

**VEAZIE SEWER DISTRICT  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
MAY 31, 2006 AND 2005  
WITH INDEPENDENT AUDITORS' REPORT**

# VEAZIE SEWER DISTRICT

34 HOBSON AVENUE

VEAZIE, MAINE 04401

942-1536

## Report of The Veazie Sewer District 2006 APRIL 14, 2006

The Veazie Sewer District is pleased to report that we received and treated a daily flow of 125,000 gallons of wastewater and met current water quality standards by removing over 90% of the pollutants during 2005.

The Sewer District is responsible for the sanitary sewer collection system as well as the treatment facility and we are happy to report that we did not have any major problems.

In conjunction with the State doing roadwork on Route 2 from Mt. Hope Avenue to Chase Road, the Veazie Sewer District was required to dig up and lower 13 manholes so the grinding equipment could pass over the manholes. Once the grinding was complete we went back, dug the manholes up, and rebuilt them to the new grade for paving.

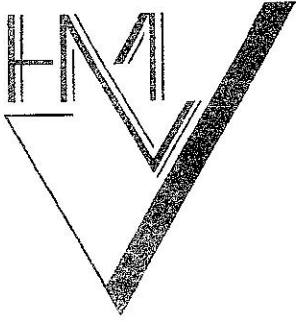
The staff of the Veazie Sewer District is responsible for the treatment facility, process and effluent monitoring, collection system, two pumping stations, record keeping, general housekeeping and the billing and collection of quarterly user fees.

The Veazie Sewer District has 68 diffusers sitting near the bottom of our lagoons at a depth of 12 feet. The diffusers are 3 inches in diameter and 4 feet long. They are attached to wash basins filled with concrete to keep them in place. Air is pushed through piping, then through the diffusers which brakes the air into small bubbles that float to the surface. The bubbles provide mixing as well as oxygen for the organisms that treat the wastewater. Every few years these diffusers need to be raised, cleaned, checked, and returned to the bottom. During the winter months the staff designed and built a barge mostly from parts we had on hand. With this barge we are able to raise, clean, and make any repairs to all 68 diffusers. If we were to purchase a barge as other facilities have it would have cost the District approximately \$8,000.00.

As always, the staff of the Veazie Sewer District encourages anyone who has questions or would like to tour the facility and see how the District is working to improve our environment to call. You also can visit the website at [www.veaziesewerdistrict.com](http://www.veaziesewerdistrict.com).

Respectfully Submitted,  
Veazie Sewer District Trustees and Staff

Trustees  
Esther Bushway  
Gary Brown  
Steven Thebarge  
and Staff  
4/14/06



**HORTON, McFARLAND & VEYSEY, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 543  
ELLSWORTH, MAINE 04605

207-667-5529 • 1-800-499-9108 • FAX 207-667-9915

*M.R. Horton, Jr., CPA  
James E. McFarland, CPA  
Floyd S. Veysey, CPA*

*Amy J. Billings, CPA  
Annette L. Gould, CPA  
Ruth W. Wilbur, EA*

**INDEPENDENT AUDITORS' REPORT**

December 14, 2006

Board of Trustees  
Veazie Sewer District  
Veazie, Maine

We have audited the accompanying balance sheets of Veazie Sewer District as at May 31, 2006 and 2005, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veazie Sewer District as at May 31, 2006 and 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

*Horton, McFarland & Veysey, LLC*

**VEAZIE SEWER DISTRICT  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED MAY 31, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
Revenues:		
Town of Veazie Appropriation	130,000	125,000
User Fees	284,026	270,579
Connection Fees	8,500	11,000
User Late Charges	3,117	2,913
Interest Income	3,282	1,336
	<u>428,925</u>	<u>410,828</u>
Expenses:		
Salaries	121,203	110,718
Trustees Fees	1,300	1,300
Health and Dental Insurance	42,013	37,716
Retirement	1,755	1,580
Payroll Taxes	9,340	8,514
Utilities	46,194	43,296
Supplies	6,540	6,307
Maintenance and Repairs	17,521	18,371
Vehicle Expense	2,343	1,946
Insurance	10,671	10,553
Office Supplies and Expense	2,853	4,114
Telephone	2,335	1,930
Licenses	2,124	2,650
Legal and Audit	4,858	1,005
Engineering	5,264	135
Other	4,263	4,864
Interest	34,627	30,532
Depreciation	178,921	172,949
	<u>494,125</u>	<u>458,480</u>
Net Income (Loss)	<u>(65,200)</u>	<u>(47,652)</u>

*See accompanying notes and accountants' report*



**VEAZIE SEWER DISTRICT**  
**STATEMENT OF CHANGES IN EQUITY CAPITAL**  
**FOR THE YEARS ENDED MAY 31, 2006 AND 2005**

	<i>Unappropriated</i>	<i>Appropriated</i>	<i>Invested in Plant</i>
Balance, May 31, 2004	143,490	250,887	2,913,976
Net Income (Loss) for the Year Ended May 31, 2005	(48,012)		
Appropriated to Reserves	(57,000)	57,000	
Expenditures Withdrawn for Plant	56,010	(56,010)	
Allocation of Debt	(95,000)		95,000
Plant additions	(140,371)		140,371
Depreciation Provision	172,949		(172,949)
Balance May 31, 2005	32,066	251,877	2,976,398
Net Income (Loss) for the Year Ended May 31, 2006	(65,200)		
Appropriated To Reserves	(57,000)	57,000	
Withdrawn for Plant	31,400	(31,400)	
Debt Retired	(100,000)		100,000
Plant Additions	(86,505)		86,505
Depreciation Provision	178,921		(178,921)
Balance May 31, 2006	(66,318)	277,477	2,983,982

*See accompanying notes and accountants' report.*



**VEAZIE SEWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MAY 31, 2006 AND 2005**

	2006	2005
Cash Flows from Operating Activities		
Receipts from Customers and Users	299,726	272,703
Payments to Suppliers	(110,932)	(144,287)
Payments to Employees	(121,203)	(110,718)
Net Cash Provided by Operating Activities	67,591	17,698
Cash Flows from Noncapital Financing Activities		
Investment Income	6,399	4,249
Assessments	130,000	125,000
Net Cash Provided by Noncapital Financing Activities	136,399	129,249
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(86,505)	(140,371)
Interest Payments on Long-term Debt	(39,052)	(35,147)
Principal Payments on Long-term Debt	(100,000)	(95,000)
Net Cash Used in Capital and Related Financing Activities	(225,557)	(270,518)
Net (Decrease) Increase in Cash	(21,567)	(123,571)
Cash at Beginning of Year	258,533	382,104
Cash at End of Year	236,966	258,533
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(30,573)	(17,480)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	178,921	172,949
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	7,200	(8,876)
(Decrease) Increase in payables	48,442	354
Net Cash Provided by Operating and Non Capital Financing Activities	203,990	146,947

*See accompanying notes and accountants' report.*



**VEAZIE SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2006 AND 2005**

**Note 1: Summary of Significant Accounting Policies**

**Business Activity**

Veazie Sewer District furnishes sewerage collection and treatment services in the Town of Veazie. Its accounting policies conform to generally accepted accounting principles as applicable to quasi-municipal units, which utilize the accrual basis of accounting.

**Property and Equipment**

The District follows the policy of charging to operating expenses annual amounts of depreciation, which allocate the cost of property, plant and equipment over their estimated useful lives. The District uses the straight-line method for computing depreciation. The ranges of the estimated useful lives used are for five to fifty years.

Property and equipment are capitalized at cost. Items, which do not extend the useful lives of the assets, are charged to repairs and maintenance expense in the year incurred.

**Income Tax Status**

The District is exempt from federal and state income tax as a quasi-municipality.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2: Accounts Receivable**

- Accounts receivables are due from customers for sewer service. All accounts receivable are deemed collectible and therefore no allowance for doubtful accounts is established.

**NOTE 3: Long Term Debt**

Maine Municipal Bond Bank is to be paid over a period of two years. Interest is due and payable on a semi-annual basis, at rates that range from 5.9% to 6.6% on the unpaid balance. Principal payments are due annually on October 25 as follows:

2005	60,000
2006	65,000

Maine Municipal Bond Bank in the amount of \$1,580,000 is to be paid over a remaining period of eighteen years. Interest is due and payable on a semi-annual basis at 2.056% on the unpaid balance. Principal payments are due annually on October 1 as follows:

2005	40,000
2006	40,000
2007	81,894
2008	83,876
2009	85,906
2010	87,984

Increasing amounts from \$90,906 in 2009 to \$114,456 in 2021 will be due thereafter.

