

**VEAZIE SEWER DISTRICT  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
MAY 31, 2007 AND 2006  
WITH INDEPENDENT AUDITORS' REPORT**

# VEAZIE SEWER DISTRICT

34 HOBSON AVENUE

VEAZIE, MAINE 04401

942-1536

## Report of The Veazie Sewer District 2007 APRIL 18, 2007

The Veazie Sewer District is pleased to report that we received and treated a daily flow of 124,000 gallons of wastewater and met current water quality standards by removing over 95% of the pollutants during 2006.

The 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.

Mt. View Drive sewer, phase 1 was completed last spring. A three-inch pipe was installed from the corner of Chase Road and Mt. View Drive, to the corner of Mt. View drive and Brookside Terrace. At some future time, we will continue down Brookside Terrace. Facility staff cleaned and videotaped the Davis Drive development sewer main and will be doing the same to other areas this summer. The federal EPA is requiring an inventory and video library of the collection system.

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. Since last year facility staff redesigned the bills making them more user friendly.

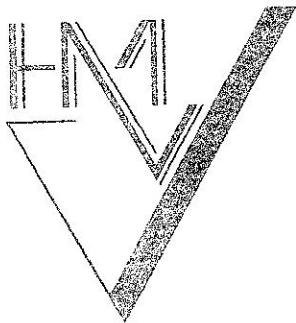
The Veazie Sewer District has 68 diffusers sitting near the bottom of our lagoons at a depth of 12 feet. The diffusers are 3 inches in diameter and 4 feet long. They are attached to wash basins filled with concrete to keep them in place. Air is pushed through piping, then through the diffusers, which breaks the air into small bubbles that float to the surface. The bubbles provide mixing as well as oxygen for the microorganisms that treat the wastewater. Every few years these diffusers need to be raised, cleaned, checked, and returned to the bottom. Last spring facility staff, using a barge they constructed of mostly items on hand, raised all 68 diffusers, cleaned and inspected them, and made any needed repairs.

The District frequently is visited by wildlife such as deer, fox, turtles, and families of ducks. Last spring we were visited by a beaver that stayed in lagoon 2 for the day swimming after the ducks and entertaining the staff.

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  
4/18/07



**HORTON, MCFARLAND & VEYSEY, LLC**

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**INDEPENDENT AUDITORS' REPORT**

November 30, 2007

Board of Trustees  
Veazie Sewer District  
Veazie, Maine

We have audited the accompanying balance sheets of Veazie Sewer District as at May 31, 2007 and 2006, 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, 2007 and 2006, 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*

**VEAZIE SEWER DISTRICT  
BALANCE SHEETS  
MAY 31, 2007 AND 2006**

<b>ASSETS</b>		<b>2007</b>	<b>2006</b>
Current Assets:			
Cash on Hand		99	188
Cash Checking		45,849	36,196
Cash Savings		3,653	9,120
Cash Money Market		101,323	109,325
Cash Escrow Accounts			4,154
Accounts Receivable -Customer		39,534	38,375
		<u>190,458</u>	<u>197,358</u>
Reserve Fund - Savings		<u>23,032</u>	<u>77,983</u>
Utility Plant and Equipment			
Sewers and Treatment Plant		6,602,179	6,628,171
Less: Accumulated Depreciation		<u>2,155,548</u>	<u>2,079,189</u>
		<u>4,446,631</u>	<u>4,548,982</u>
Total Assets		<u>4,660,121</u>	<u>4,824,323</u>
<b>LIABILITIES AND EQUITY CAPITAL</b>			
Current Liabilities:			
Accounts Payable		8,547	52,684
Payroll Taxes		2,207	1,922
Bonds Payable - Current Portion		81,894	100,000
Accrued Interest		<u>5,003</u>	<u>9,576</u>
		<u>97,651</u>	<u>164,182</u>
Bonds Payable		1,460,000	1,565,000
Less: Current Portion		<u>81,894</u>	<u>100,000</u>
		<u>1,378,106</u>	<u>1,465,000</u>
Retained Earnings:			
Unappropriated		(48,784)	(66,318)
Appropriated		246,517	277,477
Invested in Plant - Net of Debt		<u>2,986,631</u>	<u>2,983,982</u>
		<u>3,184,364</u>	<u>3,195,141</u>
Total Liabilities and Equity Capital		<u>4,660,121</u>	<u>4,824,323</u>

*See accompanying notes and accountants' report.*



**VEAZIE SEWER DISTRICT  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED MAY 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
Revenues:		
Town of Veazie Appropriation	135,000	130,000
User Fees	279,537	284,026
Connection Fees	4,500	8,500
User Late Charges	3,290	3,117
Interest Income	3,426	3,282
	<u>425,753</u>	<u>428,925</u>
Expenses:		
Salaries	124,227	121,203
Trustees Fees	1,300	1,300
Health and Dental Insurance	45,245	42,013
Retirement	1,600	1,755
Payroll Taxes	9,905	9,340
Utilities	48,888	46,194
Supplies	7,616	6,540
Maintenance and Repairs	20,969	17,521
Vehicle Expense	2,486	2,343
Insurance	10,878	10,671
Office Supplies and Expense	3,753	2,853
Telephone	2,281	2,335
Licenses	444	2,124
Legal and Audit	5,105	4,858
Engineering	473	5,264
Other	4,294	4,263
Interest	29,057	34,627
Depreciation	118,009	178,921
	<u>436,530</u>	<u>494,125</u>
Net Income (Loss)	<u>(10,777)</u>	<u>(65,200)</u>

*See accompanying notes and accountants' report*



**VEAZIE SEWER DISTRICT**  
**STATEMENT OF CHANGES IN EQUITY CAPITAL**  
**FOR THE YEARS ENDED MAY 31, 2007 AND 2006**

	<i>Unappropriated</i>	<i>Appropriated</i>	<i>Invested in Plant</i>
Balance May 31, 2005	<u>32,066</u>	<u>251,877</u>	<u>2,976,398</u>
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	<u>178,921</u>		<u>(178,921)</u>
Balance May 31, 2006	<u>(66,318)</u>	<u>277,477</u>	<u>2,983,982</u>
Net Income (Loss) for the Year Ended May 31, 2007	(10,777)		
Appropriated To Reserves	(24,300)	24,300	
Withdrawn for Plant	55,260	(55,260)	
Debt Retired	(105,000)		105,000
Plant Additions	(15,658)		15,658
Depreciation Provision	<u>118,009</u>		<u>(118,009)</u>
Balance May 31, 2007	<u>(48,784)</u>	<u>246,517</u>	<u>2,986,631</u>

*See accompanying notes and accountants' report.*



**VEAZIE SEWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MAY 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
Cash Flows from Operating Activities		
Receipts from Customers and Users	282,881	299,726
Payments to Suppliers	(209,089)	(110,932)
Payments to Employees	(124,227)	(121,203)
Net Cash Provided by Operating Activities	<u>(50,435)</u>	<u>67,591</u>
Cash Flows from Noncapital Financing Activities		
Investment Income	6,716	6,399
Assessments	135,000	130,000
Net Cash Provided by Noncapital Financing Activities	<u>141,716</u>	<u>136,399</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(15,658)	(86,505)
Interest Payments on Long-term Debt	(33,630)	(39,052)
Principal Payments on Long-term Debt	(105,000)	(100,000)
Net Cash Used in Capital and Related Financing Activities	<u>(154,288)</u>	<u>(225,557)</u>
Net (Decrease) Increase in Cash	(63,007)	(21,567)
Cash at Beginning of Year	<u>236,966</u>	<u>258,533</u>
Cash at End of Year	<u>173,959</u>	<u>236,966</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	18,280	(30,573)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	118,009	178,921
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,159)	7,200
(Decrease) Increase in payables	(43,852)	48,442
Net Cash Provided by Operating and Non Capital Financing Activities	<u>91,278</u>	<u>203,990</u>

*See accompanying notes and accountants' report.*



**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 affect 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 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:

2007	81,894
2008	83,876
2009	85,906
2010	87,984
2011	90,113

Increasing amounts from \$92,294 in 2012 to \$114,456 in 2021 will be due thereafter.

