

GREATER AUGUSTA UTILITY DISTRICT

Financial Statements

**For the Year Ended
December 31, 2017**

GREATER AUGUSTA UTILITY DISTRICT
Financial Statements
For the Year Ended December 31, 2017

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	12-24
Required Supplementary Information:	
Schedule of Funding Progress	25
Schedule of District's Proportionate Share of Net Pension Liability	26
Schedule of District Contributions	27
Notes to Required Supplementary Information	28
Comparative Exhibits:	
Statements of Net Position – Water Division	29
Statements of Revenues, Expenses, and Changes in Net Position – Water Division	30
Statements of Cash Flows – Water Division	31
Statements of Net Position – Sewer Division	32
Statements of Revenues, Expenses, and Changes in Net Position – Sewer Division	33
Statements of Cash Flows – Sewer Division	34
Statements of Net Position – Storm Water Division	35
Statements of Revenues, Expenses, and Changes in Net Position – Storm Water Division	36
Statements of Cash Flows – Storm Water Division	37

Independent Auditor's Report

Board of Trustees
Greater Augusta Utility District

Report on Financial Statements

We have audited the accompanying financial statements of the Greater Augusta Utility District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Greater Augusta Utility District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Augusta Utility District as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

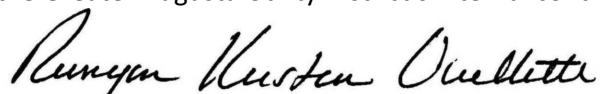
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Greater Augusta Utility District's basic financial statements. The comparative exhibits are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The comparative exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2018 on our consideration of the Greater Augusta Utility District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Greater Augusta Utility District's internal control over financial reporting and compliance.



March 16, 2018
South Portland, Maine

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2017

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Greater Augusta Utility District's (District) financial condition and performance for the year ended December 31, 2017. The Water Division is the drinking water and fire protection division of the District. For discussion and analysis purposes, the Sewer and Storm Water Divisions of the District are combined and referred to as the Sanitary Division.

Financial Highlights - Water Division

Management believes the Water Division's financial condition is adequate. The Water Division is within the financial policies and guidelines set by the Board and management. Key financial highlights include:

- The Water Division's cash and cash equivalents decreased by \$281,000. Net cash provided by operating activities totaled \$1.9 million. Receipts from customers decreased by \$161,000, payments to suppliers decreased by \$143,000, and payments to employees decreased by \$63,000. Net cash used in capital and related financing activities totaled \$2.2 million. Principal and interest on long-term debt totaled \$812,000 down from 2016 by \$25,000. Investment in capital assets totaled \$1.3 million, an increase of \$643,000.
- The accounts receivable balance was \$463,000 on December 31, 2017. This increase of \$5,000 (or 1.12%) from the December 31, 2016 balance can be attributed to the timing of customer payments and billings.
- The work in process (WIP) account increased by \$548,000 due to adding \$1.3 million in new construction, offset by the completion of approximately \$797,000 in projects from current and previous years. Operating property increased by \$705,000 due to the completion of water mains on Alderwood Drive, Mount Vernon Avenue, Boucher Avenue, Northern Avenue, and fencing at one source of supply site, building upgrades, radio read upgrades, and the purchase of a new backhoe and compactor.
- Accumulated depreciation increased by \$761,000 from 2016.
- The Water Division decreased its long-term financial indebtedness obligation by \$615,000 by making all the required scheduled debt payments. No new debt was issued in 2017.
- The Water Division's net position as of December 31, 2017 was \$25.8 million. Net position consists of net investments in capital assets of \$24.2 million and the remaining unrestricted net position of \$1.5 million. The change in net position for the year ended December 31, 2017 was a net increase of \$761,000. The increase is the result of operating revenues being higher than operating expenses and a small amount of non-operating revenues. Operating revenues totaled \$3.7 million, an increase of \$78,000 from the previous fiscal year. Sales to customers totaled \$2.3 million, a slight increase of 3.1%. Fire protection revenues totaled \$1.3 million, equivalent to the previous fiscal year. Operating expenses totaled \$2.9 million, slightly lower than the previous fiscal year. Net non-operating revenue decreased \$40,000 primarily due to a decrease in non-utility income. All metered customers of the Water Division are charged a minimum fee depending on the size of the meter which includes a minimum water allowance of 100 cubic feet of water per month. For usage in excess of 100 cubic feet, the charge is \$2.40 per 100 cubic feet. The Maine Public Utilities Commission approved the Water Division's schedule of rates which became effective October 3, 2011.

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis, Continued

Financial Highlights - Sanitary Division

Management believes the Sanitary Division's financial condition is adequate. The Sanitary Division is within the financial policies and guidelines set by the Board and management. Key financial highlights include:

- The Sanitary Division's cash and cash equivalents balance increased by \$308,000 as net cash provided by operating activities exceeded net cash used in capital and related financing activities.
- Net capital assets increased by \$592,000. The work in process (WIP) account increased by \$1.6 million. Operating property increased by \$1.1 million. The increase to operating property is due to the completion of sewer main work on Mount Vernon Avenue, Brooks Street, Arsenal Street, Patterson Street, Northern Avenue, relining Western Avenue and Federal Street, and also storm mains on Townsend Road, a thickener pump at the Wastewater Treatment Plant, building upgrades and the purchase of a new backhoe, compactor, and a new pump for a Jet Truck.
- The accounts receivable balance at December 31, 2017 of \$1.6 million is an increase of \$126,000 or 8.29% from 2016. This increase can be attributed to the timing of customer payments and billings.
- Accumulated depreciation increased by \$2.1 million from 2016.
- The Sanitary Division decreased its long-term financial indebtedness obligation by \$860,000 this year. The required scheduled debt payments of \$2.4 million were made. New debt was issued for the Trunkline Three Pump Station Rehab for \$1.6 million.
- The Sanitary Division's operating revenues totaled \$8.2 million and operating expenses totaled \$6.4 million. Net non-operating revenues totaled \$68,000, resulting in an increase in net position of \$1.8 million.
- The Sanitary Division's net position as of December 31, 2017 was \$44.5 million. Net position consists of net investment in capital assets of \$42.4 million and the remaining unrestricted net position totaled \$2.1 million.
- All customers of the Sanitary Division are charged \$4.34 per 100 cubic feet of metered sewage, \$8.50 for a monthly service charge and \$8.30 per equivalent residential unit for storm water. Hallowell customers are not charged for storm water. The monthly service charge for each equivalent residential unit for storm water increased 10% on July 1, 2017 from \$7.55 to \$8.30.

Overview of Annual Financial Reports

The financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements.

The statement of net position presents the financial position of the District on a full accrual historical cost basis. The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the District is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the District's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles.

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis, Continued

The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, investing, and capital and related financing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition, there is required supplementary information that is mandated by governmental accounting standards to provide additional insight to users of the financial information.

Lastly, there is other supplementary information, which is not required, that management of the District has chosen to report to give the readers additional data regarding the operations of the District. This supplementary information consists of separate statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows for the water, sewer, and stormwater divisions.

The financial statements were prepared by management from the detailed books and records of the District. The financial statements were audited during the independent external audit process.

Summary of Organization and Business

The Augusta Water District was created under provisions of Private and Special Laws 1903, c 139 enacted during the 1903 Session of the Maine Legislature. The Augusta Sanitary District was created under provisions of Private and Special Laws 1955, c 139 enacted during the 1955 Session of the Maine Legislature. On January 1, 2008, Augusta Water District and Augusta Sanitary District were combined into Greater Augusta Utility District (GAUD). The Water Division is responsible for maintaining the public drinking water system for the City of Augusta, and portions of Chelsea, Vassalboro, Manchester, East Winthrop, and Hallowell. The Sanitary Division owns, operates and maintains a regional wastewater treatment facility, the sewer system for the cities of Augusta and Hallowell, the storm water system for the City of Augusta, and a regional pumping and collection system known as the Intercommunity Trunkline. The Sanitary Division treats sewerage delivered via the Intercommunity Trunkline from three communities (Manchester, Winthrop, and Monmouth). These communities pay for their share of treated flow, related debt and operation and maintenance costs.

GAUD has a Board of nine trustees. Seven are appointed by the Mayor of the City of Augusta for a three-year term and the remaining two are appointed by the Mayor of the City of Hallowell. All trustees must be residents of either the City of Augusta or the City of Hallowell.

The Water Division charges sales and use tax on its billings to non-residential customers who are not tax-exempt, as well as partial tax for combination business/personal residence. Sales tax payments are made to Maine Revenue Services on or before the 15th day of the month following the particular month of operation. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by contributed capital, contributions from customers (cash and meter services), bonds payable, and customer revenues.

The Sanitary Division has no taxing power. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by contributed capital, contributions from customers (cash and sewer systems), bonds payable, and customer revenues.

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis, Continued

Financial Analysis - Water Division

The following condensed financial statements serve as the key financial data and indicators for management's monitoring and planning. Any significant items noted by management are described in comments in each section under the applicable statement.

CONDENSED STATEMENTS OF NET POSITION - WATER DIVISION

	December 31, 2017	December 31, 2016
Assets		
Current assets	\$ 2,503,423	2,801,710
Capital and other assets (net)	29,533,043	29,048,058
Total Assets	\$ 32,036,466	31,849,768
Deferred Outflows of Resources		
Related to Pensions	95,427	315,622
Liabilities		
Current liabilities	\$ 816,451	809,257
Long-term liabilities	5,493,975	6,295,891
Total Liabilities	6,310,426	7,105,148
Deferred Inflows of Resources		
Deferred credits	\$ 11,961	19,936
Related to Pensions	50,031	41,688
Total Deferred Inflow of Resources	61,992	61,624
Net Position		
Net investment in capital assets	24,211,663	23,104,657
Unrestricted	1,547,812	1,893,961
Total Net Position	\$ 25,759,475	24,998,618

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER DIVISION

	December 31, 2017	December 31, 2016
Operating Revenues		
Metered	\$ 2,347,999	2,277,896
Fire protection	1,335,552	1,327,257
Other water revenues	6,578	6,524
Total Operating Revenues	3,690,129	3,611,677
Operating Expenses		
Operating expenses	2,112,633	2,329,574
Depreciation	853,281	843,048
Total Operating Expenses	2,965,914	3,172,622
Nonoperating Revenue	36,642	77,020
Change in Net Position	760,857	516,075
Net Position- Beginning of Year	24,998,618	24,482,543
Net Position - End of Year	\$ 25,759,475	24,998,618

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis, Continued

Financial Analysis - Sanitary Division

The following condensed financial statements serve as the key financial data and indicators for management's monitoring and planning. Any significant items noted by management are described in comments, in each section, under the applicable statement.

CONDENSED STATEMENTS OF NET POSITION - SANITARY DIVISION

	December 31, 2017	December 31, 2016
Assets		
Current assets	\$ 5,277,765	4,856,812
Capital and other assets (net)	64,220,465	63,628,392
Total Assets	\$ 69,498,230	68,485,204
Deferred Outflows of Resources		
Related to Pensions	137,323	435,859
Liabilities		
Current liabilities	\$ 2,517,126	2,879,228
Long-term liabilities	22,010,981	22,700,144
Total Liabilities	24,528,107	25,579,372
Deferred Inflows of Resources		
Deferred credits	\$ 584,958	658,444
Related to Pensions	71,996	57,569
Total Deferred Inflow of Resources	656,954	716,013
Net Position		
Net investment in capital assets	42,397,850	40,691,491
Unrestricted	2,052,642	1,934,187
Total Net Position	\$ 44,450,492	42,625,678

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SANITARY DIVISION**

	December 31, 2017	December 31, 2016
Operating Revenues		
Sewer	\$ 3,532,808	3,418,028
Storm Water	3,557,405	3,392,625
Trunkline	632,758	576,285
Other	442,917	427,440
Total Operating Revenues	8,165,888	7,814,378
Operating Expenses		
Operating expenses	4,276,205	3,989,666
Depreciation	2,132,631	2,125,485
Total Operating Expenses	6,408,836	6,115,151
Nonoperating Revenue	67,762	4,164
Change in Net Position	1,824,814	1,703,391
Net Position- Beginning of Year	42,625,678	40,922,287
Net Position - End of Year	\$ 44,450,492	42,625,678

GREATER AUGUSTA UTILITY DISTRICT
Management's Discussion and Analysis, Continued

Capital Asset Activity

During the year, the District continued to carry out plans to upgrade vital components of both the Water and Sanitary systems. These projects are expected to improve efficiencies within the District and reduce future maintenance costs.

Several major Water division projects were completed this year. The District invested roughly \$698,000 to replace/repair water mains on Alderwood Drive, Mount Vernon Avenue, Boucher Avenue, and Northern Avenue. An upgrade to the Radio-read Program was purchased and fencing was installed around a source of supply. The water division also split the cost of building upgrades, a new backhoe, and compactor with the sanitary division. Several water main replacement projects are in process on Ward Street, Commercial Street, North Belfast Avenue, Cony Street, Cedar Street, and Arsenal Street.

Several major Sanitary division projects were completed this year. Sewer mains were upgraded on Mount Vernon Avenue, Northern Avenue, Patterson Street, and Brooks Street for a combined cost of \$815,000. Sewer mains were relined on Western Avenue and Federal Street for a combined cost of \$29,000. Storm mains were upgraded on Townsend Road for a cost of \$15,000. The sanitary division split the cost of building upgrades, a new backhoe and compactor with the water division. A thickener pump at the Wastewater Treatment Plant was replaced for \$21,000. Significant ongoing projects at year end included sewer main replacements or repairs on Greenlief Morse and Gannet, Ward Street, Brookside Avenue, Oak Street, Westwood Road, Cedar Street and Arsenal Street. Ongoing storm projects include Union Street, Westwood Road, Phillips Avenue, Second Avenue, and South Belfast Avenue. The Trunkline is doing a major rehab project on the Trunkline Three Pump Station. Combined Sewer Overflow (CSO) projects started in 2017 include replacing a siphon under the Kennebec River and the Construction of a CSO storage tank on the east side of Augusta.

Debt Activity

The District made all required 2017 principal and interest payments on existing debt. In 2017, new Sewer Division debt was issued in the amount of \$1.6 million for the rehab project at the Trunkline Three Pump Station. This issuance has a term of twenty years with interest rates ranging from 1.26% to 3.92%.

Request for Information

This financial report is intended to provide readers with a general overview of the Greater Augusta Utility District's finances and show accountability for expenditures related to its business-type activity. If you have questions regarding this report or need additional information, please contact the General Manager of the Greater Augusta Utility District.

GREATER AUGUSTA UTILITY DISTRICT
Statement of Net Position
December 31, 2017

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,405,271
Accounts receivable:	
Customer service	865,576
Unbilled	852,449
Intercommunity trunkline - operations	58,129
Other	327,761
Inventory	188,581
Prepaid expenses	83,421
Total current assets	7,781,188
Noncurrent assets:	
Other assets:	
Unamortized debt discount	7,403
Total other assets	7,403
Capital assets:	
Work in process	4,052,342
Operating property	141,245,101
Less accumulated depreciation	(51,551,338)
Net capital assets	93,746,105
Total noncurrent assets	93,753,508
Total assets	101,534,696
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	232,750
Total deferred outflows of resources	232,750
LIABILITIES	
Current liabilities:	
Accounts payable:	
Trade	172,321
Construction/retainage	152,317
Accrued payroll	70,130
Accrued compensated absences	104,207
Accrued interest	120,494
Unearned revenue	2,316
Current portion of bonds and notes payable	2,711,792
Total current liabilities	3,333,577
Noncurrent liabilities:	
OPEB liabilities	1,359,387
Net pension liability	1,466,649
Bonds and notes payable	24,678,920
Total noncurrent liabilities	27,504,956
Total liabilities	30,838,533
DEFERRED INFLOWS OF RESOURCES	
Deferred credits	596,919
Deferred inflows of resources related to pensions	122,027
Total deferred inflows of resources	718,946
NET POSITION	
Net investment in capital assets	66,609,513
Unrestricted	3,600,454
Total net position	\$ 70,209,967

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017

Operating revenues:		
Metered	\$	5,865,604
Flat rate		15,203
Storm water		1,223,517
Catch basins		2,333,888
Trunkline communities		632,758
Public fire protection		816,001
Private fire protection		519,551
Other revenues		449,495
Total operating revenues		11,856,017
Operating expenses:		
Source of supply		153,622
Treatment plant		1,432,563
Transportation and distribution		3,026,665
Customer accounts		455,603
Administrative and general		1,125,750
Trunkline expenses		194,635
Depreciation		2,985,912
Total operating expenses		9,374,750
Operating income		2,481,267
Nonoperating revenues (expenses):		
Interest revenue		14,237
Utility contract income		15,870
Non-utility income		183,552
Miscellaneous		402,985
Interest expense		(505,444)
Amortization expense		(6,796)
Total nonoperating revenues (expenses)		104,404
Change in net position		2,585,671
Net position, beginning of year		67,624,296
Net position, end of year		\$ 70,209,967

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities:		
Receipts from customers and users	\$	12,328,627
Payments to suppliers		(3,191,764)
Payments to employees		(2,978,659)
Net cash provided by operating activities		6,158,204
Cash flows from capital and related financing activities:		
Purchase of capital assets		(4,074,741)
Proceeds from long-term debt		1,600,000
Principal payments on long-term debt		(3,075,391)
Interest payments on long-term debt		(595,700)
Net cash used in capital and related financing activities		(6,145,832)
Cash flows from investing activities:		
Interest income		14,237
Net cash provided by investing activities		14,237
Net increase in cash		26,609
Cash at beginning of year		5,378,662
Cash at end of year		\$ 5,405,271
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	2,481,267
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		2,985,912
Utility, non-utility, jobbing and miscellaneous revenues		602,407
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customer service		76,577
(Increase) decrease in accounts receivable - unbilled		(99,651)
(Increase) decrease in accounts receivable - intercommunity trunkline		(37,278)
(Increase) decrease in accounts receivable - other		(70,354)
(Increase) decrease in inventory		(20,932)
(Increase) decrease in prepaid expenses		55,581
(Decrease) increase in accounts payable - trade		23,594
(Decrease) increase in accrued payroll		(4,985)
(Decrease) increase in accrued compensated absences		2,943
(Decrease) increase in OPEB liabilities		55,669
(Decrease) increase in net pension liability and related deferred outflows and inflows of resources		106,545
(Decrease) increase in unearned revenue		909
Net cash provided by operating activities		6,158,204
Noncash capital and related financing activities:		
Amortized debt discount		(6,796)
Amortized deferred credits from bond refinancing proceeds		81,461

See accompanying notes to financial statements.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Greater Augusta Utility District is a quasi-municipal corporation established in 2007. The District is a special purpose governmental entity engaged in business-type activities. Effective January 1, 2008, the Augusta Water District, Augusta Sanitary District, and the sanitary division of the Hallowell Water District officially merged to create one entity. The District supplies public drinking water and fire protection services to the City of Augusta, Maine and parts of several surrounding cities and towns. The District owns a water filtration plant, which is not in use, as well as several gravel packed wells. The District also operates sewerage and surface drainage collection systems as well as a treatment plant. The regional Waste Water Plant treats sewerage from the Towns of Winthrop, Manchester, Monmouth, and the Cities of Hallowell and Augusta.

Basis of Accounting - The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The financial statements of the District are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to the customers for sales and services. The District also recognizes as operating revenue late fees and connection fees intended to cover the cost of connecting new customers to the District's system. Operating expenses for the District include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

Cash and Cash Equivalents - The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable - The District provides credit to customers in the District. The District uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts. At December 31, 2017, there was no allowance for uncollectible accounts receivable recorded, as the District estimated 100% of receivables were collectible. The District also accrues revenue for estimated water, sanitary, and storm water services, which were not yet billed as of the balance sheet dates.

Inventory - Inventory is valued at cost using the first-in, first-out (FIFO) method and consists of various repair parts and supplies.

Unamortized Debt Discount - Debt discounts reflect additional funds surrendered at the time of debt issuance due to variances between the stated interest rate on debt and the going market rate. Debt discounts are amortized over the life of each bond issued.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets - Capital assets with an initial individual cost of more than \$5,000 and an estimated useful life of 3 years are stated at the cost to acquire or construct the asset. Capital assets acquired through contributions or donations are capitalized at their estimated acquisition value. Routine maintenance and repairs are charged to expense. Expenses which materially increase values, change capacities, or extend useful lives are capitalized. The provision for depreciation has been computed by the use of the straight-line method at rates intended to amortize the cost of the related assets over their estimated useful lives, ranging from 3-75 years.

Accrued Compensated Absences - Under terms of personnel policies, the District grants vacation and sick time benefits. These benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered.

Deferred Inflows and Outflows of Resources - In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The District has deferred outflows and inflows that relate to the net pension liability, which include the District's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also includes changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between the District's contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members of the plan. Also included is the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

In addition, the District also reports deferred inflows of resources from deferred credits, which reflect the difference between the value of new bond proceeds received from the Maine Municipal Bond Bank and the carrying value of the refunded bonds. Deferred credits are being amortized and recognized as inflows of resources over the remaining terms of the refinanced bonds using the straight-line method.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes - The District qualifies as a tax exempt organization under the provisions of the Internal Revenue Code and, accordingly, its income is not subject to any state or federal income taxes.

Comparative Data Reclassifications - Comparative Data for the prior year has been presented for certain divisions in the exhibits in order to provide an understanding of the changes in financial position and the operations of these funds. In some instances, prior year data has been reclassified to be consistent with current year presentation.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

DEPOSITS

Custodial credit risk- deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2017, \$252,316 of the District's bank balance of \$5,516,947 was insured by the FDIC and \$5,264,631 was collateralized by a \$5,500,000 irrevocable standby letter of credit issued by the Federal Home Loan Bank of Pittsburgh. In accordance with its investment policy, the District's funds must be made in financial institutions that are insured by FDIC or FSLIC. Any funds deposited or invested above those insurance limits must be collateralized by the financial institution, or any excess funds over that limit must be placed with other insured (FDIC or FSLIC) financial institutions.

Interest rate risk - In accordance with its investment policy, the maturity date of new investments shall not be further than the time that the District reasonably anticipates the funds will be needed. It invests primarily in certificates of deposit, savings accounts, and repurchase agreements. Any other type of investment must be approved by the Board of Trustees.

CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended December 31, 2017:

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/17</u>
Capital assets not being depreciated:				
Land	\$ 2,465,060	19,500	-	2,484,560
Work in process	1,892,685	4,069,765	1,910,108	4,052,342
Total capital assets not being depreciated	4,357,745	4,089,265	1,910,108	6,536,902
Capital assets being depreciated:				
Building and structures	31,720,744	43,080	-	31,763,824
Equipment	5,601,567	94,194	-	5,695,761
Transportation	2,330,355	151,761	103,793	2,378,323
Infrastructure	97,321,060	1,601,573	-	98,922,633
Total capital assets being depreciated	136,973,726	1,890,608	103,793	138,760,541
Less accumulated depreciation for:				
Building and structures	7,723,860	496,682	-	8,220,542
Equipment	3,524,035	315,731	-	3,839,766
Transportation	1,861,641	108,008	103,793	1,865,856
Infrastructure	35,559,683	2,065,491	-	37,625,174
Total accumulated depreciation	48,669,219	2,985,912	103,793	51,551,338
Total capital assets being depreciated, net	88,304,507	(1,095,304)	-	87,209,203
Capital assets, net	\$ 92,662,252	2,993,961	1,910,108	93,746,105

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

CAPITAL ASSETS, CONTINUED

Depreciation expense was charged as follows:

Sewer division	\$ 1,292,466
Storm water division	840,165
Water division	853,281
Total depreciation expense	<u>\$ 2,985,912</u>

Idle assets - \$1,275,000 of the District's total buildings and structures are currently not in service.

LONG-TERM DEBT

The following is a summary of long-term liability transactions of the District for the year ended December 31, 2017:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds and notes payable	\$ 28,866,103	1,600,000	3,075,391	27,390,712	2,711,792
Accrued compensated absences	101,264	2,943	-	104,207	-
Other post employment benefits	1,303,718	175,903	120,234	1,359,387	-
Net pension liability	1,901,605	-	434,956	1,466,649	-
Total long-term liabilities	<u>\$ 32,172,690</u>	<u>1,778,846</u>	<u>3,630,581</u>	<u>30,320,955</u>	<u>2,711,792</u>

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

LONG-TERM DEBT, CONTINUED

The following is a summary of the long-term debt payable at December 31, 2017 and 2016:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 12/31/16</u>	<u>Balance 12/31/17</u>
Bond 1990 MMBB	\$ 6,000,000	2020	7.10-7.20%	800,000	600,000
Bond 2009 MMBB SRF	190,000	2027	0.00%	54,202	48,977
Bond 2011 MMBB	700,000	2031	2.12-5.62%	525,000	490,000
Bond 2013 TD Bank	2,000,000	2023	2.79%	1,400,000	1,200,000
Bond 2014 MMBB	2,400,000	2034	0.43-3.78%	2,160,000	2,040,000
Bond 2014 MMBB	1,100,000	2034	0.43-3.78%	990,000	935,000
Subtotal Water Division				5,929,202	5,313,977
Bond 1997 MMBB	9,200,000	2017	2.96%	460,000	-
Bond 2002 MMBB	10,750,000	2021	2.34%	2,800,000	2,240,000
Bond 2005 MMBB	1,500,000	2025	1.53%	675,000	600,000
Bond 2006 MMBB	1,250,000	2026	1.42%	625,000	562,500
Hallowell Bond	579,793	2018	5.00-7.85%	90,063	46,732
2008 Taxable Sewer Bond	2,000,000	2028	1.27%	1,259,990	1,162,125
2009 CWSRF	6,500,000	2029	1.00%	4,225,920	3,919,901
2010 CWSRF - SR	1,750,000	2030	1.17%	1,267,046	1,183,225
2010 CWSRF - FFR	1,610,000	2030	1.00%	1,215,369	1,134,059
2011 CWSRF	14,520,000	2030	1.00%	10,318,513	9,628,193
Bond 2017 MMBB	1,600,000	2037	1.26-3.92%	-	1,600,000
Subtotal Sanitary Division				22,936,901	22,076,735
Less current portion				3,075,391	2,711,792
Total long-term portion				\$ 25,790,712	24,678,920

Requirements for the repayment of the outstanding debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2018	\$ 2,711,792	548,445	3,260,237
2019	2,678,196	493,704	3,171,900
2020	2,691,467	439,155	3,130,622
2021	2,504,877	393,220	2,898,097
2022	1,958,426	349,690	2,308,116
2023-2027	8,984,563	1,328,655	10,313,218
2028-2032	5,111,391	550,633	5,662,024
2033-2037	750,000	66,251	816,251
Totals	\$ 27,390,712	4,169,753	31,560,465

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

JOINT PROJECT – WMMHA TRUNKLINE PROJECT

The participants in the Joint Project, WMMA Trunkline, are Winthrop Utility District, Manchester Sanitary District, and Monmouth Sanitary District. These participants have entered into an agreement whereby they are liable for bonds payable (\$2,783,225 and \$1,267,046 at December 31, 2017 and 2016, respectively) issued to fund the construction of said Joint Project. The participants also pay for all operating expenses of the trunkline and operations and maintenance costs of the treatment plant based on a percentage of their flow.

OPERATING LEASE

On July 30, 2001, the District entered into a five-year non-cancelable lease with Global Tower (formerly Mesa Communications) for the use of the District's land to place communication facilities. Base rental payments are \$1,000 per month and the agreement automatically renews for seven additional terms of five years, with rental payments increasing 15% each renewal term. The lease was renewed at \$1,150 per month beginning in February of 2010 and at \$1,322 per month beginning in February of 2015. Future minimum rentals at December 31, 2017 are as follows:

2018	\$ 15,870
2019	15,870
2020	<u>1,322</u>
Total	<u>\$ 33,062</u>

NET POSITION

Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable and adding back any unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on the use of funds either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's net investment in capital assets was calculated as follows at December 31, 2017:

Capital assets	\$ 145,297,443
Accumulated depreciation	(51,551,338)
Bonds payable	(27,390,712)
Unspent bond proceeds	<u>254,120</u>
Net investment in capital assets	<u>\$ 66,609,513</u>

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description - Employees of the District are provided with pensions through the Maine Public Employees Retirement Consolidated Plan for Local Participating Districts (PLD Plan), a cost sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that can be obtained at www.mainebers.org.

Benefits Provided - The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable provisions.

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan which an employee is covered. Employer contributions are determined by actuarial valuations. Required contributions for the years ended December 31, 2017 and 2016 were as follows:

	Employee		Employer	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
January to June	7.5%	8.0%	8.9%	9.5%
July to December	8.0%	8.0%	9.5%	9.6%

The employer contributions, combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District was \$179,618 for the year ended December 31, 2017.

Pensions Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the District reported a liability of \$1,466,649 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2017, the District's proportion was 0.3582%.

For the years ended December 31, 2017 and 2016, the District recognized pension expense of \$286,161 and \$358,425, respectively. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	70,462
Net difference between projected and actual earnings on pension plan investments	-	40,330
Changes in proportion and differences between District contributions and proportionate share of contributions	-	11,235
Changes of assumptions	124,802	-
District contributions subsequent to the measurement date	107,948	-
Total	\$ 232,750	122,027

\$107,948 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2018	\$ (24,730)
2019	117,523
2020	9,840
2021	(99,858)

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	2.75% to 9.00% per year
Investment return	6.875% per annum, compounded annually
Cost of living benefit increases	2.20% per annum

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2012 to June 30, 2015.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

The long-term expected rate of return on pension plan investments was determined using building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	30%	6.0%
US Government	7.5%	2.3%
Private equity	15%	7.6%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10%	5.9%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875%) or 1 percentage-point higher (7.875%) than the current rate:

	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
District's proportionate share of the net pension liability	\$ 2,942,548	\$ 1,466,649	\$ 355,525

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of December 31, 2017.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

OTHER DEFERRED COMPENSATION PLAN

The Greater Augusta Utility District offers all its employees a deferred compensation plan created in accordance with Internal Revenue Code 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.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liabilities for the compensation deferred by plan participants, including earnings on plan assets, are not included in the District's financial statements.

The District also sponsors an employee money purchase plan to which it contributed 5.00% of compensation of electing union and non-union participants for 2017, 2016, and 2015, respectively. Total District contributions were \$9,360, \$11,495, and \$11,940 in 2017, 2016, and 2015, respectively.

COMMITMENTS

The District has entered into multiple contracts in connection with various construction projects. The following is a summary of the commitments at December 31, 2017:

	Contract <u>Total</u>	Percentage <u>Complete</u>	Billed <u>to Date</u>	<u>Retainage</u>	Balance <u>Remaining</u>
Winthrop Pump Station (TL3)	\$ 1,273,890	90.50%	1,152,808	56,510	121,082
Ward Street Water/Sewer Mains	106,970	98.60%	105,470	1,500	1,500
Various Street Relining	106,207	95.00%	100,897	5,310	5,310
Greenlief, Morse & Gannet	530,495	91.84%	487,228	25,644	43,267
N Belfast Avenue Water Mains	665,830	96.00%	639,203	31,960	26,627
Union Street Storm	57,128	90.00%	51,415	5,713	5,713
Brookside Avenue Sewer	123,105	95.40%	117,443	5,497	5,662
Jefferson Street Sewer Mains	76,859	94.12%	72,337	3,807	4,522
Westwood Road Storm	18,758	89.98%	16,878	1,875	1,880
Phillips Avenue Storm	15,452	90.00%	13,907	1,545	1,545
Second Avenue Storm	56,084	90.00%	50,476	5,608	5,608
S Belfast Avenue Storm	17,690	90.00%	15,921	1,769	1,769
SCADA Upgrades	47,500	97.89%	46,500	1,000	1,000
Westwood Road Sewer	36,810	97.27%	35,805	1,884	1,005

SANITARY DIVISION EXPENSE ALLOCATIONS

During 2011, the District decided to display financial information for the Sanitary Division by each of its subdivisions, sewer and storm water, in its individual fund financial statements located in Exhibits 4 through 9 following the notes to the financial statements. The Board approved allocating expenses between sewer and storm water by the following ratios on September 19, 2011. Operations and maintenance expenses on the treatment plant, pump stations, and sanitary pipes are allocated at 63% sewer and 37% storm water; catch basin and storm pipe expenses are 100% storm water; sewer pipe expenses are 100% sewer; customer accounts expenses are allocated at 84% sewer and 16% storm water; and administration and general expenses are allocated at 58% sewer and 42% storm water. Additionally, the Board approved allocating debt and interest expenses separately based on the related projects and the purpose for bond issuances.

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

OTHER POST EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Greater Augusta Utility District for the year ended December 31, 2008. This pronouncement 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 District is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The District is an individually rated member within the Association. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the District's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in August of 2017.

Plan Descriptions - The District sponsors a post-retirement benefit plan providing health insurance to retiring employees. For non-union employees hired before January 1, 2005 and all union employees regardless of hire date, the District will pay towards a retired employee's health insurance an amount equal to ninety percent of the cost of the employee only health insurance coverage for any employee that is at least sixty years of age and unable to access similar insurance coverage with another employer. The premium expense to the District for retirees' health insurance shall not increase more than five percent in any year and any excess costs will be borne by the retiree. This benefit shall be made available to employees conditioned on their years of service with the District as follows:

Years of Service	Maximum Years of Benefit
More than 15 but less than 20	2
More than 20 but less than 25	3
More than 25 but less than 30	4
Over 30 years	5

Funding Policy and Annual OPEB Cost - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The District 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 December 31 and the annual required contribution:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Normal cost	\$ 15,598	39,383	39,383
Amortization of unfunded	175,890	167,773	167,773
Adjustment to ARC	(75,394)	(70,638)	(64,606)
<u>Interest</u>	<u>59,809</u>	<u>57,145</u>	<u>52,973</u>
Annual required contribution	\$ 175,903	193,663	195,523

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

Net OPEB Obligation – The District’s net OPEB obligation was calculated as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPEB liability, January 1	\$ 1,303,718	1,221,480	1,117,170
Annual required contribution	175,903	193,663	195,523
Less: actual contributions	(120,234)	(111,425)	(91,213)
OPEB liability, December 31	\$ 1,359,387	1,303,718	1,221,480

Funding Status and Funding Progress - The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending December 31 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 175,903	193,663	195,523
Actual contribution	120,235	111,425	91,213
Percent contributed	68.35%	57.54%	46.65%
Actuarial accrued liability	\$ 3,163,158	3,017,184	3,017,184
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 3,163,158	3,017,184	3,017,184
Covered payroll	2,226,385	2,264,338	2,298,218
Unfunded actuarial accrued liability as a percentage of covered payroll	142.08%	133.25%	131.28%

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 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 District 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	1/1/17
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar open
Amortization period	30 years

Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increases	2.75%
Ultimate rate of medical inflation	4.00%

GREATER AUGUSTA UTILITY DISTRICT
Notes to Basic Financial Statements, continued

SUBSEQUENT EVENT

In January of 2018, the District purchased two separate pieces of property. On January 8, 2018, the District purchased property situated on 28 Arsenal Street in Augusta Maine for \$158,000. On January 24, 2018, the District purchased property situated on State Street, Britt's Gully Road, and Jackson Avenue for \$270,000.

GREATER AUGUSTA UTILITY DISTRICT
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]
2008	1/1/09	\$ -	3,131,977	3,131,977	0.00%	1,887,266	165.95%
2009	1/1/09	-	3,131,977	3,131,977	0.00%	1,889,018	165.80%
2010	1/1/09	-	3,131,977	3,131,977	0.00%	1,912,804	163.74%
2011	1/1/11	-	2,688,618	2,688,618	0.00%	2,096,603	128.24%
2012	1/1/11	-	2,688,618	2,688,618	0.00%	2,008,545	133.86%
2013	1/1/13	-	2,807,752	2,807,752	0.00%	2,068,801	135.72%
2014	1/1/13	-	2,807,752	2,807,752	0.00%	2,308,908	121.61%
2015	1/1/15	-	3,017,184	3,017,184	0.00%	2,298,218	131.28%
2016	1/1/15	-	3,017,184	3,017,184	0.00%	2,264,338	133.25%
2017	1/1/17	-	3,163,158	3,163,158	0.00%	2,226,385	142.08%

GREATER AUGUSTA UTILITY DISTRICT
Required Supplementary Information, continued

Schedule of District's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan (PLD)
 Last 10 Fiscal Years *

	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>	<u>2014**</u>
District's proportion of the net pension liability	0.3582%	0.3579%	0.3755%	0.3495%
District's proportionate share of the net pension liability	\$ 1,466,649	1,901,605	1,198,107	537,862
District's covered payroll	1,935,746	1,886,980	1,967,972	1,864,159
District's proportion share of the net pension liability as a percentage of its covered payroll	75.77%	100.78%	60.88%	28.85%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	81.61%	88.27%	94.10%

* Only four years information available

**The amounts presented for each fiscal year were determined as of the prior June 30th.

GREATER AUGUSTA UTILITY DISTRICT
Required Supplementary Information, continued

Schedule of District Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD)
 Last 10 Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 179,618	176,082	163,431	138,965
Contributions in relation to the contractually required contribution	(179,618)	(176,082)	(163,431)	(138,965)
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	1,880,749	1,910,960	1,957,474	1,940,354
Contributions as a percentage of covered Payroll	9.55%	9.21%	8.35%	7.16%

*Only four years information available

GREATER AUGUSTA UTILITY DISTRICT
Notes to Required Supplementary Information

Changes of Benefit terms - None

Changes of Assumptions - None

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Net Position
December 31, 2017
(with comparative totals for December 31, 2016)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,889,447	2,170,396
Accounts receivable:		
Customer	260,340	278,991
Unbilled	201,068	177,895
Other	1,828	1,207
Inventory	110,579	107,293
Prepaid expenses	40,161	65,928
Total current assets	2,503,423	2,801,710
Noncurrent assets:		
Other assets:		
Unamortized debt discount	7,403	14,199
Total other assets	7,403	14,199
Capital assets:		
Work in process	978,424	430,486
Operating property	45,360,655	44,655,336
Less accumulated depreciation	(16,813,439)	(16,051,963)
Net capital assets	29,525,640	29,033,859
Total noncurrent assets	29,533,043	29,048,058
Total assets	32,036,466	31,849,768
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	95,427	315,622
Total deferred outflows of resources	95,427	315,622
LIABILITIES		
Current liabilities:		
Accounts payable:		
Trade	47,535	32,982
Construction/retainage	32,816	29,976
Accrued payroll	31,023	32,363
Accrued compensated absences	46,803	49,898
Accrued interest	41,821	47,406
Unearned revenue	1,228	1,407
Current portion of bonds and notes payable	615,225	615,225
Total current liabilities	816,451	809,257
Noncurrent liabilities:		
OPEB liabilities	193,897	183,240
Net pension liability	601,326	798,674
Bonds and notes payable	4,698,752	5,313,977
Total noncurrent liabilities	5,493,975	6,295,891
Total liabilities	6,310,426	7,105,148
DEFERRED INFLOWS OF RESOURCES		
Deferred credits	11,961	19,936
Deferred inflows of resources related to pensions	50,031	41,688
Total deferred inflows of resources	61,992	61,624
NET POSITION		
Net investment in capital assets	24,211,663	23,104,657
Unrestricted	1,547,812	1,893,961
Total net position	\$ 25,759,475	24,998,618

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
Operating revenues:		
Metered:		
Residential	\$ 1,348,579	1,348,236
Commercial	729,257	680,077
Governmental	270,163	249,583
Public fire protection	816,001	815,865
Private fire protection	519,551	511,392
Other water revenues	6,578	6,524
Total operating revenues	3,690,129	3,611,677
Operating expenses:		
Source of supply	153,622	174,526
Treatment plant	158,693	204,086
Transportation and distribution	1,071,265	1,183,756
Customer accounts	254,436	269,764
Administrative and general	474,617	497,442
Depreciation	853,281	843,048
Total operating expenses	2,965,914	3,172,622
Operating income	724,215	439,055
Nonoperating revenues (expenses):		
Interest revenue	5,288	3,096
Utility contract income	15,870	15,870
Non-utility income	183,552	254,650
Merchandising and jobbing revenue	21,881	16,377
Interest expense	(183,153)	(206,177)
Amortization expense	(6,796)	(6,796)
Total nonoperating revenues (expenses)	36,642	77,020
Change in net position	760,857	516,075
Net position, beginning of year	24,998,618	24,482,543
Net position, end of year	\$ 25,759,475	24,998,618

GREATER AUGUSTA UTILITY DISTRICT
WATER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,906,110	4,067,504
Payments to suppliers	(840,974)	(983,965)
Payments to employees	(1,197,213)	(1,260,146)
Net cash provided by operating activities	1,867,923	1,823,393
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,342,222)	(699,706)
Principal payments on long-term debt	(615,225)	(615,225)
Interest payments on long-term debt	(196,713)	(221,738)
Net cash used in capital and related financing activities	(2,154,160)	(1,536,669)
Cash flows from investing activities:		
Interest revenue	5,288	3,096
Net cash provided by investing activities	5,288	3,096
Net increase (decrease) in cash	(280,949)	289,820
Cash at beginning of year	2,170,396	1,880,576
Cash at end of year	\$ 1,889,447	2,170,396
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 724,215	439,055
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	853,281	843,048
Utility, non-utility, jobbing and miscellaneous revenues	221,303	286,897
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customers	18,651	46,331
(Increase) decrease in accounts receivable - unbilled	(23,173)	121,982
(Increase) decrease in accounts receivable - other	(621)	(790)
(Increase) decrease in inventory	(3,286)	8,756
(Increase) decrease in prepaid expenses	25,767	(33,533)
(Decrease) increase in accounts payable - trade	14,553	7,048
(Decrease) increase in accrued payroll	(1,340)	7,954
(Decrease) increase in accrued compensated absences	(3,095)	6,517
(Decrease) increase in OPEB liabilities	10,657	12,137
(Decrease) increase in net pension liability and related deferred outflows and inflows of resources	31,190	76,584
(Decrease) increase in unearned revenue	(179)	1,407
Net cash provided by operating activities	1,867,923	1,823,393
Noncash capital and related financing activities:		
Amortized debt discount	(6,796)	(6,796)
Amortized deferred credits from bond refinancing proceeds	7,975	9,965

GREATER AUGUSTA UTILITY DISTRICT
SEWER DIVISION
Statements of Net Position
December 31, 2017
(with comparative totals for December 31, 2016)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,020,283	2,607,623
Accounts receivable:		
Customer service	252,139	291,071
Unbilled	337,120	311,877
Intercommunity trunkline - operations	58,129	20,851
Other	325,933	256,200
Inventory	49,141	38,024
Prepaid expenses	25,091	42,383
Total current assets	4,067,836	3,568,029
Noncurrent assets:		
Capital assets:		
Work in process	2,357,574	948,169
Operating property	56,584,134	55,994,686
Less accumulated depreciation	(21,697,531)	(20,412,618)
Net capital assets	37,244,177	36,530,237
Total noncurrent assets	37,244,177	36,530,237
Total assets	41,312,013	40,098,266
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	86,118	278,048
Total deferred outflows of resources	86,118	278,048
LIABILITIES		
Current liabilities:		
Accounts payable:		
Trade	53,071	46,604
Construction/retainage	85,981	112,715
Accrued payroll	24,516	26,079
Accrued compensated absences	36,205	31,333
Accrued interest	41,469	38,898
Unearned revenue	1,088	-
Current portion of bonds and notes payable	1,032,486	1,230,747
Total current liabilities	1,274,816	1,486,376
Noncurrent liabilities:		
OPEB liabilities	795,317	767,010
Net pension liability	542,660	703,594
Bonds and notes payable	12,120,069	11,552,556
Total noncurrent liabilities	13,458,046	13,023,160
Total liabilities	14,732,862	14,509,536
DEFERRED INFLOWS OF RESOURCES		
Deferred credits	258,866	299,195
Deferred inflows of resources related to pensions	45,150	36,725
Total deferred inflows of resources	304,016	335,920
NET POSITION		
Net investment in capital assets	24,345,742	23,746,934
Unrestricted	2,015,511	1,783,924
Total net position	\$ 26,361,253	25,530,858

GREATER AUGUSTA UTILITY DISTRICT
SEWER DIVISION
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
Operating revenues:		
Metered	\$ 3,517,605	3,398,453
Flat rate	15,203	19,575
Trunkline communities	632,758	576,285
Late fees	11,401	13,681
Connection fees	44,655	14,061
Togus debt	365,692	365,692
Total operating revenues	4,587,314	4,387,747
Operating expenses:		
Treatment plant	802,538	852,995
Transportation and distribution	1,120,167	785,553
Customer accounts	168,980	190,623
Administrative and general	380,647	383,524
Trunkline	194,635	187,702
Depreciation	1,292,466	1,291,764
Total operating expenses	3,959,433	3,692,161
Operating income	627,881	695,586
Nonoperating revenues (expenses):		
Interest revenue	5,644	1,544
Miscellaneous	381,104	340,072
Interest expense	(184,234)	(178,026)
Total nonoperating revenues (expenses)	202,514	163,590
Change in net position	830,395	859,176
Net position, beginning of year	25,530,858	24,671,682
Net position, end of year	\$ 26,361,253	25,530,858

GREATER AUGUSTA UTILITY DISTRICT
SEWER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,876,184	4,866,604
Payments to suppliers	(1,475,364)	(1,181,370)
Payments to employees	(1,107,924)	(1,132,306)
Net cash provided by operating activities	2,292,896	2,552,928
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,033,140)	(777,619)
Proceeds from long-term debt	1,600,000	43,540
Principal payments on long-term debt	(1,230,748)	(1,219,540)
Interest payments on long-term debt	(221,992)	(223,250)
Net cash used in capital and related financing activities	(1,885,880)	(2,176,869)
Cash flows from investing activities:		
Interest income	5,644	1,544
Net cash provided by investing activities	5,644	1,544
Net increase in cash	412,660	377,603
Cash at beginning of year	2,607,623	2,230,020
Cash at end of year	\$ 3,020,283	2,607,623
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 627,881	695,586
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,292,466	1,291,764
Miscellaneous and utility contract income	381,104	340,072
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customer service	38,932	172,035
(Increase) decrease in accounts receivable - unbilled	(25,243)	144,376
(Increase) decrease in accounts receivable - intercommunity trunkline	(37,278)	(177,626)
(Increase) decrease in accounts receivable - other	(69,733)	-
(Increase) decrease in inventory	(11,117)	(3,349)
(Increase) decrease in prepaid expenses	17,292	(19,258)
(Decrease) increase in accounts payable - trade	6,467	3,806
(Decrease) increase in accrued payroll	(1,563)	2,294
(Decrease) increase in accrued compensated absences	4,872	(7,238)
(Decrease) increase in OPEB liabilities	28,307	42,999
(Decrease) increase in net pension liability and related deferred outflows and inflows of resources	39,421	67,467
(Decrease) increase in unearned revenue	1,088	-
Net cash provided by operating activities	2,292,896	2,552,928
Noncash capital and related financing activities:		
Amortized deferred credits from bond refinancing proceeds	40,329	40,328

GREATER AUGUSTA UTILITY DISTRICT
STORM WATER DIVISION
Statements of Net Position
December 31, 2017
(with comparative totals for December 31, 2016)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 495,541	600,643
Accounts receivable:		
Customer service	353,097	372,091
Unbilled	314,261	263,026
Inventory	28,861	22,332
Prepaid expenses	18,169	30,691
Total current assets	1,209,929	1,288,783
Noncurrent assets:		
Capital assets:		
Work in process	716,344	514,030
Operating property	39,300,312	38,788,764
Less accumulated depreciation	(13,040,368)	(12,204,639)
Net capital assets	26,976,288	27,098,155
Total noncurrent assets	26,976,288	27,098,155
Total assets	28,186,217	28,386,938
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	51,205	157,811
Total deferred outflows of resources	51,205	157,811
LIABILITIES		
Current liabilities:		
Accounts payable:		
Trade	71,715	69,141
Construction/retainage	33,520	14,601
Accrued payroll	14,591	16,673
Accrued compensated absences	21,199	20,033
Accrued interest	37,204	42,985
Current portion of bonds and notes payable	1,064,081	1,229,419
Total current liabilities	1,242,310	1,392,852
Noncurrent liabilities:		
OPEB liabilities	370,173	353,468
Net pension liability	322,663	399,337
Bonds and notes payable	7,860,099	8,924,179
Total noncurrent liabilities	8,552,935	9,676,984
Total liabilities	9,795,245	11,069,836
DEFERRED INFLOWS OF RESOURCES		
Deferred credits	326,092	359,249
Deferred inflows of resources related to pensions	26,846	20,844
Total deferred inflows of resources	352,938	380,093
NET POSITION		
Net investment in capital assets	18,052,108	16,944,557
Unrestricted	37,131	150,263
Total net position	\$ 18,089,239	17,094,820

GREATER AUGUSTA UTILITY DISTRICT
STORM WATER DIVISION
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
Operating revenues:		
Storm water	\$ 1,223,517	1,377,296
Catch basins	2,333,888	2,015,329
Other	21,169	34,006
Total operating revenues	3,578,574	3,426,631
Operating expenses:		
Treatment plant	471,332	500,966
Transportation and distribution	835,233	794,442
Customer accounts	32,187	36,309
Administrative and general	270,486	257,552
Depreciation	840,165	833,721
Total operating expenses	2,449,403	2,422,990
Operating income	1,129,171	1,003,641
Nonoperating revenues (expenses):		
Interest revenue	3,305	1,545
Interest expense	(138,057)	(160,971)
Total nonoperating revenues (expenses)	(134,752)	(159,426)
Change in net position	994,419	844,215
Net position, beginning of year	17,094,820	16,250,605
Net position, end of year	\$ 18,089,239	17,094,820

GREATER AUGUSTA UTILITY DISTRICT
STORM WATER DIVISION
Statements of Cash Flows
For the Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,546,333	3,365,191
Payments to suppliers	(875,426)	(871,680)
Payments to employees	(673,522)	(646,545)
Net cash provided by operating activities	1,997,385	1,846,966
Cash flows from capital and related financing activities:		
Purchase of capital assets	(699,379)	(433,203)
Proceeds from long-term debt	-	55,414
Principal payments on long-term debt	(1,229,418)	(1,224,607)
Interest payments on long-term debt	(176,995)	(199,899)
Net cash used in capital and related financing activities	(2,105,792)	(1,802,295)
Cash flows from investing activities:		
Interest income	3,305	1,545
Net cash provided by investing activities	3,305	1,545
Net increase (decrease) in cash	(105,102)	46,216
Cash at beginning of year	600,643	554,427
Cash at end of year	\$ 495,541	600,643
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,129,171	1,003,641
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	840,165	833,721
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - customer service	18,994	(17,702)
(Increase) decrease in accounts receivable - unbilled	(51,235)	(42,138)
(Increase) decrease in inventory	(6,529)	(1,968)
(Increase) decrease in prepaid expenses	12,522	(13,945)
(Decrease) increase in accounts payable - trade	2,574	19,931
(Decrease) increase in accrued payroll	(2,082)	3,294
(Decrease) increase in accrued compensated absences	1,166	(1,663)
(Decrease) increase in unearned revenue	-	(1,600)
(Decrease) increase in OPEB liabilities	16,705	27,102
(Decrease) increase in net pension liability and related deferred outflows and inflows of resources	35,934	38,293
Net cash provided by operating activities	1,997,385	1,846,966
Noncash capital and related financing activities:		
Amortized deferred credits from bond refinancing proceeds	33,157	33,156