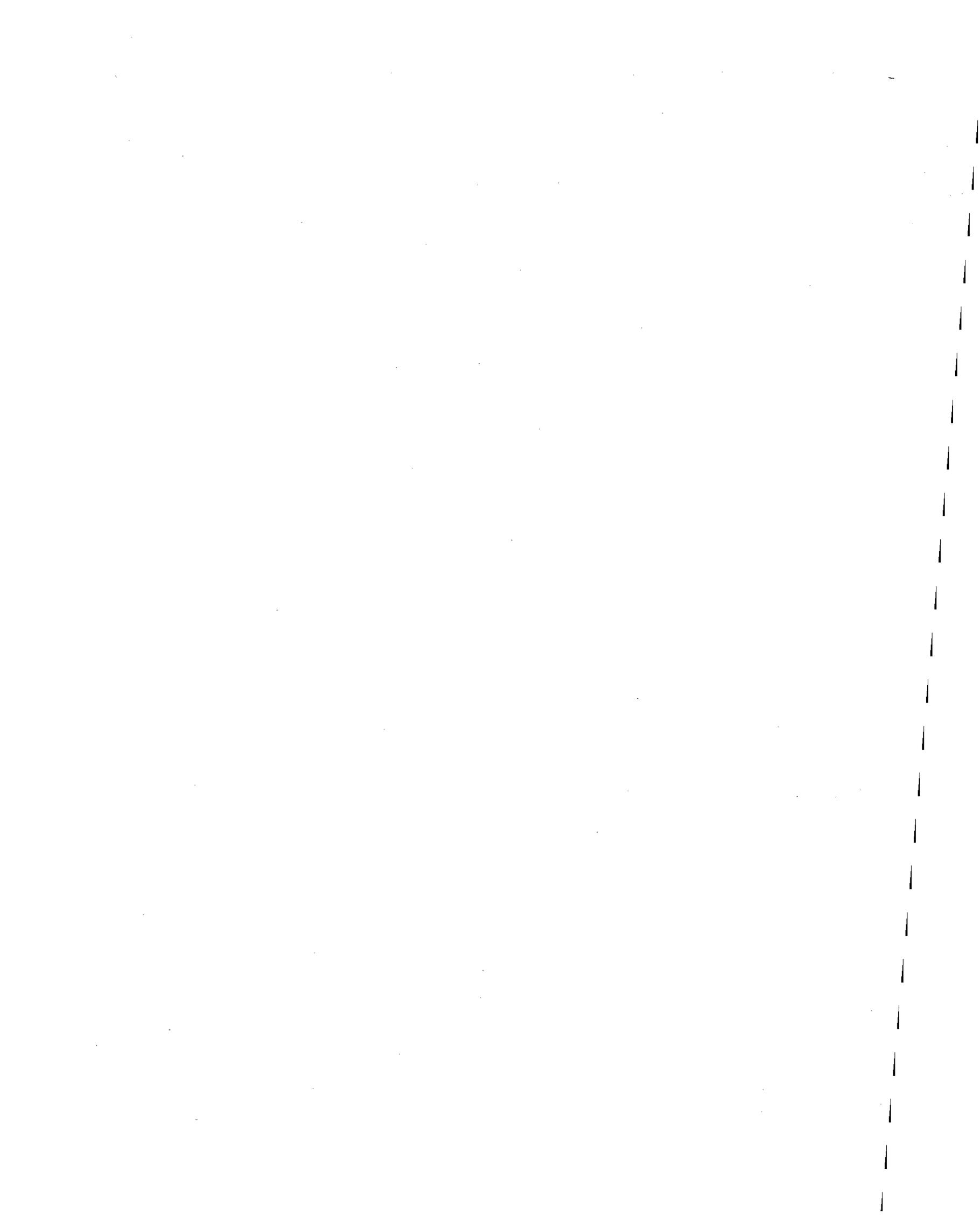


CITY OF AUGUSTA, MAINE

Financial Report

For the Year Ended June 30, 2012



CITY OF AUGUSTA, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

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CITY OF AUGUSTA, MAINE
Annual Financial Report
June 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012, on our consideration of the City of Augusta, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Augusta, Maine's financial statements as a whole. The combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



November 8, 2012
South Portland, Maine

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis
June 30, 2012

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, 2012. 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 2012 Financial Highlights

Financial highlights of the year include the following:

City-wide:

- The City's total net assets were \$37.9 million at June 30, 2012. Of this total, \$35.6 million were governmental assets and \$2.3 million were business-type assets.
- The City's net assets increased by \$362,000. Of this amount, the governmental activities had an increase in net assets of \$151,000. The business-type activities net assets increased by \$211,000. Governmental net assets invested in capital asset net of debt increased by \$273,000, restricted assets decreased by 339,000 and unrestricted net assets increased by \$217,000.
- City-wide governmental revenues include program revenues of \$26.3 million, a decrease of \$1.7 million, and general revenues of \$34 million, an increase of \$166,000. The decrease in program revenues of \$1.7 million is primarily due to a decrease in state and federal intergovernmental revenues for education. Business-type income was \$5.2 million, an increase of \$227,000.
- Total City-wide governmental expenses were \$60.2 million, an increase of \$2.2 million and business-type activities expenses were \$4.9 million, a decrease of \$.74 million, for total expenditures of \$65 million, an increase of \$1.4 million or 2.28%.

Fund Level:

- Governmental fund balance increased by \$.96 million in Fiscal 2012 to \$21.3 million of which \$10.7 million was nonspendable, restricted or committed. \$4.6 million was assigned and \$5.9 million was unassigned. Governmental fund revenues totaled \$60.8 million, with total expenditures of \$61.2 million. Other financing sources and uses added \$1.4 million. General fund revenues totaled \$51.8 million, with total expenditures of \$50.8 million, for an excess of revenues over expenditures of \$1 million. Total other financial sources and uses were \$0.73 million. The General Fund balance increased \$1.7 million for fiscal 2012.

Overview of the Financial Statements:

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

The Basic Financial Statements

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

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

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

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

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

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

The Government-wide Financial Statements

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

Governmental Activities:

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

Business-type Activities:

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

Fund Financial Statements:

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

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

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

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

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

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

Financial Activities of the City as a Whole:

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

Table 1
Governmental Activities Net Assets

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 26,190,717	27,318,351
Capital assets	56,647,048	57,091,694
Total assets	82,837,765	84,410,045
Long-term liabilities	35,602,146	38,257,758
Other liabilities	11,639,863	10,707,919
Total liabilities	47,242,009	48,965,677
Net assets:		
Invested in capital assets (net of debt)	31,405,084	31,132,623
Restricted	6,009,933	6,348,468
Unrestricted	(1,819,261)	(2,036,723)
Total net assets	\$ 35,595,756	35,444,368

Capital assets net of related debt increased by 0.87% or \$272,000. The City's long-term liabilities (primarily debt) decreased by \$2.7 million. The City's other liabilities increased by \$0.93 million due to an increase in other post retirement benefit liabilities of \$1.1 million. The City's investment in capital assets net of related debt represents 88% of the total net assets. The City uses these capital assets to provide services and transportation infrastructure to citizens, businesses, and visitors. These assets are not available to finance future operations nor are they available to repay outstanding debt. 17% of net assets are represented by resources that are subject to external restrictions in their uses. The remaining balance of (\$1.8 million), (5%) is unrestricted net assets.

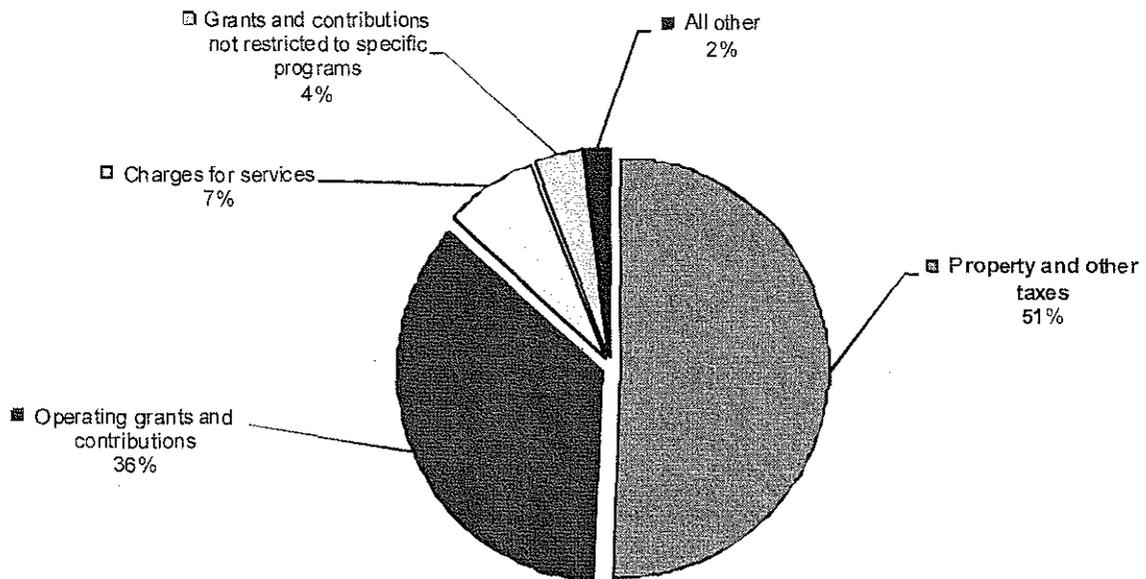
CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

Changes in Net Assets			
	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Sources of Revenues			
Program Revenues:			
Charges for services	\$ 4,388,388	4,442,801	(54,413)
Operating grants and contributions	21,731,296	22,707,795	(976,499)
Capital grants and contributions	214,107	904,457	(690,350)
Total program revenues	26,333,791	28,055,053	(1,721,262)
General Revenues:			
Property and other taxes	30,604,923	30,040,982	563,941
Grants and contributions not restricted to specific programs	2,340,970	2,350,821	(9,851)
Licenses, permits and fees	503,826	337,883	165,943
Unrestricted investment income	257,303	308,584	(51,281)
Other	278,788	781,166	(502,378)
Total general revenues	33,985,810	33,819,436	166,374
Total revenues	60,319,601	61,874,489	(1,554,888)
Functional Expenses:			
Legislative and executive	503,962	530,991	(27,029)
Finance and administration	3,739,345	3,128,512	610,833
City services	2,911,274	2,649,942	261,332
Community services	2,629,189	2,540,309	88,880
Public safety	8,024,923	8,414,744	(389,821)
Public works	2,764,119	2,536,828	227,291
Education	31,653,870	31,882,197	(228,327)
Retirement and insurance	2,887,343	1,372,067	1,515,276
Utilities	1,686,770	1,849,879	(163,109)
Unclassified	1,633,097	1,545,250	87,847
Interest on debt	155,541	132,514	23,027
Central garage	1,578,780	1,391,499	187,281
Total expenses	60,168,213	57,974,732	2,193,481
Increase (decrease) in net assets	151,388	3,899,757	(3,748,369)
Net assets -- beginning of year	35,444,368	31,544,611	3,899,757
Net assets -- end of year	\$ 35,595,756	35,444,368	151,388

Governmental activities resulted in an increase in net assets of \$151,000. Program revenues decreased \$1.72 million, with operating grants and contributions decreasing by \$0.976 million. Charge for services decreased by \$54,400 as compared to FY 2011. The State and Federal government decreased intergovernmental revenues by \$0.97 million. General revenues increased \$166,000. Property and other taxes increased \$0.56 million and other revenues decreased \$0.5 million. Functional expenses increased \$2.2 million. Education expenses decreased \$228,000 million as a result of reduced federal funding. Retirement and insurance expenses increased \$1.5 million due to an increase in other post retirement benefits cost.

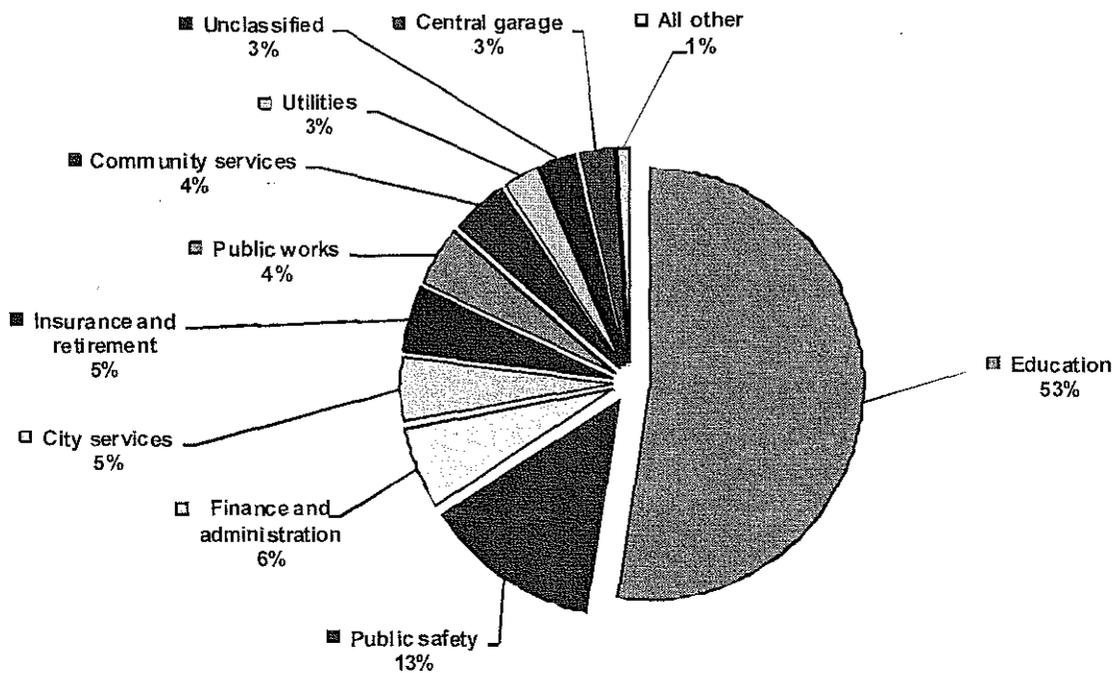
CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

Source of Revenues



As the source of revenues chart above shows, 50.74% of the City's fiscal 2012 governmental activities revenues came from property and other taxes, and 36.03% from operating grants and contributions. The remaining 13.23% came from charges for services (7.28%), grants and contributions not restricted to specific programs (3.88%), and all other revenue sources totaling 2.08 %.

Functional Expense



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

The Functional expenses chart reflects only current year expenses, which are discussed below. Education accounted for 53% and municipal services 47% of expenses. Public safety accounted for 13% of total expenses. Finance and administration were 6% of expense and City services and Insurance and retirement each accounted for 5%, community services and public works each accounted for 4% of total expenses. Utilities, unclassified and central garage each accounted for 3%. Legislative and executive, and interest on non-educational debt combined totaled 1% of expenses.

Expenses do not include capital outlays, which are capitalized to the City's capital assets. In 2012, governmental capital assets decreased \$445,000. Capital assets not being depreciated decreased \$148,000. Capital assets being depreciated decreased \$296,000 and accumulated depreciation increased \$2.48 million.

Governmental Activities:

Table 2 presents the net expenses of each of the City's largest programs. Net expense is defined as total program cost less the revenue generated by those specific activities. Net expenses totaled \$33.8 million as the City is dependent on general revenues for 56.2% of expenses. Overall, program revenues reduced program expenses by an average of 43.8% of total expenses. The range of reduction was 0% to 65.17% for education. Overall, governmental activities net expenses increased \$3.92 million or 13.1%. The City's program revenues include charges for services, State subsidies, and operating grants and contributions.

Table 2
Governmental Activities
(In Millions)

		<u>2012</u>	<u>2011</u>	<u>Variance</u>
Legislative and executive	\$	(0.50)	(0.53)	0.03
Finance and administration		(3.06)	(2.39)	(0.67)
City services		(1.49)	(1.68)	0.19
Community services		(1.68)	(1.69)	0.01
Public safety		(6.29)	(6.00)	(0.29)
Public works		(2.27)	(1.99)	(0.28)
Education		(11.02)	(9.77)	(1.25)
Retirement and insurance		(2.89)	(1.37)	(1.52)
Utilities		(1.69)	(1.85)	0.16
Unclassified		(1.63)	(1.54)	(0.09)
Debt service		(0.16)	(0.13)	(0.03)
Central garage		(1.28)	(1.13)	(0.15)
Capital maintenance expenses		0.12	0.15	(0.03)
Total	\$	(33.84)	(29.92)	(3.92)

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

Table 3
Business-type Net Assets
(In Millions)

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Current and other assets	\$ 4.37	6.32	(1.95)
Capital assets	8.52	9.09	(0.57)
Total assets	12.89	15.41	(2.52)
Long-term liabilities	10.37	12.82	(2.45)
Other liabilities	0.25	0.54	(0.29)
Total liabilities	10.62	13.36	(2.74)
Net assets:			
Invested in capital assets (net of debt)	2.61	2.46	0.15
Unrestricted	(0.34)	(0.40)	0.06
Total net assets	\$ 2.27	2.06	0.21

Business-type activities net assets increased by \$0.21 million in fiscal year 2012. The increase in net assets is attributable to operating revenues of \$5.18 million, being offset by operating expenses of \$4.44 million, nonoperating expense (primarily interest expense) of \$0.42 million and a transfer out of \$0.11 million.

The City's Fund Financial Statements

Governmental Funds

At June 30, 2012, the City's governmental funds reported a combined fund balance of \$21.3 million. The governmental fund balance is comprised of the following; General Fund \$14.49 million, and Other Funds \$6.81 million.

Government funds revenues totaled \$60.81 million with expenditures totaling \$61.23 million, a deficit of revenues under expenditures of \$0.42 million. Other financing sources and uses netted \$1.38 million, resulting in a net increase of fund balance by \$0.96 million. The General Fund had an increase in fund balance of \$1.73 million and Other Governmental Funds experienced a decrease in fund balance of \$0.77 million.

Proprietary Funds

Proprietary Funds net assets increased by \$0.21 million for FY 2012. Proprietary Funds operating revenues were \$5.18 million, with operating expenses of \$4.44 million producing an operating income of \$0.74 million. Non operating expenses were \$0.42 million and operating transfers out of \$0.11 million.

Analysis of Major Governmental Funds

General Fund

General fund revenues increased \$2.34 million or 4.9%. The City's two primary revenue sources, taxes and intergovernmental revenues, which account for 90% of revenues, had a 2.5% positive variance or \$1.08 million. Taxes had a 3.4% positive variance (\$0.96 million) and intergovernmental revenues ran a positive variance of 0.07% or 0.12 million. Tuition and other educational charges had a positive variance of 3% (\$51,000) Municipal charges for services had a positive variance of \$0.28 million. Unclassified revenues had a positive variance of \$135,000 due to property rents, public works miscellaneous, general assistance reimbursement and cable franchise fees. Investment earnings had a negative variance of \$287,000.

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

General fund expenditures had a budgetary surplus of 2.96% or \$1.51 million. Educational expenditures were 2.6% or \$0.71 million under budget. Municipal operating expenditures were under budget by 3.37% or \$0.8 million.

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 decreased \$69,000 for FY 2012. Net assets totaled \$2.14 million of which \$2.23 million represents investment in capital assets, net of related debt, and unrestricted net assets totaled (\$91,000). The Civic Center had net operating income of \$152,000, with a nonoperating expense of \$161,000 and a transfer out of \$60,000.

Hatch Hill Landfill

Net assets of the regional Hatch Hill Landfill increased \$280,000 in fiscal 2012. Net assets totaled \$133,000 of which \$381,000 represents investments in capital assets net of related debt, and (\$248,000) in unrestricted net assets. Net operating income totaled \$0.59 million, non operating expense totaled \$258,000 and a transfer out of \$48,000.

Central Garage (Internal Service Fund)

Net assets of the Central Garage Fund increased by \$87,000 in FY 2012. \$1.9 million of net assets was invested in capital assets net of debt and unrestricted net assets totaled \$0.62 million. The Central Garage Fund had net operating income of \$142,000. Non-operating expense of \$27,000 and transfers out totaled \$28,000.

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 2012, the cost of infrastructure and other capital assets of Governmental activities recorded on the City's financial statements net of depreciation was \$56.65 million, a decrease of \$0.44 million or 0.8%. The City's investment in capital assets increased by \$2.03 million and accumulated depreciation increased by \$2.48 million.

The capital assets of the business-type activities continued to decrease as the capacity of Hatch Hill landfill is utilized. Table 4 reflects capital assets at June 30, 2012, 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>2012</u>	<u>2011</u>	<u>Change</u>
Governmental activities:			
Capital assets, not being depreciated			
Land	\$ 1,490,002	1,490,002	-
Construction in progress	-	148,238	(148,238)
Capital assets being depreciated	1,490,002	1,638,240	(148,238)
Buildings and improvements	62,768,560	61,643,134	1,125,426
Machinery, vehicles, and equipment	8,292,550	8,168,345	124,205
Infrastructure	32,884,284	32,008,624	875,660
Internal service fund equipment	4,872,784	4,817,652	55,132
Less: Accumulated depreciation	(53,661,132)	(51,184,301)	(2,476,831)
	56,647,048	57,091,694	(444,646)
Business-type activities:			
Capital assets, not being depreciated	428,950	501,643	(72,693)
Capital assets, being depreciated			
Buildings and improvements	8,953,555	8,720,998	232,557
Machinery and equipment	1,299,619	1,319,154	(19,535)
Landfill	5,801,086	5,801,086	-
Less: Accumulated depreciation	(7,958,813)	(7,257,364)	(701,449)
	\$ 8,524,397	9,085,517	(561,120)

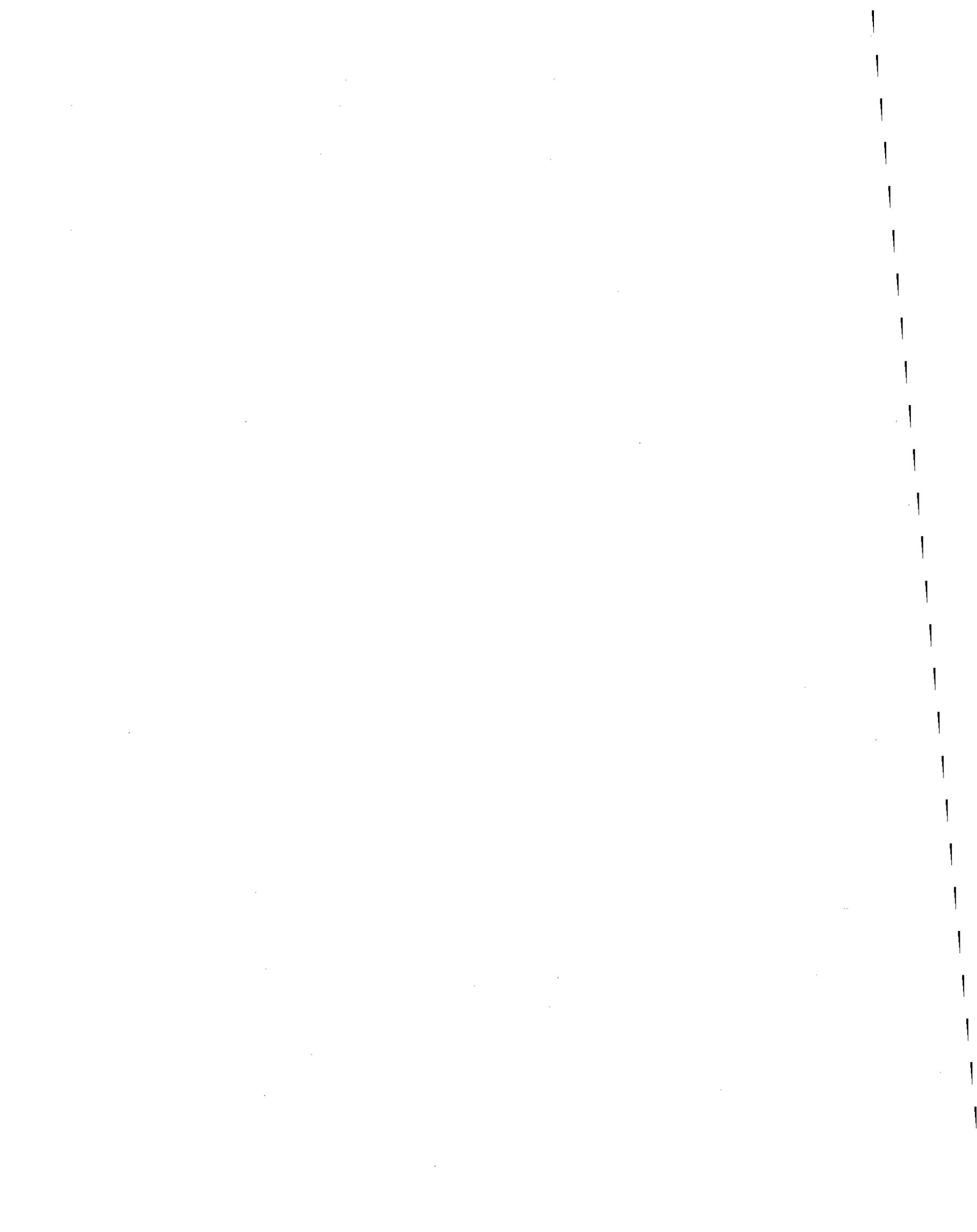
The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of capital assets over the years of its useful life so that an allocable portion of the cost of the asset is born by all users.

Debt Administration

The City's governmental activities total bonded indebtedness at June 30, 2012 was \$35.23 million, a decrease of \$2.55 million. The City issued \$355,980 of new debt and made all scheduled repayments of existing bonded indebtedness for fiscal year 2012.

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, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,485,718	40,511	15,526,229
Investments	11,016,178	-	11,016,178
Receivables:			
Taxes	952,886	-	952,886
Tax liens	530,892	-	530,892
Intergovernmental	1,521,781	-	1,521,781
Accounts, (net of allowance for uncollectibles)	326,256	213,091	539,347
Notes	173,266	-	173,266
Internal balances	(4,047,322)	4,047,322	-
Inventories	160,333	22,648	182,981
Prepaid expenses	70,729	39,680	110,409
Capital assets, not being depreciated	1,490,002	428,950	1,918,952
Capital assets, net of accumulated depreciation	55,157,046	8,095,447	63,252,493
Total assets	82,837,765	12,887,649	95,725,414
LIABILITIES			
Accounts payable and other current liabilities	788,696	40,514	829,210
Accrued payroll and benefits	2,195,135	23,477	2,218,612
Compensated absences payable	3,527,575	146,313	3,673,888
Escrow payable	20,860	37,648	58,508
Taxes paid in advance	85,489	-	85,489
Accrued interest	221,479	-	221,479
Other postemployment benefits	4,800,629	-	4,800,629
Noncurrent liabilities:			
Due within one year	3,236,238	711,315	3,947,553
Due in more than one year	32,365,908	9,659,547	42,025,455
Total liabilities	47,242,009	10,618,814	57,860,823
NET ASSETS			
Invested in capital assets, net of related debt	31,405,084	2,607,547	34,012,631
Restricted for:			
Permanent Funds - Nonexpendable principal	535,987	-	535,987
Permanent Funds - Expendable	48,976	-	48,976
Education	3,612,781	-	3,612,781
Other grants	946,656	-	946,656
Tax Increment Financing	865,533	-	865,533
Unrestricted	(1,819,261)	(338,712)	(2,157,973)
Total net assets	\$ 35,595,756	2,268,835	37,864,591

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Activities
For the Year Ended June 30, 2012

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
Legislative and executive	\$ 503,962	-	56	-	(503,906)	-	(503,906)
Finance and administration	3,739,345	146,632	529,009	-	(3,063,704)	-	(3,063,704)
City services	2,911,274	100,454	1,287,655	34,281	(1,488,884)	-	(1,488,884)
Community services	2,629,189	47,102	905,254	-	(1,676,833)	-	(1,676,833)
Public safety	8,024,923	1,531,029	138,563	62,207	(6,293,124)	-	(6,293,124)
Public works	2,764,119	16,157	482,026	-	(2,265,936)	-	(2,265,936)
Education	31,653,870	2,246,872	18,382,633	-	(11,024,365)	-	(11,024,365)
Retirement and insurance	2,887,343	-	-	-	(2,887,343)	-	(2,887,343)
Utilities	1,686,770	-	-	-	(1,686,770)	-	(1,686,770)
Unclassified	1,633,097	-	6,100	-	(1,626,997)	-	(1,626,997)
Interest on debt	155,541	-	-	-	(155,541)	-	(155,541)
Central garage	1,578,780	300,142	-	-	(1,278,638)	-	(1,278,638)
Capital maintenance	-	-	-	117,619	117,619	-	117,619
Total governmental activities	60,168,213	4,388,388	21,731,296	214,107	(33,834,422)	-	(33,834,422)
Business-type activities:							
Augusta Civic Center	2,658,420	2,650,079	-	-	-	(8,341)	(8,341)
Hatch Hill Landfill	2,197,797	2,526,179	-	-	-	328,382	328,382
Total business-type activities	4,856,217	5,176,258	-	-	-	320,041	320,041
Total primary government	\$ 65,024,430	9,564,646	21,731,296	214,107	(33,834,422)	320,041	(33,514,381)
General revenues:							
Property taxes, levied for general purposes					\$ 27,761,746	-	27,761,746
Motor vehicle excise taxes					2,843,177	-	2,843,177
Licenses and permits					372,244	-	372,244
Cable TV franchise fee					131,582	-	131,582
Grants and contributions not restricted to specific programs:							
Homestead exemption					357,952	-	357,952
Business equipment tax reimbursement					232,667	-	232,667
State Revenue Sharing					1,722,883	-	1,722,883
Other					27,468	-	27,468
Unrestricted investment earnings					257,303	50	257,353
Miscellaneous revenues					299,694	-	299,694
Gain (loss) on disposal of assets					(129,343)	(1,057)	(130,400)
Transfers					108,437	(108,437)	-
Total general revenues and transfers					33,985,810	(109,444)	33,876,366
Change in net assets					151,388	210,597	361,985
Net assets - beginning					35,444,368	2,058,238	37,502,606
Net assets - ending					\$ 35,595,756	2,268,835	37,864,591

CITY OF AUGUSTA, MAINE
Balance Sheet
Governmental Funds
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 15,066,135	419,583	15,485,718
Investments	10,580,726	435,452	11,016,178
Receivables:			
Taxes	952,886	-	952,886
Tax liens	530,892	-	530,892
Due from other governments	391,389	1,130,392	1,521,781
Accounts receivable, net of allowance for uncollectibles	235,710	86,191	321,901
Notes receivable	-	173,266	173,266
Interfund loans receivable	-	5,581,040	5,581,040
Inventory	296	42,228	42,524
Prepaid items	65,441	2,053	67,494
Total assets	\$ 27,823,475	7,870,205	35,693,680
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued liabilities	700,830	85,241	786,071
Accrued payroll and benefits	1,970,744	242,998	2,213,742
Escrow payable	20,860	-	20,860
Deferred revenue	1,100,000	-	1,100,000
Taxes received in advance	85,489	-	85,489
Interfund loans payable	9,455,308	732,315	10,187,623
Total liabilities	13,333,231	1,060,554	14,393,785
Fund balances:			
Nonspendable	65,737	751,481	817,218
Restricted	3,612,781	1,861,165	5,473,946
Committed	-	4,429,310	4,429,310
Assigned	4,662,999	-	4,662,999
Unassigned	6,148,727	(232,305)	5,916,422
Total fund balances	14,490,244	6,809,651	21,299,895
Total liabilities and fund balances	\$ 27,823,475	7,870,205	
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.			54,749,799
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			1,100,000
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			2,519,544
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:			
Accrued compensated absences			(3,449,228)
Accrued interest			(221,479)
Other postemployment benefits			(4,800,629)
Capital leases			(376,113)
Bonds payable			(35,226,033)
Net assets of governmental activities		\$	35,595,756

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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 29,042,178	2,335,372	31,377,550
Licenses and permits	372,244	-	372,244
Intergovernmental	17,903,276	4,534,683	22,437,959
Tuition and other charges - education	1,758,891	-	1,758,891
Charges for services	1,694,487	588,435	2,282,922
Fees and fines	46,433	-	46,433
Unclassified	762,583	1,517,107	2,279,690
Investment earnings	231,746	25,557	257,303
Total revenues	51,811,838	9,001,154	60,812,992
Expenditures:			
Current:			
Legislative and executive	506,541	-	506,541
Finance and administration	1,564,998	2,308,762	3,873,760
City services	1,341,956	1,308,085	2,650,041
Community services	2,047,800	715,593	2,763,393
Public safety	7,719,755	181,935	7,901,690
Public works	2,969,686	118,626	3,088,312
Education	28,161,513	3,913,864	32,075,377
Retirement and insurance	2,578,557	-	2,578,557
Utilities	1,686,770	-	1,686,770
Unclassified	1,407,042	9,805	1,416,847
Debt service (excluding education)	694,840	-	694,840
Capital outlay	132,940	1,865,304	1,998,244
Total expenditures	50,812,398	10,421,974	61,234,372
Excess (deficiency) of revenues over (under) expenditures	999,440	(1,420,820)	(421,380)
Other financing sources (uses):			
Bond proceeds	-	1,245,790	1,245,790
Transfers from other funds	946,583	-	946,583
Transfers to other funds	(217,213)	(592,635)	(809,848)
Total other financing sources (uses)	729,370	653,155	1,382,525
Net change in fund balances	1,728,810	(767,665)	961,145
Fund balances, beginning of year	12,761,434	7,577,316	20,338,750
Fund balances, end of year	\$ 14,490,244	6,809,651	21,299,895

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, 2012

Net change in fund balances - total governmental funds (from Statement 4)	\$	961,145
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$2,655,139) and loss on disposal (\$119,352) exceeded capital expenditures (\$2,143,770) (630,721)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (772,627)

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. 102,086

Change in accruals are recorded on the statement of net assets, but not on the governmental fund balance sheet - accrued compensated absences (\$206,468), accrued interest (\$9,799) and other post employment benefits (\$1,062,936). (1,259,605)

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 repayments (\$2,909,506), exceeded the reduction of cash held in escrow (\$889,810) and the amount of proceeds (\$355,980). 1,663,716

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. 87,394

Change in net assets of governmental activities (see Statement 2)	\$	151,388
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See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2012

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 28,082,063	28,082,063	29,042,178	960,115
Licenses and permits	130,510	130,510	372,244	241,734
Intergovernmental	15,765,688	15,765,688	15,882,572	116,884
Tuition and other charges - education	1,707,595	1,707,595	1,758,891	51,296
Charges for services	1,415,306	1,415,306	1,694,487	279,181
Fees and fines	49,600	49,600	46,433	(3,167)
Unclassified	509,559	509,559	644,964	135,405
Investment earnings	518,347	518,347	231,746	(286,601)
Total revenues	48,178,668	48,178,668	49,673,515	1,494,847
Expenditures:				
Current:				
Legislative and executive	562,656	580,639	541,282	39,357
Finance and administration	1,554,435	1,525,683	1,525,188	495
City services	1,519,814	1,563,597	1,386,679	176,918
Community services	2,008,847	2,041,651	2,097,974	(56,323)
Public safety	7,748,093	7,892,475	7,870,019	22,456
Public works	3,289,690	3,486,456	3,158,126	328,330
Education	26,974,072	27,226,353	26,520,191	706,162
Retirement and insurance	2,715,623	2,739,269	2,578,557	160,712
Utilities	1,845,345	1,845,345	1,686,770	158,575
Unclassified	1,355,291	1,355,291	1,407,042	(51,751)
Debt service (excluding education)	809,226	717,351	694,840	22,511
Total expenditures	50,383,092	50,974,110	49,466,668	1,507,442
Excess (deficiency) of revenues over (under) expenditures	(2,204,424)	(2,795,442)	206,847	3,002,289
Other financing sources (uses):				
Budgeted utilization of surplus - City	220,178	305,639	-	(305,639)
Budgeted utilization of surplus - School	1,252,579	1,252,579	-	(1,252,579)
Use of carryforwards - City	-	470,489	-	(470,489)
Use of carryforwards - School	-	252,281	-	(252,281)
Transfers to other funds	-	(217,213)	(217,213)	-
Transfers from other funds	890,093	890,093	864,142	(25,951)
Total other financing sources (uses)	2,362,850	2,953,868	646,929	(2,306,939)
Net change in fund balance - budgetary basis	158,426	158,426	853,776	695,350
Reconciliation to GAAP basis:				
Add back: encumbrances expended in budgetary - City			485,993	
Add back: encumbrances expended in budgetary - School			379,382	
Change in reserves			9,659	
Net change in fund balance - GAAP basis			1,728,810	
Fund balance, beginning of year			12,761,434	
Fund balance, end of year	\$		14,490,244	

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Totals	
ASSETS				
Current assets:				
Cash	\$ 40,511	-	40,511	-
Accounts receivable, net	107,314	105,777	213,091	4,355
Interfund loans receivable	-	4,111,516	4,111,516	559,261
Prepaid expenses	6,090	33,590	39,680	3,235
Inventory	22,648	-	22,648	117,809
Total current assets	176,563	4,250,883	4,427,446	684,660
Noncurrent assets:				
Property, plant, and equipment:				
Land	390,000	38,950	428,950	-
Buildings and improvements	8,930,183	23,372	8,953,555	161,362
Equipment and vehicles	376,298	923,321	1,299,619	4,872,784
Hatch Hill landfill system	-	5,801,086	5,801,086	-
Less accumulated depreciation	(5,433,011)	(2,525,802)	(7,958,813)	(3,136,897)
Total noncurrent assets	4,263,470	4,260,927	8,524,397	1,897,249
Total assets	4,440,033	8,511,810	12,951,843	2,581,909
LIABILITIES				
Current liabilities:				
Accounts payable	24,094	16,420	40,514	2,625
Accrued wages and benefits payable	16,997	6,480	23,477	6,650
Accrued compensated absences	124,370	21,943	146,313	53,090
Refundable deposits	37,648	-	37,648	-
Current portion of bonds payable	226,315	485,000	711,315	-
Interfund loans payable	64,194	-	64,194	-
Total current liabilities	493,618	529,843	1,023,461	62,365
Noncurrent liabilities:				
Bonds payable	1,810,535	3,395,000	5,205,535	-
Accrued landfill closure and postclosure costs	-	4,454,012	4,454,012	-
Total noncurrent liabilities	1,810,535	7,849,012	9,659,547	-
Total liabilities	2,304,153	8,378,855	10,683,008	62,365
NET ASSETS				
Invested in capital assets, net of related debt	2,226,620	380,927	2,607,547	1,897,249
Unrestricted	(90,740)	(247,972)	(338,712)	622,295
Total net assets	\$ 2,135,880	132,955	2,268,835	2,519,544

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, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Totals	
Operating revenues:				
Rental income	\$ 1,254,561	-	1,254,561	-
Fees	-	2,526,136	2,526,136	1,699,255
Food and beverage sales	1,395,518	-	1,395,518	-
Miscellaneous	-	43	43	5,208
Total operating revenues	2,650,079	2,526,179	5,176,258	1,704,463
Operating expenses:				
Personnel services	1,284,780	426,181	1,710,961	440,000
Contractual services	344,370	529,513	873,883	54,473
Supplies and materials	519,138	104,815	623,953	749,203
Fixed charges	20,112	424,665	444,777	2,927
Capital outlay	23,952	-	23,952	-
Depreciation	305,946	454,965	760,911	315,610
Total operating expenses	2,498,298	1,940,139	4,438,437	1,562,213
Operating income	151,781	586,040	737,821	142,250
Nonoperating revenue (expense):				
Interest income	-	50	50	-
Interest expense	(160,122)	(257,658)	(417,780)	(16,567)
Gain (loss) on disposal of equipment	(1,057)	-	(1,057)	(9,991)
Total nonoperating revenue (expense)	(161,179)	(257,608)	(418,787)	(26,558)
Net income (loss) before transfers	(9,398)	328,432	319,034	115,692
Transfers:				
Transfer from (to) other funds	(59,960)	(48,477)	(108,437)	(28,298)
Total transfers	(59,960)	(48,477)	(108,437)	(28,298)
Change in net assets	(69,358)	279,955	210,597	87,394
Total net assets, beginning of year	2,205,238	(147,000)	2,058,238	2,432,150
Total net assets, end of year	\$ 2,135,880	132,955	2,268,835	2,519,544

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Totals	
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,603,171	2,541,805	5,144,976	1,700,193
Payments to suppliers	(882,344)	(2,909,592)	(3,791,936)	(817,329)
Payments to employees	(1,287,968)	(429,999)	(1,717,967)	(440,598)
Payments for internal services used	(11,088)	(211,428)	(222,516)	-
Net cash provided by (used in) operating activities	421,771	(1,009,214)	(587,443)	442,266
Cash flows from non-capital financing activities:				
Transfers to other funds	(59,960)	(48,477)	(108,437)	(28,298)
(Increase) decrease in interfund loans	210,676	1,822,713	2,033,389	114,275
Net cash provided by (used in) non-capital financing activities	150,716	1,774,236	1,924,952	85,977
Cash flows from capital and related financing activities:				
Purchase of capital assets	(178,433)	(22,414)	(200,847)	(515,407)
Proceeds from sale of capital assets	-	-	-	3,731
Bond, note and lease principal payments	(226,316)	(485,000)	(711,316)	-
Interest paid	(160,122)	(257,658)	(417,780)	(16,567)
Net cash provided by (used in) capital financing activities	(564,871)	(765,072)	(1,329,943)	(528,243)
Cash flows from investing activities:				
Investment income	-	50	50	-
Net cash provided by (used in) investing activities	-	50	50	-
Increase in cash	7,616	-	7,616	-
Cash, beginning of year	32,895	-	32,895	-
Cash, end of year	\$ 40,511	-	40,511	-
Reconciliation of operating income to net cash provided by (used in) by operating activities:				
Operating income	\$ 151,781	586,040	737,821	142,250
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	305,946	454,965	760,911	315,610
(Increase) decrease in operating assets:				
Accounts receivable	(46,908)	15,626	(31,282)	(4,270)
Prepaid expenses	(1,015)	(29,449)	(30,464)	910
Inventory	682	-	682	(10,181)
Increase (decrease) in operating liabilities:				
Accounts payable	8,980	(292,752)	(283,772)	(1,455)
Accrued wages and benefits	(11,004)	(4,830)	(15,834)	(3,881)
Accrued compensated absences	7,816	1,012	8,828	3,283
Refundable deposit	5,493	-	5,493	-
Accrued landfill closure and postclosure costs	-	(1,739,826)	(1,739,826)	-
Net cash provided by (used in) operating activities	421,771	(1,009,214)	(587,443)	442,266

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private- purpose Trust Funds	Agency Funds	
		SIB Loans	Student Activities
ASSETS			
Cash	\$ 18,056	-	310,618
Investments	231,752	730,172	-
Total assets	249,808	730,172	310,618
LIABILITIES			
Due to others	-	730,172	310,618
Total liabilities	-	730,172	310,618
NET ASSETS			
Held in trust	\$ 249,808	-	-

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2012

	Private- purpose Trust Funds
<hr/>	
Additions:	
Donations	\$ 10,340
Investment income	4,068
Total additions	14,408
<hr/>	
Deductions:	
Scholarships and other	22,330
Total deductions	22,330
<hr/>	
Change in net assets	(7,922)
Net assets, beginning of year, reclassified	257,730
<hr/>	
Net assets, end of year	\$ 249,808

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

Related Organizations:

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

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

B. Government-wide and Fund Financial Statements

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

The City reports the following major governmental fund:

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

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 enterprise 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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2012 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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the City imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise, the City Council, Board of Education, or a body or official delegated by the City Council or Board of Education may assign unspent budgeted amounts to specific purposes in the General Fund at year end based on Department requests.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the City's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the City's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

10. Interfund Transactions

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

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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, 2012, the City budgeted to utilize \$220,178 and the Department of Public Schools budgeted to utilize \$1,252,579 of prior year fund balance as a budgeted use of surplus.

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the following areas:

Central services	\$ 538	Fort Western	102
City clerk/treasurer/collection	29,167	Health and welfare	9,760
Community services admin	293	General assistance	84,403
Recreation	123	Public works – highway	136,211

C. Deficit Fund Balances

At June 30, 2012, the following funds had deficit fund balances:

Education Jobs Bill	\$ 18,651	Title IA - CIPS	62,266
Title IIA	28,310	Cony Maine Youth Voices	1,898
Title IA	22,083	CIPS	13,964
Local Entitlement	42,968	21 st Century	18,083
Rural Low Income	19,311	Title III – ESL	459
Reading First - Farrington	3,026	Greenhouse	1,121
Title IID CSIS – ARRA	165		

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

DEPOSITS AND INVESTMENTS

As of June 30, 2012, the City had the following investments, some of which are classified as cash and cash equivalents:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
Money market	\$ 1,075,017	N/A
Government mutual fund	21,280	N/A
U.S. Treasury Notes	8,479,517	2.781
Federal Home Loan Management	1,010,590	2.384
Federal National Mortgage Association	2,466,715	1.847

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. As of June 30, 2012, 100% of the City's bank balance of \$15,618,646 was covered by FDIC insurance or fully insured or collateralized. In accordance with its investment policy, the City's funds must be fully covered under FDIC, fully insured or fully collateralized, with pledged collateral being at least 110% of market value of the net amount of public funds secured when marked to market monthly at least 102% of market value of the net amount of public funds secured when marked to market daily.

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. Of the City's \$1,075,017 investment in money market, 100% was collateralized by underlying securities. In accordance with its investment policy, the City minimizes custodial credit risk by only doing business with authorized institutions, depositories, and broker/dealers, and that funds must be fully covered under FDIC, fully insured or fully collateralized, with pledged collateral being at least 110% of market value of the net amount of public funds secured when marked to market monthly at least 102% of market value of the net amount of public funds secured when marked to market daily.

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

DEPOSITS AND INVESTMENTS, CONTINUED

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. As of June 30, 2012, all of the City's investment in were rated AAA by Standard & Poor's. In accordance with its investment policy, the City minimizes credit risk by limiting the types of investments to be purchased, pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses will be minimized.

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. In accordance with its investment policy, the City structures its investment portfolio so securities mature to meet cash requirements for ongoing operations. It invests funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of June 30, 2012, the City had the following accounts receivable with allowance for uncollectible account balances:

	<u>General Fund</u>	<u>Augusta Civic Center</u>
Accounts receivable	\$ 275,839	109,861
Allowance for uncollectible accounts	(40,129)	(2,547)
<u>Accounts receivable, net</u>	<u>\$ 235,710</u>	<u>107,314</u>

PROPERTY TAX

Property taxes for the current year were committed on July 27, 2011, 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 \$158,426 for the year ended June 30, 2012.

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.

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

PROPERTY TAX, CONTINUED

The following summarizes the levy:

	<u>2012</u>	<u>2011</u>
Assessed value	\$ 1,594,105,400	1,585,823,000
Tax rate (per \$1,000)	17.30	17.05
Commitment	27,578,023	27,038,282
Supplemental taxes assessed	8,615	1,033
	27,586,638	27,039,315
Less:		
Abatements	19,914	23,207
Collections	26,662,434	25,845,259
Current year taxes receivable at end of year	\$ 904,290	1,170,849
Due date(s) - current year	½ Sept. 15, 2011 ½ March 15, 2012	½ Sept. 9, 2010 ½ March 10, 2011
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	96.72%	95.67%
Taxes receivable - current year	\$ 904,290	1,170,849
Taxes receivable - prior years	48,596	44,945
Tax liens - prior year	530,892	860,583
Total taxes receivables	\$ 1,483,778	2,076,377

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,490,002	-	-	-	1,490,002
Construction in progress	148,238	741,572	-	889,810	-
Total capital assets not being depreciated	1,638,240	741,572	-	889,810	1,490,002
Capital assets, being depreciated:					
Buildings and building improvements	61,643,134	1,026,701	98,725	-	62,768,560
Machinery, vehicles and equipment	8,168,345	415,119	(29,075)	261,839	8,292,550
Infrastructure	32,008,624	875,660	-	-	32,884,284
Internal service fund equipment	4,817,652	489,935	(69,650)	365,153	4,872,784
Total capital assets being depreciated	106,637,755	2,807,415	-	626,992	108,818,178
Less accumulated depreciation for:					
Buildings and building improvements	25,794,049	1,367,170	36,685	-	27,197,904
Machinery, vehicles and equipment	5,420,688	614,197	(4,168)	142,487	588,230
Infrastructure	16,804,669	682,920	4,168	-	17,491,757
Internal service fund equipment	3,164,895	306,462	(36,685)	351,431	3,083,241
Total accumulated depreciation	51,184,301	2,970,749	-	493,918	53,661,132
Total capital assets being depreciated, net	55,453,454	(163,334)	-	133,074	55,157,046
Governmental activities capital assets, net	\$ 57,091,694	578,238	-	1,022,884	56,647,048

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

CAPITAL ASSETS, CONTINUED

	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 428,950	-	-	-	428,950
Construction in progress	72,693	-	-	72,693	-
Total capital assets not being depreciated	501,643	-	-	72,693	428,950
Capital assets, being depreciated:					
Buildings and building improvements	8,720,998	232,557	-	-	8,953,555
Machinery and equipment	1,319,154	40,984	-	60,519	1,299,619
Landfill	5,801,086	-	-	-	5,801,086
Total capital assets being depreciated	15,841,238	273,541	-	60,519	16,054,260
Less accumulated depreciation for:					
Buildings and building improvements	4,933,698	278,482	-	-	5,212,180
Machinery and equipment	841,594	150,197	-	59,462	932,329
Landfill	1,482,072	332,232	-	-	1,814,304
Total accumulated depreciation	7,257,364	760,911	-	59,462	7,958,813
Total capital assets being depreciated, net	8,583,874	(487,370)	-	1,057	8,095,447
Business-type activities capital assets, net	\$ 9,085,517	(487,370)	-	73,750	8,524,397

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

Governmental activities:

Legislative and executive	\$ 4,506
Finance and administration	9,526
City services	275,464
Community services	39,757
Public safety	329,199
Public works	691,919
Education	1,304,768
Central garage	315,610

Total depreciation expense – governmental activities \$ 2,970,749

Business-type activities:

Augusta Civic Center	\$ 305,946
Hatch Hill Landfill	454,965

Total depreciation expense – business-type activities \$ 760,911

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

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 37,779,559	355,980	2,909,506	35,226,033	3,135,604
Capital leases	478,199	-	102,086	376,113	100,634
Compensated absences	3,315,131	212,444	-	3,527,575	-
Other post-employment	3,737,693	2,137,421	1,074,485	4,800,629	-
Governmental activities long-term liabilities	\$ 45,310,582	2,705,845	4,086,077	43,930,350	3,236,238
Business-type activities:					
General obligation bonds	\$ 6,628,165	-	711,315	5,916,850	711,315
Landfill closure	6,193,838	-	1,739,826	4,454,012	-
Compensated absences	137,485	8,828	-	146,313	-
Business-type activities long-term liabilities	\$ 12,959,488	8,828	2,451,141	10,517,175	711,315

BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2012 are comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2012</u>
Governmental activities:					
General obligation bonds #2 2002	10/30/02	\$ 500,000	2012	2.500-3.450%	50,000
Pension obligation bonds 2003	2/13/03	13,150,000	2013	4.000-5.250%	9,160,000
General obligation bonds 2004	12/9/04	3,495,000	2024	2.750-4.250%	1,925,000
General obligation bonds 2005	5/18/06	28,450,000	2026	4.125-5.000%	21,150,000
General obligation bonds 2007	4/25/07	500,000	2017	1.100-6.000%	250,000
General obligation bonds 2009	6/17/09	1,040,000	2019	2.000-3.375%	725,000
General obligation bonds 2011	5/26/11	1,250,000	2031	2.120-3.375%	1,250,000
School revolving loan fund	3/17/11	889,810 (a)	2024	0.000%	360,053
Qualified school construction	12/30/11	355,980	2022	4.810%	355,980
Total governmental activities					35,226,033
Business-type activities:					
Hatch Hill Expansion Bond	5/31/00	9,700,000	2019	4.528-5.903%	3,880,000
Civic Center Expansion	5/25/01	4,300,000	2020	4.039-5.539%	2,036,850
Total business-type activities					5,916,850
Total bonds and notes payable					\$ 41,142,883

(a) \$489,751 of this bond was forgiven by the State.

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

BONDS AND NOTES PAYABLE, CONTINUED

The annual requirements to amortize all long-term debt outstanding as of June 30, 2012 are as follows:

June 30,	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 3,135,604	1,505,666	4,641,270	711,315	318,729	1,030,044
2014	3,245,604	1,364,118	4,609,722	711,315	278,695	990,010
2015	3,415,604	1,214,908	4,630,512	711,315	238,096	949,411
2016	3,495,604	1,059,531	4,555,135	711,315	197,497	908,812
2017	3,640,604	899,023	4,539,627	711,315	156,614	867,929
2018-2022	10,618,013	2,718,447	13,336,460	2,360,275	229,120	2,589,395
2023-2027	7,500,000	902,766	8,402,766	-	-	-
2028-2032	175,000	13,796	188,796	-	-	-
Total	\$ 35,226,033	9,678,255	44,904,288	5,916,850	1,418,751	7,335,601

CAPITAL LEASES

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

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2012.

	Governmental Funds
2013	\$ 114,554
2014	114,554
2015	114,554
2016	65,066
Total minimum lease payments	408,728
Less: amount representing interest	32,615
Present value of future minimum lease payments	\$ 376,113

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 \$41,142,883 at June 30, 2012 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, 2012:

<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	\$ 30,000	15.03%	4,509

The debt of Kennebec County is paid through annual county tax assessments to the City. Additionally, the City would be responsible for \$3,620,327 of the Greater Augusta Utilities District's debt if the District was to default payment.

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

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.

INTERFUND BALANCES

As of June 30, 2012, the balances of interfund loans receivable/payable were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in (out)</u>
General Fund	\$ -	9,455,308	729,370
Special Revenue Funds:			
CDBG Loan Fund	10,555	-	-
Airport	-	31,849	-
Other City Special Revenues	3,142,827	-	(501,736)
Other School Special Revenues	-	700,466	-
School Lunch	212,177	-	(80,000)
Internal Service Fund	559,261	-	(28,298)
Proprietary Funds:			
Hatch Hill Fund	4,111,516	-	(48,477)
Augusta Civic Center	-	64,194	(59,960)
Capital Projects Fund	2,070,974	-	(10,899)
Permanent Fund	144,507	-	-
Totals	\$ 10,251,817	10,251,817	-

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

BUDGETARY VS. GAAP BASIS OF ACCOUNTING - GENERAL FUND

As required by accounting principles generally accepted in the United States of America, the School Department has recorded a revenue and an expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$2,020,704.

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 PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)

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

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute at actuarially determined rates. The current rates range from 2.8% - 6.5% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Legislature. The City and School Department's contributions to the Retirement Participating Local District for the year ended June 30, 2012, 2011, and 2010 were \$569,325, \$433,784, and \$355,407, respectively.

Maine Public Employees Retirement System - Teachers Group

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

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,020,704 (16.36%) for the fiscal year 2012. 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 16.36% of their compensation. This cost is charged to the applicable grant.

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

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2012:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 110,308,180	16,483,210
Accumulated depreciation	(53,661,132)	(7,958,813)
Bonds payable	(35,226,033)	(5,916,850)
Add back unspent bond proceeds	1,200,182	-
Add back pension obligation bonds	9,160,000	-
Capital leases payable	(376,113)	-
<u>Total invested in capital assets net of related debt</u>	<u>\$ 31,405,084</u>	<u>2,607,547</u>

CONTRACT COMMITMENTS

The Augusta School Department has entered into a contract for school transportation services with First Students, Inc. The contract expires in June of 2017. Future payments under this contract are as follows:

2013	\$ 588,000
2014	588,000
2015	588,000
2016	588,000
2017	588,000
<u>Total</u>	<u>\$ 2,940,000</u>

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

FUND BALANCE

As of June 30, 2012, fund balance components consisted of the following:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Inventory and prepaid items	\$ 65,737	42,228	107,965
Notes receivable	-	173,266	173,266
Principal for permanent funds	-	535,987	535,987
Total nonspendable	65,737	751,481	817,218
Restricted:			
Finance and administration	-	866,918	866,918
City services	-	403,166	403,166
Community services	-	38,010	38,010
Public safety	-	31,466	31,466
Public works	-	27,960	27,960
Education	3,612,781	444,669	4,057,450
Permanent funds	-	48,976	48,976
Total restricted	3,612,781	1,861,165	5,473,946
Committed:			
Legislative and executive	-	6,476	6,476
Finance and administration	-	78,349	78,349
City services	-	1,162,145	1,162,145
Community services	-	603,324	603,324
Public safety	-	137,699	139,699
Public works	-	7,436	7,436
Capital projects	-	2,433,881	2,433,881
Total committed	-	4,429,310	4,429,310
Assigned:			
Subsequent budget	496,683	-	496,683
Reserves	2,325,411	-	2,325,411
Encumbrances	485,993	-	485,993
Landfill	247,972	-	247,972
Civic Center	90,740	-	90,740
Capital improvements	516,200	-	516,200
Library renovation and expansion	500,000	-	500,000
Total assigned	4,662,999	-	4,662,999
Unassigned	6,148,727	(232,305)	5,916,422
Total fund balance	\$ 14,490,244	6,809,651	21,299,895

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

TAX INCREMENT FINANCING DISTRICTS

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

	Original value	Increase in value	TIF cap	Captured value	Captured tax
Marketplace Phase I	\$ 1,663,100	51,910,200	(A)	51,910,200	535,000
Marketplace Phase II	6,346,100	73,452,300	(B)	73,452,300	1,129,857
McCarthy Phase I	2,949,700	366,900	100%	366,900	6,347
McCarthy Phase II	2,032,200	1,282,200	50%	641,100	11,091
Pomerleau	262,600	4,435,800	40%	1,774,320	30,696
Water Street Apartments	336,800	1,596,500	50%	798,250	13,810
Kennebec Arsenal	-	1,598,500	100%	1,598,500	27,654 (C)
Downtown	30,377,100	16,140,600	100%	16,140,600	279,232
Cony Village	170,200	1,280,000	75%	960,000	16,608
Cony Circle	12,481,400	9,936,000	100%	9,936,000	171,893
Commerce Center	1,550,000	5,899,600	100%	5,899,600	102,063
Old Belgrade Exit	7,552,200	4,800	100%	4,800	83

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

(B) \$330,000 to be captured for credit enhancement agreement with developers and moved \$799,857 to Downtown TIF to be transferred out for debt service for the parking garage.

(C) The City has not received the full tax payment for this TIF District as of June 30, 2012.

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, expansion II, and expansion III. The old site and the expansion I site are currently at capacity and have been closed in accordance with Department of Environmental Protection Standards (DEP). The interim site has been temporarily closed in accordance with a DEP operating license. Expansion II and III are the current operating landfills. Expansion II is in the process of being closed and expansion III has capacity for approximately 586,000 tons of municipal solid waste. As of June 30, 2012, a total of approximately 217,084 tons has been placed in the expansion III 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 as follows:

Closure:	
Expansion II	\$ 3,290,565
Interim site	281,750
Expansion III (37%)	2,617,574
Closure costs incurred	(3,236,583)
Postclosure monitoring, maintenance and leachate removal	1,500,706
Total accrued liability for land- fill closure and postclosure costs	\$ 4,454,012

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

LANDFILL LIABILITIES, CONTINUED

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

RISK MANAGEMENT - CITY

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors, and omissions, and natural disasters for which the City either carries commercial insurance, or participates in public entity risk pools or is effectively self-insured. Currently, the City participates in two public entity risk pool sponsored by the Maine Municipal Association. 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, 2012.

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.

OTHER POST EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the City of Augusta, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The City is a member of the Maine Municipal Employee Health Trust, Northern New England Employee Benefit Trust and Maine Education Association. The Health Trust and the City contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultant in December of 2011.

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

Plan Descriptions - In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Municipal employees, except for firefighters, hired prior to January 1, 1992, with twenty-five years of service and are 55 years or older, are eligible for City provided 100% of family health insurance premiums. Police officers with twenty-five years of service are eligible for 100% of single health insurance premiums upon retirement. Firefighters hired prior to December 31, 2005, with twenty-five years of service, are eligible for 100% of single health insurance premiums.

Teachers are eligible for 50% of single health insurance coverage with twenty-two years of service upon retirement between the ages of 55-65. School administrators are eligible for 100% single health insurance premiums with seven years of service upon retirement between the ages of 55-65.

Municipal employees not eligible for City-provided health insurance premiums are eligible to receive health benefit coverage upon retirement with the eligible retiree covering 100% of the health insurance premium.

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

The following table represents the OPEB costs for the years ending June 30 and the annual required contribution:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal cost	\$ 387,120	387,120	387,120
Amortization of unfunded	1,774,143	1,774,143	1,774,143
Adjustment to ARC	(216,151)	(154,656)	(78,602)
Interest	192,309	149,774	97,169
Annual required contribution	\$ 2,137,421	2,156,381	2,179,830

Net OPEB Obligation – The City’s net OPEB obligations were calculated as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPEB liability, July 1	\$ 3,737,693	2,674,322	1,359,188
Annual required contribution	2,137,421	2,156,381	2,179,830
Less: Actual contributions	(1,074,485)	(1,093,010)	(864,696)
OPEB Liability, June 30	\$ 4,800,629	3,737,693	2,674,322

Information provided by the actuary included corrections for the participation assumptions. This change affected prior year calculations which were all corrected in the current year as a change in estimate.

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

Funding Status and Funding Progress - The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 2,137,421	2,156,381	2,179,830
Actual contribution	1,074,485	1,093,010	864,696
Percent contributed	49.01%	50.68%	39.66%
<hr/>			
Actuarial accrued liability	\$ 31,905,691	31,905,691	31,905,691
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 31,905,691	31,905,691	31,905,691
<hr/>			
Covered payroll	26,871,404	26,438,697	25,426,737
Unfunded actuarial accrued liability as a percentage of covered payroll	118.73%	120.68%	125.48%

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

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

Actuarial valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Retiree Healthcare Plan

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2009	1/1/2009	\$ -	31,905,691	31,905,691	0.00%	25,813,004	123.60%
2010	1/1/2009	-	31,905,691	31,905,691	0.00%	25,426,737	125.48%
2011	1/1/2011	-	31,905,691	31,905,691	0.00%	26,438,697	120.68%
2012	1/1/2011	-	31,905,691	31,905,691	0.00%	26,871,404	118.73%

GENERAL FUND

CITY OF AUGUSTA, MAINE
General Fund
Comparative Balance Sheets
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 15,066,135	16,952,057
Investments	10,580,726	11,063,615
Receivables:		
Taxes	952,886	1,215,794
Tax liens	530,892	860,583
Due from other governments	391,389	115,518
Accounts receivable, (net of allowance for uncollectibles)	235,710	621,896
Inventory	296	367
Prepaid items	65,441	87,545
Total assets	\$ 27,823,475	30,917,375
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and other accrued liabilities	700,830	307,545
Accrued payroll and benefits	1,970,744	2,500,150
Escrow payable	20,860	19,620
Deferred revenue	1,100,000	1,872,627
Taxes received in advance	85,489	81,702
Interfund loans payable	9,455,308	13,374,297
Total liabilities	13,333,231	18,155,941
Fund balances:		
Nonspendable - inventory and prepaids	65,737	87,912
Restricted for education	3,612,781	3,885,999
Assigned for subsequent budget	496,683	220,178
Assigned for reserves	2,325,411	2,315,752
Assigned for encumbrances	485,993	478,474
Assigned for landfill	247,972	475,478
Assigned for Civic Center	90,740	-
Assigned for library renovation and expansion	500,000	500,000
Assigned for capital improvements	516,200	-
Unassigned	6,148,727	4,797,641
Total fund balances	14,490,244	12,761,434
Total liabilities and fund balances	\$ 27,823,475	30,917,375

CITY OF AUGUSTA, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance positive (negative)	2011 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Real and personal property	\$ 25,253,689	26,027,609	773,920	24,471,965
Tax interest, lien penalties, payments in lieu	132,274	171,392	39,118	168,998
Excise taxes	2,696,100	2,843,177	147,077	2,782,613
Total taxes	28,082,063	29,042,178	960,115	27,423,576
Licenses and permits	130,510	372,244	241,734	205,010
Intergovernmental:				
Education	13,176,912	13,207,549	30,637	12,696,888
Tree growth reimbursement	5,205	12,085	6,880	10,362
Veterans exemption reimbursement	15,300	15,383	83	15,366
Homestead exemption	357,952	357,952	-	356,947
Business equipment tax reimbursement	232,458	232,667	209	242,575
State revenue sharing	1,666,467	1,722,883	56,416	1,725,571
General assistance DHS/SSI	3,950	15,281	11,331	5,832
Urban Rural Initiative Payment	307,444	318,772	11,328	307,444
Total intergovernmental	15,765,688	15,882,572	116,884	15,360,985
Tuition and other charges for services - education	1,707,595	1,758,891	51,296	1,696,094
Charges for services:				
Police	124,020	128,203	4,183	126,392
Fire and ambulance	1,100,032	1,377,860	277,828	1,390,824
Community services	15,650	25,635	9,985	17,634
Public works	24,750	16,157	(8,593)	13,527
Finance and admin	150,854	146,632	(4,222)	176,100
Total charges for services	1,415,306	1,694,487	279,181	1,724,477
Fees and fines:				
Traffic tickets	3,250	3,540	290	2,605
Court fees	19,000	16,501	(2,499)	23,372
Lithgow Library	22,850	21,467	(1,383)	20,073
False alarm calls	4,500	4,925	425	6,600
Total fees and fines	49,600	46,433	(3,167)	52,650
Unclassified:				
Rents - City property	138,516	133,388	(5,128)	138,131
Cemeteries	20,000	35,442	15,442	28,709
Contributions	70,000	70,000	-	70,000
Animal control program	9,700	9,323	(377)	10,758
General assistance reimbursement	61,875	109,322	47,447	90,259
Cable TV franchise	136,743	131,582	(5,161)	132,873
Public safety miscellaneous revenue	-	22,435	22,435	9,399
Public works miscellaneous	35,000	37,166	2,166	51,460
Workers compensation	7,500	14,238	6,738	4,288
Unclassified - City	20,225	7,903	(12,322)	30,953
Unclassified - Education	10,000	74,165	64,165	9,299
Total unclassified	509,559	644,964	135,405	576,129
Investment earnings	518,347	231,746	(286,601)	295,917
Total revenues	48,178,668	49,673,515	1,494,847	47,334,838

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

	2012		Variance positive (negative)	2011 Actual
	Budget	Actual		
Expenditures:				
Current:				
Legislative and executive:				
Mayor and council	\$ 32,408	27,300	5,108	26,198
City management	201,202	201,103	99	225,305
Corporation counsel	125,004	118,705	6,299	114,797
Central services	6,910	7,448	(538)	8,520
Unclassified	173,755	154,209	19,546	152,343
Contingency	41,360	32,517	8,843	27,966
Total legislative and executive	580,639	541,282	39,357	555,129
Finance and administration:				
City clerk/treasurer/collection	456,106	485,273	(29,167)	416,575
Registrations and elections	44,773	35,199	9,574	41,431
City auditor	152,342	147,232	5,110	137,907
Information systems	343,316	341,465	1,851	276,764
Assessor	144,196	142,555	1,641	170,458
Finance and administration	138,296	136,663	1,633	110,673
Human resources	246,654	236,801	9,853	223,466
Total finance and administration	1,525,683	1,525,188	495	1,377,274
City services:				
Economic development	221,995	180,102	41,893	184,235
Planning	170,453	156,994	13,459	155,663
Historic preservation	1,125	1,063	62	360
Code enforcement	160,344	130,815	29,529	116,730
City services administration	57,451	51,821	5,630	28,683
Engineering	105,490	98,128	7,362	113,324
City facilities	846,739	767,756	78,983	719,428
Total City services	1,563,597	1,386,679	176,918	1,318,423
Community services:				
Community services administration	158,761	159,054	(293)	150,012
Public library	606,789	606,760	29	567,866
Recreation	172,203	172,326	(123)	171,773
Parks and cemeteries	761,909	736,056	25,853	676,415
Fort Western	81,407	81,509	(102)	73,658
Bicentennial Nature Park	41,004	28,528	12,476	33,774
Health and welfare	95,828	105,588	(9,760)	97,826
General assistance	123,750	208,153	(84,403)	188,128
Total community services	2,041,651	2,097,974	(56,323)	1,959,452

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

	2012		Variance positive (negative)	2011 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Public safety:				
Police	\$ 3,998,908	3,985,015	13,893	3,863,410
Fire and ambulance	3,876,707	3,873,831	2,876	3,794,749
Civil Emergency Preparedness	16,860	11,173	5,687	12,953
Total public safety	7,892,475	7,870,019	22,456	7,671,112
Public works:				
Public works administration	56,115	55,508	607	83,681
Highway	1,434,796	1,571,007	(136,211)	1,569,765
Snow removal	1,228,073	786,891	441,182	1,107,270
Waste removal	767,472	744,720	22,752	742,810
Total public works	3,486,456	3,158,126	328,330	3,503,526
Education:				
Current:				
Elementary	9,768,069	9,761,556	6,513	8,601,313
Secondary	9,096,591	8,566,119	530,472	8,537,398
Adult education	580,384	532,360	48,024	556,317
District-wide	4,228,655	4,144,803	83,852	3,698,865
Grade span costs	996,167	958,860	37,307	964,530
Debt service	2,556,487	2,556,493	(6)	2,562,919
Total education	27,226,353	26,520,191	706,162	24,921,342
Retirement and insurance:				
Retirement and insurance	2,739,269	2,578,557	160,712	2,537,850
Total retirement and insurance	2,739,269	2,578,557	160,712	2,537,850
Utilities:				
Sanitary sewer and drains	580,183	579,205	978	596,710
Lighting and electricity	543,696	509,020	34,676	533,817
Water	721,466	598,545	122,921	719,352
Total utilities	1,845,345	1,686,770	158,575	1,849,879

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

	2012		Variance positive (negative)	2011 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Unclassified:				
Bad debts	\$ -	802	(802)	-
County tax	1,355,291	1,350,807	4,484	1,396,619
Sick/vacation payout	-	55,433	(55,433)	237,003
Total unclassified	1,355,291	1,407,042	(51,751)	1,633,622
Debt service (excluding education)	717,351	694,840	22,511	765,334
Total expenditures	50,974,110	49,466,668	1,507,442	48,092,943
Excess (deficiency) of revenues over (under) expenditures	(2,795,442)	206,847	3,002,289	(758,105)
Other financing sources (uses):				
Budgeted utilization of surplus - City	305,639	-	(305,639)	-
Budgeted utilization of surplus - School	1,252,579	-	(1,252,579)	-
Use of carryforwards - City	470,489	-	(470,489)	-
Use of carryforwards - School	252,281	-	(252,281)	-
Transfers to other funds - City	(217,213)	(217,213)	-	(102,319)
Transfers from other funds	890,093	864,142	(25,951)	913,342
Total other financing sources (uses)	2,953,868	646,929	(2,306,939)	811,023
Net change in fund balance - budgetary basis	158,426	853,776	695,350	52,918
Reconciliation to GAAP basis:				
Add back: encumbrances expended in budgetary - City		485,993		478,474
Add back: encumbrances expended in budgetary - School		379,382		274,261
Change in reserves		9,659		173,749
Net change in fund balance - GAAP basis		1,728,810		979,402
Fund balance, beginning of year		12,761,434		11,782,032
Fund balance, end of year	\$	14,490,244		12,761,434

CITY OF AUGUSTA, MAINE
Reserves - General Fund
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the year ended June 30, 2012

	Fund balances beginning of year	Revenues	Expenditures		Transfers	Fund balances end of year
		Unclassified	Capital outlay	Finance and administration		
City reserves:						
1820 City Carryforward	\$ 961	-	-	-	(961)	-
1901 Central service reserve	33,472	2,619	2,619	-	2,877	36,349
1902 Equipment maintenance self reserve	162,000	-	50,466	-	33,261	144,795
1903 Sick and vacation reserve	1,717,625	-	-	-	-	1,717,625
1905 Historic preservation reserve	21,778	-	-	-	4,700	26,478
1906 Police local match reserve	41,063	-	-	-	(4,104)	36,959
1907 Fire local match reserve	(4,104)	-	-	-	4,104	-
1908 Quimby lot infrastructure reserve	59,837	-	-	-	-	59,837
1909 Actuarial study	5,000	-	-	-	-	5,000
1911 Severance payout	90,814	-	-	57,461	-	33,353
1912 Lithgow Library construction	127,442	-	79,855	-	42,564	90,151
1913 Job retention program	50,000	-	-	-	-	50,000
1914 Flat Iron reuse	3,864	-	-	-	-	3,864
1915 Forest mgmt plan - Bond Brook	6,000	-	-	-	-	6,000
1916 Mill Park easement	-	115,000	-	-	-	115,000
Total City reserves	2,315,752	117,619	132,940	57,461	82,441	2,325,411
School reserves:						
1952 Sick and vacation reserve	136,777	-	-	-	-	136,777
Total School reserves	136,777	-	-	-	-	136,777
Total reserves	\$ 2,452,529	117,619	132,940	57,461	82,441	2,462,188

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, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,932	356,151	59,500	419,583
Investments	54,496	-	380,956	435,452
Due from other governments	1,130,392	-	-	1,130,392
Accounts receivable	78,293	7,898	-	86,191
Inventory	42,228	-	-	42,228
Interfund loans receivable	3,365,559	2,070,974	144,507	5,581,040
Prepaid items	2,053	-	-	2,053
Notes receivable	173,266	-	-	173,266
Total assets	\$ 4,850,219	2,435,023	584,963	7,870,205
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	85,241	-	-	85,241
Accrued payroll and benefits	241,856	1,142	-	242,998
Interfund loans payable	732,315	-	-	732,315
Total liabilities	1,059,412	1,142	-	1,060,554
Fund balances:				
Nonspendable	215,494	-	535,987	751,481
Restricted	1,812,189	-	48,976	1,861,165
Committed	1,995,429	2,433,881	-	4,429,310
Unassigned	(232,305)	-	-	(232,305)
Total fund balances	3,790,807	2,433,881	584,963	6,809,651
Total liabilities and fund balances	\$ 4,850,219	2,435,023	584,963	7,870,205

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:				
Property taxes	\$ 2,335,372	-	-	2,335,372
Intergovernmental	4,534,683	-	-	4,534,683
Unclassified	1,511,007	-	-	1,511,007
Charges for services	588,435	-	-	588,435
Investment income	-	17,824	7,733	25,557
Donations	-	-	6,100	6,100
Total revenues	8,969,497	17,824	13,833	9,001,154
Expenditures:				
Finance and administration	2,308,762	-	-	2,308,762
City services	1,308,085	-	-	1,308,085
Community services	715,593	-	-	715,593
Public safety	181,935	-	-	181,935
Public works	118,626	-	-	118,626
Education	2,806,307	-	-	2,806,307
Food services	1,107,557	-	-	1,107,557
Capital outlay	-	1,865,304	-	1,865,304
Unclassified	-	-	9,805	9,805
Total expenditures	8,546,865	1,865,304	9,805	10,421,974
Excess (deficiency) of revenues over (under) expenditures	422,632	(1,847,480)	4,028	(1,420,820)
Other financing sources (uses):				
Bond proceeds	-	1,245,790	-	1,245,790
Transfer to other funds	(581,736)	(10,899)	-	(592,635)
Transfer from other funds	-	-	-	-
Total other financing sources (uses)	(581,736)	1,234,891	-	653,155
Net change in fund balance	(159,104)	(612,589)	4,028	(767,665)
Fund balances, beginning of year	3,949,911	3,046,470	580,935	7,577,316
Fund balances, end of year	\$ 3,790,807	2,433,881	584,963	6,809,651

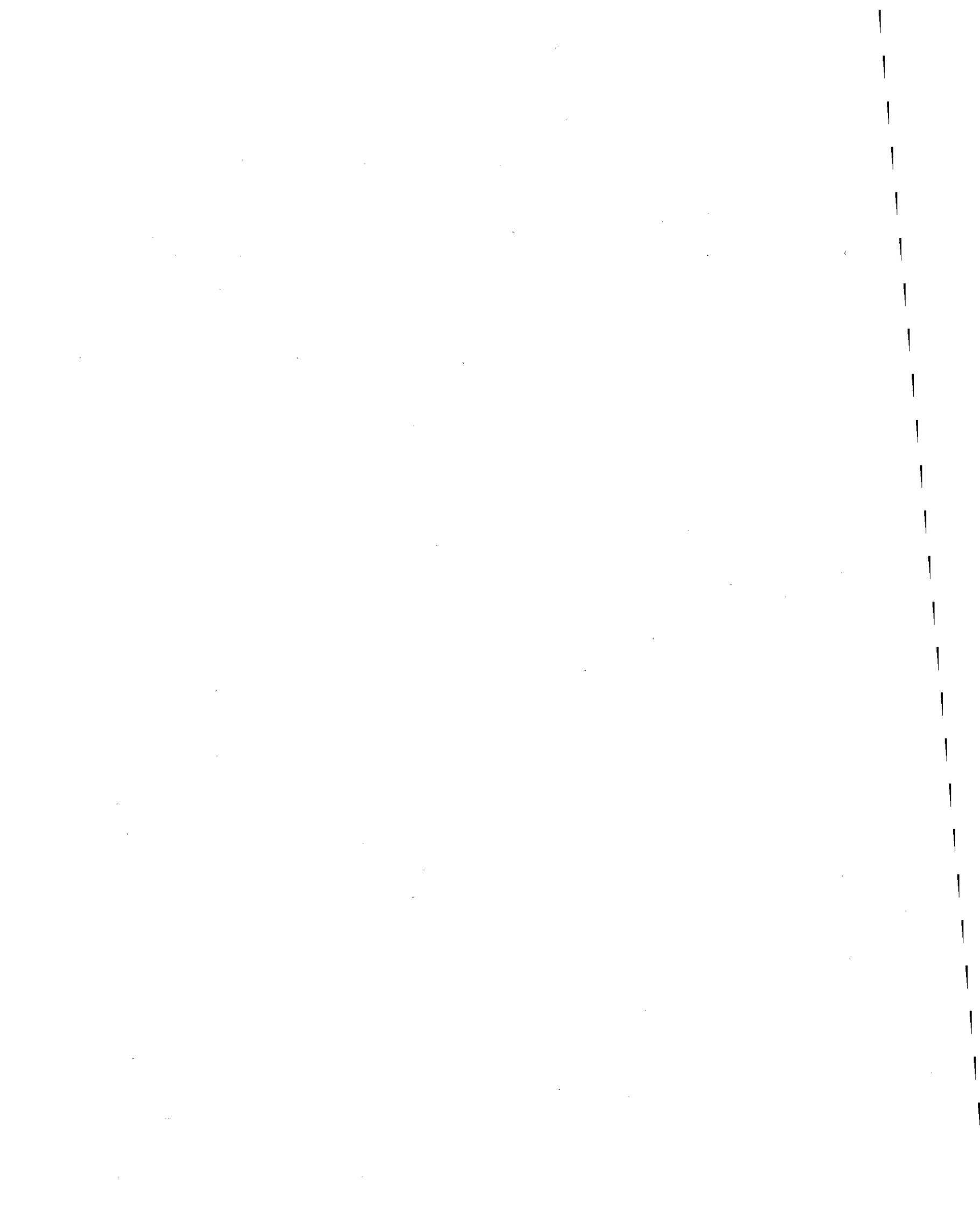
CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	CDBG Loan Fund	Airport	City Special Revenue Funds	School Special Revenue Funds	School Lunch	Totals
ASSETS						
Cash and cash equivalents	\$ 3,904	-	28	-	-	3,932
Investments	-	-	54,496	-	-	54,496
Due from other governments	-	119,958	74,244	903,336	32,854	1,130,392
Accounts receivable	-	-	78,293	-	-	78,293
Inventory	-	-	-	-	42,228	42,228
Interfund loans receivable	10,555	-	3,142,827	-	212,177	3,365,559
Prepaid items	-	798	1,255	-	-	2,053
Notes receivable	173,266	-	-	-	-	173,266
Total assets	\$ 187,725	120,756	3,351,143	903,336	287,259	4,850,219
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other accrued liabilities	-	2,624	42,630	36,247	3,740	85,241
Accrued payroll and benefits payable	-	29,779	16,527	142,329	53,221	241,856
Interfund loans payable	-	31,849	-	700,466	-	732,315
Total liabilities	-	64,252	59,157	879,042	56,961	1,059,412
Fund balances:						
Nonspendable	173,266	-	-	-	42,228	215,494
Restricted	14,459	56,504	1,296,557	256,599	188,070	1,812,189
Committed	-	-	1,995,429	-	-	1,995,429
Unassigned	-	-	-	(232,305)	-	(232,305)
Total fund balances	187,725	56,504	3,291,986	24,294	230,298	3,790,807
Total liabilities and fund balances	\$ 187,725	120,756	3,351,143	903,336	287,259	4,850,219

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2012

	CDBG Loan Fund	Airport	City Special Revenue (Schedule 1)	School Special Revenue (Schedule 2)	School Lunch	Totals
Revenues:						
Property taxes	\$ -	-	2,335,372	-	-	2,335,372
Intergovernmental	-	445,823	991,852	2,393,472	703,536	4,534,683
Charges for services	-	100,454	-	81,951	406,030	588,435
Unclassified	8	-	1,453,627	56,762	610	1,511,007
Total revenues	8	546,277	4,780,851	2,532,185	1,110,176	8,969,497
Expenditures:						
Legislative and executive	-	-	-	-	-	-
Finance and administration	-	-	2,308,762	-	-	2,308,762
City services	151	489,773	818,161	-	-	1,308,085
Community services	-	-	715,593	-	-	715,593
Public safety	-	-	181,935	-	-	181,935
Public works	-	-	118,626	-	-	118,626
Education	-	-	-	2,806,307	-	2,806,307
Food services	-	-	-	-	1,107,557	1,107,557
Total expenditures	151	489,773	4,143,077	2,806,307	1,107,557	8,546,865
Excess (deficiency) of revenues over (under) expenditures	(143)	56,504	637,774	(274,122)	2,619	422,632
Other financing uses:						
Transfer to other funds	-	-	(501,736)	-	(80,000)	(581,736)
Total other financing uses	-	-	(501,736)	-	(80,000)	(581,736)
Net change in fund balances	(143)	56,504	136,038	(274,122)	(77,381)	(159,104)
Fund balances, beginning of year	187,868	-	3,155,948	298,416	307,679	3,949,911
Fund balances, end of year	\$ 187,725	56,504	3,291,986	24,294	230,298	3,790,807

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, 2012

	Balances beginning of year	Revenues		Expenditures	Transfers in (out)	Balances end of year
		Inter- governmental	Other			
Legislative and executive:						
Other programs - Committed:						
2019 Commemorative Quilts	\$ 5,825	-	56	-	-	5,881
2194 Promotional service	595	-	-	-	-	595
Total legislative and executive	6,420	-	56	-	-	6,476
Finance and administration:						
Federal/State programs:						
2017 MMEHT Employee Assistant Grant	1,385	-	-	-	-	1,385
Other programs - Restricted:						
2009 TIF	773,101	-	2,335,372	1,764,450	(478,490)	865,533
Other programs - Committed:						
2010 Cable TV Franchise	-	-	118,477	118,477	-	-
2013 Fort Western Trustees	-	-	74,537	74,537	-	-
2014 Augusta Housing Authority	-	-	300,872	300,872	-	-
2015 Augusta Parking District	-	-	22,831	22,831	-	-
2205 GAUD	-	-	6,842	6,842	-	-
2228 Wellness loss prevention	45,421	-	-	388	-	45,033
2239 600 Riverside Drive	(4,160)	-	4,535	375	-	-
2245 Cony High School Investment	193,146	-	915	19,990	(140,755)	33,316
Total finance and administration	1,008,893	-	2,864,381	2,308,762	(619,245)	945,267
City services:						
Federal/State programs:						
2122 Canal Street	5,052	9,388	-	9,388	-	5,052
2142 Regional efficiency grant	753	-	-	-	-	753
2195 Augusta Tissue Remediate	-	34,281	-	34,281	-	-
2216 Kennebec River Rail Trail paving	269	-	-	-	-	269
2217 Blair Road Bridge replacement	24,586	49,356	-	1,426	-	72,516
2221 Efficiency Maine	3,732	11,967	-	4,199	-	11,500
2227 Airport marketing grant	559	29,623	3,333	33,515	-	-
2235 Public service Bread of Life 2010	-	20,000	-	20,000	-	-
2236 CDBG - Bread of Life - Public facility	-	2,322	-	2,322	-	-
2242 EPA Augusta Tissue cleanup	80,000	-	-	-	-	80,000
2249 Heating system building control	-	135,382	-	135,382	-	-
2250 CDBG public infrastructure grant	-	500,000	-	500,000	-	-
2253 CDBG community planning grant	-	6,149	-	6,149	-	-
2254 Airport equipment repair	-	20,000	-	20,000	-	-
2255 Administration/capital	-	18,340	-	18,340	-	-
2257 Civic Center Drive sidewalks	-	5,092	-	6,365	4,700	3,427
2258 Cony Farrington Trail connection	-	1,014	1,000	1,127	-	887
Other programs - Restricted:						
2075 Signalized intersections	23,297	-	56	-	-	23,353
2124 First time home buyers program	7,009	-	-	-	-	7,009
2133 Museum in the streets	3,601	-	-	-	-	3,601
2137 Fairfield Inn - Anthony Ave.	22,790	-	50	-	(4,700)	18,140
2147 Impact fee Packard Development	18,336	-	44	-	-	18,380
2148 Capitol Street extension	31,433	-	76	-	-	31,509
2171 Maine Community Foundation	6,850	-	-	-	-	6,850
2172 Greeley Associates	12,657	-	31	-	-	12,688
2174 Texas Roadhouse LLC	2,762	-	7	-	-	2,769
2176 Luke Bolduc	875	-	-	-	-	875
2180 Snow Cone Properties	3,900	-	9	-	-	3,909
2198 Bonenfat construction	5,256	-	12	-	-	5,268
2256 KRRT Park connection	-	-	5,750	2,302	-	3,448
2259 SS Realty LLC	-	-	20,000	-	-	20,000
Other programs - Committed:						
2012 Sale of Cony HS	1,325,933	-	2,823	-	(166,611)	1,162,145
2248 7 Pleasant Hill Road	-	-	-	23,365	23,365	-
Total City services	1,579,650	842,914	33,191	818,161	(143,246)	1,494,348
Public works:						
Other programs - Restricted:						
2154 Cony Village LLC	27,893	-	67	-	-	27,960
Other programs - Committed:						
2035 ADP misc. work highway	-	-	21,801	21,801	-	-
2036 Accidents	-	-	68,914	61,593	-	7,321
2037 Civic Center outside work	-	-	687	687	-	-
2038 School miscellaneous work	-	-	34,476	34,476	-	-
2117 Public works special revenues	41	-	143	69	-	115
Total public works	27,934	-	126,088	118,626	-	35,396

CITY OF AUGUSTA, MAINE
City Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012

	Balances beginning of year	Revenues		Expenditures	Transfers in (out)	Balances end of year
		Inter- governmental	Other			
Community services:						
Federal/State programs:						
2094 Greenway Trail Enhancement	\$ 3,309	-	-	25	-	3,284
2095 Blaine Memorial Trees	1,678	-	-	-	-	1,678
2163 Snowmobile grant	-	9,250	-	8,500	-	750
2203 ATV Grant	-	1,230	-	1,230	-	-
Other programs - Restricted:						
2060 Stain Glass Lithgow Library	1,767	-	4	-	-	1,771
2061 Lost library books	966	-	24,054	22,121	-	2,899
2138 Farmer's market	5,063	-	11,575	9,753	-	6,885
2145 Viles Park Memorial	6,655	-	-	-	-	6,655
2164 Graffiti removal	3,523	-	50	220	-	3,353
2170 Kids club house	7	-	-	7	-	-
2178 Kennebec Rail Trail	13,137	-	10,000	14,086	-	9,051
2192 Maine reads	-	-	2,400	2,400	-	-
2208 Storage shed tennis court	679	-	-	-	-	679
2230 Food for thought	788	-	-	52	-	736
2260 Lets go gardening grant	-	-	1,921	1,652	-	269
Other programs - Committed:						
2055 Tree board	420	-	60	-	-	480
2065 After School Daycare	151,489	5,800	396,791	378,986	-	175,094
2079 Recreation - adult	10,013	-	33,368	31,583	-	11,798
2080 Recreation - youth	23,306	220	104,011	98,831	-	28,706
2081 Recreation - special events	2,590	-	6,503	6,560	-	2,533
2085 School mowing contract	45,046	-	103,650	102,375	-	46,321
2086 Bicentennial park	910	-	15	-	-	925
2087 Trolley Cars	4,288	-	1,100	211	-	5,177
2088 4th of July	5,639	-	375	6,014	-	-
2096 Pleasant Hill Saw timber	7,254	-	15,845	11,778	-	11,321
2111 Spring running	2,431	-	1,130	1,347	-	2,214
2207 Ball field improvements	940	-	-	-	-	940
2231 Cable TV equipment	6,281	-	6,018	3,893	-	8,406
2240 KVCC Cynergy volleyball court	-	-	9,350	9,350	-	-
2243 Tree Board investment fund	20,896	-	412	-	-	21,308
2244 Bicentennial park investment	31,888	-	77	-	-	31,965
2262 Alumni Field complex	-	-	-	4,619	260,755	256,136
Total community services	350,963	16,500	728,709	715,593	260,755	641,334
Public safety:						
Federal/State programs:						
2047 Bulletproof vest	-	4,729	-	4,729	-	-
2048 Seatbelt grant	-	2,000	-	2,000	-	-
2049 OUI grant	-	5,000	-	5,000	-	-
2125 Speed enforcement	-	4,819	-	4,216	-	603
2152 DHS law enforcement reimb	-	14,500	-	14,231	-	269
2183 Holiday grant	324	5,000	-	5,000	-	324
2202 Justice assistance grant - ARRA	137	-	-	137	-	-
2224 Justice assistance grant	26,381	-	30	26,411	-	-
2229 Underage drinking	-	8,382	-	8,213	-	169
2232 2010 Homeland security grant	-	62,207	5,225	62,207	-	5,225
2233 2009 HSG - Airport police	-	2,168	-	2,014	-	154
2246 Justice assistance grant - 2011	-	23,194	-	-	-	23,194
2251 2011 Homeland security grant	-	439	-	439	-	-
Other programs - Restricted:						
2040 Forfeiture fund	5	-	-	-	-	5
2044 Juvenile program	1,840	-	-	750	-	1,090
2050 Fire prevention education	109	-	2,965	2,641	-	433
2252 Firefighter rehab equipment	-	-	838	838	-	-
Other programs - Committed:						
2042 Police outside work	-	-	25,516	25,516	-	-
2175 Fire airport service	153,292	-	-	15,593	-	137,699
2247 School shooting seminar	-	-	2,000	2,000	-	-
Total public safety	182,088	132,438	36,574	181,935	-	169,165
Total City special revenue funds	\$ 3,155,948	991,852	3,788,999	4,143,077	(501,736)	3,291,986

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, 2012

		Balances beginning of year	Revenues	Expenditures	Transfers	Balances end of year
Federal programs:						
1720	ARRA Stabilization	\$ (1,689)	-	(1,689)	-	-
1730	Title IA - ARRA	(17,771)	14,912	(2,859)	-	-
1750	Local Entitlement - ARRA	7,588	-	7,588	-	-
1767	Education Jobs Bill	(19,500)	274,106	273,257	-	(18,651)
2550	Title IID CSIC - ARRA	50,054	45,485	95,704	-	(165)
2508	Title IIA - Improving Teacher Quality	108,560	144,918	281,788	-	(28,310)
2509	Title IA - Chapter I - Disadvantaged	54,599	718,854	795,536	-	(22,083)
2515	Local Entitlement	(80,686)	697,675	659,957	-	(42,968)
2520	Perkins Learning Center	19,532	121,976	126,258	-	15,250
2527	PreSchool	7,096	25,197	22,728	-	9,565
2534	Rural Low Income	1,430	48,270	69,011	-	(19,311)
2538	Reading First - Gilbert	33,975	-	-	(37,001)	(3,026)
2539	Title III - ESL	(699)	28,969	28,729	-	(459)
2541	Title IVA - Drug Free Schools	25,297	-	25,297	-	-
2542	Reading First - Farrington	(36,347)	(654)	-	37,001	-
2551	Title IA - CIPS	-	-	62,266	-	(62,266)
2603	Cony Maine Youth Voices	(1,898)	-	-	-	(1,898)
2631	CIPS	-	-	13,964	-	(13,964)
2704	21st Century	(33,112)	146,564	131,535	-	(18,083)
Total federal programs		116,429	2,266,272	2,589,070	-	(206,369)
State programs:						
2545	Maine Math science Alliance	3,934	-	-	-	3,934
Total state programs		3,934	-	-	-	3,934
Other programs:						
2540	MELMAC College Access	-	8,000	6,104	-	1,896
2549	School Based Health	88	-	88	-	-
2552	Computer Repairs	-	7,759	-	-	7,759
2607	Chizzle Whizzle	-	19,608	19,608	-	-
2628	Greenhouse	638	-	1,759	-	(1,121)
2629	School catering - Coca Cola	19,088	3,000	8,139	-	13,949
2630	Scholarship	-	18,395	8,150	-	10,245
Total other programs		19,814	56,762	43,848	-	32,728
Subtotal		\$ 140,177	2,323,034	2,632,918	-	(169,707)

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, 2012

		Balances beginning of year	Revenues	Expenditures	Transfers	Balances end of year
Federal programs:						
2512	ABE Federal Program	\$ 12,302	53,809	49,139	-	16,972
Total federal programs		12,302	53,809	49,139	-	16,972
State programs:						
2532	Jail Education Program	17,992	63,793	60,122	-	21,663
2548	College Transition Initiative	27	9,598	9,579	-	46
Total state programs		18,019	73,391	69,701	-	21,709
Other programs:						
2613	Self-supporting General Teaching	47,530	32,630	23,902	-	56,258
2614	Health Occupation Education	59,139	39,780	28,868	-	70,051
2622	KLC Computer Lab	21,249	9,541	1,779	-	29,011
Total other programs		127,918	81,951	54,549	-	155,320
Total School Special Revenues		\$ 298,416	2,532,185	2,806,307	-	24,294

CITY OF AUGUSTA, MAINE
 Nonmajor Capital Project Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended June 30, 2012

	Balances beginning of year	Revenues	Expenditures	Bond Proceeds	Transfers in (out)	Balances end of year
City Funds:						
3000 Fiscal 2000	\$ 22,734	-	-	-	(22,734)	-
3001 Fiscal 2001	7,573	3	-	-	(7,576)	-
3003 Fiscal 2003	284,222	-	-	-	-	284,222
3004 Fiscal 2004	63,691	21	25,000	-	(38,712)	-
3005 Fiscal 2005	81,907	26	-	-	(81,933)	-
3006 Fiscal 2006	130,232	42	3,109	-	(126,827)	338
3007 Fiscal 2007	246,357	73	26,559	-	(71,628)	148,243
3008 Fiscal 2008	169,714	54	87,261	-	(43,537)	38,970
3009 Fiscal 2009	383,437	6,552	161,846	-	(106,512)	121,631
3010 Fiscal 2010	352,453	563	68,041	-	(92,484)	192,491
3011 Fiscal 2011	756,213	1,356	237,018	-	(16,780)	503,771
3012 Fiscal 2012	-	8,885	329,336	-	760,424	439,973
3085 New Cony High School	302,522	-	-	-	(120,000)	182,522
3086 Dickman Parking Garage	242,844	78	-	-	(42,600)	200,322
3087 Gilbert School Repair	-	-	889,810	889,810	-	-
3088 Gilbert Renovation QSC	-	171	34,753	355,980	-	321,398
3097 Fiscal 1997	2,571	-	2,571	-	-	-
Total nonmajor capital projects	\$ 3,046,470	17,824	1,865,304	1,245,790	(10,899)	2,433,881

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds - City
For the year ended June 30, 2012

City Funds	Fund balance, principal, beginning of year	Fund balance unexpended income, beginning of year	Donations	Investment income	Expenditures	Fund balance principal, end of year	Fund balance unexpended income, end of year
6501 L. W. Titcomb Playground	\$ 6,281	(268)	-	103	143	6,281	(308)
6502 Lithgow Library	24,933	1,242	-	449	623	24,933	1,068
6503 St. Mark's Church	11,968	373	-	212	294	11,968	291
6507 Cemetery Trust Fund	150,105	8,663	-	2,688	3,713	150,105	7,638
6516 Forest Grove Cemetery	75,538	3,174	-	1,381	1,931	75,538	2,624
6529 Kling Trust	9,974	418	-	183	255	9,974	346
6543 Alice Reynolds Trust	11,565	52	-	199	250	11,565	1
6544 Ed E. Gage Family Trust	49,566	507	-	858	1,000	49,566	365
6545 Edwards Dam Scholarship	27,899	(2,551)	-	437	500	27,899	(2,614)
6546 Eliza Church Fund	3,376	107	-	60	83	3,376	84
6547 Ira Bunker	499	28	-	9	20	499	17
6548 Lipman Memorial Trust	4,057	1,391	-	98	100	4,057	1,389
6549 Miriam Titcomb Trust	22,660	1,692	-	401	556	22,660	1,537
6550 Peavy Scholarship Fund	4,211	41	-	73	100	4,211	14
6551 Sanford Legacy	1,496	47	-	26	37	1,496	36
6552 Cony Family Fund	12,497	(1,345)	-	192	200	12,497	(1,353)
6555 Cemetery Perpetual Care	104,362	32,522	6,100	337	-	104,362	38,959
6556 Mall Mitigation Land Trust	15,000	(1,145)	-	27	-	15,000	(1,118)
Total City Funds	\$ 535,987	44,948	6,100	7,733	9,805	535,987	48,976

CITY OF AUGUSTA, MAINE
Combining Statement of Changes in Fiduciary Net Assets
Private-purpose Trust Funds - School
For the year ended June 30, 2012

School Funds	Net Assets principal, beginning of year	Net Assets unexpended income, beginning of year	Additions			Net Assets principal, end of year	Net Assets unexpended income, end of year
			Investment income	Donations	Deductions		
6251 Auto Mechanic Scholarship	\$ -	4,195	72	-	-	-	4,267
6252 Childcare Scholarship	290	301	11	-	-	290	312
6253 CATC Multi-media Scholarship	595	171	13	-	-	595	184
6254 CATC Plumbing And Heating	-	615	10	-	-	-	625
6255 CHS Class of 1926 Perkins Award (held at CHS)	-	307	1	-	-	-	308
6256 CHS Class of 1938 Scholarship Fund	-	1,679	25	-	500	-	1,204
6257 CHS Special Music Concert (held at CHS)	-	620	1	-	-	-	621
6258 Cony Restoration Fund	-	1,786	31	-	-	-	1,817
6259 Devina Mudge Scholarship	-	34	1	-	-	-	35
6260 Ebbie Brooks Math and Science Fund	-	491	9	-	-	-	500
6261 Edgar A. Hussey Memorial	-	5,581	95	-	100	-	5,576
6262 Eliza Church Fund	-	935	16	-	-	-	951
6263 Frank Hewins Music	-	798	14	-	-	-	812
6264 Friedlander Memorial Award	-	55	1	-	-	-	56
6265 Georgianna Hayes English	-	1,274	22	-	-	-	1,296
6266 Jon Crockett Memorial Fund	-	2,460	42	-	150	-	2,352
6267 Lanny Cooper Memorial	-	1,213	21	-	-	-	1,234
6268 Lee and Larry Leighton Scholars	-	4,313	74	-	100	-	4,287
6269 Mable Thompson	-	594	10	-	25	-	579
6270 Theresa Brannigan Memorial	-	902	29	660	-	-	1,591
6271 Titcomb Fund	-	39,074	674	-	-	-	39,748
6272 Florence Tanner McIntire Memorial	-	381	5	-	300	-	86
6274 Mallory Dulac Scholarship	-	3,818	63	-	500	-	3,381
6275 Cony High Scholarship (held at CHS)	-	2,327	2	-	500	-	1,829
6701 Ann Williams Funds	2,000	11,279	229	-	-	2,000	11,508
6702 Alumni Hall restoration	400	22,077	388	-	-	400	22,465
6703 Arthur E. Shea Memorial	1,161	(172)	17	-	-	1,161	(155)
6704 CATC School Wide Scholarship	10,000	1,912	203	-	250	10,000	1,865
6705 CHS Class of 1943 Scholarship Fund	7,212	3,204	177	-	500	7,212	2,881
6706 CHS Scholarship and Student Aid (held at CHS in checking)	-	3,560	-	8,190	5,605	-	6,145
6707 CHS Scholarship and Student Aid (held at CHS in CD)	-	9,153	-	-	-	-	9,153
Subtotal School Funds	\$ 21,658	124,937	2,256	8,850	8,530	21,658	127,513

CITY OF AUGUSTA, MAINE
Combining Statement of Changes in Fiduciary Net Assets, Continued
Private-purpose Trust Funds - School
For the year ended June 30, 2012

School Funds	Net Assets principal, beginning of year	Net Assets unexpended income, beginning of year	Additions			Net Assets principal, end of year	Net Assets unexpended income, end of year
			Investment income	Donations	Deductions		
6708 Carpentry Scholarship	75	96	3	-	-	75	99
6709 Charles McGrail Scholarship	3,257	3,727	118	-	300	3,257	3,545
6710 Dorothy Giddings Fund	1,000	2,763	64	-	100	1,000	2,727
6711 Edward Albing Math Fund	500	114	10	-	-	500	124
6713 Food Service Scholarship	15	94	2	-	-	15	96
6714 Garside English Fund	600	(15)	10	-	-	600	(5)
6715 Helen Dyer Scholarship	1,717	90	31	-	-	1,717	121
6716 H. Graham Nye CATC Scholarship	2,500	31	44	-	-	2,500	75
6717 Jim Marchildon Scholarship	1,705	1,524	39	300	1,500	1,705	363
6718 Karen Carey Scholarship	2,577	665	52	-	400	2,577	317
6719 Louis Ochmanski Scholarship	2,500	1,086	62	-	100	2,500	1,048
6720 Louise Webber Fund	10,000	6,713	281	-	500	10,000	6,494
6722 Mable I. Morton	1,970	1,301	57	-	-	1,970	1,358
6723 Mable Richmond Fund	200	99	5	-	-	200	104
6724 Machine Tool Scholarship	15	2,558	32	-	1,000	15	1,590
6725 Melanie Ann Cote Scholarship	1,800	2,574	75	-	-	1,800	2,649
6726 Nora Jackson Scholarship	3,000	5,161	139	-	250	3,000	5,050
6727 Raymond Falconia Fund	5,000	854	100	-	200	5,000	754
6728 Richard Ayotte Scholarship	2,050	52	36	-	100	2,050	(12)
6729 Sandra Lipman Arts Fund	2,220	(886)	20	-	300	2,220	(1,166)
6730 Theodore Rhoades Memorial	5,000	1,864	118	-	-	5,000	1,982
6731 Thomas Bishop Memorial Scholarship	2,297	1,389	57	-	900	2,297	546
6734 G & E Roofing	-	1,096	19	-	-	-	1,115
6736 Mary O'Connell	-	9,702	166	-	250	-	9,618
6737 Scott Laliberte	-	5,502	76	-	2,000	-	3,578
6738 Chrissanne Burns Memorial	-	8,760	132	1,190	5,000	-	5,082
6739 Michaud Family Scholarship	-	1,712	24	-	400	-	1,336
6740 A Joan Bridge	-	2,511	40	-	500	-	2,051
Total School Funds	71,656	186,074	4,068	10,340	22,330	71,656	178,152

CITY OF AUGUSTA, MAINE
Statement of Changes in Assets and Liabilities
Agency Funds
For the year Ended June 30, 2012

	Beginning of year	Additions	Deletions	End of year
ASSETS				
Cash	\$ 293,612	601,999	584,993	310,618
Total assets	\$ 293,612	601,999	584,993	310,618
LIABILITIES				
Due to student groups	293,612	601,999	584,993	310,618
Total liabilities	\$ 293,612	601,999	584,993	310,618

STATISTICAL SECTION

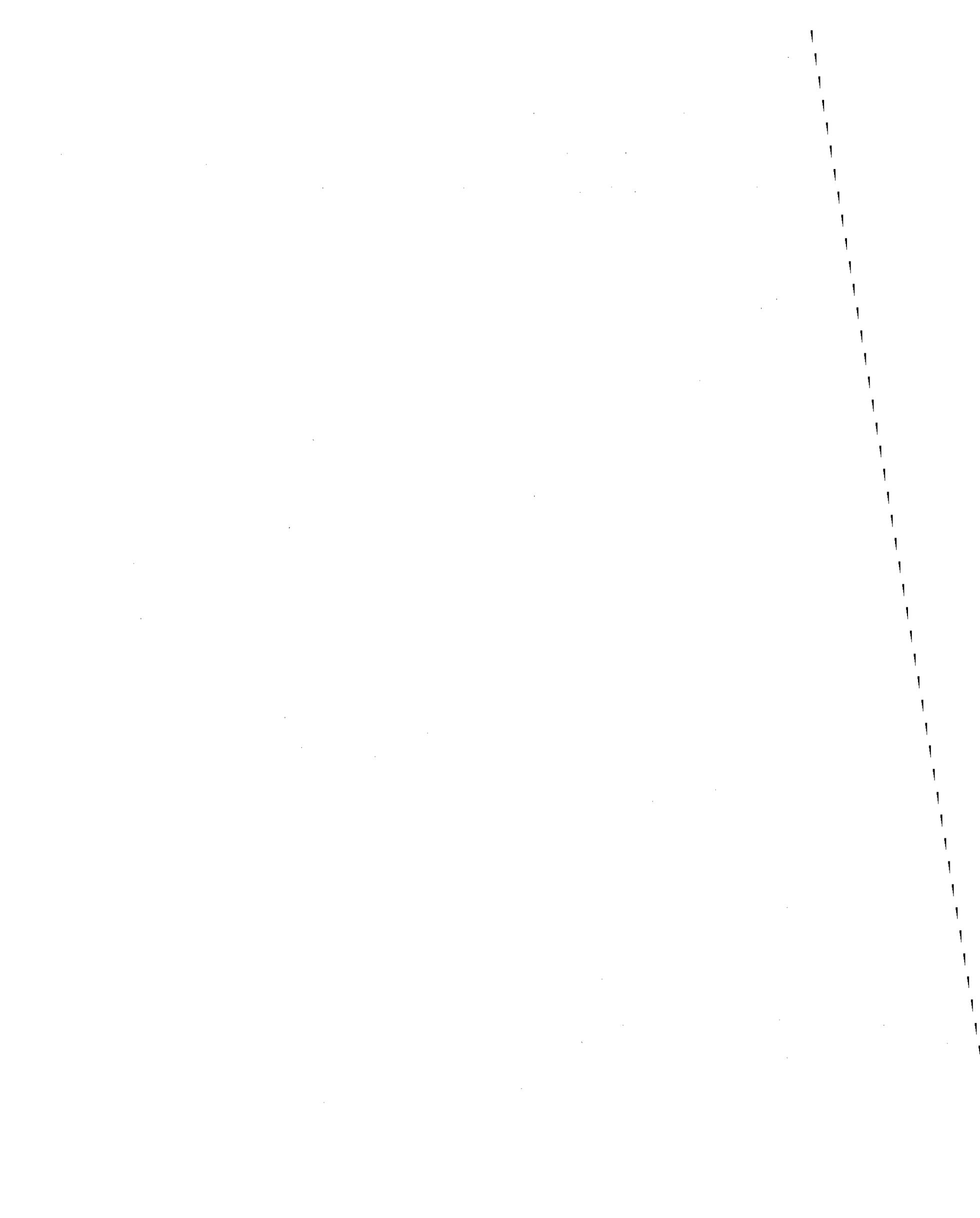


Table 1

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 works			Public safety (1)	Education	Retirement and insurance	Utilities
			Community services	Public safety (1)	Education				
2003	\$ 1,649,442	759,861	3,365,923	2,222,759	4,990,504	28,609,739	1,444,711	2,107,913	
2004	1,525,583	799,314	3,560,352	2,340,370	5,017,437	28,167,122	1,579,957	2,110,899	
2005	593,157	2,574,468	3,238,089	2,465,706	5,459,336	28,860,857	1,458,605	1,891,239	
2006	577,232	2,616,040	4,559,929	2,432,732	5,164,109	29,396,723	1,541,180	1,953,588	
2007	590,439	2,804,888	5,428,832	2,435,759	5,868,011	31,804,424	1,433,560	2,043,033	
2008	590,439	2,636,407	6,447,891	2,723,474	6,371,806	33,695,133	1,848,206	2,103,034	
2009	566,468	2,847,425	5,837,484	2,569,838	8,419,526	33,027,066	3,639,953	2,058,362	
2010	620,474	2,934,491	6,015,890	2,443,777	8,169,237	33,150,558	3,668,658	1,843,957	
2011	530,991	3,128,512	5,186,770	2,540,309	8,414,744	31,882,197	1,372,067	1,849,879	
2012	503,962	3,739,345	5,675,393	2,629,189	8,024,923	31,653,870	2,887,343	1,686,770	

Unclassified	Interest on debt	Central garage	Capital maintenance expenses			Airport (2)	Ambulance (1)	Total
			Augusta Civic Center	Hatch Hill Landfill	Augusta Civic Center			
\$ 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
1,440,886	1,442,027	1,353,725	127,814	2,837,679	1,954,597	489,185	1,206,020	63,260,879
1,575,514	1,118,484	1,460,457	1,606,400	2,913,963	3,066,414	520,177	1,362,669	70,040,468
1,574,821	175,543	1,719,573	18,230	2,780,635	2,537,369	573,028	-	68,345,321
1,634,375	150,443	1,325,849	9,586	2,689,638	2,917,070	505,709	-	68,079,712
1,545,250	132,514	1,391,499	-	2,757,129	2,842,985	-	-	63,574,846
1,633,097	155,541	1,578,780	-	2,658,420	2,197,797	-	-	65,024,430

(1) Beginning in the year ended June 30, 2009, ambulance services were moved into the public safety function in the governmental activities.

(2) Beginning in the year ended June 30, 2011, airport services were moved into a special revenue fund (city services) in the governmental activities.

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

Fiscal year	Program Revenues			General Revenues				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues	Grants and Contributions not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	Total
2003	\$ 10,591,058	16,828,960	249,349	25,698,103	2,773,577	572,677	455,410	57,169,134
2004	10,669,424	18,176,812	591,418	25,977,414	2,969,273	230,190	795,914	59,410,445
2005	10,126,546	15,852,689	336,377	27,648,715	2,932,607	913,190	2,533,438	60,343,562
2006	10,571,366	17,097,427	120,274	27,479,074	3,010,331	1,686,457	2,146,525	62,111,454
2007	10,366,856	20,385,932	-	27,681,053	3,014,023	1,195,325	2,207,466	64,850,655
2008	10,973,123	22,129,940	-	28,648,359	3,034,885	968,205	3,567,874	69,322,386
2009	10,088,437	23,110,107	-	29,491,494	2,952,851	972,661	2,066,307	68,681,857
2010	9,366,323	23,685,244	-	28,993,720	2,576,597	449,766	2,257,182	67,328,832
2011	9,392,481	22,707,795	904,457	30,378,865	2,350,821	308,636	660,968	66,704,023
2012	9,564,646	21,731,296	214,107	31,108,749	2,340,970	257,353	169,294	65,386,415

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

Year	Legislative and executive	Finance and administration	City services and public works	Community services	Public safety (1)	Insurances and utilities	Unclassified	County	Education	Debt service	Capital	Total
2003	\$ 1,333,025	750,628	2,966,127	2,219,539	4,845,665	3,552,624	158,188	1,092,007	22,710,095	1,052,479	-	40,680,377
2004	1,357,108	770,768	2,981,857	2,335,567	4,876,575	3,690,856	41,498	1,175,364	22,422,435	1,052,084	-	40,704,112
2005	610,324	1,374,810	3,953,540	2,003,704	4,903,819	3,349,844	(14,454)	1,234,872	23,037,625	1,065,492	-	41,519,576
2006	589,899	1,464,086	4,101,693	2,020,853	5,232,339	3,516,706	50,774	1,271,219	23,893,952	1,305,832	-	43,447,353
2007	607,318	1,462,484	4,455,145	2,115,058	5,462,470	3,747,259	50,298	1,349,609	25,334,169	1,224,430	-	45,808,240
2008	599,225	1,509,133	5,180,697	2,099,892	5,728,125	3,951,240	126,413	1,395,237	27,571,927	1,118,484	-	49,280,373
2009	697,527	1,571,797	5,264,080	2,063,501	7,478,538	4,168,103	112,258	1,406,380	27,332,285	1,023,587	-	51,118,056
2010	628,168	1,462,186	4,636,937	1,892,153	7,263,830	4,138,021	221,610	1,358,766	26,145,023	1,002,847	-	48,749,541
2011	555,129	1,377,274	4,821,949	1,959,452	7,671,112	4,387,729	237,003	1,396,619	24,921,342	765,334	-	48,092,943
2012	541,282	1,525,188	4,544,805	2,097,974	7,870,019	4,265,327	56,235	1,350,807	26,520,191	694,840	-	49,466,668

(1) Beginning in the year ended June 30, 2009, ambulance services were moved into the public safety function in the general fund.

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

Fiscal year	Taxes	Licenses and permits	Inter-governmental	Charges for services	Fines and fees	Investment earnings	Unclassified	Total
2003	\$ 25,251,253	204,666	12,739,376	2,099,126	24,527	475,208	673,116	41,467,272
2004	25,514,600	180,976	13,222,437	2,233,881	42,945	219,288	492,791	41,906,918
2005	26,166,249	228,753	13,521,824	2,320,924	63,645	453,846	520,503	43,275,744
2006	25,861,766	219,924	13,817,461	2,357,632	53,462	844,846	494,799	43,649,890
2007	26,040,229	293,264	15,710,155	2,313,794	51,459	990,043	597,353	45,996,297
2008	27,075,553	175,598	18,071,244	2,177,047	55,783	897,340	486,725	48,939,290
2009	27,124,031	158,400	18,345,040	3,646,760	54,086	897,139	569,613	50,795,069
2010	26,549,455	110,211	16,854,140	3,080,733	50,647	408,934	706,056	47,760,176
2011	27,423,576	205,010	15,360,985	3,420,571	52,650	295,917	576,129	47,334,838
2012	29,042,178	372,244	15,882,572	3,453,378	46,433	231,746	644,964	49,673,515

Table 5

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

Fiscal year		Total tax levy	Current tax collections	% of levy collected	Prior year tax collections	Total tax collections	% of total tax collection to levy
2003	\$	23,263,776	22,364,810	96.14%	896,275	23,261,085	99.99%
2004		23,700,680	22,990,568	97.00%	704,563	23,695,131	99.98%
2005		24,254,710	23,661,231	97.55%	587,074	24,248,305	99.97%
2006		24,105,601	23,312,969	96.71%	784,336	24,097,305	99.97%
2007		24,118,683	23,493,905	97.41%	613,689	24,107,594	99.95%
2008		25,141,898	24,524,593	97.54%	600,229	25,124,822	99.93%
2009		25,982,227	25,164,056	96.85%	783,915	25,947,971	99.87%
2010		26,196,756	25,037,880	95.58%	1,086,409	26,124,289	99.72%
2011		27,016,108	25,845,259	95.67%	757,148	26,602,407	98.47%
2012		27,566,724	26,662,434	96.72%	-	26,662,434	96.72%

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	
2003	\$ 815,134,900	120,636,100	935,771,000	928,000,000	100.84%
2004	822,193,800	113,263,200	935,457,000	990,400,000	94.45%
2005	836,811,900	96,499,400	933,311,300	1,064,250,000	87.70%
2006	834,194,300	93,978,600	928,172,900	1,202,450,000	77.19%
2007	1,364,574,200	97,315,600	1,461,889,800	1,380,800,000	105.87%
2008	1,402,015,000	104,047,300	1,506,062,300	1,478,400,000	101.87%
2009	1,452,883,500	103,702,100	1,556,585,600	1,550,100,000	100.42%
2010	1,469,535,400	100,358,600	1,569,894,000	1,552,500,000	101.12%
2011	1,490,271,100	95,551,900	1,585,823,000	1,526,350,000	103.90%
2012	1,496,559,400	97,546,000	1,594,105,400	1,518,850,000	104.95%

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
2003	18,560	\$ 935,771,000	32,863,829	12,318,685	20,545,144	2.20%	1,107
2004	18,560	935,457,000	30,872,107	11,607,370	19,264,737	2.06%	1,038
2005	18,560	933,311,300	32,295,385	10,896,055	21,399,330	2.29%	1,153
2006	18,560	928,172,900	58,383,662	10,184,740	48,198,922	5.19%	2,597
2007 (a)	18,560	1,461,889,800	56,474,725	9,473,425	47,001,300	3.22%	2,532
2008	18,560	1,506,062,300	52,684,860	8,762,110	43,922,750	2.92%	2,367
2009	18,560	1,556,585,600	49,898,795	8,050,795	41,848,000	2.69%	2,255
2010	18,560	1,569,894,000	46,290,730	7,339,480	38,951,250	2.48%	2,099
2011	19,136	1,585,823,000	44,407,724	6,628,165	37,779,559	2.38%	1,974
2012	19,136	1,594,105,400	41,142,883	5,916,850	35,226,033	2.21%	1,841

Sources for population information: U.S. Census Bureau

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

CITY OF AUGUSTA, MAINE
Principal Taxpayers
June 30, 2012

Taxpayer	Business	Assessed value	% of total value
Central Maine Power	Public Utility	\$ 52,289,700	3.28%
Wal-Mart Stores, Inc.	Retail	32,845,700	2.06%
Capital Augusta Properties	Retail	32,276,800	2.02%
Central Maine Commerce Center	Office Building	30,070,500	1.89%
PDNED Augusta Crossing Inc	Developer	29,521,800	1.85%
Interstate Augusta Properties LLC	Retail	22,829,600	1.43%
Taurus Business Center Lmtd	Retail	20,802,500	1.30%
Townsend Road Assoc.	Developer	19,246,700	1.21%
CAP Center Associates LP	Developer	15,684,500	0.98%
J & R Associates LLC	Developer	15,356,900	0.96%

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, 2012, which collectively comprise the City of Augusta, Maine's basic financial statements and have issued our report thereon dated November 8, 2012. 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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item #2012-1 that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**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**

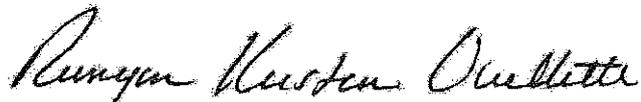
Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Augusta, Maine in a separate letter dated November 8, 2012.

The City of Augusta, Maine's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Augusta, Maine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, Board of Education, others within the entity, 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.



November 8, 2012
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 City of Augusta, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Augusta, Maine's major federal programs for the year ended June 30, 2012. The City of Augusta, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Augusta, Maine's management. Our responsibility is to express an opinion on the City of Augusta, Maine's compliance based on our audit.

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

As described in item #2012-2 and #2012-3 in the accompanying schedule of findings and questioned costs, the City of Augusta, Maine, did not comply with requirements regarding allowable costs/activities that are applicable to its Special Education Cluster and the requirements regarding reporting that are applicable to its Title I – Part A Cluster. Compliance with such requirements is necessary, in our opinion, for the City of Augusta, Maine, to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Augusta, Maine complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

Internal Control Over Compliance

Management of the City of Augusta, Maine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Augusta, Maine's internal control over compliance with the 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 internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Augusta, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, 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, 2012, and have issued our report thereon dated November 8, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

The City of Augusta, Maine's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Augusta, Maine's responses or Corrective Action Plan and, accordingly, we express no opinion on them.

This report is intended solely for the information of management, City Council, Board of Education, others within the entity, 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.



November 8, 2012
South Portland, Maine

CITY OF AUGUSTA, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at June 30, 2011	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2012	
						Federal	Other				
U.S. Department of Education, Passed through Maine Department of Education:											
2512	Adult Basic Education	84.002		6296	\$ 53,809	12,302	53,809	-	49,139	-	16,972
2509	Title IA	84.010		3057	718,854	54,599	718,854	-	795,536	-	(22,083)
2551	CIPS	84.010		N/A	-	-	-	-	62,266	-	(62,266)
2631	CIPS	84.010		N/A	-	-	-	-	13,964	-	(13,964)
2515	Special Education State Grants Individuals with Disabilities Act	84.027		3046	697,675	(80,686)	697,675	-	659,957	-	(42,968)
2520	Carl Perkins - Basic Grant (learning center)	84.048		3040	121,976	19,532	121,976	-	126,258	-	15,250
2527	Preschool	84.173		6241	25,197	7,096	25,197	-	22,728	-	9,565
2538	Reading First - Gilbert	84.357		3052	-	33,975	-	-	-	37,001	(3,026)
2542	Reading First - Farrington	84.357		3052	(654)	(36,347)	(654)	37,001	-	-	-
2534	Rural Low Income	84.358		3005	48,270	1,430	48,270	-	69,011	-	(19,311)
2539	Title III - ESL	84.365		3090	28,969	(699)	28,969	-	28,729	-	(459)
2508	Teacher Quality Grant	84.367		3042	144,918	108,560	144,918	-	281,788	-	(28,310)
2519	21st Century Grant	84.287		3054	146,564	(33,112)	146,564	-	131,535	-	(18,083)
1720	GPA Stabilization	84.394A	Y	2077	-	(1,689)	-	-	(1,689)	-	-
1730	Title IA - ARRA	84.389A	Y	3057	14,912	(17,771)	14,912	-	(2,859)	-	-
1750	Local Entitlement - ARRA	84.391A	Y	3046	-	7,588	-	-	7,588	-	-
1767	Education Jobs Bill	84.410	Y	3099	274,106	(19,500)	274,106	-	273,257	-	(18,651)
2550	Title IID CSIC - ARRA	84.386X	Y	3003	45,485	50,054	45,485	-	95,704	-	(165)
Passed through Maine Office of Substance Abuse:											
2507	Drug Free Schools and Communities	84.186		N/A	-	25,297	-	-	25,297	-	-
Total U.S. Department of Education						130,629	2,320,081	37,001	2,638,209	37,001	(187,499)
U.S. Department of Agriculture, passed through the Maine Dept. of Ed:											
2617	National School Lunch Program	10.555		3022/3024	N/A	277,957	494,710	359,807	494,710	432,703	205,061
	School Breakfast Program	10.553		3014	N/A	-	133,823	-	133,823	-	-
	Summer Food Service Program	10.559		3016	N/A	-	12,045	-	12,045	-	-
	Food Donation Program	10.555		N/A	N/A	29,722	63,843	-	68,328	-	25,237
	Fresh Fruit and Vegetable Program	10.582		3028	N/A	-	45,948	-	45,948	-	-
Total U.S. Department of Agriculture						307,679	750,369	359,807	754,854	432,703	230,298
U.S. Department of Justice, passed through the Maine Department of Justice:											
2202	Justice Assistance Grant - ARRA	16.804	Y	N/A	332,086	137	-	-	137	-	-
2224	Justice Assistance Grant	16.738		N/A	59,089	26,381	-	30	26,411	-	-
2246	Justice Assistance Grant	16.738		N/A	23,194	-	23,194	-	-	-	23,194
2047	Bulletproof Vest	16.607		N/A	4,729	-	4,729	-	4,729	-	-
Passed through the Maine Department of Health and Human Services:											
2229	Underage Drinking Grant	16.727		N/A	15,000	-	8,382	-	8,213	-	169
Passed through the Maine Department of Education:											
2603	Youth Voices	16.727		N/A	N/A	(1,898)	-	-	-	-	(1,898)
Total U.S. Department of Justice						24,620	36,305	30	39,490	-	21,465

CITY OF AUGUSTA, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at June 30, 2011	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2012
						Federal	Other			
U.S. Department of Transportation:										
Direct programs:										
2255	Airport Improvement Program	20.106	N/A	\$ 33,748	-	18,340	-	18,340	-	-
2049	OUI Grant	20.600	N/A	5,000	-	5,000	-	5,000	-	-
2125	Speed Enforcement	20.600	N/A	5,000	-	4,819	-	4,216	-	603
2183	Holiday Grant	20.600	N/A	6,120	324	5,000	-	5,000	-	324
2048	Seatbelt Grant	20.600	N/A	2,000	-	2,000	-	2,000	-	-
Passed through the Maine Department of Transportation:										
2227	Small Community Air Service Development	20.903	N/A	100,000	559	29,623	13,333	33,515	-	10,000
Total U.S. Department of Transportation					883	64,782	13,333	68,071	-	10,927
U.S. Department of Housing and Urban Development, passed through Department of Economic and Community Development:										
2235	CDBG - Public Service Grant	14.228	N/A	40,000	-	20,000	-	20,000	-	-
2236	CDBG - Public Facility Grant	14.228	N/A	150,000	-	2,322	-	2,322	-	-
2250	CDBG - Public Infrastructure Grant	14.228	N/A	500,000	-	500,000	-	500,000	-	-
2253	CDBG - Community Planning Grant	14.228	N/A	10,000	-	6,149	-	6,149	-	-
Total U.S. Department of Housing and Urban Development					-	528,471	-	528,471	-	-
Environmental Protection Agency:										
Direct Program:										
2195	Brownfields	66.818	N/A	350,000	-	34,281	-	34,281	-	-
Total Environmental Protection Agency					-	34,281	-	34,281	-	-
U.S. Department of Homeland Security:										
Passed through Maine Emergency Management Agency:										
2232	2010 Homeland Security Grant	97.067	N/A	218,457	-	62,207	5,225	62,207	-	5,225
2233	2009 Homeland Security Grant - Airport Police	97.067	N/A	10,776	-	2,168	-	2,014	-	154
2251	2010 Homeland Security Grant	97.067	N/A	151,471	-	439	-	439	-	-
2152	TSA - Officer Reimbursement	97.090	N/A	N/A	-	14,500	-	14,231	-	269
Total U.S. Department of Homeland Security					-	79,314	5,225	78,891	-	5,648
Totals					\$ 463,811	3,813,603	415,396	4,142,267	469,704	80,839

See accompanying notes to schedule of expenditures of federal awards.

CITY OF AUGUSTA, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

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, 2012. 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, 2012

Section I-Summary of Auditor's Results

Basic financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies identified? yes

Noncompliance material to financial statements noted? no

Federal Awards

Internal Control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified? none reported

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, 84.173, 84.391A	Special Education Cluster
84.010, 84.389A	Title I – Part A Cluster
14.228	Community Development Block Grant
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? no

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

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

SIGNIFICANT DEFICIENCY

#2012-1 - School Department Accounting System

At June 30, 2012, multiple balance sheet, revenue and expenditure accounts recorded on the School's accounting system did not reconcile with the information recorded on the City's accounting system. We recommend that the School Department incorporate a monthly reconciliation of all balance sheet accounts as well as revenue and expenditure accounts.

Management's Response/Corrective Action Plan: The School Department is in the process of converting accounting software systems from the Tyler Technologies ADS Software to use Tyler Technologies MUNIS software system as a department of the City for the General Ledger. This conversion allows for the school to develop a chart of accounts that aligns with the MDOE account structure and will eliminate all reconciling issues with the City accounting software.

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

Section III - Findings and Questioned Costs for Federal Awards

#2012-2 - U.S. Department of Education, for the Period July 1, 2011 through June 30, 2012, CFDA #84.027, #84.173, #84.391A, Special Education Cluster - Semi-annual Certification of Federally Funded Employees

Statement of Condition: The School Department did not require semi-annual certifications of employees paid 100% through the Special Education Cluster.

Criteria: 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".

Effect: If semi-annual certifications are not completed, the Department is not fulfilling the requirements set forth by OMB Circular A-87, Attachment B paragraph 11.h.3.

Cause: Semi-annual certifications of employees paid 100% through the Special Education Cluster were not done for the year ended June 30, 2012.

Recommendation: We recommend that certificates be distributed to federally funded staff twice a year and be signed by both the employee and the grant director.

Questioned Costs: None

Management Response/Corrective Action Plan: To ensure that all employees who have been paid by Federal Funds complete the required certification paperwork, a list of those paid with Federal Funds for that portion of the school year will be supplied to the individuals responsible for having the certification of their grant.

#2012-3 - U.S. Department of Education, for the Period July 1, 2011 through June 30, 2012, CFDA #84.010, #84.389A, Title I – Part A Cluster

Statement of Condition: The School Department did not request the proper amount of funds using the Federal Grant Reimbursement Invoice that is submitted to the State of Maine Department of Education.

Criteria: The Federal Grant Reimbursement Invoice is submitted to the State for the request of Title I – Part A Cluster funds. The funds requested should be disbursed prior to submitting the Federal Grant Reimbursement Invoice with the State of Maine Department of Education.

Effect: The School Department may request funds in excess of those amounts disbursed during the period for which those funds were requested.

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

Section III - Findings and Questioned Costs for Federal Awards, continued

Cause: The School Department only requested Title I – Part A Cluster funds four times during the fiscal year. The first two drawdown requests were done properly and had supporting documentation for the period of time requested (7/1/2011-11/14/2011 and 11/15/2011-1/13/2012). The third drawdown request of the year requested funds that were disbursed throughout the entire fiscal year, causing the School Department to request \$193,799.21 that was requested in the first two drawdowns of the fiscal year. The School Department avoided having excess cash on hand as a result of the infrequency of the reimbursement requests.

Recommendation: We recommend that the Federal Grant Reimbursement Invoice be submitted on a monthly basis and thoroughly reviewed before being submitted to the State of Maine Department of Education.

Questioned Costs: None

Management Response/Corrective Action Plan: Drawdowns will be done on a monthly basis with back-up attached to the drawdown for the amount of the request.

Anticipated completion date for corrective action of all comments:
We anticipate corrective action to be taken within the next 12 months.

Contact person responsible for corrective action:
Karla Miller, Director of Business, 207-626-2468

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

Section IV - Status of Prior Year Findings and Questioned Costs

#2011-2 - U.S. Department of Education, for the Period July 1, 2010 through June 30, 2011, CFDA #84.027; #84.173; #84.391; #84.392 Special Education Cluster (IDEA), CFDA #84.010; 84.389 Title I – Part A Cluster, and CFDA #84.318, #84.386X Education Technology Cluster

Statement of Condition: The Special Education Cluster (IDEA), Title I – Part A Cluster, and Education Technology Cluster 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.

Status: No finding in current year

#2011-3 - U.S. Department of Education, for the Period July 1, 2010 through June 30, 2011, CFDA #84.027; #84.173; #84.391; #84.392 Special Education Cluster (IDEA) and CFDA #84.010; 84.389 Title I – Part A Cluster

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

Criteria: The School Department 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.

Status: No finding in current year

#2011-4 - U.S. Department of Education, for the Period July 1, 2010 through June 30, 2011, CFDA #84.027, #84.173, #84.391A, #84.392A Special Education Cluster - Semi-annual Certification of Federally Funded Employees

Statement of Condition: The School Department did not require semi-annual certifications of employees paid 100% through the Special Education Cluster.

Criteria: 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.

Effect: If semi-annual certifications are not completed, the Department is not fulfilling the requirements set forth by OMB Circular A-87, Attachment B paragraph 11.h.3.

Status: See current year finding #2012-2

