-	300	-	237
6274 Mallory Dulac Scholarship	-	6,456	150	-	1,100	-	5,506
6275 Cony High Scholarship (held at CHS)	-	3,676	37	-	-	-	3,713
6701 Ann Williams Funds	2,000	9,034	285	-	-	2,000	9,319
6702 Alumni Hall restoration	400	18,244	481	-	-	400	18,725
6703 Arthur E. Shea Memorial	1,161	(58)	28	-	-	1,161	(30)
6704 CATC School Wide Scholarship	10,000	(252)	251	-	-	10,000	(1)
6705 CHS Class of 1943 Scholarship Fund	7,212	2,349	248	100	-	7,212	2,697
6706 CHS Scholarship and Student Aid (held at CHS in checking)	-	17,594	4,862	-	-	-	22,456
6707 CHS Scholarship and Student Aid (held at CHS in CD)	-	8,694	258	-	-	-	8,952
6708 Carpentry Scholarship	75	618	18	-	-	75	636
6709 Charles McGrail Scholarship	3,257	1,079	108	-	200	3,257	987
6710 Dorothy Giddings Fund	1,000	3,044	101	-	200	1,000	2,945
6711 Edward Albing Math Fund	500	190	17	-	20	500	187
6713 Food Service Scholarship	15	76	2	-	-	15	78
6714 Garside English Fund	600	99	18	-	10	600	107
6715 Helen Dyer Scholarship	1,717	659	54	500	500	1,717	713
6716 H. Graham Nye CATC Scholarship	2,500	596	61	-	1,000	2,500	(343)
6717 Jim Marchildon Scholarship	1,705	6,178	223	3,285	2,000	1,705	7,686
6718 Karen Carey Scholarship	2,577	860	85	-	200	2,577	745
6719 Louis Ochmanski Scholarship	2,500	853	84	-	100	2,500	837
6720 Louise Webber Fund	10,000	5,262	384	-	500	10,000	5,146
6722 Mable I. Morton	1,970	748	70	-	-	1,970	818
6723 Mable Richmond Fund	200	220	11	-	20	200	211
6724 Machine Tool Scholarship	15	173	5	-	-	15	178
6725 Melanie Ann Cote Scholarship	1,800	1,834	94	-	-	1,800	1,928
6726 Nora Jackson Scholarship	3,000	4,660	198	-	-	3,000	4,858
6727 Raymond Falconia Fund	5,000	1,047	152	-	250	5,000	949
6728 Richard Ayotte Scholarship	2,050	240	56	-	200	2,050	96
6729 Sandra Lipman Arts Fund	2,220	(416)	42	-	300	2,220	(674)
6730 Theodore Rhoades Memorial	5,000	1,858	172	-	250	5,000	1,780
6731 Thomas Bishop Memorial Scholarship	2,297	1,037	80	-	500	2,297	617
6732 Maine Veterans Home	-	-	4	500	-	500	4
6733 Child Care Options	-	-	2	250	-	250	2
6734 G & E Roofing	-	-	4	1,000	-	1,000	4
Total School Funds	\$ 71,506	162,294	10,311	5,805	9,480	73,256	167,180

CITY OF AUGUSTA, MAINE
Statement of Changes in Assets and Liabilities
Agency Funds
For the year Ended June 30, 2006

	Balance 7/1/2005	Additions	Deletions	Balance 6/30/2006
ASSETS				
Cash	\$ 186,533	824,209	786,801	223,941
Total assets	\$ 186,533	824,209	786,801	223,941
LIABILITIES				
Due to student groups	186,533	824,209	786,801	223,941
Total liabilities	\$ 186,533	824,209	786,801	223,941

STATISTICAL SECTION



Table 1

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

Fiscal year	Legislative and executive	Finance and administration	City Services and			Public Safety	Education	Retirement and insurance	Utilities
			Public works	Community services					
2003	\$ 1,649,442	759,861	3,365,923	2,222,759	4,990,504	28,609,739	1,444,711	2,107,913	
2004	1,525,583	799,314	3,560,352	2,340,370	5,017,437	28,167,122	1,579,957	2,110,899	
2005	593,157	2,574,468	3,238,089	2,465,706	5,459,336	28,860,857	1,458,605	1,891,239	
2006	577,232	2,616,040	4,559,929	2,432,732	5,164,109	29,396,723	1,541,180	1,953,588	

Unclassified	Interest on debt	Central garage	Capital maintenance			Airport	Ambulance	Total
			expenses	Augusta Civic Center	Hatch Hill Landfill			
3,375,553	217,015	1,093,333	989,578	2,740,829	1,882,110	383,866	854,430	56,687,566
5,404,041	240,820	1,030,789	320,249	2,804,081	2,423,384	375,821	1,138,584	58,838,803
1,245,371	154,231	1,129,094	101,826	2,756,456	2,212,682	411,678	988,682	55,541,477
1,336,969	181,357	1,348,833	1,461,956	2,828,352	3,018,672	432,140	1,229,298	60,079,110

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

Table 2

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	Contributions not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous		
2003	\$ 10,591,058	16,828,960	249,349	25,698,103	2,773,577	572,677	455,410	57,169,134	
2004	10,669,424	18,176,812	591,418	25,977,414	2,969,273	230,190	795,914	59,410,445	
2005	10,126,546	15,852,689	336,377	27,648,715	2,932,607	913,190	2,533,438	60,343,562	
2006	10,571,366	17,097,427	120,274	27,479,074	3,010,331	1,686,457	2,146,525	62,111,454	

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

Table 3

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

Year	City services										Debt service	Capital	Total
	Legislative and executive	Finance and administration	and public works	Community services	Public safety	Insurances and utilities	Unclassified	County	Education	Debt service			
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	
2004	1,357,108	770,768	2,981,857	2,335,567	4,876,575	3,690,856	41,498	1,175,364	22,422,435	1,052,084	-	40,704,112	
2005	610,324	1,374,810	3,953,540	2,003,704	4,903,819	3,349,844	(14,454)	1,234,872	23,037,625	1,065,492	-	41,519,576	
2006	589,899	1,464,086	4,101,693	2,020,853	5,232,339	3,516,706	50,774	1,271,219	23,893,952	1,305,832	-	43,447,353	

Table 4

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

Fiscal year	Licenses and permits			Inter-governmental	Charges for services	Fines and fees	Investment earnings	Unclassified	Total
	Taxes	and permits							
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	
2004	25,514,600	180,976	13,222,437	2,233,881	42,945	219,288	492,791	41,906,918	
2005	26,166,249	228,753	13,521,824	2,320,924	63,645	453,846	520,503	43,275,744	
2006	25,861,766	219,924	13,817,461	2,357,632	53,462	844,846	494,799	43,649,890	

Table 5

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

Fiscal year	Total		Current		Prior year		Total		% of total tax collection to levy
	tax levy	collections	tax collections	% of levy collected	tax collections	tax collections	tax collections	tax collections	
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%
2004	23,700,680		22,990,568	97.00%	704,836		23,695,404		99.98%
2005	24,254,710		23,661,231	97.55%	827,605		24,488,836		100.97%
2006	24,105,601		23,312,969	96.71%	520,677		23,833,646		98.87%

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	
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%
2004	822,193,800	113,263,200	935,457,000	990,400,000	94.45%
2005	836,811,900	96,499,400	933,311,300	1,064,250,000	87.70%
2006	834,194,300	93,978,600	928,172,900	1,202,450,000	77.19%

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
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	1.13%	457
2001	18,560	897,567,900	22,843,473	13,515,000	9,328,473	1.04%	503
2002	18,560	919,884,200	21,128,600	13,030,000	8,098,600	0.88%	436
2003	18,560	935,771,000	32,863,829	12,318,685	20,545,144	2.20%	1,107
2004	18,560	935,457,000	30,872,107	11,607,370	19,264,737	2.06%	1,038
2005	18,560	933,311,300	32,295,385	10,896,055	21,399,330	2.29%	1,153
2006	18,560	928,172,900	58,383,662	10,184,740	48,198,922	5.19%	2,597

Sources for population information:

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

Table 8

CITY OF AUGUSTA, MAINE
Principal Taxpayers
June 30, 2006

Taxpayer	Business	Assessed value	% of total value
Central Maine Power	Public Utility	\$ 74,120,000	7.99%
Capital Augusta Properties	Retail	30,304,300	3.26%
Wal-Mart Stores, Inc.	Retail	20,985,700	2.26%
Gall, Edward	Rental/retail	19,448,900	2.10%
Pomerleau, Frank	Retail	12,474,900	1.34%
Harpers/Key Plaza Holdings	Office building/rental	10,184,700	1.10%
Windalier Turnpike Mall LLC	Retail	8,703,000	0.94%
Central Main Comm. Center	Office building/rental	7,950,700	0.86%
CAP Center Associates LP	Developer	7,250,800	0.78%
Hannaford Bros.	Retail	7,085,200	0.76%

SINGLE AUDIT SECTION

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of and for the year ended June 30, 2006, which collectively comprise the City of Augusta, Maine's basic financial statements and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Augusta, Maine's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Augusta, Maine's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item #2006-1.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of the City of Augusta, Maine in a separate letter dated October 5, 2006.

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



October 5, 2006
South Portland, Maine



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

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

Compliance

We have audited the compliance of the City of Augusta, Maine, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Augusta, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Augusta, Maine's management. Our responsibility is to express an opinion on the City of Augusta, Maine's compliance based on our audit.

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

As described in items #2006-2 and #2006-3 in the accompanying schedule of findings and questioned costs, the City of Augusta, Maine did not comply with the requirements regarding reporting that are applicable to its U.S. Department of Education, Title IA - Disadvantaged (CFDA #84.010) and Special Education Cluster (CFDA #84.027, 84.173) programs, and cash management that is applicable to its U.S. Department of Education, Title IIA – Improving Teacher Quality (CFDA#84.367) program. Compliance with such requirement is necessary, in our opinion, for the City of Augusta, Maine to comply with requirements applicable to those programs.

In our opinion, except for the noncompliances described in the preceding paragraph, the City of Augusta, Maine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

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

Internal Control Over Compliance

The management of the City of Augusta, Maine is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Augusta, Maine's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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 reportable 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 the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of and for the year ended June 30, 2006, and have issued our report thereon dated October 5, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Augusta, Maine's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



October 5, 2006
South Portland, Maine

CITY OF AUGUSTA, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through number	Program or award amount	Balance at June 30, 2005	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2006	
					Federal	Other				
U.S. Department of Education.										
Direct funding:										
2519 21st Century Grant	84.287	N/A	\$ -	(1,376)	-	1,299	(77)	-	-	
Passed through Maine Department of Education:										
2512 Adult Basic Education	84.002	6296/6297	103,973	-	103,973	-	103,973	-	-	
2509 Title IA	84.010	6334	905,214	-	905,214	-	892,304	-	12,910	
2515 Special Education State Grants Individuals with Disabilities Act	84.027	6317	748,470	-	748,470	-	748,470	-	-	
2520 Carl Perkins - Basic grant (learning center)	84.048	5159	130,340	18,219	130,340	-	122,962	-	25,597	
2608 Carl Perkins - Basic grants (sex equity)	84.048	N/A	-	153	-	-	-	153	-	
2527 Pre-School	84.173	6241	19,764	16,658	19,764	-	19,104	-	17,318	
2511 Title V - Innovative	84.298	1072	53,537	-	53,537	-	53,537	-	-	
2524 Technology Literacy	84.318	1006	27,207	38,926	27,207	-	38,431	-	27,702	
2510 Class size reduction grant	84.340	5088	-	(568)	-	568	-	-	-	
2538 Reading First - Gilbert	84.357	1101	195,537	-	195,537	-	195,537	-	-	
2542 Reading First - Farrington	84.357	1101	22,283	-	22,283	-	22,283	-	-	
2534 Rural Low Income	84.358	1078	72,047	43,860	72,047	-	115,907	-	-	
2539 Title III - ESL	84.365	1004	-	-	14,746	-	4,937	-	9,809	
2508 Teacher Quality grant	84.367	1138	312,746	193,003	312,746	-	223,851	-	281,898	
Passed through Maine Office of Substance Abuse:										
2507 Drug Free Schools and Communities	84.186	N/A	27,000	17,698	27,000	-	22,293	-	22,405	
Total U.S. Department of Education					326,573	2,632,864	1,867	2,563,512	153	397,639
U.S. Department of Housing and Urban Development, passed through Department of Economic and Community Development:										
2073 CDBG - Boothby Street	14.228	G705065	127,500	-	34,886	32,775	34,886	31,860	915	
2078 CDBG - Housing Assistance Grant	14.228	G905104	50,000	-	27,315	-	27,315	-	-	
Total U.S. Department of Housing and Urban Development					-	62,201	32,775	62,201	31,860	915
U.S. Department of Agriculture, passed through the Maine Dept. of Ed:										
2617 National School Lunch Program	10.555	7128	N/A	204,897	350,349	560,507	350,349	537,014	228,390	
School Breakfast Program	10.553	7127	N/A	-	83,032	-	83,032	-	-	
Summer Food Service Program	10.559	7130	N/A	-	42,473	-	42,473	-	-	
Food Donation Program	10.550	6134	N/A	10,619	47,784	-	42,894	-	15,509	
Total U.S. Department of Agriculture					215,516	523,638	560,507	518,748	537,014	243,899
U.S. Department of Justice, passed through the Maine Department of Justice:										
2043 Community Policing	16.579	N/A	23,060	7,533	-	-	-	-	7,533	
2047 Bulletproof Vests	16.607	N/A	N/A	-	5,219	-	5,219	-	-	
2076 Justice Assistance Grant	16.738	N/A	N/A	-	25,663	-	23,359	-	2,304	
Passed through the Maine Department of Education:										
2603 Youth Voices	16.727	N/A	N/A	729	2,525	-	1,454	-	1,800	
Total U.S. Department of Justice					8,262	33,407	-	30,032	-	11,637
U.S. Department of Transportation:										
Direct programs:										
2049 OUI Grant	20.600	N/A	N/A	-	6,087	-	6,087	-	-	
2048 Sealbelt Grant	20.604	N/A	N/A	-	3,948	-	3,948	-	-	
Passed through the Maine Department of Transportation:										
3005 State Street	20.205	N/A	119,000	-	28,228	-	28,228	-	-	
2083 Highway Planning and Construction	20.205	N/A	50,000	-	11,881	-	11,881	-	-	
Total U.S. Department of Transportation					-	50,144	-	50,144	-	-

CITY OF AUGUSTA, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through number	Program or award amount	Balance at June 30, 2005	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2006
					Federal	Other			
U.S. Department of Human Services, passed through the									
Maine Department of Education:									
2615 Refugee resettlement	93.576	5019	\$ -	3,237	-	-	2,461	-	776
2537 Comprehensive School Health	93.938	6312	2,000	1,559	-	2,000	2,867	-	692
Passed through the Maine Department of Human Services:									
2065 Child Care Development Fund	93.575	N/A	21,046	87,905	13,310	257,983	13,310	297,148	48,740
Total U.S. Department of Human Services				92,701	15,310	257,983	18,638	297,148	50,208
U.S. Department of Homeland Security:									
Direct program:									
2070 Disaster Plan WMD Annex	97.004	N/A	31,012	-	7,692	-	7,692	-	-
2062 Fire Prevention Safety Grant	97.044	N/A	25,665	403	12,153	-	3,706	-	8,850
2082 Assistance to Firefighters Grant	97.044	N/A	9,018	106	957	-	1,063	-	-
1000 FEMA Disaster Assistance	97.036	N/A	51,973	-	40,540	-	40,540	-	-
2107 FEMA Disaster Assistance	97.036	N/A	14,466	-	14,466	-	14,466	-	-
2108 FEMA Disaster Assistance	97.036	N/A	91,842	-	71,637	-	55,036	-	16,601
Passed through Maine Emergency Management Agency:									
2054 Homeland Security Grant	97.004	N/A	287,770	-	119,317	-	119,317	-	-
2074 Homeland Security Grant	97.004	N/A	275,000	-	262,631	-	26,800	-	235,831
2120 Homeland Security Grant	97.004	N/A	24,141	-	19,415	-	19,415	-	-
2113 Hazmat Sustainment	97.004	N/A	N/A	-	1,665	-	1,665	-	-
2112 Homeland Security Grant	97.066	N/A	459,062	-	2,426	-	2,426	-	-
2104 Law Enforcement Terrorism Prevention	97.074	N/A	N/A	-	68,655	-	68,655	-	-
Total U.S. Department of Homeland Security				509	621,554	-	360,781	-	261,282
Totals			\$	643,561	3,939,118	853,132	3,604,056	866,175	965,580

See accompanying notes to schedule of expenditures of federal awards.

CITY OF AUGUSTA, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2006

PURPOSE OF THE SCHEDULE

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

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Augusta, Maine for the fiscal year ended June 30, 2006. The reporting entity is defined in notes to basic financial statements of the City of Augusta, Maine.
- B. Basis of Presentation - The information in the accompanying schedule of expenditures of federal awards is presented in accordance with OMB Circular A-133.
 - 1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
 - 2. Major Programs - OMB Circular A-133 establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Augusta, Maine are identified in the summary of auditor's results in the schedule of findings and questioned costs.
- C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City of Augusta, Maine's fund financial statements.

CITY OF AUGUSTA, MAINE
Schedule of Findings and Questioned Costs
June 30, 2006

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?	yes
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?	yes
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
84.010	Title 1A

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 CONDITION

#2006 - 1 – School Department Accounting System

Currently, the School Department accounting system only accounts for expenditures within the School Department's general and special funds. The School Department and City should consider whether one single accounting system could meet both of their needs rather than continued use of duplicative systems. We understand there have been discussions in this regard but that currently there are no plans for change. Alternatively, if the School Department continues the use of a separate, distinct general ledger system, we would recommend that the system be expanded such that proper accounting practices are being followed. The system should represent a complete, self-balancing group of accounts organized by funds as required by Handbook IIR. This would require that the School Department maintain balance sheet accounts to represent their assets and liabilities, as well as accounts in which revenues could be posted and tracked. All accounts should be reconciled to the City on a regular basis. In addition to this being an acceptable accounting practice (self-balancing groups of accounts), the School Department would benefit in the preparation of certain reports such as the annual form EF-M-45, required by the State Department of Education. Currently the revenues are manually entered on the form from the City's records.

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

Section III - Findings and Questioned Costs for Federal Awards

#2006-2 - U.S. Department of Education, for the Period July 1, 2005 through June 30, 2006, CFDA #84.010 Title IA – Disadvantaged and CFDA #84.027, 84.173 Special Education Cluster

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

Criteria: The City is required to submit financial information on the cash management report to its pass-through entity, which is the State of Maine.

Effect: The pass-through entity may not be able to correctly monitor its subrecipient's cash management if the information provided is incorrect.

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

Recommendation: The cash management reports should be carefully reviewed and compared to what is being reported on the City's accounting system before being submitted to the State of Maine.

Questioned Costs: None

#2006-3 - U.S. Department of Education, for the Period July 1, 2005 through June 30, 2006, CFDA #84.367 Title IIA – Improving Teacher Quality

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

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

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

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

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

Questioned Costs: None

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

Section IV - Status of Prior Year Findings and Questioned Costs

#2005-1 - U.S. Department of Education, for the Period July 1, 2004 through June 30, 2005, CFDA #84.010 Title IA - Disadvantaged

Statement of Condition: The Title IA program had excess cash balances on hand for excessive periods of time.

Status: No finding reported in the current year.

#2005-2 - U.S. Department of Education, for the Period July 1, 2004 through June 30, 2005, CFDA #84.027 Special Education – Grants to States

Statement of Condition: The Special Education – Grants to States program had excess cash balances on hand for excessive periods of time.

Status: No finding reported in the current year

#2006 - 3 - Semi-annual Certification of Title 1A Employees

Our test work revealed that currently the School Department does not require semi-annual certifications of employees paid 100% through the Title 1A federal grant. The A-133 Compliance Supplement states that “An employee whose compensation is funded solely from a Single Cost Objective must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B paragraph 11.h.3”. We recommend that certificates be distributed to Title 1A staff twice a year and be signed by both the Title 1A employee and the Title 1A grant director.

Status: No reportable condition reported in the current year.