CITY OF AUGUSTA, MAINE

Financial Report

June 30, 2004

CITY OF AUGUSTA, MAINE
Annual Financial Report
June 30, 2004

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Runyon Kersteen Ouellette

Certified Public Accountants and Business Consultants

Independent Auditor's Report

City Council
City of Augusta, Maine

We have audited the accompanying 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 June 30, 2004 and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Augusta, Maine's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

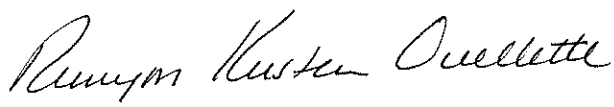
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine, as of June 30, 2004, and respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Augusta's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Augusta, Maine. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2004 on our consideration of the City of Augusta, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 77-78.



November 3, 2004
South Portland, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED 2004

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, 2004. 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 2004 Financial Highlights

Financial highlights of the year include the following:

City-wide:

- The City's total net assets were $23.5 million at June 30, 2004. Of this total, $19.5 million were governmental assets and $4 million were business-type assets.
- The City's net assets grew by $570,000. Of this amount, the governmental activities had an increase in net assets of $1.53 million; $1.1 million due to an increase in net capital assets. The business-type activities decreased by just under $1.0 million; a decrease of $300,000 in net capital assets and a decrease of $700,000 in unrestricted net assets.
- City-wide governmental revenues include program revenues of $23.4 million, an increase of $2 million, and general revenues of $30.2 million, an increase of $1 million. Business-type income was $6.0 million, a decrease of $225,000.
- Total City-wide governmental expenses were $52.1 million, an increase of 2.5% and business-type activities were $6.7 million, an increase of 15%, for total expenditures of $58.9 million.

Fund Level:

- Governmental Fund Balance increased by $221,000 in Fiscal 2004 to $11.54 million. Governmental Fund Revenues total $52.2 million, with total expenditures of $52.2 million. Other Financing Sources and Uses added $250,000. General Fund Revenues totaled $44.2 million, with total expenditures of $43.6 million, for an excess of revenues over expenditures of $550,000. Total Other Financial Sources and Uses was $316,000. The increase in the General Fund Balance was $866,000 for Fiscal 2004.

Overview of the Financial Statements:

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

The Basic Financial Statements

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

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

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

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

Major Funds account for the major financial activities of the City are presented individually while the activities of the Non-Major Funds are presented in summary, with subordinate schedules presenting the detail for each of these Other Funds. Major Funds are explained below.

The Government-wide Financial Statements

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

Governmental Activities:

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

Business-Type Activities:

- The City's four enterprise activities, Augusta Civic Center, Hatch Hill Landfill, Airport, and Ambulance, are reported here. Unlike governmental services, these services are supported by charges paid by users based on the amount of service they use.

- The City-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements:

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

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

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

Comparisons of budget and actual financial information are presented only for the General Fund, as required by GASB 34. Fiduciary Funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary Funds are not reflected in the Government-Wide Financial Statement because the resources of those funds are not available to support the City of Augusta's own programs. The accounting use for Fiduciary Funds is much like that used for Propriety Funds.

Financial Activities of the City as a Whole:

This analysis focuses on the net assets and changes in net assets of the City's Governmental activities (Table 1) and business-type activities (Table 2) presented in the city-wide statement of net assets and statement of activities.

Table 1 - Governmental Activities

	2004	2003	$ Variance
Current and other assets	$19,247,276	$17,403,490	$1,843,786
Capital assets	26,715,922	26,825,730	(109,808)
Total assets	45,963,198	44,229,200	1,733,998
Long-term liabilities	19,581,260	20,826,917	(1,245,657)
Other liabilities	6,890,779	5,448,331	1,442,448
Total Liabilities	26,472,039	26,275,248	196,791
Net assets:			
Invested in capital assets (net of debt)	20,264,462	19,148,813	1,115,649
Restricted	602,379	667,788	(65,409)
Unrestricted	(1,375,882)	(1,862,629)	486,747
Total net assets	$19,491,159	$17,953,972	$1,537,187

Capital assets net of related debt increased by 5.83% or $1.1 million. The City's long-term liabilities (primarily debt) decreased by $1.2 million. One hundred and four percent (104%) of the Governmental net assets are represented by the City's investment in Capital assets net of related debt. The City uses these capital assets to provide services and transportation infrastructure to citizens, businesses, and visitors. These assets are not available to finance future operations nor are they available to repay outstanding debt. Three percent (3%) of net assets represent resources that are subject to external restrictions in their uses. The remaining balance is unrestricted net assets, a deficit of $1.38 million. The negative amount arose primarily as a result of the City's unfunded prior service liabilities of its employee retirement plan. The City issued $13.15 million of pension obligation bonds in FY 2003 to refinance its unfunded liabilities, producing a savings of $2.7 million over the 15-year amortization of the bonds.

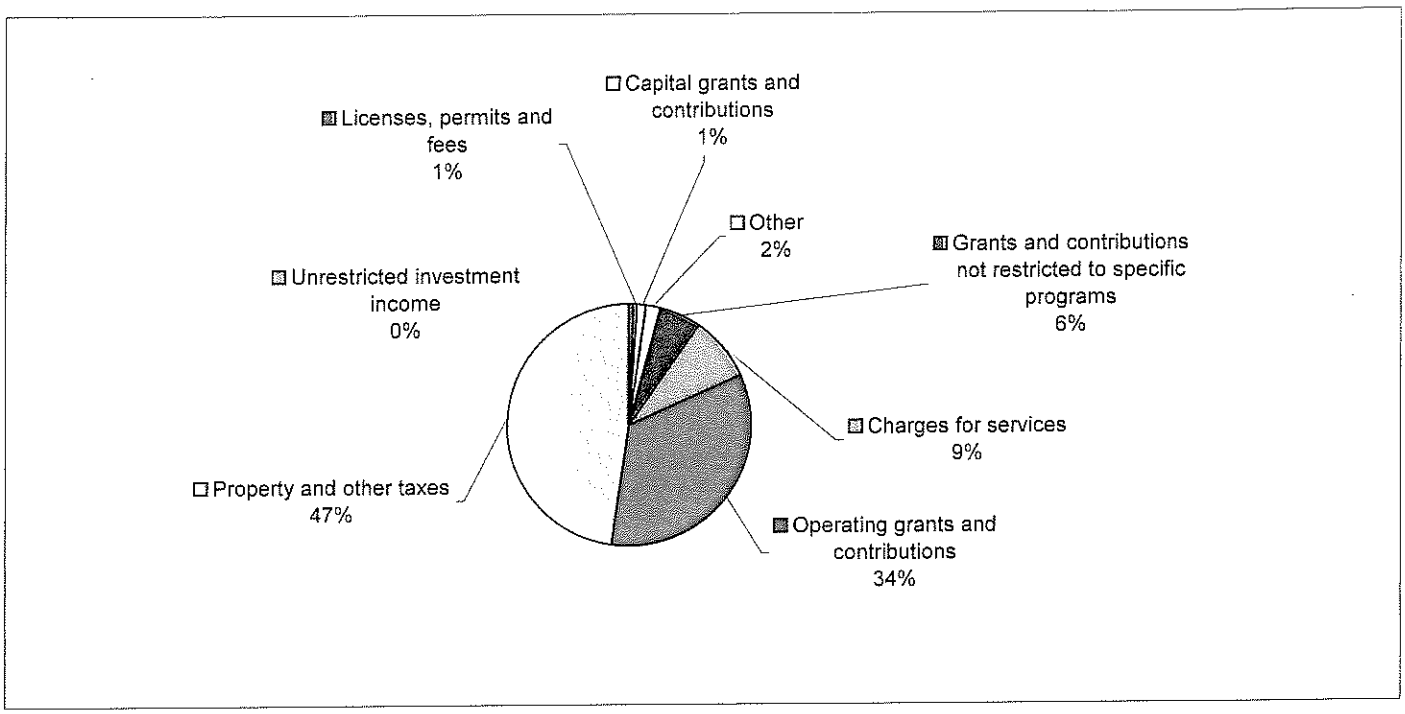
Changes in Net Assets:

	2004	2003	$ Variance
Sources of Revenues:			
Program Revenues			
Charges for services	$ 4,668,885	$ 4,366,030	$ 302,855
Operating grants and contributions	18,176,812	16,828,960	1,347,852
Capital grants and contributions	591,418	249,349	342,069
	23,437,115	21,444,339	1,992,776
General Revenues			
Property and other taxes	25,600,021	25,301,253	298,768
Grants and contributions not restricted to specific programs	2,969,273	2,773,577	195,696
Licenses, permits and fees	377,393	396,850	(19,457)
Unrestricted investment income	228,901	538,120	(309,219)
Other	1,021,416	153,826	867,590
	30,197,004	29,163,626	1,033,378
Total Revenues	$ 53,634,119	$ 50,607,965	$ 3,026,154
Functional Expenses:			
General government	$ 1,525,583	$ 1,649,442	$ (123,859)
Finance and administration	799,314	759,861	39,453
City services	3,560,352	3,365,923	194,429
Community services	2,340,370	2,222,759	117,611
Public safety	5,017,437	4,990,504	26,933
Education	28,167,122	28,609,739	(42,617)
Insurance and retiree benefits	1,579,957	1,444,711	135,246
Other fixed charges	2,110,899	2,107,913	2,986
Unclassified	5,404,041	3,375,553	2,028,488
Interest on debt	240,820	217,015	23,805
Central garage	1,030,789	1,093,333	(62,544)
Capital maintenance expenses	320,249	989,578	(669,329)
Total Expenses	$ 52,096,933	$ 50,826,331	$ 1,270,602
Increase (decrease) in net assets	$ 1,537,186	$ 218,366	$ 1,755,552
Net assets – beginning of year	17,953,972	18,172,338	
Net assets – end of year	$ 19,491,158	$ 17,953,972	$ 1,537,186

Governmental activities resulted in a positive change in net assets of $1.5 million. Program revenues increased $2.0 million, with Operating grants and contributions up 85% or $1.3 million. General revenues increased $1.0 million or a 3.9 % growth. The growth in other revenues resulted from a $610,000 variance in inter fund transfers. In the previous year, there was a transfer from governmental activities fund to the business type fund of $360,000. In FY 2004, the transfer went from the business type to the governmental activities in the amount of

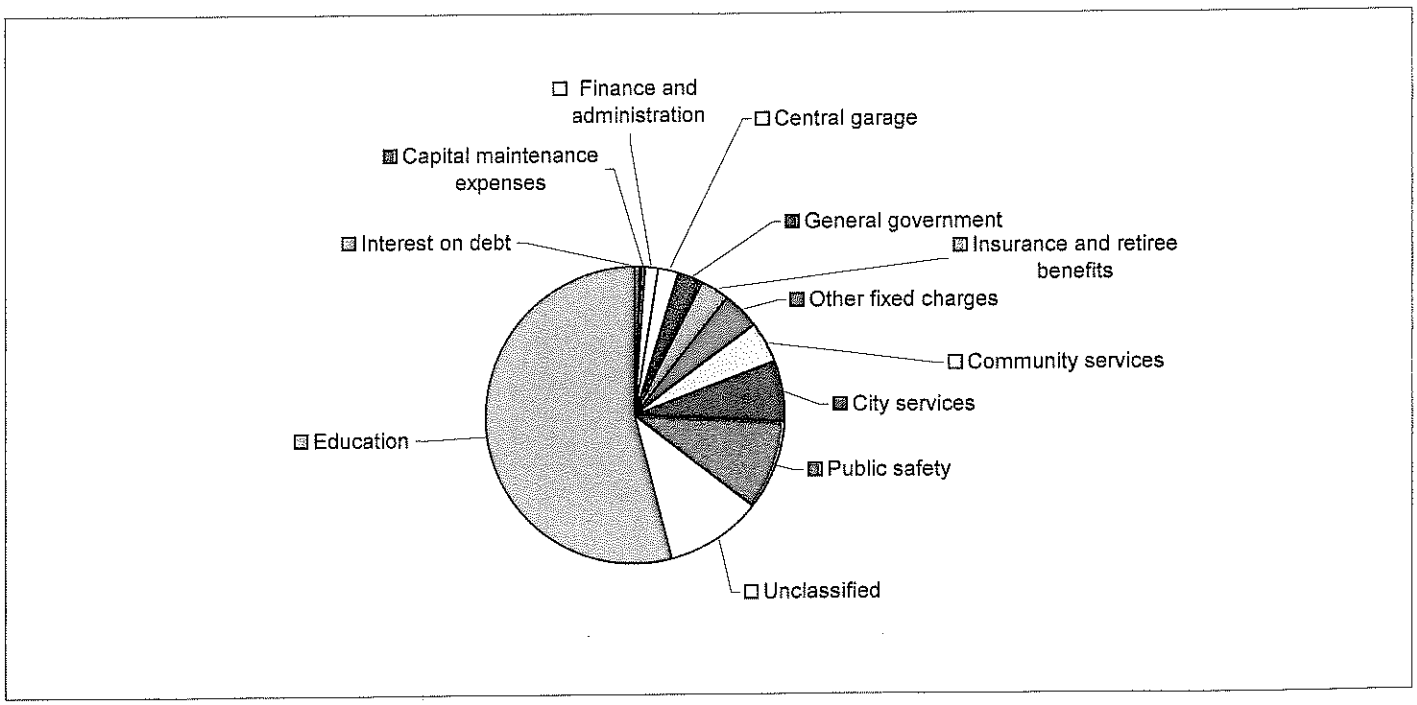
$250,000. Functional expenses grew a modest 2.5 %. Unclassified expenses grew $2.0 million, due primarily to tax Increment Financing District (see notes page 42) and Community Development Block Grant expenditures.

Source of Revenues



As the source of revenues chart above shows, 47.7 % of the City's fiscal 2004 governmental activities revenues came from property and other taxes, and 33.9% from operating grants and contributions. The remaining 18.4% came from charges for services (8.7%), grants and contributions not restricted to specific purposes (5.5%) and other (4.2%).

Functional Expenses



The Functional expenses chart above reflects only current year expenses, which are discussed below. Education accounted for 54.1% and Unclassified for 10.4% of expenses. Public Safety accounted for 9.6%, City Services 6.8%,

Community Services 4.5%, Other fixed charges 4.0%, General Government 3.0%, Insurance and Retiree Benefits 3.0%, Central Garage 2.0%, Finance and Administration 1.5% and other 1.1%.

Expenses do not include capital outlays, which are now capitalized to the City's capital assets. In 2004, the City's capital assets declined a net $104,439 as depreciation more than offset capital additions as shown in detail in Table 4.

Governmental Activities:

Table 2 presents the net expenses of each of the City's largest programs. Net expense is defined as total program cost less the revenue generated by those specific activities. In the City's case, the net expenses of several programs varied significantly from the total expense above. Overall, program revenues reduced program expenses by an average of 43% of total expenses as compared to 39% in FY 2003. The range of reduction was 0% to 65.0%. Over all, governmental activities net expenses decreased $720,000. The City's program revenues include license fees, cable franchise fees, building permits, charges for services, State subsidies, and operating grants and contributions.

Table 2
Governmental Activities
(In Millions)

	2004	2003	$ Variance
General government	(1.52)	($1.55)	($0.03)
Finance and administration	(0.80)	(0.76)	$0.04
City services	(3.33)	(3.10)	$0.23
Community services	(2.32)	(1.24)	$1.08
Public safety	(4.99)	(4.68)	$0.31
Education	(9.74)	(11.71)	($1.97)
Insurance and fringe benefits	(1.58)	(1.44)	$0.14
Other fixed charges	(2.11)	(2.11)	$0.00
Unclassified	(1.75)	(2.66)	($0.91)
Debt service	(0.24)	(0.22)	$0.02
Central garage	0.04	(0.01)	($0.05)
Capital maintenance expenses	(0.32)	0.09	$0.41
Total	(28.66)	($29.38)	($0.72)

Table 3
Business-type Net Assets
(In Millions)

	FY 2004	FY 2003	$ Variance
Current and other assets	$ 5.77	$ 6.96	($1.19)
Capital assets	14.65	15.08	(0.42)
Total assets	$ 20.42	$ 22.04	(1.62)
Long-term liabilities	15.09	15.83	(0.74)
Other liabilities	1.29	1.2	0.09
Total liabilities	16.38	17.03	(0.65)
Net assets:			
Invested in capital assets (net of debt)	2.96	2.65	0.31
Unrestricted	1.08	2.35	(1.27)
Total net assets	$ 4.04	$ 5.00	($0.96)

The net assets of business-type activities decreased by $966,000 in fiscal year 2004. The decrease in net assets is attributable to an operating loss of $66,000, non-operating loss of $650,000, and a transfer to governmental activities of $250,000.

The City's Fund Financial Statement

Governmental Funds

At June 30, 2004, the City's governmental funds reported a combined fund balance of $11.5 million. The General Fund accounted for $9.0 million and Other Funds $2.5 million.

Government funds revenues totaled $52.23 million with expenditures totaling $52.26, a deficiency of revenues under expenditures of $28,000. Other financing sources and uses netted $.25 million, resulting in a net increase of fund balance by $221,000.

Proprietary Funds

Proprietary Fund net assets decreased by $1.0 million. Enterprise operating loss was $65,809, with non-operating expenses of $.65 million, for a net loss of $.72 million, net operating transfers out totaled $.25 million.

Analysis of Major Governmental Funds

General Fund

General Fund revenues exceeded estimates by 1.8% or $736,775 as compared to FY 2003 with a positive variance of $145,642. The City experienced wide variations in anticipated revenues by sources. Investment earnings were only 48% of expectation as interest rates continued to decline during fiscal year 2004. Intergovernmental revenues exceeded estimates by 7.75% ($417,069), due primarily to state education subsidies. Tuition and other education charges were up 7.75% ($141,546) as more tuition students attended Augusta schools than anticipated. Motor vehicle excise taxes also continued to exceed expectations by $141,000.

General fund expenditures had a budgetary surplus of 4.1% or $1.7 million. Educational expenditures were 1.6% ($378,000) under budget. Municipal operating expenditures were 6.9% ($1.36 million) under budget. Major positive variances were: health and workers' compensation premiums ($173,675), Utilities ($221,515), debt service ($192,036) and public works winter maintenance ($100,000). Offsetting negative variances were incurred by: County taxes ($31,000), property and casualty insurance ($16,107), building maintenance ($19,000), attorney fees ($21,000). Other financing uses totaled $315,851. In addition, the municipal operations incurred a change in accrued compensated absences of $652,612, resulting in a net change to Fund balance of $866,045.

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 $217,213 in fiscal 2004. Net assets totaled $2.47 million, of which $1.8 million represents investment in capital assets, net of related debt, and unrestricted net assets totaled $.67 million. The Civic Center had net operating income of $3,657 with a non-operating expense of $220,870 (interest expense).

Hatch Hill Landfill

Net assets of the regional Hatch Hill Landfill decreased $404,816 in fiscal 2004. Net assets totaled $1.45 million, of which $1.0 million represents investments in capital assets net of related debt, $.3 million in unrestricted net assets and $.15 million in restricted (reserve for capital) assets. Operating income total $274,049, non-operating expense totaled $428,865 and transfer to general fund totaled $250,000.

Airport

The City manages the Augusta State Airport through a contract with the State of Maine. The Airport Fund ran a deficit of $821 during fiscal year 2004, which the City expects to recover during 2005.

Ambulance

Net assets of the Ambulance Fund decreased $342,694 in fiscal 2004. Net assets totaled $135,088, of which $211,000 represents investment in capital assets net of related debt and unrestricted net assets totaled $75,937. Operating loss for FY 2004 totaled $342,694. Operating revenues were down 33% from FY 2003, as a result of fewer emergency calls, less transfers, and an increase in write offs due to Medicare patients. Operating expenses increased 33% due to an increase in write-offs of uncollectible accounts receivable of $256,267.

Central Garage (Internal Service Fund)

Net assets of the Central Garage fund increased $38,676 in fiscal 2004. Net assets totaled $1.8 million, of which $1.1 represents investment in capital assets net of debt and unrestricted net assets totaled $.7 million.

Capital Assets

GASB 34 requires the City to record all its capital assets, including infrastructure. 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 2004, the cost of infrastructure and other capital assets of Government Funds recorded on the City's financial statements was $26,715,922, a decrease of $109,808 or four tenths of one percent. Table 4 reflects Capital assets at June 30, 2004, by Governmental activities and Business-type activities.

Table 4
Capital Assets at Year End

	FY 2004	FY 2003	$ Variance
Governmental activities:			
Capital assets, not being depreciated	$ 2,144,712	$ 1,200,712	$944,000
Capital assets being depreciated			
Land improvements	1,000,000	1,000,000	--
Buildings and improvements	27,660,984	27,641,600	19,384
Machinery, vehicles, and equipment	6,010,529	6,102,810	(92,281)
Infrastructure	26,280,720	26,175,100	105,620
Internal service fund equipment	3,269,106	3,340,666	(71,560)
Less: Accumulated depreciation	(39,650,129)	(38,635,218)	(1,014,911)
	$26,715,922	$26,825,670	($109,748)
Business-type activities:			
Capital assets, not being depreciated	$ 428,950	$ 428,950	$ --
Capital assets, being depreciated			
Buildings and improvements	7,227,267	7,103,067	124,200
Machinery and equipment	2,573,250	1,994,206	579,044
Landfill	14,685,286	14,658,218	27,068
Less: Accumulated depreciation	(10,264,178)	(9,108,884)	(1,155,294)
	$14,650,575	$15,075,557	($424,982)

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

Debt Administration

The City's total bonded indebtedness at June 30, 2004 was $19,264,737, a decrease of $1,280,406. The City did not issue new debt during FY 2004 and retired $1,280,406 principal amount of bonds and made all scheduled repayments of existing bonded indebtedness for fiscal year 2004.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Department, at 207-626-2300 extension 4168.

BASIC FINANCIAL STATEMENTS

CITY OF AUGUSTA, MAINE
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,235,753	136,071	1,371,824
Investments	19,578,888	661,769	20,240,657
Receivables:			
Accounts	18,102	485,613	503,715
Intergovernmental	835,972	-	835,972
Taxes receivable	983,210	-	983,210
Tax liens	358,957	-	358,957
Notes	346,898	-	346,898
Internal balances	(4,425,173)	4,425,173	-
Inventories	176,068	23,778	199,846
Prepaid expenses	138,601	38,490	177,091
Capital assets, net	26,715,922	14,650,575	41,366,497
Total assets	45,963,198	20,421,469	66,384,667
LIABILITIES			
Accounts payable and other current liabilities	1,814,652	88,075	1,902,727
Accrued payroll	2,220,585	91,806	2,312,391
Compensated absences payable	2,311,454	190,066	2,501,520
Escrow payable	507,012	175,018	682,030
Taxes paid in advance	37,076	-	37,076
Noncurrent liabilities:			
Due within one year	1,505,905	742,676	2,248,581
Due in more than one year	18,075,355	15,093,371	33,168,726
Total liabilities	26,472,039	16,381,012	42,853,051
NET ASSETS			
Invested in capital assets, net of related debt	20,264,662	2,964,528	23,229,190
Restricted for:			
Nonexpendable principal	602,379	-	602,379
Unrestricted	(1,375,882)	1,075,929	(299,953)
Total net assets	**$ 19,491,159**	**4,040,457**	**23,531,616**

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Activities
For the Year Ended June 30, 2004

Functions/programs	Expenses	Program Revenues: Charges for services	Program Revenues: Operating grants and contributions	Program Revenues: Capital grants and contributions	Net (expense) revenue and changes in net assets: Primary Government: Governmental activities	Net (expense) revenue and changes in net assets: Primary Government: Business-type activities	Net (expense) revenue and changes in net assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 1,525,583	-	-	-	(1,525,583)	-	(1,525,583)
Finance and administration	799,314	-	-	-	(799,314)	-	(799,314)
City services	3,560,352	-	232,964	-	(3,327,388)	-	(3,327,388)
Community services	2,340,370	23,921	-	-	(2,316,449)	-	(2,316,449)
Public safety	5,017,437	28,739	-	-	(4,988,698)	-	(4,988,698)
Education	28,167,122	2,985,712	14,847,804	591,418	(9,742,188)	-	(9,742,188)
Insurance and fringe benefits	1,579,957	-	-	-	(1,579,957)	-	(1,579,957)
Other fixed charges	2,110,899	-	-	-	(2,110,899)	-	(2,110,899)
Unclassified	5,404,041	561,048	3,096,044	-	(1,746,949)	-	(1,746,949)
Interest on debt	240,820	-	-	-	(240,820)	-	(240,820)
Central garage	1,030,789	1,069,465	-	-	38,676	-	38,676
Capital maintenance	320,249	-	-	-	(320,249)	-	(320,249)
Total governmental activities	52,096,933	4,668,885	18,176,812	591,418	(28,659,818)	-	(28,659,818)
Business-type activities:							
Augusta Civic Center	2,804,081	2,586,868	-	-	-	(217,213)	(217,213)
Hatch Hill Landfill	2,423,384	2,242,781	-	-	-	(180,603)	(180,603)
Airport	375,821	375,000	-	-	-	(821)	(821)
Ambulance	1,138,584	795,890	-	-	-	(342,694)	(342,694)
Total business-type activities	6,741,870	6,000,539	-	-	-	(741,331)	(741,331)
Total primary government	**$ 58,838,803**	**10,669,424**	**18,176,812**	**591,418**	**(28,659,818)**	**(741,331)**	**(29,401,149)**
General revenues:							
Property taxes, levied for general purposes					$ 22,879,292	-	22,879,292
Motor vehicle excise taxes					2,720,729	-	2,720,729
Licenses and permits					180,976	-	180,976
Franchise fees					196,417	-	196,417
Grants and contributions not restricted to specific programs:							
Homestead exemption					754,875	-	754,875
State Revenue Sharing					2,214,398	-	2,214,398
Unrestricted investment earnings					228,901	1,289	230,190
Miscellaneous revenues					771,416	24,498	795,914
Transfers					- 250,000	(250,000)	-
Total general revenues and transfers					30,197,004	(224,213)	29,972,791
Change in net assets					1,537,186	(965,544)	571,642
Net assets - beginning					17,953,973	5,006,001	22,959,974
Net assets - ending					**$ 19,491,159**	**4,040,457**	**23,531,616**

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Balance Sheet
Governmental Funds
June 30, 2004

		General	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$	1,126,793	108,960	1,235,753
Investments		18,842,479	736,409	19,578,888
Receivables:				
Taxes receivable		983,210	-	983,210
Tax liens		358,957	-	358,957
Due from other governments		570,034	265,938	835,972
Accounts receivable		10,986	-	10,986
Notes receivable		-	346,898	346,898
Interfund loans receivable		-	1,926,245	1,926,245
Inventory		-	37,607	37,607
Prepaid items		128,309	4,673	132,982
Total assets	**$**	**22,020,768**	**3,426,730**	**25,447,498**
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities		1,791,392	505,512	2,296,904
Accrued payroll and benefits		2,020,354	191,699	2,212,053
Accrued compensated absences		1,218,649	9,991	1,228,640
Escrow payable		1,500	-	1,500
Deferred revenue		1,085,421	-	1,085,421
Taxes received in advance		37,076	-	37,076
Interfund loans payable		6,822,817	217,857	7,040,674
Total liabilities		12,977,209	925,059	13,902,268
Fund balances:				
Reserved for:				
Encumbrances - City		45,989	-	45,989
Encumbrances - School		304,423	-	304,423
Noncurrent receivables		-	346,898	346,898
Inventory		-	37,607	37,607
Nonexpendable trust principal		-	602,379	602,379
Unreserved, reported in:				
General fund:				
City designated		1,594,332	-	1,594,332
School designated		420,000	-	420,000
City undesignated		5,188,377	-	5,188,377
School undesignated		1,490,438	-	1,490,438
Special revenue funds		-	1,236,110	1,236,110
Capital projects funds		-	(625,490)	(625,490)
Permanent funds		-	904,167	904,167
Total fund balances		9,043,559	2,501,671	11,545,230
Total liabilities and fund balances	**$**	**22,020,768**	**3,426,730**	

Amounts reported for governmental activities in the statement of net assets (Statement 1) are different because (See Note 4, also):		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
More specifically, non-depreciable & depreciable capital assets as reported on Statement 1		26,715,922
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (See Note 1).		
Noncurrent liabilities as reported on Statement 1 (Long-term debt)	(21,892,714)	
Plus: short-term accrued compensated absences as reported above	1,228,640	
		(20,664,074)
Deferred revenues- more specifically, deferred property taxes not reported on Statement 1		1,085,421
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.		808,660
Net assets of governmental activities	**$**	**19,491,159**

See accompanying notes to basic financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 25,514,600	998,435	26,513,035
Licenses and permits	180,976	-	180,976
Intergovernmental	15,522,437	3,990,548	19,512,985
Tuition and other charges - education	1,968,546	-	1,968,546
Charges for services	265,335	610,601	875,936
Fees and fines	42,945	-	42,945
Unclassified	492,791	2,413,119	2,905,910
Investment earnings	219,288	9,613	228,901
Total revenues	44,206,918	8,022,316	52,229,234
Expenditures:			
Current:			
General government	1,357,108	-	1,357,108
Finance and administration	770,768	-	770,768
City services	2,981,857	-	2,981,857
Community services	2,335,567	-	2,335,567
Public safety	4,876,575	-	4,876,575
Education (excluding debt service)	24,092,294	3,295,025	27,387,319
Insurance and fringe benefits	1,579,957	-	1,579,957
Other fixed charges	2,110,899	65,756	2,176,655
Unclassified	1,869,474	3,468,811	5,338,285
Debt service	1,682,225	-	1,682,225
Capital outlay	-	1,771,552	1,771,552
Total expenditures	43,656,724	8,601,144	52,257,868
Excess (deficiency) of revenues over (under) expenditures	550,194	(578,828)	(28,634)
Other financing sources (uses):			
Operating transfers from other funds	530,851	439,120	969,971
Operating transfers to other funds	(215,000)	(504,971)	(719,971)
Total other financing sources (uses)	315,851	(65,851)	250,000
Net change in fund balances	866,045	(644,679)	221,366
Fund balances, beginning of year	8,177,514	3,146,350	11,323,864
Fund balances, end of year	**$ 9,043,559**	**2,501,671**	**11,545,230**

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, 2004

Net change in fund balances - total governmental funds (from Statement 4)	$	221,366
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 exceeded capital outlays in the current period.		
Depreciation		(1,539,986)
Capital outlay		1,535,592
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		85,421
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.		
Debt service principal payments		1,280,407
Capital leases		(84,290)
Net income internal service fund		38,676
Change in net assets of governmental activities (see Statement 2)	**$**	**1,537,186**

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, 2004

	Budgeted amounts			Variance with final budget positive
	Original	Final	Actual	(negative)
Revenues:				
Taxes	$ 25,134,209	25,134,209	25,514,600	380,391
Licenses and permits	174,800	165,800	180,976	15,176
Intergovernmental	12,805,368	12,805,368	13,222,437	417,069
Tuition and other charges - education	1,827,000	1,827,000	1,968,546	141,546
Charges for services	257,006	256,106	265,335	9,229
Fees and fines	31,875	31,875	42,945	11,070
Unclassified	490,885	499,885	492,791	(7,094)
Investment earnings	449,000	449,900	219,288	(230,612)
Total revenues	41,170,143	41,170,143	41,906,918	736,775
Expenditures:				
Current:				
General government	1,436,989	1,441,039	1,357,108	83,931
Finance and administration	809,720	809,720	770,768	38,952
City services	3,242,761	3,332,261	2,981,857	350,404
Community services	2,375,044	2,407,827	2,335,567	72,260
Public safety	5,115,898	5,115,898	4,876,575	239,323
Education	23,160,657	22,800,657	22,422,435	378,222
Insurance and fringe benefits	941,515	1,589,779	1,579,957	9,822
Other fixed charges	2,247,391	2,247,391	2,110,899	136,492
Unclassified	1,218,912	1,452,579	1,216,862	235,717
Debt service (excluding education)	1,891,256	1,242,992	1,052,084	190,908
Total expenditures	42,440,143	42,440,143	40,704,112	1,736,031
Excess (deficiency) of revenues over (under) expenditures	(1,270,000)	(1,270,000)	1,202,806	2,472,806
Other financing sources (uses):				
Budgeted utilization of surplus - City	500,000	540,000	-	(540,000)
Budgeted utilization of surplus - School	420,000	420,000	-	(420,000)
Operating transfers to other funds	(175,000)	(215,000)	(215,000)	-
Operating transfers from other funds	525,000	525,000	530,851	5,851
Total other financing sources (uses)	1,270,000	1,270,000	315,851	(954,149)
Net change in fund balance - budgetary	-	-	1,518,657	1,518,657
GAAP adjustment - change in accrued compensated absences	-	-	(652,612)	(652,612)
Net change in fund balance - GAAP basis	-	-	866,045	866,045
Fund balance, beginning of year			8,177,514	
Fund balance, end of year	**$**		**9,043,559**	

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities - Enterprise Funds					
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Totals	Governmental Activities - Internal Service
ASSETS						
Current assets:						
Cash	$ 136,071	-	-	-	136,071	-
Investments	661,769	-	-	-	661,769	-
Accounts receivable	145,027	102,758	75,558	162,270	485,613	7,116
Interfund loans receivable	45,275	4,640,246	-	-	4,685,521	689,256
Prepaid expenses	11,342	9,594	2,363	15,191	38,490	5,619
Inventory	23,778	-	-	-	23,778	138,461
Total current assets	1,023,262	4,752,598	77,921	177,461	6,031,242	840,452
Non-current assets:						
Property, plant, and equipment:						
Land and buildings	7,593,896	62,322	-	-	7,656,218	-
Equipment and vehicles	1,335,282	852,722	-	385,245	2,573,249	3,269,106
Hatch Hill landfill system	-	14,685,287	-	-	14,685,287	-
Less accumulated depreciation	(3,208,375)	(6,881,584)	-	(174,220)	(10,264,179)	(2,090,734)
Total noncurrent assets	5,720,803	8,718,747	-	211,025	14,650,575	1,178,372
Total assets	$ 6,744,065	13,471,345	77,921	388,486	20,681,817	2,018,824
LIABILITIES						
Current liabilities:						
Accounts payable	28,398	53,554	1,855	4,268	88,075	23,260
Accrued wages and benefits payable	33,724	11,771	5,249	41,062	91,806	8,532
Accrued compensated absences	115,287	47,224	11,290	16,265	190,066	18,814
Refundable deposits	175,018	-	-	-	175,018	-
Current portion of bonds payable	226,315	485,000	-	-	711,315	-
Current portion of leases payable	31,361	-	-	-	31,361	56,728
Interfund loans payable	-	-	68,545	191,803	260,348	-
Total current liabilities	610,103	597,549	86,939	253,398	1,547,989	107,334
Noncurrent liabilities:						
Bonds payable	3,621,055	7,275,000	-	-	10,896,055	-
Capital leases payable	47,316	-	-	-	47,316	49,988
Accrued landfill closure and postclosure costs	-	4,150,000	-	-	4,150,000	-
Total noncurrent liabilities	3,668,371	11,425,000	-	-	15,093,371	49,988
Total liabilities	$ 4,278,474	12,022,549	86,939	253,398	16,641,360	157,322
NET ASSETS						
Invested in capital assets, net of related debt	1,794,756	958,747	-	211,025	2,964,528	1,071,656
Restricted - reserve for capital	-	332,818	-	-	332,818	-
Unrestricted	670,835	157,231	(9,018)	(75,937)	743,111	789,846
Total net assets	**$ 2,465,591**	**1,448,796**	**(9,018)**	**135,088**	**4,040,457**	**1,861,502**

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2004

	Business Type Activities - Enterprise					
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Enterprise Fund Totals	Governmental Activities Internal Service
Operating revenues:						
Rental income	$ 1,006,109	-	-	-	1,006,109	-
Fees	-	2,232,064	-	795,890	3,027,954	1,043,417
Food and beverage sales	1,580,759	-	-	-	1,580,759	-
State of Maine	-	-	375,000	-	375,000	-
Miscellaneous	-	10,717	-	-	10,717	-
Total operating revenues	2,586,868	2,242,781	375,000	795,890	6,000,539	1,043,417
Operating expenses:						
Personnel services	1,417,265	388,423	225,028	637,193	2,667,909	345,089
Contractual services	350,866	411,261	107,604	60,576	930,307	53,867
Supplies and materials	482,518	200,625	25,396	55,223	763,762	379,907
Fixed charges	30,358	29,724	12,749	1,640	74,471	-
Capital maintenance expense	-	1,119	-	5,976	7,095	-
Capital outlay	-	20,000	-	-	20,000	7,694
Depreciation	301,518	824,946	-	42,887	1,169,351	227,331
Miscellaneous	686	92,634	5,044	335,089	433,453	16,901
Total operating expenses	2,583,211	1,968,732	375,821	1,138,584	6,066,348	1,030,789
Operating income (loss)	3,657	274,049	(821)	(342,694)	(65,809)	12,628
Nonoperating revenue (expense):						
Interest income	-	1,289	-	-	1,289	-
Interest expense	(220,870)	(454,652)	-	-	(675,522)	-
Gain of sale of equipment	-	24,498	-	-	24,498	26,048
Total nonoperating revenue (expense)	(220,870)	(428,865)	-	-	(649,735)	26,048
Net income (loss) before operating transfers	(217,213)	(154,816)	(821)	(342,694)	(715,544)	38,676
Operating transfers:						
Transfer to other funds	-	(250,000)	-	-	(250,000)	-
Total operating transfers	-	(250,000)	-	-	(250,000)	-
Change in net assets	(217,213)	(404,816)	(821)	(342,694)	(965,544)	38,676
Total net assets, beginning of year	2,682,804	1,853,612	(8,197)	477,782	5,006,001	1,822,826
Total net assets, end of year	**$ 2,465,591**	**1,448,796**	**(9,018)**	**135,088**	**4,040,457**	**1,861,502**

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Combining Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2004

	Business-type Activities - Enterprise Funds					Governmental Activities
	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Totals	Internal Service
Cash flows from operating activities:						
Receipts from customers and users	$ 2,552,850	2,231,382	372,455	1,256,598	6,413,285	1,045,125
Payments to suppliers	(851,475)	(633,107)	(149,326)	(477,139)	(2,111,047)	(441,188)
Payments to employees	(1,393,748)	(378,213)	(220,281)	(607,447)	(2,599,689)	(340,737)
Payments for interfund services used	-	-	-	-	-	-
Net cash provided by operating activities	307,627	1,220,062	2,848	172,012	1,702,549	263,200
Cash flows from non-capital financing activities:						
Operating transfers to other funds	-	(250,000)	-	-	(250,000)	-
Net cash used in non-capital financing activities	-	(250,000)	-	-	(250,000)	-
Cash flows from capital and related financing activities:						
(Purchase) disposal of fixed assets	(231,512)	(559,511)	-	(21,482)	(812,505)	(95,868)
Increase (decrease) in interfund loans	410,120	527,812	(2,848)	(150,530)	784,554	(117,791)
Bond, note and lease principal payments	(251,756)	(485,000)	-	-	(736,756)	(49,541)
Interest paid	(220,870)	(454,652)	-	-	(675,522)	-
Net cash used in financing activities	(294,018)	(971,351)	(2,848)	(172,012)	(1,440,229)	(263,200)
Cash flows from investing activities:						
(Purchase) sale of investments	(4,401)	-	-	-	(4,401)	-
Investment income	-	1,289	-	-	1,289	-
Net cash provided by investing activities	(4,401)	1,289	-	-	(3,112)	-
Increase (decrease) in cash	9,208	-	-	-	9,208	-
Cash, beginning of year	126,863	-	-	-	126,863	-
Cash, end of year	**$ 136,071**	-	-	-	**136,071**	-
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ 3,657	274,049	(821)	(342,694)	(65,809)	12,628
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation	301,518	824,946	-	42,887	1,169,351	227,331
Landfill closure costs	-	92,634	-	-	92,634	-
(Increase) decrease in operating assets:						
Accounts receivable	(34,018)	(11,399)	(2,545)	460,708	412,746	1,708
Prepaid expenses	(2,187)	19,525	(310)	(15,191)	1,837	(4,703)
Inventory	3,091	-	-	-	3,091	9,069
Increase (decrease) in operating liabilities:						
Accounts payable	5,486	10,097	1,777	(3,444)	13,916	12,815
Accrued wages and benefits	6,962	4,297	1,406	29,746	42,411	2,600
Accrued compensated absences	16,555	5,913	3,341	-	25,809	1,752
Refundable deposit	6,563	-	-	-	6,563	-
Net cash provided by operating activities	307,627	1,220,062	2,848	172,012	1,702,549	263,200

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds - Agency Funds - Student Activity Funds
June 30, 2004

		Agency Funds (Student Activities)
ASSETS		
Cash	$	160,244
Total assets		**160,244**
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to student groups		160,244
Total liabilities		160,244
Net assets - held in trust	$	-

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2004

		Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
ASSETS					
Cash	$	157,016	828,357	825,129	160,244
Total assets	**$**	**157,016**	**828,357**	**825,129**	**160,244**
LIABILITIES					
Funds held for student activities		157,016	828,357	825,129	160,244
Total liabilities	**$**	**157,016**	**828,357**	**825,129**	**160,244**

See accompanying notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Related Organizations:

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

Augusta Water District
Augusta Sanitary District
Augusta Parking District
Augusta Housing Authority
Old Fort Western Fund
Trustees of the Lithgow Library and Reading Room

B. Government-wide and Fund Financial Statements

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

The City reports the following major governmental 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Equity

1. Cash and Investments

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Interfund Receivables/Payables

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

3. Community Development Loans Receivable

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

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

4. Inventories

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

5. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid items.

6. Capital Assets

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

7. Compensated Absences

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

8. Long-term Obligations

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

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

9. Fund Equity

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

10. Interfund Transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. All other interfund transfers are reported as operating transfers.

11. Use of Estimates

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

12. Comparative Data

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. For reporting under 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. For budgetary reporting, encumbrances for the Department of Public Schools have been shown as additional expenditures for the year.

Each year the City Manager submits to the City Council a budget for the ensuing fiscal year with an accompanying budget message. The Manager's message explains the budget both in fiscal terms and in terms of the work programs. It outlines the proposed financial policies of the City for the coming fiscal

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

year, describes the important features of the budget, indicates any major changes from the current year in financial policies, expenditures, and revenues, together with the reasons for such changes, summarizes the City's debt position, and includes such other material as the manager deems desirable. It also describes the tax impact of the proposed budget.

During the year ended June 30, 2004, the City budgeted to utilize $540,000 and the Department of Public Schools budgeted to utilize $420,000 of prior year undesignated fund balance as a budgeted use of surplus.

B. Deficit Fund Balances

Five of the City's individual Special Revenue Funds are carrying fund deficits as of June 30, 2004:

Boothby Street	$ 6,566
Housing assistance	2,165
Sale of Cony High School	5,150
New neighbor program	2,701
Bicentennial Park	319

These deficits will be funded by miscellaneous revenues in 2004-2005.

The Airport enterprise fund had a deficit fund balance of $9,018 at June 30, 2004. This deficit will be funded by future program income.

CASH AND INVESTMENTS

A. Deposits

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

CASH AND INVESTMENTS, CONTINUED

At June 30, 2004, cash and cash equivalents consisted of:

	Carrying amount	Bank balance	Category 1	Category 2	Category 3
Petty cash	$ 7,020	-	-	-	-
Checking and savings accounts	1,509,895	1,650,250	347,585	354,795	947,870
Certificates of deposit	15,153	15,153	15,153	-	-
Total cash and cash equivalents	**$ 1,532,068**	**1,665,403**	**362,738**	**354,795**	**947,870**

B. Investments

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

At June 30, 2004, investments consisted of:

	Carrying amount (fair value)	Category 1	Category 2	Category 3
Investments:				
U.S. Treasury	$ 8,729,937	8,729,937	-	-
Common stock	7,805	7,805	-	-
Mutual Funds (1)	11,502,915			
Total investments	**$ 20,240,657**	**8,737,742**	**-**	**-**

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

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

PROPERTY TAX

Property taxes for the current year were committed on August 12, 2003, 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 $386,261 for the year ended June 30, 2004.

PROPERTY TAX, CONTINUED

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

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

	2004	2003
Assessed value	$ 935,457,000	935,771,000
Tax rate (per $1,000)	25.33	24.85
Commitment	23,695,130	23,253,933
Supplemental taxes assessed	5,550	9,843
	23,700,680	23,263,776
Less:		
Abatements	13,521	97,905
Collections	22,990,568	22,364,810
Current year taxes receivable at end of year	**$ 696,591**	**801,061**
Due date(s) - current year	½ Sept. 14, 2003 ½ March 15, 2004	½ Sept. 14, 2002 ½ March 15, 2003
Interest rate on delinquent taxes	7%	8.75%
Collection rate	97%	96.14%
Taxes receivable - current year	$ 696,591	801,061
Taxes receivable - prior years	286,619	228,080
Total taxes receivables	**$ 983,210**	**1,029,141**

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,200,712	-	-	1,200,712
Cony additions	-	944,000	-	944,000
Total capital assets not being depreciated	1,200,712	944,000	-	2,144,712
Capital assets, being depreciated:				
Land improvements	1,000,000	-	-	1,000,000
Buildings and building improvements	27,641,660	19,324	-	27,660,984
Machinery, vehicles and equipment	6,102,810	140,210	232,491	6,010,529
Infrastructure	26,175,100	105,620	-	26,280,720
Internal service fund equipment	3,340,666	260,248	331,808	3,269,106
Total capital assets being depreciated	64,260,236	525,402	564,299	64,221,339
Less accumulated depreciation for:				
Land improvements	460,417	25,000	-	485,417
Buildings and building improvements	19,547,353	492,492	-	20,039,845
Machinery, vehicles and equipment	4,102,619	396,730	355,238	4,144,111
Infrastructure	12,467,950	422,072	-	12,890,022
Internal service fund equipment	2,056,879	237,547	203,692	2,090,734
Total accumulated depreciation	38,635,218	1,573,841	558,930	39,650,129
Total capital assets being depreciated, net	25,625,018	(1,048,439)	5,369	24,571,210
Governmental activities capital assets, net	**$ 26,825,730**	**(104,439)**	**5,369**	**26,715,922**
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 428,950	-	-	428,950
Total capital assets not being depreciated	428,950	-	-	428,950
Capital assets, being depreciated:				
Buildings and building improvements	7,103,066	124,201	-	7,227,267
Machinery and equipment	1,994,206	579,044	-	2,573,250
Landfill	14,658,218	27,068	-	14,685,286
Total capital assets being depreciated	23,775,490	730,313	-	24,485,803
Less accumulated depreciation for:				
Buildings and building improvements	2,743,132	224,863	-	2,967,995
Machinery and equipment	500,530	201,702	-	702,232
Landfill	5,865,222	728,729	-	6,593,951
Total accumulated depreciation	9,108,884	1,155,294	-	10,264,178
Total capital assets being depreciated, net	14,646,606	(424,981)	-	14,221,625
Business-type activities capital assets, net	**$ 15,075,556**	**(424,981)**	**-**	**14,650,575**

CAPITAL ASSETS, CONTINUED

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

Governmental activities:	
General government	$ 202,330
Finance and administration	28,546
City services	578,495
Community services	4,803
Public safety	140,862
Education	618,805
Total depreciation expense – governmental activities	**$ 1,573,841**
Business-type activities:	
Augusta Civic Center	$ 267,457
Hatch Hill Landfill	848,479
Ambulance	39,358
Total depreciation expense – business-type activities	**$ 1,155,294**

GOVERNMENTAL DEBT

The following is a summary of bond and note transactions of the City for the year ended June 30, 2004:

Bonds and notes payable at June 30, 2003	$ 20,545,144
Principal additions	-
Principal payments	(1,280,407)
Bonds and notes payable at June 30, 2004	**$ 19,264,737**

Bonds and notes payable at June 30, 2004 are comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2004
Long-term debt:					
Public improvements	10/29/98	$ 492,000	2005	4.02%	140,571
Farrington, Lincoln/Cony	07/12/88	7,260,000	2009	Various	1,775,000
Public improvements Lot B	08/15/89	4,395,000	2010	Various	1,265,000
Public improvements	10/26/95	925,000	2005	7.75%	85,000
Public improvements	10/30/96	460,000	2006	7%	138,000
Public improvements	11/6/99	497,500	2006	7%	213,216
Public improvements	5/31/00	922,500	2010	Various	645,750
Public improvements	10/29/97	498,000	2008	5.4%	198,000
Public improvements	05/01/98	980,000	2009	5.93%	490,000
Public improvements	5/25/01	495,000	2011	Various	396,000
Pension Obligation bonds 2003	2/13/03	13,150,000	2013	Various	13,130,000
General Obligation bonds #1 2002	10/30/02	179,000	2007	Various	143,200
General Obligation bonds #2 2002	10/30/02	500,000	2012	Various	450,000
New Cony Architect	5/25/01	325,000	2006	Various	195,000
Total bonds and notes payable					**$ 19,264,737**

GOVERNMENTAL DEBT, CONTINUED

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

The annual requirements to amortize all long-term debt outstanding as of June 30, 2004 are as follows:

June 30,	Principal	Interest	Total
2005	$ 1,360,408	990,916	2,351,324
2006	1,430,407	914,325	2,344,732
2007	1,422,622	837,027	2,259,649
2008	1,353,550	761,939	2,115,489
2009	1,389,750	685,122	2,074,872
2010-2014	5,488,000	2,541,211	8,029,211
2015-2019	6,820,000	767,288	7,587,288
Totals	**$ 19,264,737**	**7,497,828**	**26,762,565**

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 $19,264,737 at June 30, 2004 was within the statutory limit.

In addition to the bonds and notes payable, the City is contingently responsible for the following debt as of June 30, 2004:

Governmental Unit	Net debt outstanding	Applicable to Augusta	City of Augusta's share of debt
Kennebec County	$3,175,532	16.60%	527,138

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

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

PROPRIETARY FUND DEBT

The following is a summary of bond transactions of the proprietary funds for the year ended June 30, 2004:

Bonds payable at June 30, 2003	$ 12,318,685
Principal additions	-
Principal payments	(711,315)
Bonds and notes payable at June 30, 2004	**$ 11,607,370**

Bonds payable at June 30, 2004 are comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2004
Long-term debt:					
Hatch Hill expansion	5/31/00	$ 9,700,000	2019	Various	7,760,000
Civic Center expansion	5/25/01	4,300,000	2020	Various	3,847,370
Total bonds payable					**$ 11,607,370**

The annual requirements to amortize all long-term debt outstanding as of June 30, 2004 are as follows:

June 30,	Principal	Interest	Total
2005	711,315	604,196	1,315,511
2006	711,315	570,669	1,281,984
2007	711,315	536,900	1,248,215
2008	711,315	502,775	1,214,090
2009	711,315	468,303	1,179,618
2010-2014	3,556,575	1,785,269	5,341,844
2015-2019	3,556,580	781,940	4,338,520
2020-2023	937,640	39,387	977,027
Totals	**$ 11,607,370**	**5,289,439**	**16,896,809**

ARBITRAGE REFUND

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

CAPITAL LEASES

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

CAPITAL LEASES, CONTINUED

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

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

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

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2004.

Fiscal year ending June 30,	Enterprise Funds	Internal Service Fund	Governmental Fund-Fire
2005	$ 31,361	56,728	88,768
2006	31,361	56,728	88,768
2007	23,521	-	43,862
Total minimum lease payments	86,243	113,456	221,398
Less: amount representing interest	7,566	6,740	11,591
Present value of future minimum lease payments	**$ 78,677**	**106,716**	**209,807**

INTERFUND BALANCES

As of June 30, 2004, the balances of interfund loans receivable/payable were as follows:

Fund	Interfund loans receivable	Interfund loans payable
General Fund	$ -	6,822,817
Special Revenue Funds:		
CDBG Loan Fund	-	32,119
Other City Special Revenues	466,768	-
Other School Special Revenues	697,838	-
Proprietary Funds:		
Internal Service Fund	689,256	-
Hatch Hill Fund	4,640,246	-
Augusta Civic Center	45,275	-
Airport	-	68,545
Ambulance	-	191,803
Capital Projects Fund	-	185,738
Permanent Fund	761,639	-
Totals	**$ 7,301,022**	**7,301,022**

BUDGETARY VS. GAAP BASIS OF ACCOUNTING - GENERAL FUND

As required by accounting principles generally accepted in the United States of America, the School Department has recorded a revenue and an expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of $2,300,000.

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

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

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

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute at actuarially determined rates. The current rates range from 2.8 - 6.5% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Legislature. The City and School Department's contributions to the Maine State Legislature Consolidated Plan for the year ended June 30, 2004 and 2003 were $281,419 and $296,086, respectively.

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

MAINE STATE RETIREMENT - TEACHERS PLAN

Maine State Retirement - Teachers Group

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

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to $2,300,000 (17.62%) for the fiscal year 2004. 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 17.62% of their compensation. This cost is charged to the applicable grant.

DEFERRED COMPENSATION PLAN

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

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

POST RETIREMENT - EMPLOYEE HEALTH CARE BENEFITS

In addition to providing pension benefits, the government provides certain health care and life insurance benefits for certain retired employees. Substantially all of the government's public safety employees may become eligible for those benefits if they reach normal retirement age while working for the government. Currently 56 employees are eligible and receiving benefits. The cost of retiree health care and life insurance benefits is recognized as an expenditure as claims are paid. For the year ending June 30, 2004, those costs total $442,978.

DESIGNATED FUND BALANCE

At June 30, 2004 designated fund balances consisted of the following:

General Fund:	
2004 use of fund balance	$ 720,000
Cemetery land purchase	100,000
Central services	18,423
Equipment maintenance	13,750
Accrued benefit reserve	742,159
Total General Fund designated City fund balance	**$ 1,594,332**
School Department designated fund balance – 2004 use of fund balance	420,000
Total General Fund designated School fund balance	**$ 420,000**

TAX INCREMENT FINANCING DISTRICTS

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

Mall Area Development District: Initially established in 1990, the Mall Area Development District (also known as the Marketplace TIF) was created to support the development of a Mall Project. In May of 1992, the City amended its designation of the District and amended the Development Program. This amendment included approval of a 'Credit Enhancement Agreement' between the City and the project developers. As a result of these changes the City has the following obligations. No debt will be issued by the City as a result of the Mall Area Development District TIF. Rather, the City has agreed to pay the developers certain amounts over certain time periods as the area provides increased assessed value. The project is broken down into two phases. Phase I provides for annual payments of $285,000 commencing in fiscal year 1993-1994 for a period of 20 years. Phase II provides for annual payments of $400,000 for a period of 20 years commencing when the City's development within Phase II has increased the assessed value of the District by $1,000,000. For the year ended June 30, 2004, the City captured and paid $285,000 and $400,000 for Phase I and Phase II, respectively. The obligation of the City to make such payments is limited solely to the availability of funds provided for by Tax Increment Revenues and does not constitute a general debt or obligation on the part of the City. If funds are not sufficient to meet required payments, any deficiency shall be added to the next periodic payment obligation and paid from tax increment receipts. The City has reported this amount in the "Other City Special Revenue Funds".

McCarthy TIF: Initially established in 2001, the McCarthy TIF calls for 100% captured value in excess of the original district value of $2,204,500. 43% of this captured amount is earmarked to satisfy a credit enhancement agreement calling for allocations to the J.S. McCarthy Printing Co. The remaining 57% will be set aside by the City to fund the costs of the City's economic development office. For the year ended June 30, 2004, the City captured $65,818, paying $28,302 out under the credit enhancement agreement. The obligation of the City to make such payments is limited solely to the availability of funds provided for by Tax Increment Revenues and does not constitute a general debt or obligation on the part of the City. If funds are not sufficient to meet required payments, any deficiency shall be added to the next periodic payment obligation and paid from tax increment receipts. The City has reported this amount in the "Other City Special Revenue Funds".

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

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

CONTINGENT LIABILITIES

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

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

LANDFILL LIABILITIES

The City currently has a landfill which is accounted for in the Hatch Hill Enterprise Fund. The landfill is comprised of several sites: an old site, expansion I, an interim site, and expansion II. The old site and the expansion I site are currently at capacity and have been closed in accordance with Department of Environmental Protection Standards (DEP). The interim site has been temporarily closed in accordance with a DEP operating license. Expansion II is the current operating landfill. Expansion II has capacity for approximately 250,000 tons of municipal solid waste. As of June 30, 2004, a total of approximately 265,000 tons have been placed in the expansion II site.

The City has recognized a liability for landfill closure and postclosure costs in the Hatch Hill Enterprise Fund. This liability was calculated based on current cost estimates for closure of each site, estimates for leachate transportation, postclosure monitoring and maintenance. The total liability on current capacity is estimated at $4,150,000 as follows:

Closure:	
Expansion II (106%)	$ 1,700,000
Interim site	275,000
Expansion III (3%)	675,000
Postclosure monitoring, maintenance and leachate removal	1,500,000
Total accrued liability for landfill closure and postclosure costs	**$ 4,150,000**

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

RISK MANAGEMENT - CITY

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

> MMA's workers' compensation fund retains the first $1,000,000 of each claim and purchases reinsurance for individual claims above $1,000,000. Reinsurance is also purchased on an aggregate basis for all fund claims in total above the $10,122,000 minimum loss fund with no maximum indemnity limit.

Based on the coverage provided by this pool, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2004.

COMMITMENTS

During fiscal year 2004, the City entered into contracts in connection with the construction of the Dickman Parking Garage of $2,754,441 and 255,823 with Reed and Reed Construction, Inc. and W.B.R.C. Architects and Engineers, Inc. As of June 30, 2004, the commitments under the contract were $2,411,785 and 29,518 to Reed and Reed Construction, Inc. and W.B.R.C. Architects and Engineers, Inc., respectively.

In addition, during fiscal year 2004, the City entered into a contract of $160,000 with Bread of Life for the construction of a nine unit single occupancy housing complex. As of June 30, 2004, the commitment under this contract was $157,835.

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.

The City Capital Projects consist of the following funds at June 30, 2004:

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

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

PERMANENT FUNDS

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

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
All Other Nonmajor Governmental Funds
June 30, 2004

		Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS					
Cash	$	93,808	-	15,152	108,960
Investments		-	-	736,409	736,409
Due from other governments		265,938	-	-	265,938
Inventory		37,607	-	-	37,607
Interfund loans receivable		1,164,606	-	761,639	1,926,245
Prepaid items		4,673	-	-	4,673
Notes receivable		346,898	-	-	346,898
Total assets	**$**	**1,913,530**	**-**	**1,513,200**	**3,426,730**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and deposits		59,106	439,752	6,654	505,512
Accrued wages and benefits		191,699	-	-	191,699
Accrued compensated absences		9,991	-	-	9,991
Interfund loans payable		32,119	185,738	-	217,857
Total liabilities		292,915	625,490	6,654	925,059
Fund balances (deficit):					
Reserved for:					
Inventory		37,607	-	-	37,607
Noncurrent receivables		346,898	-	-	346,898
Principal		-	-	602,379	602,379
Unreserved, undesignated		1,236,110	(625,490)	904,167	1,514,787
Total fund balances (deficit)		1,620,615	(625,490)	1,506,546	2,501,671
Total liabilities and fund balances	**$**	**1,913,530**	**-**	**1,513,200**	**3,426,730**

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Nonmajor Governmental Funds
For the year ended June 30, 2004

		Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:					
Property taxes	$	998,435	-	-	998,435
Intergovernmental		3,990,548	-	-	3,990,548
Unclassified		1,634,797	34,950	-	1,669,747
Charges for services		610,601	-	-	610,601
Investment income		-	-	9,613	9,613
Donations		-	-	743,372	743,372
Total revenues		7,234,381	34,950	752,985	8,022,316
Expenditures:					
Education		2,356,538	-	-	2,356,538
Unclassified		3,468,811	-	-	3,468,811
Food services		938,487	-	-	938,487
Capital outlay		-	1,771,552	-	1,771,552
Other miscellaneous		-	-	65,756	65,756
Total expenditures		6,763,836	1,771,552	65,756	8,601,144
Excess (deficiency) of revenues over (under) expenditures		470,545	(1,736,602)	687,229	(578,828)
Other financing sources (uses):					
Transfer to other funds		(504,971)	-	-	(504,971)
Transfer from other funds		-	439,120	-	439,120
Total other financing sources (uses)		(504,971)	439,120	-	(65,851)
Net change in fund balance		(34,426)	(1,297,482)	687,229	(644,679)
Fund balances, beginning of year		1,655,041	671,992	819,317	3,146,350
Fund balances, end of year	**$**	**1,620,615**	**(625,490)**	**1,506,546**	**2,501,671**

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004
(with comparative totals for June 30, 2003)

	CDBG Loan Fund	Other City Special Revenue Funds (Exhibit B-3)	Other School Special Revenue Funds	School Lunch	Totals 2004	Totals 2003
ASSETS						
Cash	$ -	42,226	-	51,582	93,808	158,958
Due from other governments	-	135,227	64,756	65,955	265,938	251,504
Accounts receivable	-	-	-	-	-	111,472
Inventory	-	-	-	37,607	37,607	42,467
Interfund loans receivable	-	466,768	633,881	63,957	1,164,606	1,024,434
Prepaid items	-	3,233	1,440	-	4,673	1,468
Notes receivable	346,898	-	-	-	346,898	387,619
Total assets	**$ 346,898**	**647,454**	**700,077**	**219,101**	**1,913,530**	**1,977,922**
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	43,994	15,112	-	59,106	109,687
Accrued wages and benefits payable	-	15,616	145,316	30,767	191,699	176,969
Accrued compensated absences	-	-	5,450	4,541	9,991	9,276
Interfund loans payable	32,119	-	-	-	32,119	26,949
Total liabilities	32,119	59,610	165,878	35,308	292,915	322,881
Fund balances (deficit):						
Reserved for inventory	-	-	-	37,607	37,607	42,467
Reserved for non-current loans receivable	346,898	-	-	-	346,898	387,619
Unreserved, undesignated	(32,119)	587,844	534,199	146,186	1,236,110	1,224,955
Total fund balances	314,779	587,844	534,199	183,793	1,620,615	1,655,041
Total liabilities and fund balances	**$ 346,898**	**647,454**	**700,077**	**219,101**	**1,913,530**	**1,977,922**

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2004
(with comparative totals for the year ended June 30, 2003)

	CDBG Loan Fund	City Special Revenue (Exhibit B-3)	School Special Revenue (Exhibit B-4)	School Lunch	Totals 2004	Totals 2003
Revenues:						
Property taxes	$ -	998,435	-	-	998,435	-
Intergovernmental	-	1,046,052	2,550,868	393,628	3,990,548	2,407,102
Charges for services	-	561,048	49,553	-	610,601	647,194
Unclassified	9,255	1,051,557	29,664	544,321	1,634,797	2,355,342
Total revenues	9,255	3,657,092	2,630,085	937,949	7,234,381	5,409,638
Expenditures:						
Education	-	-	2,356,538	-	2,356,538	2,219,025
Unclassified	50,346	3,418,465	-	-	3,468,811	2,020,349
Food services	-	-	-	938,487	938,487	967,579
Total expenditures	50,346	3,418,465	2,356,538	938,487	6,763,836	5,206,953
Excess (deficiency) of revenue over expenditures	(41,091)	238,627	273,547	(538)	470,545	202,685
Other financing sources:						
Transfer to other funds	-	(504,971)	-	-	(504,971)	-
Total other financing sources (uses)	-	(504,971)	-	-	(504,971)	-
Net change in fund balances	(41,091)	(266,344)	273,547	(538)	(34,426)	202,685
Fund balances, beginning of year	355,870	854,188	260,652	184,331	1,655,041	1,452,356
Fund balances, end of year	**$ 314,779**	**587,844**	**534,199**	**183,793**	**1,620,615**	**1,655,041**

CITY OF AUGUSTA, MAINE
Nonmajor Special Revenue Funds - Adult Education
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2004

			Balances beginning of year	Revenues	Expenditures	Balances end of year
Federal programs:						
200-10	Aspire - Customer Service #6/7	$	29,393	-	10,245	19,148
200-24	Perkins Teen Transport		(671)	671	-	-
200-27	Perkins Title II C		(298)	3,333	3,333	(298)
200-33	Aspire - Lab		24,520	-	4,877	19,643
200-34	Aspire - overhead		589	-	-	589
200-40	Aspire program		6,005	-	2,180	3,825
200-49	ABE federal program		-	67,366	67,366	-
200-56	Workforce development		(52)	-	3,692	(3,744)
	Total federal programs		59,485	71,370	91,693	39,162
State programs:						
300-75	Jail education program		18,337	31,889	26,547	23,679
	Total state programs		18,337	31,889	26,547	23,679
Other programs:						
200-57	Health Occupation Education		27,979	23,259	20,581	30,657
300-55	Self-supporting General Teaching		26,183	20,138	17,694	28,627
300-78	Adult Ed TV Production		(574)	574	-	-
300-84	Capital Area Consortium		(95)	95	-	-
300-86	DEEP Program - Intervention		(840)	840	-	-
300-89	KLC Computer Lab		4,834	4,647	3,795	5,686
	Total other programs		57,487	49,553	42,070	64,970
	Total School Special Revenues	**$**	**260,652**	**2,630,085**	**2,356,538**	**534,199**

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Capital Project Funds - City
June 30, 2004
(with comparative totals for June 30, 2003)

		Totals	
		2004	2003
ASSETS			
Accounts receivable	$	-	-
Interfund loans receivable		-	847,405
Total assets	**$**	**-**	**847,405**
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued liabilities		439,752	175,413
Interfund loans payable		185,738	-
Total liabilities		625,490	175,413
Fund balances (deficit):			
Unreserved, undesignated		(625,490)	671,992
Total fund balances (deficit)		(625,490)	671,992
Total liabilities and fund balances	**$**	**-**	**847,405**

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds - City
Year ended June 30, 2004
(with comparative totals for the year ended June 30, 2003)

	Totals	
	2004	**2003**
Revenues:		
Unclassified	$ 34,950	249,349
Total revenues	34,950	249,349
Expenditures:		
Capital outlay	1,771,552	1,742,586
Total expenditures	1,771,552	1,742,586
Deficiency of revenues under expenditures	(1,736,602)	(1,493,237)
Other financing sources:		
Payment - Maine State Retirement refunding	-	(13,378,367)
Bond proceeds	-	13,829,000
Transfer from other funds	439,120	996,900
Total other financing sources	439,120	1,447,533
Net change in fund balance	(1,297,482)	(45,704)
Fund balances, beginning of year	671,992	717,696
Fund balances (deficit), end of year	**$ (625,490)**	**671,992**

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2004

		City	School	Totals
ASSETS				
Cash	$	15,152	-	15,152
Investments		503,306	233,103	736,409
Interfund loans receivable		761,639	-	761,639
Total assets	**$**	**1,280,097**	**233,103**	**1,513,200**
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable		6,654	-	6,654
Total liabilities		6,654	-	6,654
Fund balances:				
Principal		529,867	72,512	602,379
Unexpended income		743,576	160,591	904,167
Total fund balances		1,273,443	233,103	1,506,546
Total liabilities and and fund balances	**$**	**1,280,097**	**233,103**	**1,513,200**

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2004

		City (Exhibit D-3)	School (Exhibit D-4)	Totals
Revenues:				
Investment income	$	6,753	2,860	9,613
Donations		691,418	51,954	743,372
Total revenues		698,171	54,814	752,985
Expenditures:				
Current:				
Other miscellaneous		30,139	35,617	65,756
Total expenditures		30,139	35,617	65,756
Net change in fund balance		668,032	19,197	687,229
Fund balances, beginning of year		605,411	213,906	819,317
Fund balances, end of year	**$**	**1,273,443**	**233,103**	**1,506,546**

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds - City
For the year ended June 30, 2004

City Funds	Fund balance, principal, beginning of year	Fund balance unexpended income, beginning of year	Principal additions	Other revenues	Expenditures	Fund balance principal, end of year	Fund balance unexpended income, end of year
L. W. Titcomb Playground	$ 6,281	107	-	10	-	6,281	117
Lithgow Library	24,933	428	-	42	-	24,933	470
St. Mark's Church	11,968	205	-	19	286	11,968	(62)
Addie Wright	150	2	-	-	-	150	2
Anna Brown	74	2	-	-	-	74	2
Annie and Seth Goodwin	400	6	-	-	-	400	6
Cemetery Trust Fund	141,483	2,433	-	230	-	141,483	2,663
Church Williams	100	2	-	-	-	100	2
Dora Barry Taylor	100	2	-	-	-	100	2
Dr. Carl Hutchinson	598	10	-	1	-	598	11
Elaine Webber	249	4	-	-	-	249	4
Ellen F. Dutton	100	2	-	-	-	100	2
Emma Sylvester	100	2	-	-	-	100	2
EST Leadbetter & Page	149	3	-	-	-	149	3
Everett Withee	100	2	-	-	-	100	2
Forest Grove Cemetery	75,538	1,299	-	123	-	75,538	1,422
George Cottle	100	2	-	-	-	100	2
Gordon Drew	1,995	33	-	4	-	1,995	37
H. Williams	149	3	-	-	-	149	3
Horace Leighton	100	2	-	-	-	100	2
Isaac and Alice Garside	498	9	-	1	-	498	10
ITF Edwin B. Thorne	199	4	-	-	-	199	4
ITF Janet Wade	299	5	-	1	-	299	6
ITF Lucinda Downe	50	1	-	-	-	50	1
ITF Silas Jackson	100	2	-	-	-	100	2
J. Albert Knowles	100	2	-	-	-	100	2
John M. Currier	100	2	-	-	-	100	2
John R. Philbrook	100	2	-	-	-	100	2
Kling Trust	9,974	170	-	17	-	9,974	187
L. B. Scribner	249	5	-	-	-	249	5
Lena Haskell	291	6	-	-	-	291	6
Luther Barr	180	3	-	-	-	180	3
M. Morrell/Burns	149	3	-	-	-	149	3
M. Tuek & E. Steve	199	4	-	-	-	199	4
N.B.K Pettingill	299	5	-	1	-	299	6
Nash Robinson	100	2	-	-	-	100	2
Pauline B. Carter	498	8	-	2	-	498	10
Pearl Fisher Scholarship	199	4	-	-	-	199	4
Pierce Flower	199	4	-	-	-	199	4
R. W. Brown/Pelton	100	2	-	-	-	100	2
Wesley Cummings	149	3	-	-	-	149	3
Wm. and Sylvia Vaughn	100	2	-	-	-	100	2
Alice Reynolds Trust	11,565	322	-	19	350	11,565	(9)
Ed E. Gage Family Trust	49,566	3,060	-	83	1,400	49,566	1,743
Edwards Dam Scholarship	27,899	617	-	45	650	27,899	12
Eliza Church Fund	3,376	58	-	5	80	3,376	(17)
Ira Bunker	499	29	-	1	33	499	(3)
Lipman Memorial Trust	4,057	844	-	8	100	4,057	752
Miriam Titcomb Trust	22,660	1,375	-	37	543	22,660	869
Peavy Scholarship Fund	4,211	94	-	7	123	4,211	(22)
Sanford Legacy	1,496	25	-	2	35	1,496	(8)
New Cony High School	25,167	863	683,628	3,846	24,349	-	689,155
Cony Family Fund	12,497	(4,219)	-	428	500	12,497	(4,291)
Tree Board Trust	19,382	4,688	3,650	135	-	-	27,855
Bicentennial Nature Park	25,000	553	-	171	-	-	25,724
Cemetery Perpetual Care	94,102	(112)	4,140	1,362	1,690	98,242	(440)
Mall Mitigation Land Trust	15,000	(2,858)	-	153	-	15,000	(2,705)
Total City Funds	**$ 595,276**	**10,136**	**691,418**	**6,753**	**30,139**	**529,867**	**743,577**

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds - School
For the year ended June 30, 2004

School Funds	Fund balance, principal, beginning of year	Fund balance unexpended income, beginning of year	Interest earned	Other revenues	Expenditures	Fund balance principal, end of year	Fund balance unexpended income, end of year
CHS Class of 1926 Perkins Award (held at CHS)	$ -	296	1	-	-	-	297
CHS Scholarship and Student Aid (held at CHS in CD)	-	8,385	162	-	-	-	8,547
CHS Scholarship and Student Aid (held at CHS in checking)	-	6,360	-	36,920	24,972	-	18,308
CHS Special Music Concert (held at CHS)	-	582	2	-	-	-	584
Alumni Hall restoration	400	16,542	227	1,130	-	400	17,899
Ann Williams Funds	2,000	8,760	136	-	-	2,000	8,896
Arthur E. Shea Memorial	1,161	(82)	14	-	-	1,161	(68)
Auto Mechanic Scholarship	-	5,842	73	-	200	-	5,715
Carpentry Scholarship	75	1,689	21	-	500	75	1,210
CATC Multi-media Scholarship	595	30	8	-	-	595	38
CATC Plumbing And Heating	-	1,033	11	-	300	-	744
CATC School Wide Scholarship	10,000	(494)	120	-	-	10,000	(374)
Charles McGrail Scholarship	3,257	1,170	56	-	-	3,257	1,226
Childcare Scholarship	290	684	12	-	-	290	696
CHS Class of 1938 Scholarship Fund	-	2,834	36	-	-	-	2,870
CHS Class of 1943 Scholarship Fund	7,212	2,601	125	-	-	7,212	2,726
Cony Restoration Fund	-	1,241	18	200	-	-	1,459
Devina Mudge Scholarship	-	1,185	14	-	300	-	899
Dorothy Giddings Fund	1,000	2,946	50	-	-	1,000	2,996
Ebbie Brooks Math and Science Fund	-	615	8	-	20	-	603
Edgar A. Hussey Memorial	-	5,798	74	-	200	-	5,672
Edward Albing Math Fund	500	216	9	-	20	500	205
Eliza Church Fund	-	624	147	-	-	-	771
Ferland Memorial Scholarship	1,006	323	2	-	1,331	1,006	(1,006)
Florence Tanner McIntire Memorial	-	-	26	2,176	-	-	2,202
Food Service Scholarship	15	2,554	21	-	2,000	15	575
Frank Hewins Music	-	689	9	-	39	-	659
Friedlander Memorial Award	-	49	-	-	-	-	49
Garside English Fund	600	124	30	-	40	600	114
Georgianna Hayes English	-	1,037	13	-	-	-	1,050
H. Graham Nye CATC Scholarship	2,500	523	38	-	-	2,500	561
Helen Dyer Scholarship	1,717	1,100	33	-	500	1,717	633
Jim Marchildon Scholarship	1,705	7,748	117	1,900	2,000	1,705	7,765
Jon Crockett Memorial Fund	-	1,417	17	-	-	-	1,434
Karen Carey Scholarship	2,577	778	42	-	-	2,577	820
Lanny Cooper Memorial	-	987	12	-	-	-	999
Lee and Larry Leighton Scholars	(150)	4,451	54	-	-	(150)	4,505
Louis Ochmanski Scholarship	2,500	772	42	-	-	2,500	814
Louise Webber Fund	10,000	5,371	196	-	-	10,000	5,567
Mable I. Morton	1,970	684	34	-	-	1,970	718
Mable Richmond Fund	200	253	5	-	20	200	238
Mable Thompson	-	659	8	-	25	-	642
Machine Tool Scholarship	15	173	2	-	-	15	175
Mallory Dulac Scholarship	-	-	12	8,165	1,800	-	6,377
Melanie Ann Cote Scholarship	1,800	1,747	45	-	-	1,800	1,792
Nora Jackson Scholarship	3,000	4,719	97	-	250	3,000	4,566
Raymond Falconia Fund	5,000	1,393	79	-	250	5,000	1,222
Richard Ayotte Scholarship	2,050	335	30	-	100	2,050	265
Sandra Lipman Arts Fund	2,220	(309)	24	-	150	2,220	(435)
Theodore Rhoades Memorial	5,000	1,689	85	-	-	5,000	1,774
Theresa Brannigan Memorial	-	735	9	-	-	-	744
Pat MacFarland Memorial	-	-	12	1,413	600	-	825
Thomas Bishop Memorial Scholarship	2,297	884	40	50	-	2,297	974
Titcomb Fund	-	31,652	402	-	-	-	32,054
Total School Funds	**$ 72,512**	**141,394**	**2,860**	**51,954**	**35,617**	**72,512**	**160,591**

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF AUGUSTA, MAINE
Capital Assets Used in the Operation of Governmental Funds - By Source
June 30, 2004

General fixed assets:		
Land	$	1,200,712
Construction in progress - Cony High School		944,000
Land Improvements		1,000,000
Buildings		27,660,984
Machinery and equipment		9,279,635
Infrastructure		26,280,720
Total governmental fund capital assets	**$**	**66,366,051**
Investments in general fixed assets by source:		
Governmental Funds		66,366,051
Total governmental fund capital assets	**$**	**66,366,051**

CITY OF AUGUSTA, MAINE

Schedule of capital assets used in the operation of Governmental Funds by Function and Activity

June 30, 2004

Function and Activity	Land	Construction in process	Land improvements	Buildings	Equipment	Infrastructure	Total
General government	$ 1,200,712	-	1,000,000	2,081,330	625,756	26,280,720	31,188,518
Education	-	944,000	-	24,237,257	3,370,742	-	28,551,999
Public safety	-	-	-	519,549	1,942,882	-	2,462,431
Library	-	-	-	822,848	-	-	822,848
Recreation	-	-	-	-	71,149	-	71,149
Central Garage (internal service fund)	-	-	-	-	3,269,106	-	3,269,106
Total governmental fund capital asset	**$ 1,200,712**	**944,000**	**1,000,000**	**27,660,984**	**9,279,635**	**26,280,720**	**66,366,051**

Exhibit E-3

Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity

June 30, 2004

Function and Activity	Balance 2003	Additions	Deletions	Balance 2004
General government	$ 31,040,635	204,156	56,273	31,188,518
Education	27,674,782	1,055,328	178,111	28,551,999
Public safety	2,510,868	134,824	183,261	2,462,431
Library	822,848	-	-	822,848
Recreation	71,149	16,102	16,102	71,149
Central Garage (internal service fund)	3,340,666	260,247	331,807	3,269,106
Totals	**$ 65,460,948**	**1,670,657**	**765,554**	**66,366,051**

STATISTICAL SECTION

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

Fiscal year	General government	Finance and administration	City services	Community services	Public Safety	Education	Insurance and other fringe benefits	Other fixed charges	Unclassified	Interest on debt	Central garage	Capital maintenance expenses	Augusta Civic Center	Hatch Hill Landfill	Airport	Ambulance	Total
2004	$ 1,525,583	799,314	3,560,352	2,340,370	5,017,437	28,167,122	1,579,957	2,110,899	5,404,041	240,820	1,030,789	320,249	2,804,081	2,423,384	375,821	1,138,584	58,838,803
2003	1,649,442	759,861	3,365,923	2,222,759	4,990,504	28,609,739	1,444,711	2,107,913	3,375,553	217,015	1,093,333	989,578	2,740,829	1,882,110	383,866	854,430	56,687,566

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

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

Fiscal year	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	General Revenues: General Revenues	General Revenues: Grants and Contributions not Restricted to Specific Programs	General Revenues: Unrestricted Investment Earnings	General Revenues: Miscellaneous	Total
2004	$ 10,669,424	18,176,812	591,418	25,977,414	2,969,273	230,190	795,914	59,410,445
2003	10,591,058	16,828,960	249,349	25,698,103	2,773,577	572,677	455,410	57,168,864

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

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

Year	General government	Finance and administration	City services	Community services	Public safety	Insurances and fixed charges	Unclassified	County	Education	Debt service	Capital	Total
1995	786,741	533,587	2,681,117	1,448,254	4,325,757	2,612,811	198,213	864,545	17,665,109	1,111,563	236,244	32,463,941
1996	938,447	565,508	2,868,632	1,509,976	4,487,926	2,484,092	346,495	890,168	18,113,381	1,223,376	358,068	33,786,069
1997	1,093,285	578,432	2,797,878	1,468,807	4,619,294	2,422,003	547,391	905,186	18,841,881	1,223,131	258,044	34,755,332
1998	1,154,125	567,169	3,525,582	1,752,270	4,383,198	2,319,645	163,570	905,443	19,023,866	1,223,905	331,787	35,350,560
1999	1,294,178	621,615	2,872,967	1,657,595	4,469,332	2,423,836	550,961	907,261	20,048,538	1,274,000	288,064	36,408,347
2000	1,348,789	687,942	2,810,895	1,696,616	4,668,417	2,563,493	46,271	923,910	20,292,065	1,295,121	500,573	36,834,092
2001	1,479,817	732,150	3,069,726	1,758,860	4,333,753	3,369,256	361,650	967,133	21,189,136	1,053,031	1,235,604	39,550,116
2002	1,393,480	734,239	3,001,316	2,058,400	4,771,026	3,679,068	55,902	1,032,866	22,232,493	1,210,712	301,359	40,470,861
2003	1,333,025	750,628	2,966,127	2,219,539	4,845,665	3,552,624	158,188	1,092,007	22,710,095	1,052,479	-	40,680,377
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

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

Fiscal year	Taxes	Licenses and permits	Inter-governmental	Charges for services	Fines and fees	Investment earnings	Unclassified	Total
1995	21,439,816	148,545	8,524,104	1,806,378	20,648	464,961	386,761	32,791,213
1996	21,630,465	116,476	8,369,863	1,963,744	19,456	459,167	571,851	33,131,022
1997	21,845,648	124,856	8,663,614	2,132,230	19,813	505,694	497,645	33,789,500
1998	22,664,914	139,650	10,357,846	1,643,261	17,954	514,797	593,347	35,931,769
1999	22,388,370	218,097	11,039,470	1,767,706	18,359	561,559	710,280	36,703,841
2000	23,392,171	199,655	11,280,800	2,300,802	24,078	665,626	627,739	38,490,871
2001	24,233,540	180,316	12,410,358	1,779,140	37,325	976,638	472,931	40,090,248
2002	24,638,041	178,492	12,697,557	2,008,673	44,301	608,637	757,532	40,933,233
2003	25,251,253	204,666	12,739,376	2,099,126	24,527	475,208	673,116	41,467,272
2004	25,514,600	180,976	13,222,437	2,233,881	42,945	219,288	492,791	41,906,918

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
1995	19,702,804	18,542,752	94.11%	797,576	19,340,328	98.16%
1996	20,029,900	18,661,340	93.17%	763,007	19,424,347	96.98%
1997	19,869,390	18,643,530	93.83%	1,062,182	19,705,712	99.18%
1998	20,196,369	19,318,947	95.66%	1,169,763	20,488,710	101.45%
1999	20,286,033	19,319,920	95.24%	713,514	20,033,434	98.75%
2000	20,789,821	19,886,796	95.66%	825,434	20,712,230	99.63%
2001	22,010,273	21,111,582	95.92%	1,075,709	22,187,291	100.80%
2002	22,629,151	21,816,956	96.41%	755,714	22,572,670	99.75%
2003	23,263,776	22,364,810	96.14%	683,187	23,047,997	99.07%
2004	23,700,680	22,990,568	97.00%	704,836	23,695,404	99.98%

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	
1995	800,826,300	107,137,000	907,963,300	894,100,000	101.55%
1996	799,549,800	101,075,200	900,625,000	890,750,000	101.11%
1997	792,195,900	101,211,900	893,407,800	874,800,000	102.13%
1998	789,231,500	102,046,900	891,278,400	853,350,000	104.44%
1999	758,011,300	111,141,800	869,153,100	861,700,000	100.86%
2000	762,747,900	101,983,200	864,731,100	861,850,000	100.33%
2001	788,781,700	108,786,200	897,567,900	869,500,000	103.23%
2002	801,226,100	118,658,100	919,884,200	912,200,000	100.84%
2003	815,134,900	120,636,100	935,771,000	928,000,000	100.84%
2004	822,193,800	113,263,200	935,457,000	990,400,000	94.45%

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
1995	20,556	907,963,300	13,949,383	2,390,000	11,559,383	1.27%	562
1996	21,041	900,625,000	13,428,573	1,790,000	11,638,573	1.29%	553
1997	21,041	893,407,800	11,935,597	1,190,000	10,745,597	1.20%	511
1998	21,041	891,278,400	11,383,191	590,000	10,793,191	1.21%	513
1999	20,915	869,153,100	9,809,785	-	9,809,785	1.13%	469
2000	21,325	864,731,100	19,446,093	9,700,000	9,746,093	1.13%	457
2001	18,560	897,567,900	22,843,473	13,515,000	9,328,473	1.04%	503
2002	18,560	919,884,200	21,128,600	13,030,000	8,098,600	0.88%	436
2003	18,560	935,771,000	32,863,829	12,318,685	20,545,144	2.20%	1,107
2004	18,560	935,457,000	30,872,107	11,607,370	19,264,737	2.06%	1,038

Sources for population information:

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

CITY OF AUGUSTA, MAINE
Principal Taxpayers
June 30, 2004

Taxpayer	Business		Assessed value	% of total value
Central Maine Power	Public Utility	$	62,959,100	6.73%
SCI Technology	Industrial		22,186,600	2.37%
Wal-Mart Stores, Inc.	Retail		20,261,200	2.17%
Gall, Edward	Rental/retail		18,246,800	1.95%
Capital Augusta Prop. LP	Retail		17,533,500	1.87%
Meadowpark Dev. Corp.	Rental		10,850,500	1.16%
Harpers II LLC & Harpers North LLC	Property Management		9,972,100	1.07%
Pomerleau, Frank	Retail		9,786,200	1.05%
Home Depot USA	Retail		7,947,800	0.85%
Townsend Road Associates	Developer		7,488,400	0.80%

SINGLE AUDIT SECTION

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

City Council and School Board
City of Augusta, Maine:

We have audited the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of June 30, 2004 and have issued our report thereon dated November 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

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

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the City of Augusta in a separate letter dated November 3, 2004.

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

Runyon Kersteen Ouellette

November 3, 2004
South Portland, Maine

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

City Council and School Board
City of Augusta, Maine:

Compliance

We have audited the compliance of the City of Augusta with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Augusta's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Augusta's management. Our responsibility is to express an opinion on the City of Augusta's compliance based on our audit.

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

In our opinion, the City of Augusta complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of June 30, 2004 and have issued our report thereon dated November 3, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Runyon Kersteen Ouellette

November 3, 2004
South Portland, Maine

CITY OF AUGUSTA, MAINE
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through number	Program or award amount	Balance at June 30, 2003	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2004
					Federal	Other			
U.S. Department of Education,									
Direct funding:									
21st Century Grant	84.287	n/a	$ 318,516	(63,427)	318,516	-	263,915	-	(8,826)
Passed through Maine Department of Education:									
Adult Basic Education	84.002	6296/6297	67,366	-	67,366	-	67,366	-	-
Title IA	84.010	6334	865,859	(35,665)	865,859	-	780,639	-	49,555
Special Education State Grants Individuals with Disabilities Act	84.027	6317	628,358	(39,521)	628,358	-	492,879	-	95,958
Special Education State Grants Individuals with Disabilities Act	84.027	6317	-	5,201	-	-	-	-	5,201
Title VI - Innovative	84.298	5063/1072	34,973	(5,581)	34,973	-	32,432	-	(3,040)
Class size reduction grant	84.340	5088	-	(601)	-	-	-	-	(601)
PreSchool	84.173	6241	27,750	2,953	27,750	5,047	26,331	-	9,419
Teacher Quality grant	84.367	1138	247,890	155,916	247,890	-	194,704	-	209,102
Carl Perkins - Basic grant (learning center)	84.048	5159	128,583	13,407	128,583	-	129,444	-	12,546
Carl Perkins - Basic grants (sex equity)	84.048	n/a	-	153	-	-	-	-	153
Technology Literacy	84.318	1006	26,412	8,443	26,412	-	17,872	-	16,983
Eisenhower professional development State Grants	84.281	8091	-	-	-	-	-	-	-
Rural Low Income	84.358	1078	54,402	-	54,402	-	67,750	-	(13,348)
U.S. Department of Education, passed through ME Substance Abuse:									
Drug Free Schools and Communities	84.186	n/a	26,963	24,659	26,963	-	36,305	-	15,317
Total U.S. Department of Education				65,937	2,427,072	5,047	2,109,637	-	388,419
U.S. Department of Housing and Urban Development, passed through Department of Economic and Community Development:									
CDBG - Economic Development I	14.228	G6600329	300,000	37,971	-	-	-	-	37,971
CDBG - North Water Street	14.228	G302086	500,000	(13,532)	-	127,952	-	114,420	-
CDBG - Business Assistance Grant	14.228	G504014	400,000	-	355,193	-	355,193	-	-
CDBG - Boothby Street	14.228	G703364	400,000	-	348,028	25,932	348,028	80,510	(54,578)
CDBG - Boothby Street	14.229	G703365	50,000	-	31,443	-	31,443	-	-
Total U.S. Department of Housing and Urban Development				24,439	734,664	153,884	734,664	194,930	(16,607)
U.S. Department of Transportation, passed through MDOT:									
Scenic and Environmental	20.205	N/A	690,000	(1,708)	-	-	-	-	(1,708)
Passed through the Department of Conservation	20.219	N/A	42,000	1,221	-	-	-	-	1,221
Total U.S. Department of Transportation				(487)	-	-	-	-	(487)
U.S. Department of Agriculture, passed through the Maine Dept. of Ed:									
National School Lunch Program	10.555	7128	N/A	161,806	303,674	480,073	303,674	476,427	165,452
School Breakfast Program	10.553	7127	N/A	-	77,464	-	77,464	-	-
Summer Food Service Program	10.559	7130	N/A	-	19,450	-	19,450	-	-
Food Donation Program	10.550	6134	N/A	22,525	57,288	-	61,472	-	18,341
Total U.S. Department of Agriculture				184,331	457,876	480,073	462,060	476,427	183,793
U.S. Department of Agriculture Cooperative Forestry Service, passed through the Pine State Arboretum:									
2002 Maine Community Forestry Ice Storm Recovery Grant	10.664		59,400	415	-	-	415	-	-
Total U.S. Department of Agriculture Cooperative Forestry Service				415	-	-	415	-	-
U.S. Department of Human Services, passed through the Maine Dept. of Ed:									
Refugee resettlement	93.576	5019	-	1,199	256	-	749	-	706
Total U.S. Department of Human Services				1,199	256	-	749	-	706
U.S. Department of Justice, passed through the Maine Department of Justice									
Law Enforcement Block Grant	16.592		21,888	-	21,888	2,661	14,290	-	10,259
Cops Fast Grant	16.710		6,599	-	6,599	-	6,599	-	-
Total U.S. Department of Justice				-	28,487	2,661	20,889	-	10,259
U.S. Department of Homeland Security, passed through the Maine Department of Homeland Security									
Homeland Security Grant	97.067		64,300	-	26,325		26,325	-	-
Homeland Security Grant	97.067		287,770	-	16,695	-	16,695		-
Total U.S. Department of Homeland Security				-	43,020	-	43,020	-	-
Federal Emergency Management Agency:									
Direct:									
Assistance to Firefighters Grant Program	83.554	N/A	139,776	-	42,091	15,530	42,091	5,238	10,292
Total U.S. Department of Federal Emergency Management				-	42,091	15,530	42,091	5,238	10,292
Totals				**$ 275,834**	**3,733,466**	**657,195**	**3,413,525**	**676,595**	**576,375**

See accompanying notes to schedule of expenditures of federal awards.

PURPOSE OF THE SCHEDULE

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

SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Augusta for the fiscal year ended June 30, 2004. The reporting entity is defined in Notes to Basic Financial Statements of the City of Augusta.

B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.

1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.

2. Major Programs - OMB Circular A-133 establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Augusta are identified in the summary of auditor's results in the Schedule of Findings and Questioned Costs.

C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.

Section I-Summary of Auditor's Results

Basic financial statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable condition identified not considered to be a material weakness?	no
Noncompliance material to financial statements noted?	no

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	Local Entitlement
10.553-555	School Lunch Cluster
84.010	Title 1A

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	no

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

REPORTABLE CONDITIONS

NONE

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We noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated November 3, 2004.

Section III - Findings and Questioned Costs for Federal Awards

NONE

Section IV - Status of Prior Year Findings and Questioned Costs

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

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

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

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

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

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

Questioned Costs: None

Status: The controls over meal counts for the breakfast program have improved and the audit did not note any discrepancies during the 2003-2004 year.