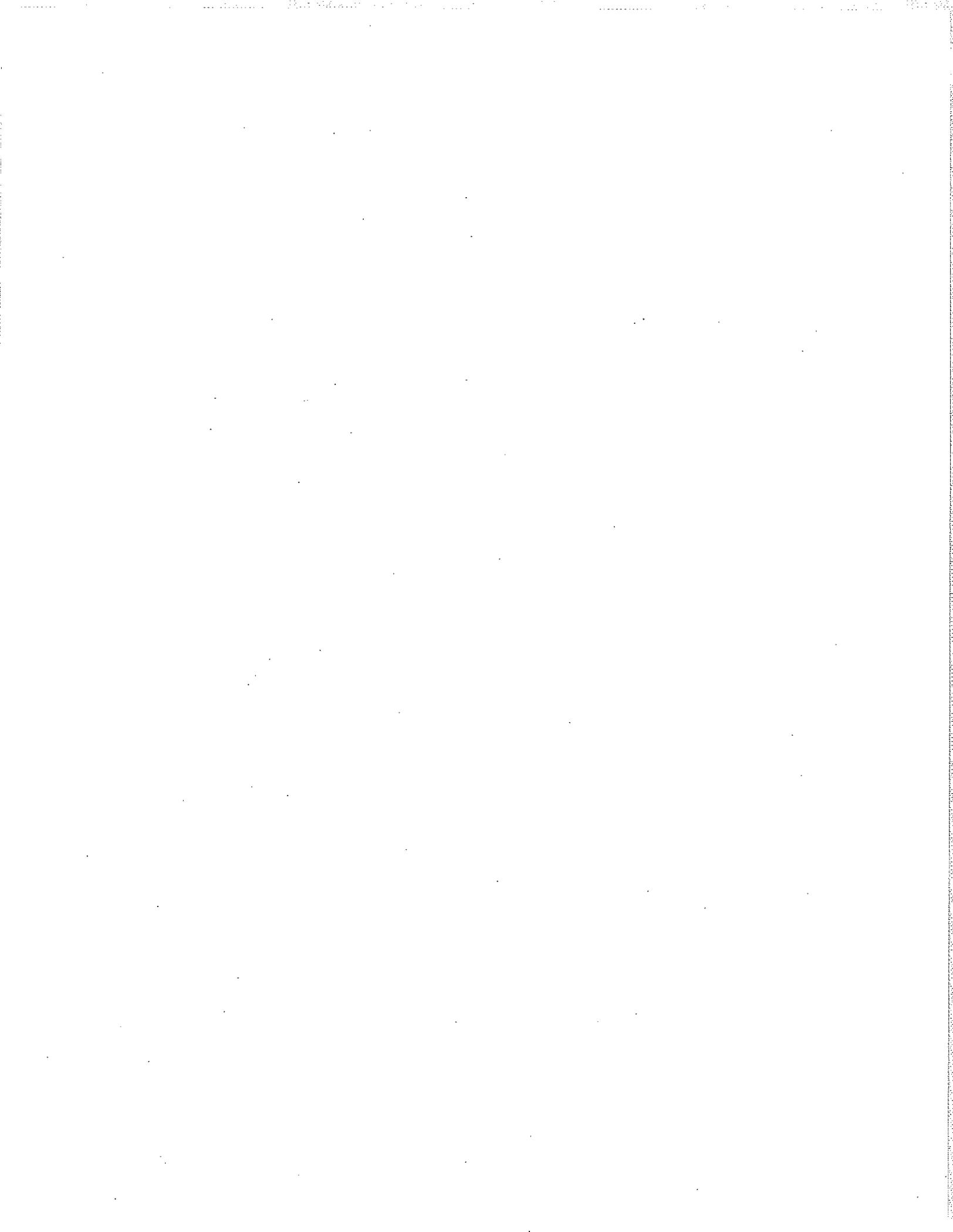


CITY OF AUGUSTA, MAINE

Financial Report

For the Year Ended June 30, 2011



CITY OF AUGUSTA, MAINE
Annual Financial Report
For the Year Ended June 30, 2011

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CITY OF AUGUSTA, MAINE
Annual Financial Report
June 30, 2011

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Independent Auditor's Report

City Council
City of Augusta, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Augusta, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

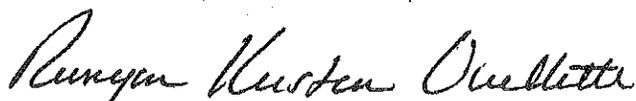
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration of the City of Augusta, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Augusta, Maine's financial statements as a whole. The combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



December 16, 2011
South Portland, Maine

CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis
June 30, 2011

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, 2011. 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 2011 Financial Highlights

Financial highlights of the year include the following:

City-wide:

- The City's total net assets were \$37.5 million at June 30, 2011. Of this total, \$35.44 million were governmental assets and \$2.06 million were business-type assets.
- The City's net assets increased by \$3.13 million. Of this amount, the governmental activities had an increase in net assets of \$3.9 million. The business-type activities net assets decreased by \$0.77 million. Governmental net assets invested in capital asset net of debt increased by \$1.4 million and unrestricted net assets decreased by \$3.48 million.
- City-wide governmental revenues include program revenues of \$28.1 million, an increase of \$0.75 million, and general revenues of \$33.8 million, a decrease of \$0.6 million. Business-type income was \$4.95 million, a decrease of \$0.8 million.
- Total City-wide governmental expenses were \$57.97 million, a decrease of \$4 million and business-type activities expenses were \$5.6 million, a decrease of \$0.5 million, for total expenditures of \$63.57 million, and a decrease of \$4.5 million or 6.6%.

Fund Level:

- Governmental fund balance increased by \$1.5 million in Fiscal 2011 to \$20.3 million of which \$11.7 million was nonspendable, restricted or committed. \$4.0 was assigned and \$4.6 million was unassigned. Governmental fund revenues totaled \$60.6 million, with total expenditures of \$60.7 million. Other financing sources and uses added \$1.6 million. General fund revenues totaled \$49.7 million, with total expenditures of \$49.7 million, for a deficiency of revenues under expenditures of \$65,000. Total other financial sources and uses were \$1.04 million. The General Fund balance increased \$0.98 million for fiscal 2011.

Overview of the Financial Statements:

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

The Basic Financial Statements

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

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

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

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

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

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

The Government-wide Financial Statements

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

Governmental Activities:

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

Business-type Activities:

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

Fund Financial Statements:

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

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

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

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

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

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

Financial Activities of the City as a Whole:

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

Table 1
Governmental Activities Net Assets

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 27,318,351	25,076,365
Capital assets	57,091,694	58,069,948
Total assets	84,410,045	83,146,313
Long-term liabilities	38,257,758	39,525,009
Other liabilities	10,707,919	11,821,703
Total liabilities	48,965,677	51,346,712
Net assets:		
Invested in capital assets (net of debt)	31,132,623	29,747,461
Restricted	6,348,468	607,643
Unrestricted	(2,036,723)	1,444,497
Total net assets	\$ 35,444,368	31,799,601

Capital assets net of related debt increased by 4.7% or \$1.4 million due to a decrease in long-term liabilities. The City's long-term liabilities (primarily debt) decreased by \$1.27 million. The City's other liabilities decreased by \$1.11 million due to a decrease in other post retirement benefit liabilities of \$0.4 million and a decrease of accounts payable and other current liabilities of \$0.64 million. The City's investment in capital assets net of related debt represents 87.8% of the total net assets. The City uses these capital assets to provide services and transportation infrastructure to citizens, businesses, and visitors. These assets are not available to finance future operations nor are they available to repay outstanding debt. 17.9% of net assets are represented by resources that are subject to external restrictions in their uses. The remaining balance of \$(2.0) million (5.7%) is unrestricted net assets.

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

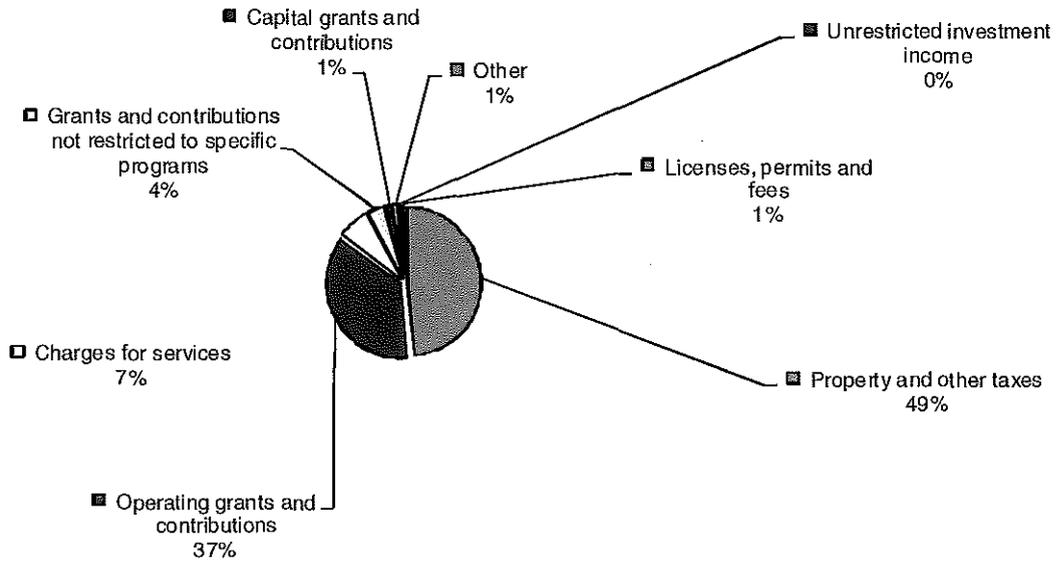
Changes in Net Assets:

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Sources of Revenues			
Program Revenues:			
Charges for services	\$ 4,442,801	4,011,988	430,813
Operating grants and contributions	22,707,795	23,292,537	(584,742)
Capital grants and contributions	904,457	-	904,457
Total program revenues	28,055,053	27,304,525	750,528
General Revenues:			
Property and other taxes	30,040,982	28,647,649	1,393,333
Grants and contributions not restricted to specific programs	2,350,821	2,576,597	(225,776)
Licenses, permits and fees	337,883	346,071	(8,188)
Unrestricted investment income	308,584	449,386	(140,802)
Other	781,166	2,365,619	(1,584,453)
Total general revenues	33,819,436	34,385,322	(565,886)
Total revenues	61,874,489	61,689,847	184,642
Functional Expenses:			
Legislative and executive	530,991	620,474	(89,483)
Finance and administration	3,128,512	2,934,491	194,021
City services	2,649,942	2,786,360	(136,418)
Community services	2,540,309	2,443,777	96,532
Public safety	8,414,744	8,169,237	245,507
Public works	2,536,828	3,229,530	(692,702)
Education	31,882,197	33,150,558	(1,268,361)
Retirement and insurance	1,372,067	3,668,658	(2,296,591)
Utilities	1,849,879	1,843,957	5,922
Unclassified	1,545,250	1,634,375	(89,125)
Interest on debt	132,514	150,443	(17,929)
Central garage	1,391,499	1,325,849	65,650
Capital maintenance expenses	-	9,586	(9,586)
Total expenses	57,974,732	61,967,295	(3,992,563)
Increase (decrease) in net assets	3,899,757	(277,448)	4,177,205
Net assets – beginning of year, reclassified	31,544,611	32,077,049	(532,438)
Net assets – end of year	\$ 35,444,368	31,799,601	3,644,767

Governmental activities resulted in an increase in net assets of \$3.9 million. Program revenues increased \$0.75 million, with operating grants and contributions increasing by \$0.9 million. Charges for services increased \$0.43 million as a result of higher emergency medical services revenues. The State and Federal government decreased intergovernmental revenues by \$0.58 million. General revenues decreased \$0.57 million. Property and other taxes increased \$1.39 million and other revenues decreased \$1.6 million. Functional expenses decreased \$4.0 million. Education expenses decreased \$ 1.27 million as a result of reduced federal funding. Retirement and insurance expenses decreased due to changes in retiree health insurance benefits. Public works expenses decreased due to an increase in capitalized assets and a decrease in operational and maintenance expenses.

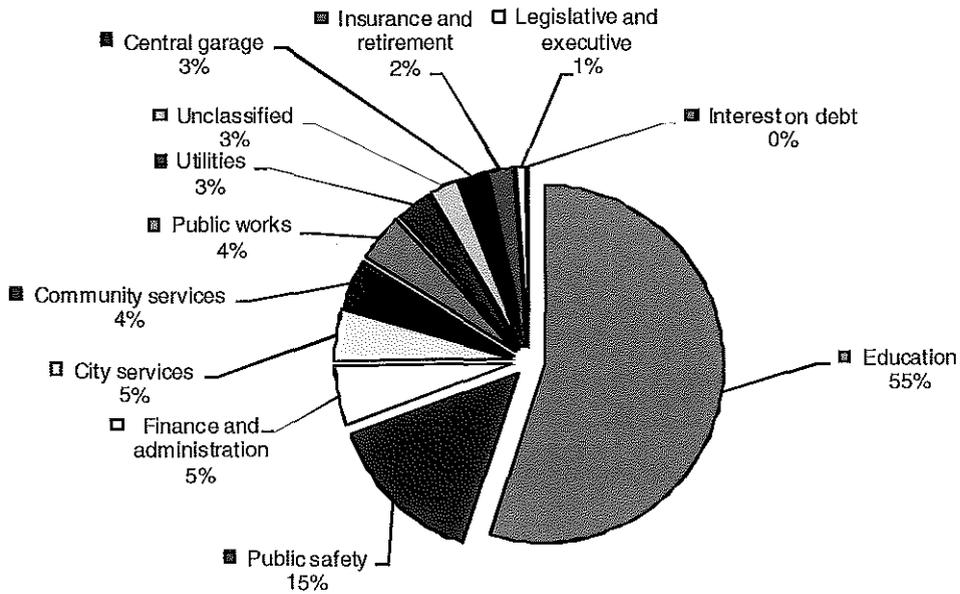
CITY OF AUGUSTA, MAINE
Management's Discussion and Analysis, Continued

Source of Revenues



As the source of revenues chart above shows, 49% of the City's fiscal 2011 governmental activities revenues came from property and other taxes, and 37% from operating grants and contributions. The remaining 14% came from charges for services (7%), grants and contributions not restricted to specific programs (4%), and all other revenue sources totaling 3%.

Functional Expense



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

The Functional expenses chart above reflects only current year expenses, which are discussed below. Education accounted for 55% and municipal services 45% of expenses. Public safety accounted for 15% of total expenses. Finance and administration and City services each accounted for 5%, community services and public works each accounted for 4% total expenses. Utilities, unclassified and central garage each accounted for 3%, insurance and retiree benefits 2%. Legislative and executive, and interest on non-educational debt combined totaled 1% of expenses.

Expenses do not include capital outlays, which are capitalized to the City's capital assets. In 2011, governmental capital assets decreased \$0.98 million. Capital assets not being depreciated increased \$0.167 million due to construction in progress, capital assets being depreciated increased \$1.39 million and accumulated depreciation increased \$2.54 million.

Governmental Activities:

Table 2 presents the net expenses of each of the City's largest programs. Net expense is defined as total program cost less the revenue generated by those specific activities. Net expenses totaled \$29.92 million as the City is dependent on general revenues for 58.3% of expenses. Overall, program revenues reduced program expenses by an average of 48.4% of total expenses. Capital grants and contributions as well as an increase in charges for services accounted for the increase in reductions. The range of reduction was 0% to 69.4% for education. Over all, governmental activities net expenses decreased \$4.73 million or 13.65%. The City's program revenues include charges for services, State subsidies, and operating grants and contributions.

Table 2
Governmental Activities
(In Millions)

		<u>2011</u>	<u>2010</u>	<u>Variance</u>
Legislative and executive	\$	(0.53)	(0.62)	0.09
Finance and administration		(2.39)	(2.73)	0.34
City services		(1.68)	(1.67)	(0.01)
Community services		(1.69)	(2.32)	0.63
Public safety		(6.00)	(6.45)	0.45
Public works		(1.99)	(2.91)	0.92
Education		(9.77)	(9.63)	(0.14)
Retirement and insurance		(1.37)	(3.67)	2.30
Utilities		(1.85)	(1.84)	(0.01)
Unclassified		(1.54)	(1.63)	0.09
Debt service		(0.13)	(0.15)	0.02
Central garage		(1.13)	(1.03)	(0.10)
Capital maintenance expenses		0.15	(0.01)	0.16
Total	\$	(29.92)	(34.66)	4.74

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

Table 3
Business-type Net Assets
(In Millions)

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Current and other assets	\$ 6.31	7.03	(0.72)
Capital assets	9.09	9.75	(0.66)
Total assets	15.40	16.78	(1.38)
Long-term liabilities	12.80	13.61	(0.81)
Other liabilities	0.60	0.35	0.25
Total liabilities	13.40	13.96	(0.56)
Net assets:			
Invested in capital assets (net of debt)	2.50	2.41	0.09
Unrestricted	(0.40)	0.42	(0.82)
Total net assets	\$ 2.10	2.83	(0.73)

Business-type activities net assets decreased by \$0.77 million in fiscal year 2011. The decrease in net assets is attributable to operating revenues of \$4.95 million, being offset by operating expenses of \$5.15 million, nonoperating expense (primarily interest expense) of \$0.46 million and a transfer of \$0.11 million.

The City's Fund Financial Statements

Governmental Funds

At June 30, 2011, the City's governmental funds reported a combined fund balance of \$20.34 million. The governmental fund balance is comprised of the following; General Fund \$12.76 million, and Other Funds \$7.58 million.

Government funds revenues totaled \$60.62 million with expenditures totaling \$60.69 million, a deficit of revenues under expenditures of \$0.07 million. Other financing sources and uses netted \$1.56 million, resulting in a net increase of fund balance by \$1.49 million. Two thirds of the increase is attributable to the General Fund.

Proprietary Funds

Proprietary Funds net assets decreased by \$0.77 million for FY 2011. Proprietary Funds operating revenues were \$4.95 million, with operating expenses of \$5.15 million producing an operating loss of \$(0.2) million. Non operating expenses were \$(0.66) million and operating transfers out of \$(0.11) million.

Analysis of Major Governmental Funds

General Fund

General fund revenues were down \$0.04 million or 99.9% collected. The City's two primary revenue sources, taxes and intergovernmental revenues, which account for 90% of revenues, were 99.5% of estimates. Tax and intergovernmental revenues ran a negative variance of \$0.22 million. Tuition and other educational charges were over \$0.09. Municipal charge for services had a positive variance of \$0.26 million. Unclassified revenues had a positive variance of \$0.12 due to property rents, public works miscellaneous, general assistance reimbursement and cable franchise fees.

General fund expenditures had a budgetary surplus of 2.3% or \$1.12 million. Educational expenditures were 3.1% or \$0.79 million under budget. Municipal operating expenditures were over budget by 3% or \$0.67 million. The negative variance was due primarily to compensated absences.

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

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 \$0.13 million for FY 2011. Net assets totaled \$2.21 million of which \$2.13 million represents investment in capital assets, net of related debt, and unrestricted net assets totaled \$0.08 million. The Civic Center had net operating income of \$93,300, with a nonoperating expense of \$167,300 and a transfer out of \$60,000.

Hatch Hill Landfill

Net assets of the regional Hatch Hill Landfill decreased \$0.64 million in fiscal 2011. Net assets totaled (\$0.15 million) of which \$0.33 million represents investments in capital assets net of related debt, and (\$0.48 million) in unrestricted net assets. Net operating loss totaled \$0.29 million, non operating expense totaled \$0.3 million and a transfer out of \$0.05 million.

Central Garage (Internal Service Fund)

Net assets of the Central Garage Fund increased by \$0.26 million in FY 2011. \$1.71 million of net assets was invested in capital assets net of debt and unrestricted net assets totaled \$0.72 million. The Central Garage Fund had net operating income of \$0.3 million. Non-operating expense and transfers out totaled \$0.04 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 2011, the cost of infrastructure and other capital assets of Government Funds recorded on the City's financial statements net of depreciation was \$57.1 million, a decrease of \$0.98 million or 1.7%. The City's investment in infrastructure assets increased \$0.7 million and investment in machinery and equipment increased \$0.4 million. Total accumulated depreciation increased by \$2.54 million.

The capital assets of the business-type activities continued to decrease as the capacity of Hatch Hill landfill is utilized. Table 4 reflects capital assets at June 30, 2011, by Governmental activities and Business-type activities.

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

Table 4
Capital Assets at Year End

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Governmental activities:			
Capital assets, not being depreciated			
Land	\$ 1,490,002	1,471,759	18,243
Construction in progress	148,238	-	148,238
Capital assets being depreciated	1,638,240	1,471,759	166,481
Buildings and improvements	61,643,134	61,719,110	(75,976)
Machinery, vehicles, and equipment	8,168,345	7,605,252	563,093
Infrastructure	32,008,624	31,239,757	768,867
Internal service fund equipment	4,817,652	4,678,791	138,861
Less: Accumulated depreciation	(51,184,301)	(48,644,721)	(2,539,580)
	57,091,694	58,069,948	(978,254)
Business-type activities:			
Capital assets, not being depreciated	501,643	428,950	72,693
Capital assets, being depreciated			
Buildings and improvements	8,720,998	8,707,048	13,950
Machinery and equipment	1,319,154	1,306,394	12,760
Landfill	5,801,086	10,421,075	(4,619,989)
Less: Accumulated depreciation	(7,257,364)	(11,112,259)	3,854,895
	\$ 9,085,517	9,751,208	(665,691)

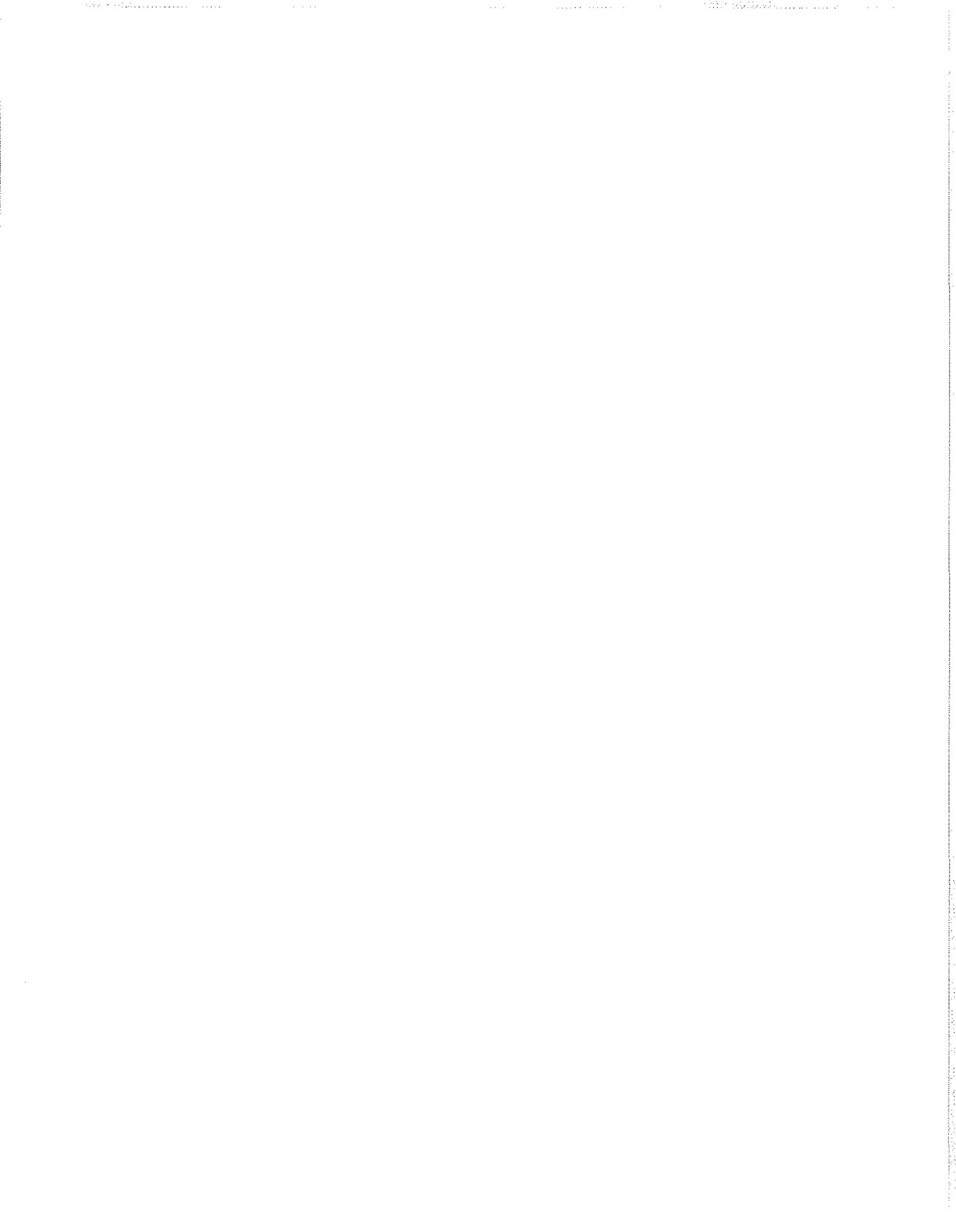
The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of capital assets over the years of its useful life so that an allocable portion of the cost of the asset is born by all users.

Debt Administration

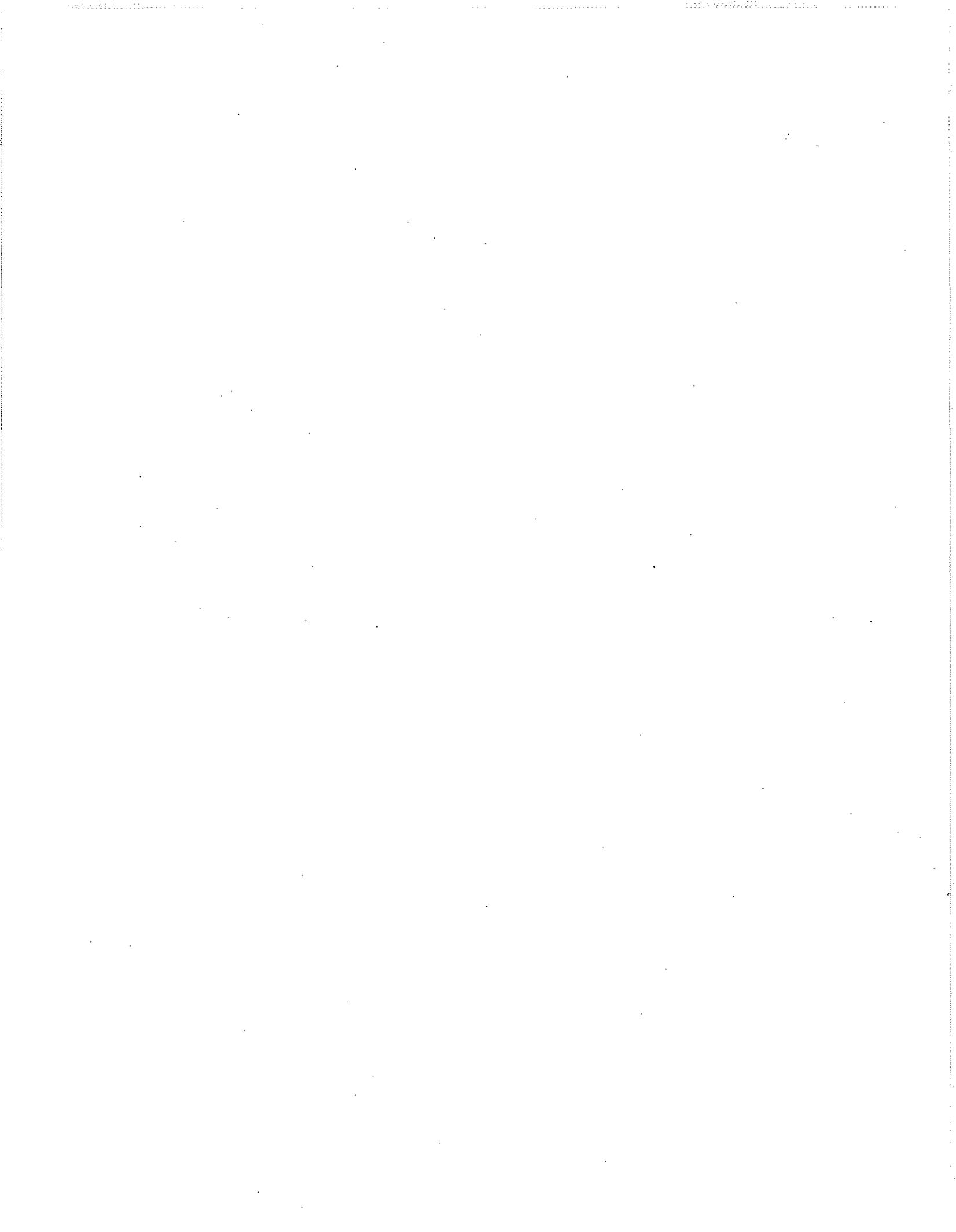
The City's total bonded indebtedness at June 30, 2011 was \$37.78 million, a decrease of \$1.17 million. The City issued new debt totaling \$2.14 million and retired \$3.31 million of principal amount of bonds and made all scheduled repayments of existing bonded indebtedness for fiscal year 2011.

Contacting the City's Financial Management

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



BASIC FINANCIAL STATEMENTS



CITY OF AUGUSTA, MAINE
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,984,313	32,895	17,017,208
Investments	11,531,654	-	11,531,654
Cash held in escrow	889,810	-	889,810
Receivables:			
Taxes	1,215,794	-	1,215,794
Tax liens	860,583	-	860,583
Intergovernmental	774,747	-	774,747
Accounts, (net of allowance for uncollectibles)	709,463	181,809	891,272
Notes	179,932	-	179,932
Internal balances	(6,080,711)	6,080,711	-
Inventories	154,658	23,330	177,988
Prepaid expenses	98,108	9,216	107,324
Capital assets, not being depreciated	1,638,240	501,643	2,139,883
Capital assets, net of accumulated depreciation	55,453,454	8,583,874	64,037,328
Total assets	84,410,045	15,413,478	99,823,523
LIABILITIES			
Accounts payable and other current liabilities	399,982	324,286	724,268
Accrued payroll and benefits	2,922,513	39,311	2,961,824
Compensated absences payable	3,315,131	137,485	3,452,616
Escrow payable	19,620	32,155	51,775
Taxes paid in advance	81,702	-	81,702
Accrued interest	231,278	-	231,278
Other postemployment benefits	3,737,693	-	3,737,693
Noncurrent liabilities:			
Due within one year	3,011,592	711,315	3,722,907
Due in more than one year	35,246,166	12,110,688	47,356,854
Total liabilities	48,965,677	13,355,240	62,320,917
NET ASSETS			
Invested in capital assets, net of related debt	31,132,623	2,457,352	33,589,975
Restricted	6,348,468	-	6,348,468
Unrestricted	(2,036,723)	(399,114)	(2,435,837)
Total net assets	\$ 35,444,368	2,058,238	37,502,606

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Activities
For the Year Ended June 30, 2011

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
Legislative and executive	\$ 530,991	-	974	-	(530,017)	-	(530,017)
Finance and administration	3,128,512	176,100	566,141	-	(2,386,271)	-	(2,386,271)
City services	2,649,942	116,044	641,199	209,678	(1,683,021)	-	(1,683,021)
Community services	2,540,309	37,707	814,589	-	(1,688,013)	-	(1,688,013)
Public safety	8,414,744	1,549,793	316,603	542,596	(6,005,752)	-	(6,005,752)
Public works	2,536,828	13,527	528,754	-	(1,994,547)	-	(1,994,547)
Education	31,882,197	2,283,942	19,831,379	-	(9,766,876)	-	(9,766,876)
Retirement and insurance	1,372,067	-	-	-	(1,372,067)	-	(1,372,067)
Utilities	1,849,879	-	-	-	(1,849,879)	-	(1,849,879)
Unclassified	1,545,250	-	8,156	-	(1,537,094)	-	(1,537,094)
Interest on debt	132,514	-	-	-	(132,514)	-	(132,514)
Central garage	1,391,499	265,688	-	-	(1,125,811)	-	(1,125,811)
Capital maintenance	-	-	-	152,183	152,183	-	152,183
Total governmental activities	57,974,732	4,442,801	22,707,795	904,457	(29,919,679)	-	(29,919,679)
Business-type activities:							
Augusta Civic Center	2,757,129	2,683,179	-	-	-	(73,950)	(73,950)
Hatch Hill Landfill	2,842,985	2,266,501	-	-	-	(576,484)	(576,484)
Total business-type activities	5,600,114	4,949,680	-	-	-	(650,434)	(650,434)
Total primary government	\$ 63,574,846	9,392,481	22,707,795	904,457	(29,919,679)	(650,434)	(30,570,113)
General revenues:							
Property taxes, levied for general purposes					\$ 27,258,369	-	27,258,369
Motor vehicle excise taxes					2,782,613	-	2,782,613
Licenses and permits					205,010	-	205,010
Cable TV franchise fee					132,873	-	132,873
Grants and contributions not restricted to specific programs:							
Homestead exemption					356,947	-	356,947
Business equipment tax reimbursement					242,575	-	242,575
State Revenue Sharing					1,725,571	-	1,725,571
Other					25,728	-	25,728
Unrestricted investment earnings					308,584	52	308,636
Miscellaneous revenues					252,671	-	252,671
Gain (loss) on disposal of assets/forgiveness of debt					420,058	(11,761)	408,297
Transfers					108,437	(108,437)	-
Total general revenues and transfers					33,819,436	(120,146)	33,699,290
Change in net assets					3,899,757	(770,580)	3,129,177
Net assets - beginning, reclassified					31,544,611	2,828,818	34,373,429
Net assets - ending					\$ 35,444,368	2,058,238	37,502,606

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 16,952,057	32,256	16,984,313
Investments	11,063,615	468,039	11,531,654
Receivables:			
Taxes	1,215,794	-	1,215,794
Tax liens	860,583	-	860,583
Due from other governments	115,518	659,229	774,747
Accounts receivable, net of allowance for uncollectibles	621,896	87,482	709,378
Notes receivable	-	179,932	179,932
Interfund loans receivable	-	6,716,423	6,716,423
Inventory	367	46,663	47,030
Prepaid items	87,545	6,418	93,963
Total assets	\$ 30,917,375	8,196,442	39,113,817
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued liabilities	307,545	88,357	395,902
Accrued payroll and benefits	2,500,150	434,396	2,934,546
Escrow payable	19,620	-	19,620
Deferred revenue	1,872,627	-	1,872,627
Taxes received in advance	81,702	-	81,702
Interfund loans payable	13,374,297	96,373	13,470,670
Total liabilities	18,155,941	619,126	18,775,067
Fund balances:			
Nonspendable	87,912	762,582	850,494
Restricted	3,885,999	1,926,482	5,812,481
Committed	-	5,084,114	5,084,114
Assigned	3,989,882	-	3,989,882
Unassigned	4,797,641	(195,862)	4,601,779
Total fund balances	12,761,434	7,577,316	20,338,750
Total liabilities and fund balances	\$ 30,917,375	8,196,442	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			55,380,520
Cash held in escrow at the Maine Municipal Bond Bank			889,810
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			1,872,627
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			2,432,150
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:			
Accrued compensated absences			(3,242,760)
Accrued interest			(231,278)
Other postemployment benefits			(3,737,693)
Capital leases			(478,199)
Bonds payable			(37,779,559)
Net assets of governmental activities		\$	35,444,368

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 27,423,576	2,156,649	29,580,225
Licenses and permits	205,010	-	205,010
Intergovernmental	17,550,628	6,372,807	23,923,435
Tuition and other charges - education	1,696,094	-	1,696,094
Charges for services	1,724,477	703,892	2,428,369
Fees and fines	52,650	-	52,650
Unclassified	707,570	1,717,612	2,425,182
Investment earnings	295,917	12,667	308,584
Total revenues	49,655,922	10,963,627	60,619,549
Expenditures:			
Current:			
Legislative and executive	533,669	126	533,795
Finance and administration	1,383,726	1,824,296	3,208,022
City services	1,267,992	1,116,386	2,384,378
Community services	1,926,597	738,955	2,665,552
Public safety	7,521,715	801,665	8,323,380
Public works	3,306,389	223,180	3,529,569
Education	26,836,724	5,939,207	32,775,931
Retirement and insurance	2,514,204	-	2,514,204
Utilities	1,849,879	-	1,849,879
Unclassified	1,633,622	8,155	1,641,777
Debt service (excluding education)	765,334	-	765,334
Capital outlay	181,109	312,819	493,928
Total expenditures	49,720,960	10,964,789	60,685,749
Excess (deficiency) of revenues over (under) expenditures	(65,038)	(1,162)	(66,200)
Other financing sources (uses):			
Bond proceeds	-	1,250,000	1,250,000
Lease proceeds	173,022	-	173,022
Transfers from other funds	973,737	-	973,737
Transfers to other funds	(102,319)	(734,683)	(837,002)
Total other financing sources (uses)	1,044,440	515,317	1,559,757
Net change in fund balances	979,402	514,155	1,493,557
Fund balances, beginning of year, reclassified	11,782,032	7,063,161	18,845,193
Fund balances, end of year	\$ 12,761,434	7,577,316	20,338,750

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, 2011

Net change in fund balances - total governmental funds (from Statement 4)	\$	1,493,557
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense (\$2,718,402) and loss on disposal (\$69,693) exceeded capital expenditures (\$1,771,282). (1,016,813)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 460,757

Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$268,582) exceeded the amount of proceeds (\$173,022). 95,560

Change in accruals are recorded on the statement of net assets, but not on the governmental fund balance sheet - accrued compensated absences (\$100,438), accrued interest (\$11,070) and other post employment benefits (\$437,707). 549,215

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$2,821,750), debt forgiveness (\$489,751) and cash held in escrow (\$889,810) exceed the amount of proceeds (\$2,139,810). 2,061,501

Internal service funds are used by management to charge the costs of fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. 255,980

Change in net assets of governmental activities (see Statement 2)	\$	3,899,757
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See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2011

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 27,771,463	27,771,463	27,423,576	(347,887)
Licenses and permits	112,075	112,075	205,010	92,935
Intergovernmental	15,234,695	15,234,695	15,360,985	126,290
Tuition and other charges - education	1,783,500	1,783,500	1,696,094	(87,406)
Charges for services	1,467,564	1,467,564	1,724,477	256,913
Fees and fines	51,900	51,900	52,650	750
Unclassified	460,546	460,546	576,129	115,583
Investment earnings	488,347	488,347	295,917	(192,430)
Total revenues	47,370,090	47,370,090	47,334,838	(35,252)
Expenditures:				
Current:				
Legislative and executive	600,326	604,420	555,129	49,291
Finance and administration	1,541,389	1,493,727	1,377,274	116,453
City services	1,433,592	1,442,642	1,318,423	124,219
Community services	1,920,710	1,959,491	1,959,452	39
Public safety	7,619,686	7,748,423	7,671,112	77,311
Public works	3,180,199	3,564,489	3,503,526	60,963
Education	25,525,953	25,709,867	24,921,342	788,525
Retirement and insurance	2,558,913	2,558,913	2,537,850	21,063
Utilities	1,893,472	1,893,472	1,849,879	43,593
Unclassified	1,396,620	1,396,620	1,633,622	(237,002)
Debt service (excluding education)	837,835	837,835	765,334	72,501
Total expenditures	48,508,695	49,209,899	48,092,943	1,116,956
Excess (deficiency) of revenues over (under) expenditures	(1,138,605)	(1,839,809)	(758,105)	1,081,704
Other financing sources (uses):				
Budgeted utilization of surplus - City	78,778	110,863	-	(110,863)
Budgeted utilization of surplus - School	264,832	264,832	-	(264,832)
Use of carryforwards - City	-	581,790	-	(581,790)
Use of carryforwards - School	-	183,914	-	(183,914)
Transfers to other funds	-	(96,585)	(102,319)	(5,734)
Transfers from other funds	894,193	894,193	913,342	19,149
Total other financing sources (uses)	1,237,803	1,939,007	811,023	(1,127,984)
Net change in fund balance - budgetary basis	99,198	99,198	52,918	(46,280)
Reconciliation to GAAP basis:				
Add back: encumbrances expended in budgetary - City			478,474	
Add back: encumbrances expended in budgetary - School			274,261	
Change in reserves			173,749	
Net change in fund balance - GAAP basis			979,402	
Fund balance, beginning of year, reclassified			11,782,032	
Fund balance, end of year	\$		12,761,434	

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Totals	
ASSETS				
Current assets:				
Cash	\$ 32,895	-	32,895	-
Accounts receivable, net	60,406	121,403	181,809	85
Interfund loans receivable	146,482	5,934,229	6,080,711	673,536
Prepaid expenses	5,075	4,141	9,216	4,145
Inventory	23,330	-	23,330	107,628
Total current assets	268,188	6,059,773	6,327,961	785,394
Noncurrent assets:				
Property, plant, and equipment:				
Construction in progress	72,693	-	72,693	-
Land	390,000	38,950	428,950	-
Buildings and improvements	8,679,056	23,372	8,702,428	66,240
Equipment and vehicles	436,817	900,907	1,337,724	4,817,652
Hatch Hill landfill system	-	5,801,086	5,801,086	-
Less accumulated depreciation	(5,186,527)	(2,070,837)	(7,257,364)	(3,172,718)
Total noncurrent assets	4,392,039	4,693,478	9,085,517	1,711,174
Total assets	4,660,227	10,753,251	15,413,478	2,496,568
LIABILITIES				
Current liabilities:				
Accounts payable	15,114	309,172	324,286	4,080
Accrued wages and benefits payable	28,001	11,310	39,311	10,531
Accrued compensated absences	116,554	20,931	137,485	49,807
Refundable deposits	32,155	-	32,155	-
Current portion of bonds payable	226,315	485,000	711,315	-
Total current liabilities	418,139	826,413	1,244,552	64,418
Noncurrent liabilities:				
Bonds payable	2,036,850	3,880,000	5,916,850	-
Accrued landfill closure and postclosure costs	-	6,193,838	6,193,838	-
Total noncurrent liabilities	2,036,850	10,073,838	12,110,688	-
Total liabilities	2,454,989	10,900,251	13,355,240	64,418
NET ASSETS				
Invested in capital assets, net of related debt	2,128,874	328,478	2,457,352	1,711,174
Unrestricted	76,364	(475,478)	(399,114)	720,976
Total net assets	\$ 2,205,238	(147,000)	2,058,238	2,432,150

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Totals	
Operating revenues:				
Rental income	\$ 1,205,564	-	1,205,564	-
Fees	-	2,266,501	2,266,501	1,675,771
Food and beverage sales	1,477,615	-	1,477,615	-
Miscellaneous	-	-	-	6
Total operating revenues	2,683,179	2,266,501	4,949,680	1,675,777
Operating expenses:				
Personnel services	1,311,881	391,749	1,703,630	416,661
Contractual services	426,655	663,872	1,090,527	48,924
Supplies and materials	521,754	84,709	606,463	621,364
Fixed charges	18,743	962,287	981,030	2,564
Capital outlay	12,295	541	12,836	500
Depreciation	298,554	454,778	753,332	286,003
Total operating expenses	2,589,882	2,557,936	5,147,818	1,376,016
Operating income (loss)	93,297	(291,435)	(198,138)	299,761
Nonoperating revenue (expense):				
Interest income	-	52	52	-
Interest expense	(167,247)	(285,049)	(452,296)	(15,483)
Gain (loss) on disposal of equipment	-	(11,761)	(11,761)	-
Total nonoperating revenue (expense)	(167,247)	(296,758)	(464,005)	(15,483)
Net income (loss) before transfers	(73,950)	(588,193)	(662,143)	284,278
Transfers:				
Transfer from (to) other funds	(59,960)	(48,477)	(108,437)	(28,298)
Total transfers	(59,960)	(48,477)	(108,437)	(28,298)
Change in net assets	(133,910)	(636,670)	(770,580)	255,980
Total net assets, beginning of year	2,339,148	489,670	2,828,818	2,176,170
Total net assets, end of year	\$ 2,205,238	(147,000)	2,058,238	2,432,150

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service
	Augusta Civic Center	Hatch Hill Landfill	Totals	
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,724,975	2,241,026	4,966,001	1,675,761
Payments to suppliers	(981,972)	(1,300,667)	(2,282,639)	(660,464)
Payments to employees	(1,319,575)	(441,522)	(1,761,097)	(399,040)
Payments for interfund services used	(10,820)	(188,704)	(199,524)	-
Net cash provided by (used in) operating activities	412,608	310,133	722,741	616,257
Cash flows from non-capital financing activities:				
Transfers to other funds	(59,960)	(48,477)	(108,437)	(28,298)
(Increase) decrease in interfund loans	138,293	508,341	646,634	(247,914)
Net cash provided by (used in) non-capital financing activities	78,333	459,864	538,197	(276,212)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(99,402)	-	(99,402)	(324,562)
Bond, note and lease principal payments	(226,315)	(485,000)	(711,315)	-
Interest paid	(167,247)	(285,049)	(452,296)	(15,483)
Net cash provided by (used in) capital financing activities	(492,964)	(770,049)	(1,263,013)	(340,045)
Cash flows from investing activities:				
Investment income	-	52	52	-
Net cash provided by (used in) investing activities	-	52	52	-
Increase in cash	(2,023)	-	(2,023)	-
Cash, beginning of year	34,918	-	34,918	-
Cash, end of year	\$ 32,895	-	32,895	-
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 93,297	(291,435)	(198,138)	299,761
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	298,554	454,778	753,332	286,003
(Increase) decrease in operating assets:				
Accounts receivable	41,796	(25,475)	16,321	(16)
Prepaid expenses	3,029	1,368	4,397	1,044
Inventory	594	-	594	10,658
Increase (decrease) in operating liabilities:				
Accounts payable	(8,863)	301,683	292,820	1,186
Accrued wages and benefits	(83)	(15,820)	(15,903)	2,699
Accrued compensated absences	(7,611)	(33,953)	(41,564)	14,922
Refundable deposit	(8,105)	-	(8,105)	-
Accrued landfill closure and postclosure costs	-	(81,013)	(81,013)	-
Net cash provided by (used in) operating activities	412,608	310,133	722,741	616,257

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private- purpose Trust Funds	Agency Funds	
		SIB Loans	Student Activities
ASSETS			
Cash	\$ 15,968	-	293,612
Investments	241,762	646,449	-
Total assets	257,730	646,449	293,612
LIABILITIES			
Due to others	-	646,449	293,612
Total liabilities	-	646,449	293,612
NET ASSETS			
Held in trust	\$ 257,730	-	-

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2011

	Private- purpose Trust Funds
Additions:	
Donations	\$ 17,059
Investment income	4,616
Total additions	21,675
Deductions:	
Scholarships and other	18,935
Total deductions	18,935
Change in net assets	2,740
Net assets, beginning of year, reclassified	254,990
Net assets, end of year	\$ 257,730

See accompanying notes to financial statements.

CITY OF AUGUSTA, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Related Organizations:

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

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

B. Government-wide and Fund Financial Statements

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's general and 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.

2. Interfund Receivables/Payables

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

3. Community Development Loans Receivable

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

4. Inventories

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

5. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items.

6. Capital Assets

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

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

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

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

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

7. Compensated Absences

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

8. Long-term Obligations

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

9. Fund Equity

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

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

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

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

10. Interfund Transactions

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

11. Use of Estimates

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

12. Comparative Data

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

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

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

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

During the year ended June 30, 2011, the City budgeted to utilize \$78,778 and the Department of Public Schools budgeted to utilize \$264,832 of prior year fund balance as a budgeted use of surplus.

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the following areas:

Registrations and elections	\$ 18,265	Fire and ambulance	135,541
Planning	25,592	Public works - highway	24,442
Engineering	5,508	Sanitary sewer and drains	387
General assistance	94,228		

C. Deficit Fund Balances

At June 30, 2011, the following funds had deficit fund balances:

Fire local match reserve	\$ 4,104	Title III - ESL	699
600 Riverside Drive	4,160	Reading First - Farrington	36,347
ARRA Stabilization	1,689	Cony Maine Youth Voices	1,898
Title 1A - ARRA	17,771	21 st Century	33,112
Education Jobs Bill	19,500	Landfill	147,000
Local Entitlement	80,686		

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

DEPOSITS AND INVESTMENTS

As of June 30, 2011, the City had the following investments, some of which are classified as cash and cash equivalents:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
Money market	\$ 365,393	N/A
Government mutual fund	20,868	N/A
U.S. Treasury Notes	8,365,023	2.950
Federal Home Loan Management	1,874,087	2.318
Federal National Mortgage Association	2,160,289	2.338

Custodial credit risk- deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2011, \$16,977 of the City's bank balance of \$17,972,225 was exposed to custodial credit risk because it was uninsured and uncollateralized. In accordance with its investment policy, the City's funds must be fully covered under FDIC, fully insured or fully collateralized, with pledged collateral being at least 110% of market value of the net amount of public funds secured when marked to market monthly at least 102% of market value of the net amount of public funds secured when marked to market daily.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the City's \$365,393 investment in money market, 100% was collateralized by underlying securities. In accordance with its investment policy, the City minimizes custodial credit risk by only doing business with authorized institutions, depositories, and broker/dealers, and that funds must be fully covered under FDIC, fully insured or fully collateralized, with pledged collateral being at least 110% of market value of the net amount of public funds secured when marked to market monthly at least 102% of market value of the net amount of public funds secured when marked to market daily.

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

DEPOSITS AND INVESTMENTS, CONTINUED

Credit risk – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. As of June 30, 2011, all of the City's investment in were rated AAA by Standard & Poor's. In accordance with its investment policy, the City minimizes credit risk by limiting the types of investments to be purchased, pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses will be minimized.

Interest rate risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates have subsequently increased. Accordingly, holders of debt securities in the situation just described face the prospect of a loss should those securities be sold prior to maturity, even though cash flows under the debt contract remain unaffected by changes in interest rates. In accordance with its investment policy, the City structures its investment portfolio so securities mature to meet cash requirements for ongoing operations. It invests funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of June 30, 2011, the City had the following accounts receivable with allowance for uncollectible account balances:

	General Fund	Airport	Augusta Civic Center	Hatch Hill Landfill
Accounts receivable	\$ 1,702,799	129,519	80,602	121,582
<u>Allowance for uncollectible accounts</u>	<u>(965,385)</u>	<u>(655)</u>	<u>(20,196)</u>	<u>(179)</u>
Accounts receivable, net	\$ 737,414	128,864	60,406	121,403

PROPERTY TAX

Property taxes for the current year were committed on July 26, 2010, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. Prior to the commitment the City performed a revaluation.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$99,198 for the year ended June 30, 2011.

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

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

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

PROPERTY TAX, CONTINUED

The following summarizes the levy:

	<u>2011</u>	<u>2010</u>
Assessed value	\$ 1,585,823,000	1,569,894,000
Tax rate (per \$1,000)	17.05	16.70
Commitment	27,038,282	26,217,230
Supplemental taxes assessed	1,033	645
	27,039,315	26,217,875
Less:		
Abatements	23,207	20,474
Collections	25,845,259	25,038,525
Current year taxes receivable at end of year	\$ 1,170,849	1,158,876
Due date(s) - current year	½ Sept. 9, 2010 ½ March 10, 2011	½ Sept. 10, 2009 ½ March 11, 2010
Interest rate on delinquent taxes	7.00%	9.00%
Collection rate	95.67%	95.58%
Taxes receivable - current year	\$ 1,170,849	1,158,876
Taxes receivable - prior years	44,945	25,804
Tax liens - prior year	860,583	431,073
Total taxes receivables	\$ 2,076,377	1,615,753

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	Balance June 30, <u>2011</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,471,759	20,743	-	2,500	1,490,002
Construction in progress	-	148,238	-	-	148,238
Total capital assets not being depreciated	1,471,759	168,981	-	2,500	1,638,240
Capital assets, being depreciated:					
Buildings and building improvements	61,719,110	54,200	(120,176)	10,000	61,643,134
Machinery, vehicles and equipment	7,605,252	779,234	120,176	336,317	8,168,345
Infrastructure	31,239,757	768,867	-	-	32,008,624
Internal service fund equipment	4,678,791	324,562	-	185,701	4,817,652
Total capital assets being depreciated	105,242,910	1,926,863	-	532,018	106,637,755
Less accumulated depreciation for:					
Buildings and building improvements	24,453,127	1,380,411	(29,489)	10,000	25,794,049
Machinery, vehicles and equipment	5,022,250	638,073	29,489	269,124	5,420,688
Infrastructure	16,101,006	703,663	-	-	16,804,669
Internal service fund equipment	3,068,338	282,258	-	185,701	3,164,895
Total accumulated depreciation	48,644,721	3,004,405	-	464,825	51,184,301
Total capital assets being depreciated, net	56,598,189	(1,077,542)	-	67,193	55,453,454
Governmental activities capital assets, net	\$ 58,069,948	(908,561)	-	69,693	57,091,694

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

CAPITAL ASSETS, CONTINUED

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	Balance June 30, <u>2011</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 428,950	-	-	-	428,950
Construction in progress	-	72,693	-	-	72,693
Total capital assets not being depreciated	428,950	72,693	-	-	501,643
Capital assets, being depreciated:					
Buildings and building improvements	8,707,048	13,950	-	-	8,720,998
Machinery and equipment	1,306,394	12,760	-	-	1,319,154
Landfill	10,421,075	-	-	4,619,989	5,801,086
Total capital assets being depreciated	20,434,517	26,710	-	4,619,989	15,841,238
Less accumulated depreciation for:					
Buildings and building improvements	4,663,312	270,386	-	-	4,933,698
Machinery and equipment	692,813	148,781	-	-	841,594
Landfill	5,756,134	334,165	-	4,608,227	1,482,072
Total accumulated depreciation	11,112,259	753,332	-	4,608,227	7,257,364
Total capital assets being depreciated, net	9,322,258	(726,622)	-	11,762	8,583,874
Business-type activities capital assets, net	\$ 9,751,208	(653,929)	-	11,762	9,085,517

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

Governmental activities:

Legislative and executive	\$ 4,505
Finance and administration	10,853
City services	280,950
Community services	40,959
Public safety	310,355
Public works	712,661
Education	1,358,119
Central garage	286,003

Total depreciation expense – governmental activities \$ 3,004,405

Business-type activities:

Augusta Civic Center	\$ 298,554
Hatch Hill Landfill	454,778

Total depreciation expense – business-type activities \$ 753,332

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

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 38,951,250	2,139,810	3,311,501	37,779,559	2,909,506
Capital leases	573,759	173,022	268,582	478,199	102,086
Compensated absences	3,343,198	-	100,438	3,242,760	-
Other post-employment	4,175,400	-	437,707	3,737,693	-
Governmental activities long-term liabilities	\$ 47,043,607	2,312,832	4,118,228	45,238,211	3,011,592
Business-type activities:					
General obligation bonds	\$ 7,339,480	-	711,315	6,628,165	711,315
Landfill closure	6,274,851	910,797	991,810	6,193,838	-
Compensated absences	203,081	-	65,596	137,485	-
Business-type activities long-term liabilities	\$ 13,817,412	910,797	1,768,721	12,959,488	711,315

BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2011 are comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2011</u>
Governmental activities:					
Public improvements	5/25/01	\$ 495,000	2011	4.149-4.574%	49,500
General obligation bonds #2 2002	10/30/02	500,000	2012	2.500-3.450%	100,000
Pension obligation bonds 2003	2/13/03	13,150,000	2013	4.000-5.250%	10,100,000
General obligation bonds 2004	12/9/04	3,495,000	2024	2.750-4.250%	2,150,000
General obligation bonds 2005	5/18/06	28,450,000	2026	4.125-5.000%	22,600,000
General obligation bonds 2007	4/25/07	500,000	2017	1.100-6.000%	300,000
General obligation bonds 2009	6/17/09	1,040,000	2019	2.000-3.375%	830,000
General obligation bonds 2011	5/26/11	1,250,000	2031	2.120-3.375%	1,250,000
School revolving loan fund	3/17/11	889,810 (a)	2024	0.00%	400,059
Total governmental activities					37,779,559
Business-type activities:					
Hatch Hill Expansion Bond	5/31/00	9,700,000	2019	4.528-5.903%	4,365,000
Civic Center Expansion	5/25/01	4,300,000	2020	4.039-5.539%	2,263,165
Total business-type activities					6,628,165
Total bonds and notes payable					\$ 44,407,724

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

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

BONDS AND NOTES PAYABLE, CONTINUED

The annual requirements to amortize all long-term debt outstanding as of June 30, 2011 are as follows:

<u>June 30,</u>	<u>Governmental activities</u>			<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,909,506	1,617,803	4,527,309	711,315	357,970	1,069,285
2013	3,100,006	1,488,544	4,588,550	711,315	318,729	1,030,044
2014	3,210,006	1,348,708	4,558,714	711,315	278,695	990,010
2015	3,380,006	1,201,209	4,581,215	711,315	238,096	949,411
2016	3,460,006	1,047,545	4,507,551	711,315	197,497	908,812
2017-2021	12,430,029	3,192,642	15,622,671	3,071,590	385,734	3,457,324
2022-2026	7,730,000	1,251,244	8,981,244	-	-	-
2027-2031	1,525,000	53,818	1,578,818	-	-	-
2031	35,000	371	35,371	-	-	-
Total	\$ 37,779,559	11,201,884	48,981,443	6,628,165	1,776,721	8,404,886

CAPITAL LEASES

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

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2011.

	<u>Governmental Funds</u>
2012	\$ 114,554
2013	114,554
2014	114,554
2015	114,554
2016	65,066
Total minimum lease payments	523,282
Less: amount representing interest	45,083
Present value of future minimum lease payments	\$ 478,199

STATUTORY DEBT LIMIT

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City. The City's outstanding long-term debt of \$44,407,724 at June 30, 2011 was within the statutory limit.

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

OVERLAPPING DEBT

In addition to the bonds and notes payable, the City is contingently responsible for the following debt as of June 30, 2011:

<u>Governmental Unit</u>	<u>Net debt outstanding</u>	<u>Applicable to Augusta</u>	<u>City of Augusta's share of debt</u>
Kennebec County	\$ 70,000	14.95%	10,465

The debt of Kennebec County is paid through annual county tax assessments to the City. Additionally, the City would be responsible for \$4,561,663 of the Greater Augusta Utilities District's debt if the District was to default payment.

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

ARBITRAGE REFUND

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

INTERFUND BALANCES

As of June 30, 2011, the balances of interfund loans receivable/payable were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in (out)</u>
General Fund	\$ -	13,374,297	871,418
Special Revenue Funds:			
CDBG Loan Fund	4,054	-	-
Airport	-	96,373	-
Other City Special Revenues	2,922,079	-	(564,679)
Other School Special Revenues	320,910	-	(47,752)
School Lunch	302,205	-	(80,000)
Internal Service Fund	673,536	-	(28,298)
Proprietary Funds:			
Hatch Hill Fund	5,934,229	-	(48,477)
Augusta Civic Center	146,482	-	(59,960)
Capital Projects Fund	3,029,105	-	(42,252)
Permanent Fund	138,070	-	-
Totals	\$ 13,470,670	13,470,670	-

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

BUDGETARY VS. GAAP BASIS OF ACCOUNTING - GENERAL FUND

As required by accounting principles generally accepted in the United States of America, the School Department has recorded a revenue and an expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$2,189,643.

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

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

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

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute at actuarially determined rates. The current rates range from 2.8 - 6.5% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Legislature. The City and School Department's contributions to the Retirement Participating Local District for the year ended June 30, 2011, 2010, and 2009 were \$433,784, \$355,407, and \$370,758, respectively.

Maine Public Employees Retirement System - Teachers Group

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

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,189,643 (17.76%) for the fiscal year 2011. 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 17.76% of their compensation. This cost is charged to the applicable grant.

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

DEFERRED COMPENSATION PLAN

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

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

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2011:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 108,275,995	16,342,881
Accumulated depreciation	(51,184,301)	(7,257,364)
Bonds payable	(37,779,559)	(6,628,165)
Add back unspent bond proceeds	2,198,687	-
Add back pension obligation bonds	10,100,000	-
Capital leases payable	(478,199)	-
Total invested in capital assets net of related debt	\$ 31,132,623	2,457,352

FUND BALANCE/NET ASSETS RECLASSIFICATION

For fiscal year ending June 30, 2011 the City adopted Government Accounting Standards Board Statement No. 54 (GASB 54). Fund balances and net assets were reclassified as follows to meet the new definition of fund types as described in GASB 54:

	<u>General Fund</u>	<u>Other City Special Revenue Funds</u>	<u>City Permanent Funds</u>	<u>School Permanent Funds</u>	<u>Private Purpose Trust Funds</u>
Fund balance/net assets July 1, 2010	\$ 11,722,168	2,849,581	818,143	254,990	-
Reclassification	59,864	186,101	(245,965)	(254,990)	254,990
Fund balance/net assets					
July 1, 2010, reclassified	11,782,032	3,035,682	572,178	-	254,990

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

FUND BALANCE

As of June 30, 2011 fund balances components consisted of the following:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Inventory and prepaid items	\$ 87,912	46,663	134,575
Notes receivable	-	179,932	179,932
Principal for permanent funds	-	535,987	535,987
Total nonspendable	87,912	762,582	850,494
Restricted:			
Finance and administration	-	774,486	774,486
City services	-	261,653	261,653
Community services	-	37,572	37,572
Public safety	-	28,796	28,796
Public works	-	27,893	27,893
Education	3,885,999	751,134	4,637,133
Permanent funds	-	44,948	44,948
Total restricted	3,885,999	1,926,482	5,812,481
Committed:			
Legislative and executive	-	6,420	6,420
Finance and administration	-	238,567	238,567
City services	-	1,325,933	1,325,933
Community services	-	313,391	313,391
Public safety	-	153,292	153,292
Public works	-	41	41
Capital projects	-	3,046,470	3,046,470
Total committed	-	5,084,114	5,084,114
Assigned:			
Subsequent budget	220,178	-	220,178
Reserves	2,315,752	-	2,315,752
Encumbrances	478,474	-	478,474
Landfill	475,478	-	475,478
Library renovation and expansion	500,000	-	500,000
Total assigned	3,989,882	-	3,989,882
Unassigned	4,797,641	(195,862)	4,601,779
Total fund balance	12,761,434	7,577,316	20,338,750

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

TAX INCREMENT FINANCING DISTRICTS

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

	Original value	Increase in value	TIF cap	Captured value	Captured tax
Marketplace Phase I	\$ 1,663,100	52,753,800	(A)	52,753,800	535,000
Marketplace Phase II	6,346,100	72,671,100	(B)	72,671,100	1,118,298
McCarthy Phase I	2,949,700	366,900	100%	366,900	6,256
McCarthy Phase II	2,032,200	1,282,200	50%	641,100	10,930
Pomerleau	262,600	4,446,800	40%	1,778,720	30,327
Water Street Apartments	336,800	1,596,500	50%	798,250	13,610
Kennebec Arsenal	-	1,598,500	100%	1,598,500	27,254 (C)
Downtown	30,377,100	16,037,800	100%	16,037,800	273,444
Cony Village	170,200	1,178,400	75%	883,800	15,069 (C)
Cony Circle	12,481,400	9,081,500	100%	9,081,500	154,840
Commerce Center	1,550,000	758,900	100%	758,900	12,939 (C)

- (A) \$285,000 to be captured for credit enhancement agreement with developers and \$250,000 to be captured for economic development.
- (B) \$330,000 to be captured for credit enhancement agreement with developers and moved \$788,298 to Downtown TIF to be transferred out for debt service for the parking garage.
- (C) The City has not received the full tax payment for this TIF District as of June 30, 2011.

LANDFILL LIABILITIES

The City currently has a landfill which is accounted for in the Hatch Hill Enterprise Fund. The landfill is comprised of several sites: an old site, expansion I, an interim site, expansion II, and expansion III. The old site and the expansion I site are currently at capacity and have been closed in accordance with Department of Environmental Protection Standards (DEP). The interim site has been temporarily closed in accordance with a DEP operating license. Expansion II and III are the current operating landfills. Expansion II is essentially ready for closure and expansion III has capacity for approximately 586,000 tons of municipal solid waste. As of June 30, 2011, a total of approximately 189,843 tons has been placed in the expansion III site. The City has recognized a liability for landfill closure and postclosure costs in the Hatch Hill Enterprise Fund. This liability was calculated based on current cost estimates for closure of each site, estimates for leachate transportation, postclosure monitoring and maintenance. The total liability on current capacity is estimated as follows:

Closure:	
Expansion II	\$ 3,410,000
Interim site	275,000
Expansion III (32%)	2,123,494
Closure costs incurred	(1,120,286)
Postclosure monitoring, maintenance and leachate removal	1,505,630
Total accrued liability for land- fill closure and postclosure costs	\$ 6,193,838

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

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

RISK MANAGEMENT - CITY

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

Based on the coverage provided by these pools, as well as certain coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2011.

CONTINGENT LIABILITIES

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

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

CONTRACT COMMITMENTS

The Augusta School Department has entered into a contract for school transportation services with First Students, Inc. The contract expires in June of 2012. Future payments under this contract are as follows:

<u>2012</u>	<u>\$ 555,000</u>
<u>Total</u>	<u>\$ 555,000</u>

OTHER POST EMPLOYMENT BENEFITS

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

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

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

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

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

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 387,120	387,120	387,120
Amortization of unfunded	1,774,143	1,774,143	1,774,143
Adjustment to ARC	(154,656)	(78,602)	-
Interest	149,774	97,169	42,801
Annual required contribution	\$ 2,156,381	2,179,830	2,204,064

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPEB liability, July 1	\$ 2,674,322	1,359,188	-
Annual required contribution	2,156,381	2,179,830	2,204,064
Less: Actual contributions	(1,093,010)	(864,696)	(844,876)
OPEB Liability, June 30	3,737,693	2,674,322	1,359,188

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

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 2,156,381	2,179,830	2,204,064
Actual contribution	1,093,010	864,696	844,876
Percent contributed	50.68%	39.66%	38.33%
Actuarial accrued liability	\$ 31,905,691	31,905,691	31,905,691
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 31,905,691	31,905,691	31,905,691
Covered payroll	26,438,697	25,426,737	25,813,004
Unfunded actuarial accrued liability as a percentage of covered payroll	120.68%	125.48%	123.60%

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

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

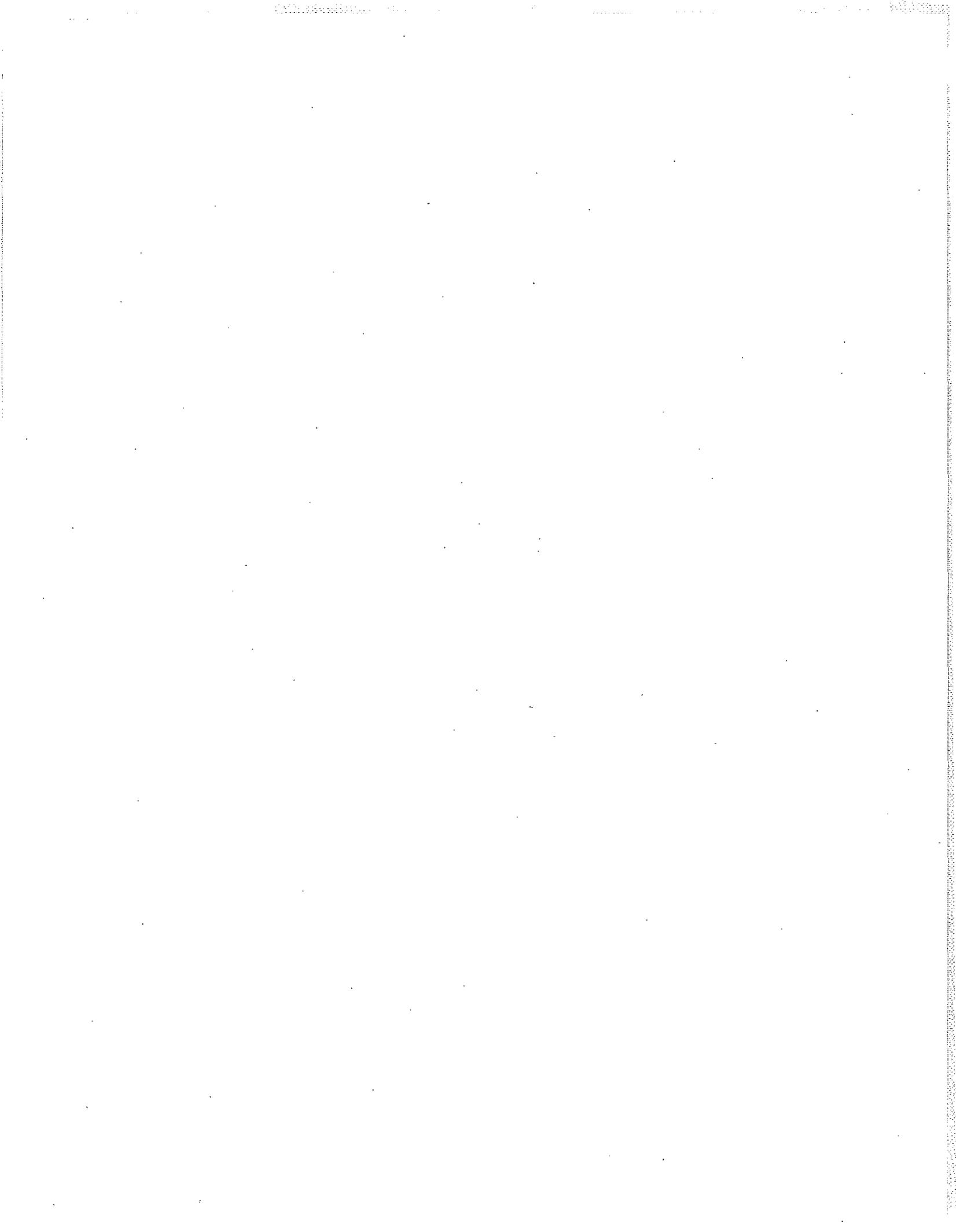
Actuarial valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Retiree Healthcare Plan

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

GENERAL FUND



CITY OF AUGUSTA, MAINE
General Fund
Comparative Balance Sheets
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 16,952,057	17,186,170
Investments	11,063,615	10,756,884
Receivables:		
Taxes	1,215,794	1,184,680
Tax liens	860,583	431,073
Due from other governments	115,518	39,198
Accounts receivable, (net of allowance for uncollectibles)	621,896	327,626
Inventory	367	4,211
Prepaid items	87,545	123,936
Total assets	\$ 30,917,375	30,053,778
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and other accrued liabilities	307,545	965,971
Accrued payroll and benefits	2,500,150	2,495,475
Escrow payable	19,620	7,926
Deferred revenue	1,872,627	1,411,870
Taxes received in advance	81,702	81,017
Interfund loans payable	13,374,297	13,369,351
Total liabilities	18,155,941	18,331,610
Fund balances:		
Nonspendable - inventory and prepaids	87,912	128,147
Restricted for education	3,885,999	3,407,645
Assigned for subsequent budget	220,178	78,778
Assigned for reserves	2,315,752	2,082,139
Assigned for encumbrances	478,474	631,366
Assigned for landfill	475,478	-
Assigned for library renovation and expansion	500,000	-
Unassigned	4,797,641	5,394,093
Total fund balances	12,761,434	11,722,168
Total liabilities and fund balances	\$ 30,917,375	30,053,778

CITY OF AUGUSTA, MAINE
 General Fund
 Statement of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the year ended June 30, 2011
 (with comparative actual amounts for the year ended June 30, 2010)

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Real and personal property	\$ 24,840,314	24,471,965	(368,349)	23,628,610
Tax interest, lien penalties, payments in lieu	111,351	168,998	57,647	165,603
Excise taxes	2,819,798	2,782,613	(37,185)	2,755,242
Total taxes	27,771,463	27,423,576	(347,887)	26,549,455
Licenses and permits	112,075	205,010	92,935	110,211
Intergovernmental:				
Education	12,774,699	12,696,888	(77,811)	13,976,174
Tree growth reimbursement	5,205	10,362	5,157	9,431
Veterans exemption reimbursement	10,600	15,366	4,766	15,614
Homestead exemption	354,753	356,947	2,194	461,004
Business equipment tax reimbursement	184,368	242,575	58,207	232,452
State revenue sharing	1,646,858	1,725,571	78,713	1,858,096
General assistance DHS/SSI	3,500	5,832	2,332	10,081
Urban Rural Initiative Payment	254,712	307,444	52,732	291,288
Total intergovernmental	15,234,695	15,360,985	126,290	16,854,140
Tuition and other charges for services - education	1,783,500	1,696,094	(87,406)	1,774,915
Charges for services:				
Police	121,116	126,392	5,276	124,609
Fire and ambulance	1,080,985	1,390,824	309,839	965,612
Community services	15,650	17,634	1,984	16,337
Public works	26,500	13,527	(12,973)	26,123
Finance and admin	223,313	176,100	(47,213)	173,137
Total charges for services	1,467,564	1,724,477	256,913	1,305,818
Fees and fines:				
Traffic tickets	5,000	2,605	(2,395)	3,594
Court fees	20,000	23,372	3,372	19,224
Lithgow Library	22,400	20,073	(2,327)	22,279
False alarm calls	4,500	6,600	2,100	5,550
Total fees and fines	51,900	52,650	750	50,647
Unclassified:				
Rents - City property	125,286	138,131	12,845	160,545
Cemeteries	20,000	28,709	8,709	18,175
Contributions	70,000	70,000	-	70,000
Animal control program	9,700	10,758	1,058	10,797
General assistance reimbursement	46,950	90,259	43,309	53,750
Cable TV franchise	116,885	132,873	15,988	235,860
Public safety miscellaneous revenue	-	9,399	9,399	1,429
Public works miscellaneous	30,000	51,460	21,460	45,896
Workers compensation	7,500	4,288	(3,212)	43,245
Unclassified - City	20,225	30,953	10,728	17,342
Unclassified - Education	14,000	9,299	(4,701)	49,017
Total unclassified	460,546	576,129	115,583	706,056
Investment earnings	488,347	295,917	(192,430)	408,934
Total revenues	47,370,090	47,334,838	(35,252)	47,760,176

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Expenditures:				
Current:				
Legislative and executive:				
Mayor and council	\$ 33,319	26,198	7,121	31,862
City management	238,619	225,305	13,314	233,354
Corporation counsel	115,800	114,797	1,003	91,617
Central services	9,687	8,520	1,167	1,641
Unclassified	176,995	152,343	24,652	258,447
Contingency	30,000	27,966	2,034	11,247
Total legislative and executive	604,420	555,129	49,291	628,168
Finance and administration:				
City clerk/treasurer/collection	441,025	416,575	24,450	433,547
Registrations and elections	23,166	41,431	(18,265)	27,158
City auditor	146,703	137,907	8,796	137,120
Information systems	337,300	276,764	60,536	337,085
Assessor	203,892	170,458	33,434	198,605
Finance and administration	111,400	110,673	727	110,123
Human resources	230,241	223,466	6,775	218,548
Total finance and administration	1,493,727	1,377,274	116,453	1,462,186
City services:				
Economic development	226,397	184,235	42,162	213,236
Planning	130,071	155,663	(25,592)	151,988
Historic preservation	425	360	65	1,597
Code enforcement	147,221	116,730	30,491	128,597
City services administration	64,940	28,683	36,257	56,036
Engineering	107,816	113,324	(5,508)	130,377
City facilities	765,772	719,428	46,344	681,098
Total City services	1,442,642	1,318,423	124,219	1,362,929
Community services:				
Community services administration	150,645	150,012	633	154,527
Public library	575,313	567,866	7,447	557,967
Recreation	172,780	171,773	1,007	174,662
Parks and cemeteries	738,372	676,415	61,957	646,151
Fort Western	86,901	73,658	13,243	105,173
Bicentennial Nature Park	42,904	33,774	9,130	31,967
Health and welfare	98,676	97,826	850	118,362
General assistance	93,900	188,128	(94,228)	103,344
Total community services	1,959,491	1,959,452	39	1,892,153

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Public safety:				
Police	\$ 4,074,775	3,863,410	211,365	3,827,857
Fire and ambulance	3,659,208	3,794,749	(135,541)	3,423,298
Civil Emergency Preparedness	14,440	12,953	1,487	12,675
Total public safety	7,748,423	7,671,112	77,311	7,263,830
Public works:				
Public works administration	113,662	83,681	29,981	111,343
Highway	1,545,323	1,569,765	(24,442)	1,755,371
Snow removal	1,160,241	1,107,270	52,971	657,610
Waste removal	745,263	742,810	2,453	749,684
Total public works	3,564,489	3,503,526	60,963	3,274,008
Education:				
Current:				
Elementary	9,014,721	8,601,313	413,408	9,182,806
Secondary	8,960,724	8,537,398	423,326	9,217,214
Adult education	566,535	556,317	10,218	575,999
District-wide	3,176,159	3,698,865	(522,706)	3,169,509
Grade span costs	1,428,809	964,530	464,279	1,390,578
Debt service	2,562,919	2,562,919	-	2,608,917
Total education	25,709,867	24,921,342	788,525	26,145,023
Retirement and insurance:				
Retirement and insurance	2,558,913	2,537,850	21,063	2,294,064
Total retirement and insurance	2,558,913	2,537,850	21,063	2,294,064
Utilities:				
Sanitary sewer and drains	596,323	596,710	(387)	578,184
Lighting and electricity	574,113	533,817	40,296	542,594
Water	723,036	719,352	3,684	723,179
Total utilities	1,893,472	1,849,879	43,593	1,843,957

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Unclassified:				
Bad debts	\$ -	-	-	1,379
County tax	1,396,620	1,396,619	1	1,358,766
Sick/vacation payout	-	237,003	(237,003)	220,231
Total unclassified	1,396,620	1,633,622	(237,002)	1,580,376
Debt service (excluding education)	837,835	765,334	72,501	1,002,847
Total expenditures	49,209,899	48,092,943	1,116,956	48,749,541
Excess (deficiency) of revenues over (under) expenditures	(1,839,809)	(758,105)	1,081,704	(989,365)
Other financing sources (uses):				
Budgeted utilization of surplus - City	110,863	-	(110,863)	-
Budgeted utilization of surplus - School	264,832	-	(264,832)	-
Use of carryforwards - City	581,790	-	(581,790)	-
Use of carryforwards - School	183,914	-	(183,914)	-
Transfers to other funds - City	(96,585)	(102,319)	(5,734)	(67,449)
Transfers from other funds	894,193	913,342	19,149	700,718
Total other financing sources (uses)	1,939,007	811,023	(1,127,984)	633,269
Net change in fund balance - budgetary basis	99,198	52,918	(46,280)	(356,096)
Reconciliation to GAAP basis:				
Add back: encumbrances expended in budgetary - City		478,474		631,366
Add back: encumbrances expended in budgetary - School		274,261		209,407
Change in reserves		173,749		3,178
Net change in fund balance - GAAP basis		979,402		487,855
Fund balance, beginning of year, reclassified		11,782,032		11,234,313
Fund balance, end of year	\$	12,761,434		11,722,168

CITY OF AUGUSTA, MAINE
Reserves - General Fund
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the year ended June 30, 2011

		Fund balances beginning of year, reclassified	Revenues Unclassified	Expenditures		Transfers	Fund balances end of year
				Capital outlay	Finance and administration		
City reserves:							
1820	City Carryforward	\$ 961	-	-	-	-	961
1901	Central service reserve	30,562	2,633	2,633	-	2,910	33,472
1902	Equipment maintenance self reserve	111,899	-	1,350	-	51,451	162,000
1903	Sick and vacation reserve	1,717,625	-	-	-	-	1,717,625
1905	Historic preservation reserve	16,378	-	-	-	5,400	21,778
1906	Police local match reserve	39,063	2,000	-	-	-	41,063
1907	Fire local match reserve	-	-	4,104	-	-	(4,104)
1908	Quimby lot infrastructure reserve	59,837	-	-	-	-	59,837
1909	Actuarial study	15,000	-	-	10,000	-	5,000
1911	Severance payout	90,814	-	-	-	-	90,814
1912	Lithgow Library constructior	-	126,808	-	-	634	127,442
1913	Job retention program	50,000	-	-	-	-	50,000
1914	Flat Iron reuse	3,864	-	-	-	-	3,864
1915	Forest mgmt plan - Bond Brook	6,000	-	-	-	-	6,000
Total City reserves		2,142,003	131,441	8,087	10,000	60,395	2,315,752
School reserves:							
1952	Sick and vacation reserve	136,777	-	-	-	-	136,777
Total School reserves		136,777	-	-	-	-	136,777
Total reserves		\$ 2,278,780	131,441	8,087	10,000	60,395	2,452,529

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

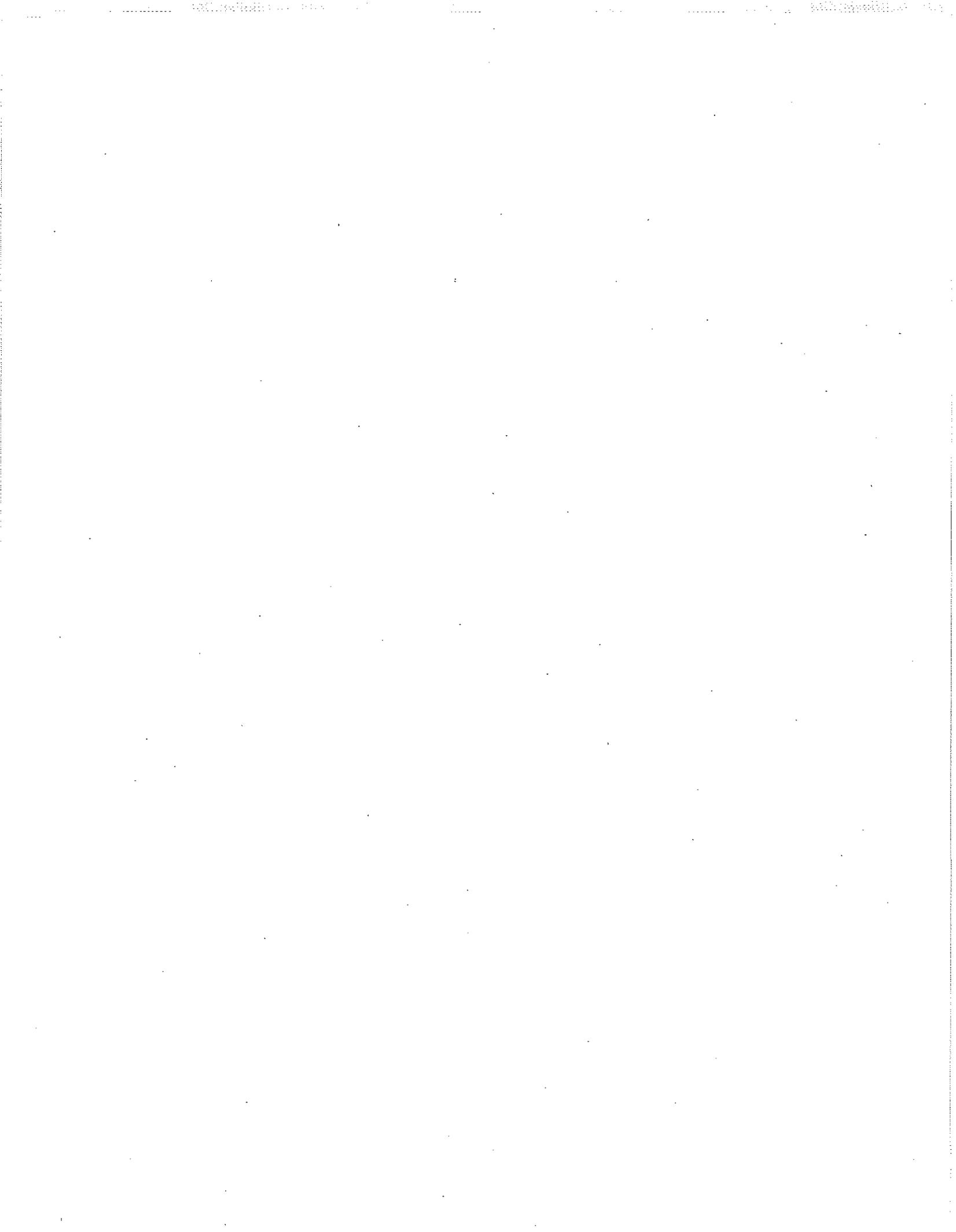
Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

CAPITAL PROJECTS FUNDS

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

PERMANENT FUNDS

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



CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,925	-	28,331	32,256
Investments	53,505	-	414,534	468,039
Due from other governments	659,229	-	-	659,229
Accounts receivable	67,482	20,000	-	87,482
Inventory	46,663	-	-	46,663
Interfund loans receivable	3,549,248	3,029,105	138,070	6,716,423
Prepaid items	6,418	-	-	6,418
Notes receivable	179,932	-	-	179,932
Total assets	\$ 4,566,402	3,049,105	580,935	8,196,442
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	88,357	-	-	88,357
Accrued payroll and benefits	431,761	2,635	-	434,396
Interfund loans payable	96,373	-	-	96,373
Total liabilities	616,491	2,635	-	619,126
Fund balances:				
Nonspendable	226,595	-	535,987	762,582
Restricted	1,881,534	-	44,948	1,926,482
Committed	2,037,644	3,046,470	-	5,084,114
Unassigned	(195,862)	-	-	(195,862)
Total fund balances	3,949,911	3,046,470	580,935	7,577,316
Total liabilities and fund balances	\$ 4,566,402	3,049,105	580,935	8,196,442

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:				
Property taxes	\$ 2,156,649	-	-	2,156,649
Intergovernmental	6,372,807	-	-	6,372,807
Unclassified	1,688,714	20,742	-	1,709,456
Charges for services	703,892	-	-	703,892
Investment income	-	3,911	8,756	12,667
Donations	-	-	8,156	8,156
Total revenues	10,922,062	24,653	16,912	10,963,627
Expenditures:				
Legislative and executive	126	-	-	126
Finance and administration	1,824,296	-	-	1,824,296
City services	1,116,386	-	-	1,116,386
Community services	738,955	-	-	738,955
Public safety	801,665	-	-	801,665
Public works	223,180	-	-	223,180
Education	4,703,397	-	-	4,703,397
Food services	1,235,810	-	-	1,235,810
Capital outlay	-	312,819	-	312,819
Unclassified	-	-	8,155	8,155
Total expenditures	10,643,815	312,819	8,155	10,964,789
Excess (deficiency) of revenues over (under) expenditures	278,247	(288,166)	8,757	(1,162)
Other financing sources (uses):				
Bond proceeds	-	1,250,000	-	1,250,000
Transfer to other funds	(692,431)	(42,252)	-	(734,683)
Transfer from other funds	-	-	-	-
Total other financing sources (uses)	(692,431)	1,207,748	-	515,317
Net change in fund balance	(414,184)	919,582	8,757	514,155
Fund balances, beginning of year, reclassified	4,364,095	2,126,888	572,178	7,063,161
Fund balances, end of year	\$ 3,949,911	3,046,470	580,935	7,577,316

CITY OF AUGUSTA, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	CDBG Loan Fund	Airport	Other City Special Revenue Funds	Other School Special Revenue Funds	School Lunch	Totals
ASSETS						
Cash and cash equivalents	\$ 3,897	-	28	-	-	3,925
Investments	-	-	53,505	-	-	53,505
Due from other governments	-	121,923	161,292	330,962	45,052	659,229
Accounts receivable	-	6,941	60,541	-	-	67,482
Inventory	-	-	-	-	46,663	46,663
Interfund loans receivable	4,054	-	2,922,079	320,910	302,205	3,549,248
Prepaid items	-	1,858	4,560	-	-	6,418
Notes receivable	179,932	-	-	-	-	179,932
Total assets	\$ 187,883	130,722	3,202,005	651,872	393,920	4,566,402
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other accrued liabilities	15	4,606	19,041	50,942	13,753	88,357
Accrued payroll and benefits payable	-	29,743	27,016	302,514	72,488	431,761
Interfund loans payable	-	96,373	-	-	-	96,373
Total liabilities	15	130,722	46,057	353,456	86,241	616,491
Fund balances:						
Nonspendable	179,932	-	-	-	46,663	226,595
Restricted	7,936	-	1,122,464	490,118	261,016	1,881,534
Committed	-	-	2,037,644	-	-	2,037,644
Unassigned	-	-	(4,160)	(191,702)	-	(195,862)
Total fund balances	187,868	-	3,155,948	298,416	307,679	3,949,911
Total liabilities and fund balances	\$ 187,883	130,722	3,202,005	651,872	393,920	4,566,402

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2011

	CDBG Loan Fund	Airport	City Special Revenue (Schedule 1)	School Special Revenue (Schedule 2)	School Lunch	Totals
Revenues:						
Property taxes	\$ -	-	2,156,649	-	-	2,156,649
Intergovernmental	-	441,153	1,098,808	4,162,240	670,606	6,372,807
Charges for services	-	116,044	-	90,318	497,530	703,892
Unclassified	8	-	1,576,704	111,064	938	1,688,714
Total revenues	8	557,197	4,832,161	4,363,622	1,169,074	10,922,062
Expenditures:						
Legislative and executive	-	-	126	-	-	126
Finance and administration	-	-	1,824,296	-	-	1,824,296
City services	195	557,197	558,994	-	-	1,116,386
Community services	-	-	738,955	-	-	738,955
Public safety	-	-	801,665	-	-	801,665
Public works	-	-	223,180	-	-	223,180
Education	-	-	-	4,703,397	-	4,703,397
Food services	-	-	-	-	1,235,810	1,235,810
Total expenditures	195	557,197	4,147,216	4,703,397	1,235,810	10,643,815
Excess (deficiency) of revenues over (under) expenditures	(187)	-	684,945	(339,775)	(66,736)	278,247
Other financing uses:						
Transfer to other funds	-	-	(564,679)	(47,752)	(80,000)	(692,431)
Total other financing uses	-	-	(564,679)	(47,752)	(80,000)	(692,431)
Net change in fund balances	(187)	-	120,266	(387,527)	(146,736)	(414,184)
Fund balances, beginning of year, reclassified	188,055	-	3,035,682	685,943	454,415	4,364,095
Fund balances, end of year	\$ 187,868	-	3,155,948	298,416	307,679	3,949,911

SCHEDULES



CITY OF AUGUSTA, MAINE
City Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Balances beginning of year, reclassified	Revenues		Expenditures	Transfers in (out)	Balances end of year
		Inter- governmental	Other			
Legislative and executive:						
Other programs - Committed:						
2019 Commemorative Quilts	\$ 4,977	-	848	-	-	5,825
2135 Meetings	-	-	126	126	-	-
2194 Promotional service	595	-	-	-	-	595
Total legislative and executive	5,572	-	974	126	-	6,420
Finance and administration:						
Federal/State programs:						
2016 MMEHT Wellness Grant 2002	-	-	-	-	-	-
2017 MMEHT Employee Assistant Grant	4,635	-	2,500	5,750	-	1,385
2210 CRID	-	30,000	-	30,000	-	-
Other programs - Restricted:						
2009 TIF	461,790	-	2,156,649	1,295,553	(549,785)	773,101
Other programs - Committed:						
2010 Cable TV Franchise	-	-	98,870	98,870	-	-
2013 Fort Western Trustees	-	-	46,491	46,491	-	-
2014 Augusta Housing Authority	-	-	318,913	318,913	-	-
2015 Augusta Parking District	-	-	22,875	22,875	-	-
2228 Wellness loss prevention	-	-	45,421	-	-	45,421
2239 600 Riverside Drive	-	-	-	4,160	-	(4,160)
2245 Cony High School Investment	193,759	-	1,071	1,684	-	193,146
Total finance and administration	660,184	30,000	2,692,790	1,824,296	(549,785)	1,008,893
City services:						
Federal/State programs:						
2122 Canal Street	5,052	-	-	-	-	5,052
2142 Regional efficiency grant	753	-	-	-	-	753
2191 Historical collections grant	850	-	-	850	-	-
2193 Design runway safety	-	80,741	-	80,741	-	-
2195 Augusta Tissue Remediate	1,302	72,945	-	74,247	-	-
2216 Kennebec River Rail Trail paving	5,490	20,114	4,412	29,747	-	269
2217 Blair Road Bridge replacement	147,906	-	-	123,320	-	24,586
2221 Efficiency Maine	20,967	7,278	-	24,513	-	3,732
2222 EMAS/snow removal equipment	-	35,878	-	35,878	-	-
2223 Environmental assessment obstruction	-	11,763	-	11,763	-	-
2227 Airport marketing grant	-	6,154	3,333	18,928	10,000	559
2235 Public service Bread of Life 2010	-	10,000	-	10,000	-	-
2236 CDBG - Bread of Life - Public facility	-	147,678	-	147,678	-	-
2242 EPA Augusta Tissue cleanup	-	-	-	-	80,000	80,000
Other programs - Restricted:						
2028 Greenway bike path	1,222	-	-	1,222	-	-
2075 Signalized intersections	23,236	-	61	-	-	23,297
2124 First time home buyers program	7,009	-	-	-	-	7,009
2133 Museum in the streets	3,601	-	-	-	-	3,601
2137 Fairfield Inn - Anthony Ave.	22,731	-	59	-	-	22,790
2147 Impact fee Packard Development	18,289	-	47	-	-	18,336
2148 Capitol Street extension	31,352	-	81	-	-	31,433
2171 Maine Community Foundation	6,850	-	-	-	-	6,850
2172 Greeley Associates	12,625	-	32	-	-	12,657
2174 Texas Roadhouse LLC	2,755	-	7	-	-	2,762
2176 Luke Bolduc	875	-	-	-	-	875
2180 Snow Cone Properties	3,889	-	11	-	-	3,900
2198 Bonenfat construction	-	-	5,256	-	-	5,256
2213 Aviation headset/hearing protection	-	-	107	107	-	-
Other programs - Committed:						
2012 Sale of Cony HS	1,488,785	-	3,759	-	(166,611)	1,325,933
2021 APD/CRID parking solution	4,981	-	-	-	(4,981)	-
Total City services	1,810,520	392,551	17,165	558,994	(81,592)	1,579,650
Public works:						
Other programs - Restricted:						
2154 Cony Village LLC	27,820	-	73	-	-	27,893
2200 Winthrop Street phase 2	33,600	-	-	53,390	19,790	-
Other programs - Committed:						
2035 ADP misc. work highway	-	-	31,357	31,357	-	-
2036 Accidents	-	-	109,213	109,213	-	-
2038 School miscellaneous work	-	-	29,067	29,067	-	-
2117 Public works special revenues	54	-	140	153	-	41
Total public works	61,474	-	169,850	223,180	19,790	27,934

CITY OF AUGUSTA, MAINE
City Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Balances beginning of year, reclassified	Revenues		Expenditures	Transfers in (out)	Balances end of year
		Inter- governmental	Other			
Community services:						
Federal/State programs:						
2094 Greenway Trail Enhancement	\$ 3,309	-	-	-	-	3,309
2095 Blaine Memorial Trees	1,678	-	-	-	-	1,678
2163 Snowmobile grant	8,210	9,871	-	18,081	-	-
2167 Bond Brook Trail Projects	-	5,741	-	5,741	-	-
Other programs - Restricted:						
2060 Stain Glass Lithgow Library	1,763	-	4	-	-	1,767
2061 Lost library books	-	-	27,414	26,448	-	966
2110 Boker School donations	71	-	-	71	-	-
2130 Youth football program	-	-	156	156	-	-
2138 Farmer's market	4,771	-	5,210	4,918	-	5,063
2145 Viles Park Memorial	6,655	-	-	-	-	6,655
2164 Graffiti removal	3,564	-	-	41	-	3,523
2170 Kids club house	7	-	-	-	-	7
2178 Kennebec Rail Trail	8,697	-	10,000	5,560	-	13,137
2192 Maine reads	3,627	-	450	4,077	-	-
2208 Storage shed tennis court	679	-	-	-	-	679
2226 Dog park	-	-	8,675	8,675	-	-
2230 Food for thought	-	-	2,000	1,212	-	788
Other programs - Committed:						
2055 Tree board	1,028	-	590	1,198	-	420
2065 After School Daycare	150,701	-	335,042	334,254	-	151,489
2071 Skateboard park	1,232	-	-	388	(844)	-
2079 Recreation - adult	10,918	-	31,865	32,770	-	10,013
2080 Recreation - youth	17,733	-	92,465	86,892	-	23,306
2081 Recreation - special events	2,402	-	6,929	6,741	-	2,590
2085 School mowing contract	50,521	-	103,650	109,125	-	45,046
2086 Bicentennial park	792	-	118	-	-	910
2087 Trolley Cars	3,866	-	550	128	-	4,288
2088 4th of July	5,020	-	11,120	10,501	-	5,639
2096 Pleasant Hill Saw timber	10,751	-	8,173	11,670	-	7,254
2111 Spring running	2,080	-	3,109	2,758	-	2,431
2207 Ball field improvements	940	-	-	-	-	940
2231 Cable TV equipment	-	-	26,079	67,550	47,752	6,281
2243 Tree Board investment fund	20,400	-	496	-	-	20,896
2244 Bicentennial park investment	31,806	-	82	-	-	31,888
Total community services	353,221	15,612	674,177	738,955	46,908	350,963
Public safety:						
Federal/State programs:						
2047 Bulletproof vest	-	216	-	216	-	-
2048 Seatbelt grant	-	5,360	-	5,360	-	-
2049 OUI grant	-	5,000	-	5,000	-	-
2125 Speed enforcement	-	2,332	-	2,332	-	-
2152 DHS law enforcement reimb	-	16,055	-	16,055	-	-
2183 Holiday grant	-	3,000	-	2,676	-	324
2185 Rescue/fire fighting equipment	-	398,286	-	398,286	-	-
2201 Justice Assistance Grant	905	-	2	907	-	-
2202 Justice Assistance Grant - ARRA	1,416	-	-	1,279	-	137
2204 2009 Homeland Security Grant	-	99,955	-	99,955	-	-
2220 Combined enforcement	-	2,766	-	2,766	-	-
2224 Justice assistance grant	-	59,089	46	32,754	-	26,381
2229 Underage drinking	-	4,487	-	4,487	-	-
2232 2010 Homeland Security Grant	-	44,355	-	44,355	-	-
2233 2009 HSG - Airport police	-	10,199	-	10,199	-	-
2237 2008 Homeland Security Grant	-	9,545	-	9,545	-	-
Other programs - Restricted:						
2040 Forfeiture fund	5	-	-	-	-	5
2044 Juvenile program	1,840	-	-	-	-	1,840
2050 Fire prevention education	624	-	60	575	-	109
Other programs - Committed:						
2042 Police outside work	-	-	29,113	29,113	-	-
2175 Fire airport service	134,443	-	149,176	130,327	-	153,292
2209 City auction	5,478	-	-	5,478	-	-
Total public safety	144,711	660,645	178,397	801,665	-	182,088
Total City special revenue funds	\$ 3,035,682	1,098,808	3,733,353	4,147,216	(564,679)	3,155,948

CITY OF AUGUSTA, MAINE
Federal, State and Local Programs and Adult Education - School
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

		Balances beginning of year	Revenues	Expenditures	Transfers	Balances end of year
Federal programs:						
1720	ARRA Stabilization	\$ 3,735	784,350	789,774	-	(1,689)
1730	Title IA - ARRA	61,612	373,384	452,767	-	(17,771)
1750	Local Entitlement - ARRA	12,408	348,074	352,894	-	7,588
1761	Pre-School - ARRA	(4,119)	17,855	13,736	-	-
1765	Title IID - ARRA	3,872	-	3,872	-	-
1766	Title VIIB Homeless - ARRA	(5,149)	5,149	-	-	-
1767	Education Jobs Bill	-	199,335	218,835	-	(19,500)
2550	Title IID CSIC - ARRA	99,472	105,000	154,418	-	50,054
2508	Title IIA - Improving Teacher Quality	91,299	250,329	233,068	-	108,560
2509	Title IA - Chapter I - Disadvantaged	36,683	840,503	822,587	-	54,599
2515	Local Entitlement	43,084	597,969	721,739	-	(80,686)
2520	Perkins Learning Center	16,183	134,897	131,548	-	19,532
2524	Technology Literacy	20,656	165	20,821	-	-
2526	National Science Foundation	35	-	35	-	-
2527	PreSchool	34,546	22,224	49,674	-	7,096
2534	Rural Low Income	1,430	57,808	57,808	-	1,430
2538	Reading First - Gilbert	45,257	-	11,282	-	33,975
2539	Title III - ESL	17,442	3,747	21,888	-	(699)
2541	Title IVA - Drug Free Schools	28,659	813	4,175	-	25,297
2542	Reading First - Farrington	(57,170)	158,644	137,821	-	(36,347)
2603	Cony Maine Youth Voices	1,898	-	3,796	-	(1,898)
2704	21st Century	15,929	163,020	212,061	-	(33,112)
Total federal programs		467,762	4,063,266	4,414,599	-	116,429
State programs:						
2505	Region 2 Administrative	(214)	214	-	-	-
2518	PPPD Professional Development	3,949	-	3,949	-	-
2525	Health Clinic	(28)	28	-	-	-
2544	Healthy Community Maine Grant	(1,487)	1,487	-	-	-
2545	Maine Math science Alliance	3,521	1,980	1,567	-	3,934
2546	Barbara Bush Project Life	19	-	19	-	-
Total state programs		5,760	3,709	5,535	-	3,934
Other programs:						
2535	Teamwork for Kids	1,000	-	1,000	-	-
2540	MELMAC College Access	(20)	20	-	-	-
2549	School Based Health	8,116	67,693	75,721	-	88
2604	Sports Done Right	69	-	69	-	-
2607	Chizzle Whizzle	-	18,255	18,255	-	-
2628	Greenhouse	3,685	1,060	4,107	-	638
2629	School catering - Coca Cola	-	24,000	4,912	-	19,088
Total other programs		12,850	111,028	104,064	-	19,814
Special projects:						
2625	CTV 7	47,716	36	-	(47,752)	-
Total special projects		47,716	36	-	(47,752)	-
Subtotal		\$ 534,088	4,178,039	4,524,198	(47,752)	140,177

CITY OF AUGUSTA, MAINE
Federal, State and Local Programs and Adult Education - School
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

		Balances beginning of year	Revenues	Expenditures	Transfers	Balances end of year
Federal programs:						
2512	ABE Federal Program	\$ -	51,370	39,068	-	12,302
Total federal programs		-	51,370	39,068	-	12,302
State programs:						
2532	Jail Education Program	22,338	34,722	39,068	-	17,992
2548	College Transition Initiative	-	9,173	9,146	-	27
Total state programs		22,338	43,895	48,214	-	18,019
Other programs:						
2613	Self-supporting General Teaching	49,385	33,101	34,956	-	47,530
2614	Health Occupation Education	65,139	50,629	56,629	-	59,139
2622	KLC Computer Lab	14,993	6,588	332	-	21,249
Total other programs		129,517	90,318	91,917	-	127,918
Total School Special Revenues		\$ 685,943	4,363,622	4,703,397	(47,752)	298,416

CITY OF AUGUSTA, MAINE
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Balances beginning of year	Revenues	Expenditures	Bond Proceeds	Transfers in (out)	Balances end of year
City Funds:						
3000 Fiscal 2000	\$ 22,734	-	-	-	-	22,734
3001 Fiscal 2001	47,453	120	-	-	(40,000)	7,573
3003 Fiscal 2003	279,242	-	-	-	4,980	284,222
3004 Fiscal 2004	63,527	164	-	-	-	63,691
3005 Fiscal 2005	81,678	229	-	-	-	81,907
3006 Fiscal 2006	130,349	338	455	-	-	130,232
3007 Fiscal 2007	259,417	596	14,500	-	844	246,357
3008 Fiscal 2008	194,338	460	25,084	-	-	169,714
3009 Fiscal 2009	459,134	21,890	60,411	-	(37,176)	383,437
3010 Fiscal 2010	(39,044)	-	108,503	500,000	-	352,453
3011 Fiscal 2011	70,000	226	96,098	750,000	32,085	756,213
3085 New Cony High School	302,522	-	-	-	-	302,522
3086 Dickman Parking Garage	242,214	630	-	-	-	242,844
3097 Fiscal 1997	2,571	-	-	-	-	2,571
3098 Carryforward	10,753	-	7,768	-	(2,985)	-
Total nonmajor capital projects	\$ 2,126,888	24,653	312,819	1,250,000	(42,252)	3,046,470

CITY OF AUGUSTA, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds - City
For the year ended June 30, 2011

City Funds	Fund balance, principal, beginning of year, reclassified	Fund balance unexpended income, beginning of year, reclassified	Donations	Investment income	Expenditures	Fund balance principal, end of year	Fund balance unexpended income, end of year
6501 L. W. Titcomb Playground	\$ 6,281	(272)	-	117	113	6,281	(268)
6502 Lithgow Library	24,933	1,226	-	510	494	24,933	1,242
6503 St. Mark's Church	11,968	366	-	240	233	11,968	373
6507 Cemetery Trust Fund	150,105	3,030	5,506	2,987	2,860	150,105	8,663
6516 Forest Grove Cemetery	75,538	3,108	-	1,602	1,536	75,538	3,174
6529 Kling Trust	9,974	410	-	211	203	9,974	418
6543 Alice Reynolds Trust	11,565	124	-	228	300	11,565	52
6544 Ed E. Gage Family Trust	49,566	530	-	977	1,000	49,566	507
6545 Edwards Dam Scholarship	27,899	(3,044)	500	493	500	27,899	(2,551)
6546 Eliza Church Fund	3,376	104	-	68	65	3,376	107
6547 Ira Bunker	499	18	-	10	-	499	28
6548 Lipman Memorial Trust	4,057	1,377	-	114	100	4,057	1,391
6549 Miriam Titcomb Trust	22,660	1,678	-	456	442	22,660	1,692
6550 Peavy Scholarship Fund	4,211	38	-	83	80	4,211	41
6551 Sanford Legacy	1,496	46	-	30	29	1,496	47
6552 Cony Family Fund	12,497	(1,364)	-	219	200	12,497	(1,345)
6555 Cemetery Perpetual Care	104,362	30,020	2,150	352	-	104,362	32,522
6556 Mall Mitigation Land Trust	15,000	(1,204)	-	59	-	15,000	(1,145)
Total City Funds	\$ 535,987	36,191	8,156	8,756	8,155	535,987	44,948

CITY OF AUGUSTA, MAINE
Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds - School
For the year ended June 30, 2011

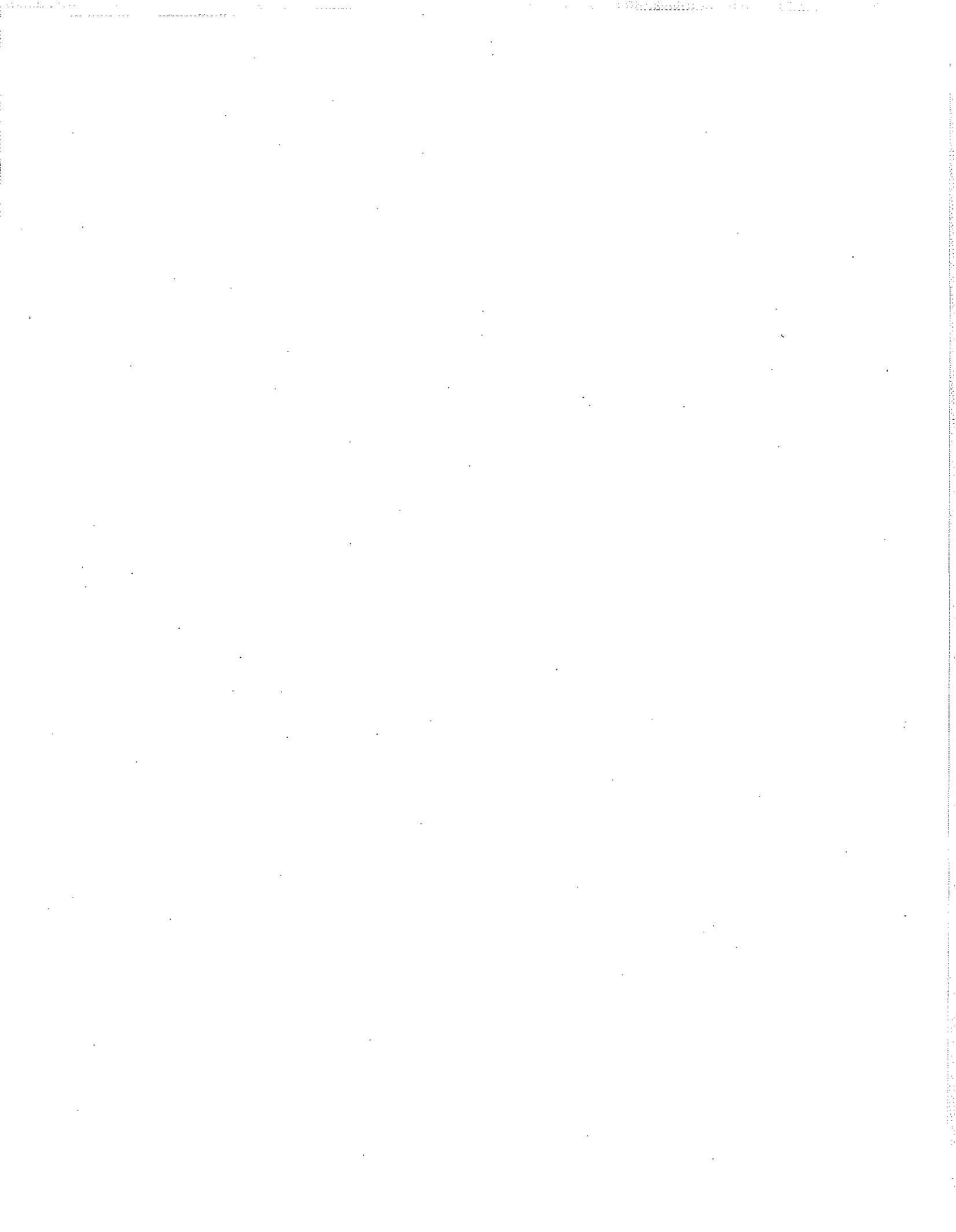
School Funds	Net Assets principal, beginning of year, reclassified	Net Assets unexpended income, beginning of year, reclassified	Additions			Net Assets principal, end of year	Net Assets unexpended income, end of year
			Investment income	Donations	Deductions		
6251 Auto Mechanic Scholarship	\$ -	4,214	81	-	100	-	4,195
6252 Childcare Scholarship	290	290	11	-	-	290	301
6253 CATC Multi-media Scholarship	595	157	14	-	-	595	171
6254 CATC Plumbing And Heating	-	603	12	-	-	-	615
6255 CHS Class of 1926 Perkins Award (held at CHS)	-	307	-	-	-	-	307
6256 CHS Class of 1938 Scholarship Fund	-	1,895	34	-	250	-	1,679
6257 CHS Special Music Concert (held at CHS)	-	619	1	-	-	-	620
6258 Cony Restoration Fund	-	1,752	34	-	-	-	1,786
6259 Devina Mudge Scholarship	-	132	2	-	100	-	34
6260 Ebbie Brooks Math and Science Fund	-	482	9	-	-	-	491
6261 Edgar A. Hussey Memorial	-	5,673	108	-	200	-	5,581
6262 Eliza Church Fund	-	917	18	-	-	-	935
6263 Frank Hewins Music	-	783	15	-	-	-	798
6264 Friedlander Memorial Award	-	54	1	-	-	-	55
6265 Georgianna Hayes English	-	1,250	24	-	-	-	1,274
6266 Jon Crockett Memorial Fund	-	2,562	48	-	150	-	2,460
6267 Lanny Cooper Memorial	-	1,189	24	-	-	-	1,213
6268 Lee and Larry Leighton Scholars	-	4,330	83	-	100	-	4,313
6269 Mable Thompson	-	607	12	-	25	-	594
6270 Theresa Brannigan Memorial	-	885	17	-	-	-	902
6271 Titcomb Fund	-	38,332	742	-	-	-	39,074
6272 Florence Tanner McIntire Memorial	-	669	12	-	300	-	381
6274 Mallory Dulac Scholarship	-	4,740	78	-	1,000	-	3,818
6275 Cony High Scholarship (held at CHS)	-	2,324	3	-	-	-	2,327
6701 Ann Williams Funds	2,000	11,027	252	-	-	2,000	11,279
6702 Alumni Hall restoration	400	21,650	427	-	-	400	22,077
6703 Arthur E. Shea Memorial	1,161	(191)	19	-	-	1,161	(172)
6704 CATC School Wide Scholarship	10,000	1,857	228	77	250	10,000	1,912
6705 CHS Class of 1943 Scholarship Fund	7,212	3,303	201	200	500	7,212	3,204
6706 CHS Scholarship and Student Aid (held at CHS in checking)	-	1,240	-	8,970	6,650	-	3,560
6707 CHS Scholarship and Student Aid (held at CHS in CD)	-	9,153	-	-	-	-	9,153
Subtotal School Funds	\$ 21,658	122,805	2,510	9,247	9,625	21,658	124,937

CITY OF AUGUSTA, MAINE
Combining Statement of Changes in Fiduciary Net Assets, Continued
Private Purpose Trust Funds - School
For the year ended June 30, 2011

School Funds	Net Assets principal, beginning of year, reclassified	Net Assets unexpended income, beginning of year, reclassified	Additions			Net Assets principal, end of year	Net Assets unexpended income, end of year
			Investment income	Donations	Deductions		
6708 Carpentry Scholarship	75	93	3	-	-	75	96
6709 Charles McGrail Scholarship	3,257	3,743	134	-	150	3,257	3,727
6710 Dorothy Giddings Fund	1,000	2,790	73	-	100	1,000	2,763
6711 Edward Albing Math Fund	500	152	12	-	50	500	114
6713 Food Service Scholarship	15	92	2	-	-	15	94
6714 Garside English Fund	600	13	12	-	40	600	(15)
6715 Helen Dyer Scholarship	1,717	56	34	-	-	1,717	90
6716 H. Graham Nye CATC Scholarship	2,500	(17)	48	-	-	2,500	31
6717 Jim Marchildon Scholarship	1,705	3,444	80	-	2,000	1,705	1,524
6718 Karen Carey Scholarship	2,577	800	65	-	200	2,577	665
6719 Louis Ochmanski Scholarship	2,500	1,018	68	-	-	2,500	1,086
6720 Louise Webber Fund	10,000	6,395	318	-	-	10,000	6,713
6722 Mable I. Morton	1,970	1,239	62	-	-	1,970	1,301
6723 Mable Richmond Fund	200	143	6	-	50	200	99
6724 Machine Tool Scholarship	15	3,005	53	-	500	15	2,558
6725 Melanie Ann Cote Scholarship	1,800	2,491	83	-	-	1,800	2,574
6726 Nora Jackson Scholarship	3,000	5,253	158	-	250	3,000	5,161
6727 Raymond Falconia Fund	5,000	941	113	-	200	5,000	854
6728 Richard Ayotte Scholarship	2,050	111	41	-	100	2,050	52
6729 Sandra Lipman Arts Fund	2,220	(911)	25	-	-	2,220	(886)
6730 Theodore Rhoades Memorial	5,000	1,734	130	-	-	5,000	1,864
6731 Thomas Bishop Memorial Scholarship	2,297	1,270	69	50	-	2,297	1,389
6732 Maine Veterans Home	-	47	-	-	47	-	-
6733 Child Care Options	-	29	-	-	29	-	-
6734 G & E Roofing	-	1,079	17	500	500	-	1,096
6735 Maine Science Corp Director	-	936	8	-	944	-	-
6736 Mary O'Connell	-	9,766	186	-	250	-	9,702
6737 Scott Laliberte	-	6,388	114	-	1,000	-	5,502
6738 Chrissanne Burns Memorial	-	8,429	171	2,160	2,000	-	8,760
6739 Michaud Family Scholarship	-	-	10	2,102	400	-	1,712
6740 A Joan Bridge	-	-	11	3,000	500	-	2,511
Total School Funds	71,656	183,334	4,616	17,059	18,935	71,656	186,074

CITY OF AUGUSTA, MAINE
Statement of Changes in Assets and Liabilities
Agency Funds
For the year Ended June 30, 2011

	Beginning of year	Additions	Deletions	End of year
ASSETS				
Cash	\$ 279,751	563,183	549,322	293,612
Total assets	\$ 279,751	563,183	549,322	293,612
LIABILITIES				
Due to student groups	279,751	563,183	549,322	293,612
Total liabilities	\$ 279,751	563,183	549,322	293,612



STATISTICAL SECTION



Table 1

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

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

Unclassified	Capital							Total
	Interest on debt	Central garage	maintenance expenses	Augusta Civic Center	Hatch Hill Landfill	Airport (2)	Ambulance (1)	
\$ 3,375,553	217,015	1,093,333	989,578	2,740,829	1,882,110	383,866	854,430	56,687,566
5,404,041	240,820	1,030,789	320,249	2,804,081	2,423,384	375,821	1,138,584	58,838,803
1,245,371	154,231	1,129,094	101,826	2,756,456	2,212,682	411,678	988,682	55,541,477
1,336,969	181,357	1,348,833	1,461,956	2,828,352	3,018,672	432,140	1,229,298	60,079,110
1,440,886	1,442,027	1,353,725	127,814	2,837,679	1,954,597	489,185	1,206,020	63,260,879
1,575,514	1,118,484	1,460,457	1,606,400	2,913,963	3,066,414	520,177	1,362,669	70,040,468
1,574,821	175,543	1,719,573	18,230	2,780,635	2,537,369	573,028	-	68,345,321
1,634,375	150,443	1,325,849	9,586	2,689,638	2,917,070	505,709	-	68,079,712
1,545,250	132,514	1,391,499	-	2,757,129	2,842,985	-	-	63,574,846

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

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

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

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

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

Only nine 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	Legislative and executive	Finance and administration	City services and public works	Community services	Public safety (1)	Insurances and utilities	Unclassified	County	Education	Debt service	Capital	Total
2002	\$ 1,393,480	734,239	3,001,316	2,058,400	4,771,026	3,679,068	55,902	1,032,866	22,232,493	1,210,712	301,359	40,470,861
2003	1,333,025	750,628	2,966,127	2,219,539	4,845,665	3,552,624	158,188	1,092,007	22,710,095	1,052,479		40,680,377
2004	1,357,108	770,768	2,981,857	2,335,567	4,876,575	3,690,856	41,498	1,175,364	22,422,435	1,052,084	-	40,704,112
2005	610,324	1,374,810	3,953,540	2,003,704	4,903,819	3,349,844	(14,454)	1,234,872	23,037,625	1,065,492	-	41,519,576
2006	589,899	1,464,086	4,101,693	2,020,853	5,232,339	3,516,706	50,774	1,271,219	23,893,952	1,305,832	-	43,447,353
2007	607,318	1,462,484	4,455,145	2,115,058	5,462,470	3,747,259	50,298	1,349,609	25,334,169	1,224,430	-	45,808,240
2008	599,225	1,509,133	5,180,697	2,099,892	5,728,125	3,951,240	126,413	1,395,237	27,571,927	1,118,484	-	49,280,373
2009	697,527	1,571,797	5,264,080	2,063,501	7,478,538	4,168,103	112,258	1,406,380	27,332,285	1,023,587	-	51,118,056
2010	628,168	1,462,186	4,636,937	1,892,153	7,263,830	4,138,021	221,610	1,358,766	26,145,023	1,002,847	-	48,749,541
2011	555,129	1,377,274	4,821,949	1,959,452	7,671,112	4,387,729	237,003	1,396,619	24,921,342	765,334	-	48,092,943

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

Table 4

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

Fiscal year	Taxes	Licenses and permits	Inter-governmental	Charges for services	Fines and fees	Investment earnings	Unclassified	Total
2002	\$ 24,638,041	178,492	12,697,557	2,008,673	44,301	608,637	757,532	40,933,233
2003	25,251,253	204,666	12,739,376	2,099,126	24,527	475,208	673,116	41,467,272
2004	25,514,600	180,976	13,222,437	2,233,881	42,945	219,288	492,791	41,906,918
2005	26,166,249	228,753	13,521,824	2,320,924	63,645	453,846	520,503	43,275,744
2006	25,861,766	219,924	13,817,461	2,357,632	53,462	844,846	494,799	43,649,890
2007	26,040,229	293,264	15,710,155	2,313,794	51,459	990,043	597,353	45,996,297
2008	27,075,553	175,598	18,071,244	2,177,047	55,783	897,340	486,725	48,939,290
2009	27,124,031	158,400	18,345,040	3,646,760	54,086	897,139	569,613	50,795,069
2010	26,549,455	110,211	16,854,140	3,080,733	50,647	408,934	706,056	47,760,176
2011	27,423,576	205,010	15,360,985	3,420,571	52,650	295,917	576,129	47,334,838

Table 5

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

Fiscal year		Total tax levy	Current tax collections	% of levy collected	Prior year tax collections	Total tax collections	% of total tax collection to levy
2002	\$	22,629,151	21,816,956	96.41%	755,714	22,572,670	99.75%
2003		23,263,776	22,364,810	96.14%	683,187	23,047,997	99.07%
2004		23,700,680	22,990,568	97.00%	704,836	23,695,404	99.98%
2005		24,254,710	23,661,231	97.55%	827,605	24,488,836	100.97%
2006		24,105,601	23,312,969	96.71%	520,677	23,833,646	98.87%
2007		24,118,683	23,493,905	97.41%	681,130	24,175,035	100.23%
2008		25,141,898	24,524,593	97.54%	533,982	25,058,575	99.67%
2009		25,982,227	25,164,056	96.85%	563,750	25,727,806	99.02%
2010		26,196,756	25,037,880	95.58%	676,697	25,714,577	98.16%
2011		27,016,108	25,845,259	95.67%	710,225	26,555,484	98.30%

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	
2002	\$ 801,226,100	118,658,100	919,884,200	912,200,000	100.84%
2003	815,134,900	120,636,100	935,771,000	928,000,000	100.84%
2004	822,193,800	113,263,200	935,457,000	990,400,000	94.45%
2005	836,811,900	96,499,400	933,311,300	1,064,250,000	87.70%
2006	834,194,300	93,978,600	928,172,900	1,202,450,000	77.19%
2007	1,364,574,200	97,315,600	1,461,889,800	1,380,800,000	105.87%
2008	1,402,015,000	104,047,300	1,506,062,300	1,478,400,000	101.87%
2009	1,452,883,500	103,702,100	1,556,585,600	1,550,100,000	100.42%
2010	1,469,535,400	100,358,600	1,569,894,000	1,552,500,000	101.12%
2011	1,490,271,100	95,551,900	1,585,823,000	1,526,350,000	103.90%

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
2002	18,560	\$ 919,884,200	21,128,600	13,030,000	8,098,600	0.88%	436
2003	18,560	935,771,000	32,863,829	12,318,685	20,545,144	2.20%	1,107
2004	18,560	935,457,000	30,872,107	11,607,370	19,264,737	2.06%	1,038
2005	18,560	933,311,300	32,295,385	10,896,055	21,399,330	2.29%	1,153
2006	18,560	928,172,900	58,383,662	10,184,740	48,198,922	5.19%	2,597
2007 (a)	18,560	1,461,889,800	56,474,725	9,473,425	47,001,300	3.22%	2,532
2008	18,560	1,506,062,300	52,684,860	8,762,110	43,922,750	2.92%	2,367
2009	18,560	1,556,585,600	49,898,795	8,050,795	41,848,000	2.69%	2,255
2010	18,560	1,569,894,000	46,290,730	7,339,480	38,951,250	2.48%	2,099
2011	19,136	1,585,823,000	44,407,724	6,628,165	37,779,559	2.38%	1,974

Sources for population information: U.S. Census Bureau

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

Table 8

CITY OF AUGUSTA, MAINE
Principal Taxpayers
June 30, 2011

Taxpayer	Business	Assessed value	% of total value
Central Maine Power	Public Utility	\$ 45,662,600	2.88%
Capital Augusta Properties	Retail	32,276,800	2.04%
PDNED Augusta Crossing Inc	Retail	30,148,500	1.90%
Wal-Mart Stores, Inc.	Developer	28,720,200	1.81%
Central Maine Commerce Center	Office Building	24,997,600	1.58%
Interstate Augusta Properties LLC	Retail	22,829,600	1.44%
Taurus Business Center Lmtd	Retail	20,802,500	1.31%
Townsend Road Assoc.	Developer	19,246,700	1.21%
J & R Associates LLC	Developer	16,100,800	1.02%
CAP Center Associates LP	Developer	15,684,500	0.99%

SINGLE AUDIT SECTION

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine as of and for the year ended June 30, 2011, which collectively comprise the City of Augusta, Maine's basic financial statements and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item #2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the City of Augusta, Maine in a separate letter dated December 16, 2011.

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

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



December 16, 2011
South Portland, Maine

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

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

Compliance

We have audited the City of Augusta, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Augusta, Maine's major federal programs for the year ended June 30, 2011. The City of Augusta, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Augusta, Maine's management. Our responsibility is to express an opinion on the City of Augusta, Maine's compliance based on our audit.

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

As described in items #2011-2 through #2011-4 in the accompanying schedule of findings and questioned costs, the City of Augusta, Maine, did not comply with requirements regarding cash management and reporting that are applicable to its Education Technology Cluster, Special Education Cluster and Title I – Part A Cluster and the requirements regarding allowable costs/activities that are applicable to its Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the City of Augusta, Maine, to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Augusta, Maine complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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

Internal Control Over Compliance

Management of the City of Augusta, Maine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Augusta, Maine's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Augusta, Maine's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Augusta, Maine, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

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

Ryan Kristen Ouellette

December 16, 2011
South Portland, Maine

CITY OF AUGUSTA, MAINE
 Schedule of Expenditures of Federal Awards
 For the year ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at June 30, 2010	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2011
						Federal	Other			
U.S. Department of Education, Passed through Maine Department of Education:										
2512 Adult Basic Education	84.002		6296	\$ 51,370	-	51,370	-	39,068	-	12,302
2509 Title IA	84.010		3057	840,503	36,683	840,503	-	822,587	-	54,599
2515 Special Education State Grants Individuals with Disabilities Act	84.027		3046	597,969	43,084	597,969	-	721,739	-	(80,686)
2520 Carl Perkins - Basic Grant (learning center)	84.048		3040	134,897	16,183	134,897	-	131,548	-	19,532
2527 Preschool	84.173		6241	22,224	34,546	22,224	-	49,674	-	7,096
2524 Technology Literacy	84.318		3003	165	20,656	165	-	20,821	-	-
2538 Reading First - Gilbert	84.357		3052	-	45,257	-	-	11,282	-	33,975
2542 Reading First - Farrington	84.357		3052	158,644	(57,170)	158,644	-	137,821	-	(36,347)
2534 Rural Low Income	84.358		3005	57,808	1,430	57,808	-	57,808	-	1,430
2539 Title III - ESL	84.365		3090	3,747	17,442	3,747	-	21,888	-	(699)
2508 Teacher Quality Grant	84.367		3042	250,329	91,299	250,329	-	233,068	-	108,560
2519 21st Century Grant	84.287		3054	163,020	15,929	163,020	-	212,061	-	(33,112)
1720 GPA Stabilization	84.394A	Y	2077	784,350	3,735	784,350	-	789,774	-	(1,689)
1730 Title IA - ARRA	84.389A	Y	3057	373,384	61,612	373,384	-	452,767	-	(17,771)
1750 Local Entitlement - ARRA	84.391A	Y	3046	348,074	12,408	348,074	-	352,894	-	7,588
1761 Pre-School - ARRA	84.392A	Y	6241	17,855	(4,119)	17,855	-	13,736	-	-
1766 Title VIII Homeless - ARRA	84.387A	Y	3002	5,149	(5,149)	5,149	-	-	-	-
1765 Title IID - ARRA	84.386X	Y	3003	-	3,872	-	-	3,872	-	-
1767 Education Jobs Bill	84.410	Y	3099	199,335	-	199,335	-	218,835	-	(19,500)
2550 Title IID CSIC - ARRA	84.386X	Y	3003	105,000	99,472	105,000	-	154,418	-	50,054
Passed through Maine Office of Substance Abuse:										
2507 Drug Free Schools and Communities	84.186		N/A	813	28,659	813	-	4,175	-	25,297
Total U.S. Department of Education					465,829	4,114,636	-	4,449,836	-	130,629
U.S. Department of Agriculture, passed through the Maine Dept. of Ed:										
2617 National School Lunch Program	10.555		3022/3024	N/A	427,093	463,334	434,602	463,334	583,738	277,957
School Breakfast Program	10.553		3014	N/A	-	120,284	-	120,284	-	-
Summer Food Service Program	10.559		3016	N/A	-	37,815	-	37,815	-	-
Food Donation Program	10.555		N/A	N/A	27,322	63,182	-	60,782	-	29,722
Fresh Fruit and Vegetable Program	10.582		3028	N/A	-	49,857	-	49,857	-	-
Total U.S. Department of Agriculture					454,415	734,472	434,602	732,072	583,738	307,679
U.S. Department of Justice, passed through the Maine Department of Justice:										
2201 Justice Assistance Grant	16.738		N/A	68,815	905	-	2	907	-	-
2202 Justice Assistance Grant - ARRA	16.804	Y	N/A	332,086	1,416	-	-	1,279	-	137
2224 Justice Assistance Grant	16.738		N/A	59,089	-	59,089	46	32,754	-	26,381
2047 Bulletproof Vest	16.607		N/A	216	-	216	-	216	-	-
Passed through the Maine Department of Health and Human Services:										
2229 Underage Drinking Grant	16.727		N/A	15,000	-	4,487	-	4,487	-	-
Passed through the Maine Department of Education:										
2603 Youth Voices	16.727		N/A	N/A	1,898	-	-	3,796	-	(1,898)
Total U.S. Department of Justice					4,219	63,792	48	43,439	-	24,620

CITY OF AUGUSTA, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at June 30, 2010	Revenue Recognized		Federal Expenditures	All other Expenditures	Balance at June 30, 2011
						Federal	Other			
U.S. Department of Transportation:										
Direct programs:										
2049 OUI Grant	20.600		N/A	\$ 5,000	-	5,000	-	5,000	-	-
2125 Speed Enforcement	20.600		N/A	5,000	-	2,332	-	2,332	-	-
2183 Holiday Grant	20.600		N/A	6,120	-	3,000	-	2,676	-	324
2220 Combined Enforcement	20.600		N/A	3,000	-	2,766	-	2,766	-	-
2048 Seatbelt Grant	20.600		N/A	2,000	-	5,360	-	5,360	-	-
Passed through Maine Department of Conservation:										
2167 Recreation Trails Program	20.219		N/A	29,000	-	5,741	-	5,741	-	-
Passed through the Maine Department of Transportation:										
2185 Rescue/Fire Fighting Equipment	20.106		N/A	500,000	-	398,286	-	398,286	-	-
2192 Airport Improvement Program	20.106		N/A	456,000	-	80,741	-	80,741	-	-
2222 EMAS/Snow Removal Equipment	20.106		N/A	2,699,000	-	35,878	-	35,878	-	-
2223 Environmental Assessment	20.205		N/A	17,000	-	11,763	-	11,763	-	-
2227 Small Community Air Service Development	20.903		N/A	100,000	-	6,154	13,333	18,928	-	559
Total U.S. Department of Transportation					-	557,021	13,333	569,471	-	883
U.S. Department of Housing and Urban Development, passed through Department of Economic and Community Development:										
2235 CDBG - Public Service Grant	14.228		N/A	40,000	-	10,000	-	10,000	-	-
2236 CDBG - Public Facility Grant	14.228		N/A	150,000	-	147,678	-	147,678	-	-
Total U.S. Department of Housing and Urban Development					-	157,678	-	157,678	-	-
Environmental Protection Agency:										
Direct Program:										
2195 Brownfields	66.818		N/A	350,000	1,302	72,945	-	74,247	-	-
Total Environmental Protection Agency					1,302	72,945	-	74,247	-	-
U.S. Department of Homeland Security:										
Passed through Maine Emergency Management Agency:										
2204 2009 Homeland Security Grant	97.067		N/A	206,954	-	99,955	-	99,955	-	-
2232 2010 Homeland Security Grant	97.067		N/A	218,457	-	44,355	-	44,355	-	-
2233 2009 Homeland Security Grant - Airport Police	97.067		N/A	10,776	-	10,199	-	10,199	-	-
2237 2008 Homeland Security Grant	97.067		N/A	9,545	-	9,545	-	9,545	-	-
2152 TSA - Officer Reimbursement	97.090		N/A	N/A	-	16,055	-	16,055	-	-
Total U.S. Department of Homeland Security					-	180,109	-	180,109	-	-
Totals					\$ 925,765	5,880,653	447,983	6,206,852	583,738	463,811

See accompanying notes to schedule of expenditures of federal awards.

CITY OF AUGUSTA, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2011

PURPOSE OF THE SCHEDULE

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

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Augusta, Maine for the fiscal year ended June 30, 2011. The reporting entity is defined in notes to basic financial statements of the City of Augusta, Maine.

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

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

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

CITY OF AUGUSTA, MAINE
Schedule of Findings and Questioned Costs
June 30, 2011

Section I-Summary of Auditor's Results

Basic financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Significant deficiencies identified? yes

Noncompliance material to financial statements noted? no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? no

Significant deficiencies identified? none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.391A, 84.392A	Special Education Cluster
84.010, 84.389A	Title I – Part A Cluster
84.394	GPA Stabilization
84.410	Education Jobs Bill
84.318, 84.386X	Education Technology Cluster

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

Auditee qualified as low-risk auditee? no

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

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

#2011-1 - School Department Accounting System

At June 30, 2011, multiple balance sheet, revenue and expenditure accounts recorded on the School's accounting system did not reconcile with the information recorded on the City's accounting system. We also found that prior year information on the School's accounting system changed from previously audited balances and that a fund was deleted from the accounting system. We recommend that the School Department incorporate a monthly reconciliation of all balance sheet accounts as well as revenue and expenditure accounts. Also, the School Department should take care not to alter any prior year information once an audit has been completed and the fiscal year closed out in their accounting system.

Management's Response: The school department began the process of aligning funds with the MDOE account structure and changed the fund number to maintain fund history. The school department hired the school division of Tyler Technologies to provide on-site consulting to address general ledger and trial balance issues with the school records and help with reconciling the "Due To-Due From" records, part of the consultation resulted in changing the previous year's trial balance. The school department began the process of reconciling with the City's accounting system in March, 2011 working with the City Audit Department. The school department is in the process of converting accounting software systems from the Tyler Technologies ADS Software to use Tyler Technologies MUIS software system as a department of the City. This conversion allows for the school to develop a chart of accounts that aligns with the MDOE account structure and will eliminate all reconciling issues with the City accounting software.

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

Section III - Findings and Questioned Costs for Federal Awards

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

Statement of Condition: The Special Education Cluster (IDEA), Title I – Part A Cluster, and Education Technology Cluster had excess cash balances on hand for excessive periods of time.

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

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

Cause: Allowable cost expenditures under the Special Education Cluster, Title I – Part A Cluster, and Education Technology Cluster from July 1, 2010 through June 30, 2011 were not sufficient to prevent a quarter-end cash overflow, as defined by the State of Maine, for certain quarters.

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

Questioned Costs: None

Management's Response: *The school department has striven to accurately estimate how much cash should be received on a monthly basis from the Department of Education. The school department has often had more cash on hand due to premature draw down of grant funds. The Department of Education has replaced the draw down of grant funds with a reimbursement model for disbursing grant funds. The Cash Management Reports beginning balance for FY 11 did not match the Budget Reports from the school department software. The Cash Management Report, EF-U-415, will no longer be completed as the Department of Education will no longer require this report with the reimbursement model for disbursing grant funds.*

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

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

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

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

Cause: Beginning balances on the cash management report did not reconcile with the balances on the

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

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

accounting system. Also, revenues and expenditures reported on the accounting system did not reconcile with those that were reported on the cash management report.

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

Questioned Costs: None

Management Response: The school department has striven to accurately estimate how much cash should be received on a monthly basis from the Department of Education. The school department has often had more cash on hand due to premature draw down of grant funds. The Department of Education has replaced the draw down of grant funds with a reimbursement model for disbursing grant funds. The Cash Management Reports beginning balance for FY 11 did not match the Budget Reports from the school department software. The Cash Management Report, EF-U-415, will no longer be completed as the Department of Education will no longer require this report with the reimbursement model for disbursing grant funds.

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

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

Criteria: The A-133 Compliance Supplement states that "An employee whose compensation is funded solely from a Single Cost Objective must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B paragraph 11.h.3".

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

Cause: Semi-annual certifications of employees paid 100% through the Special Education Cluster were not done for the year ended June 30, 2011.

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

Questioned Costs: None

Management Response: The school department did not comply with the requirements regarding payroll certification forms applicable to the Local Entitlement Grant or Special Education Cluster program. The school department will strive to meet this obligation in the future and has marked the calendars in the business office to send out reminders to all programs twice a year, as required, to ensure that proper payroll certification forms are completed.

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

Section IV - Status of Prior Year Findings and Questioned Costs

#2010-1 - U.S. Department of Education, for the Period July 1, 2009 through June 30, 2010, CFDA #84.027; #84.173; #84.391; #84.392 Special Education Cluster (IDEA) and CFDA #84.010; 84.389 Title I – Part A Cluster

Statement of Condition: The Special Education Cluster (IDEA) and Title I – Part A Cluster had excess cash balances on hand for excessive periods of time.

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

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

Cause: Allowable cost expenditures under the Special Education Cluster and Title I – Part A Cluster from July 1, 2009 through June 30, 2010 were not sufficient to prevent a month-end cash overflow, as defined by the State of Maine, for certain months.

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

Questioned Costs: None

Status: See current year finding #2011-2

CITY OF AUGUSTA
CORRECTIVE ACTION PLAN
June 30, 2011
Ralph St. Pierre, Finance Director
(207)626-2340

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

Statement of Condition: The Special Education Cluster (IDEA), Title I – Part A Cluster, and Education Technology Cluster had excess cash balances on hand for excessive periods of time.

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

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

Cause: Allowable cost expenditures under the Special Education Cluster, Title I – Part A Cluster, and Education Technology Cluster from July 1, 2010 through June 30, 2011 were not sufficient to prevent a quarter-end cash overflow, as defined by the State of Maine, for certain quarters.

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

Questioned Costs: None

Management's Response: *The school department has striven to accurately estimate how much cash should be received on a monthly basis from the Department of Education. The school department has often had more cash on hand due to premature draw down of grant funds. The Department of Education has replaced the draw down of grant funds with a reimbursement model for disbursing grant funds. The Cash Management Reports beginning balance for FY 11 did not match the Budget Reports from the school department software. The Cash Management Report, EF-U-415, will no longer be completed as the Department of Education will no longer require this report with the reimbursement model for disbursing grant funds.*

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

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

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

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

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

CITY OF AUGUSTA
CORRECTIVE ACTION PLAN, Continued

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

Questioned Costs: None

Management Response: The school department has striven to accurately estimate how much cash should be received on a monthly basis from the Department of Education. The school department has often had more cash on hand due to premature draw down of grant funds. The Department of Education has replaced the draw down of grant funds with a reimbursement model for disbursing grant funds. The Cash Management Reports beginning balance for FY 11 did not match the Budget Reports from the school department software. The Cash Management Report, EF-U-415, will no longer be completed as the Department of Education will no longer require this report with the reimbursement model for disbursing grant funds.

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

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

Criteria: The A-133 Compliance Supplement states that "An employee whose compensation is funded solely from a Single Cost Objective must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B paragraph 11.h.3".

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

Cause: Semi-annual certifications of employees paid 100% through the Special Education Cluster were not done for the year ended June 30, 2011.

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

Questioned Costs: None

Management Response: The school department did not comply with the requirements regarding payroll certification forms applicable to the Local Entitlement Grant or Special Education Cluster program. The school department will strive to meet this obligation in the future and has marked the calendars in the business office to send out reminders to all programs twice a year, as required, to ensure that proper payroll certification forms are completed.

