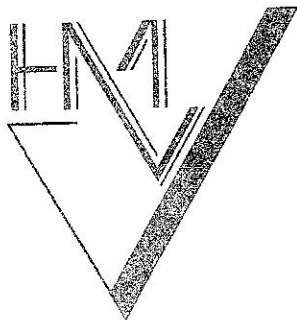


**VEAZIE SEWER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2008 AND 2007
WITH INDEPENDENT AUDITORS' REPORT**



HORTON, McFARLAND & VEYSEY, LLC

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INDEPENDENT AUDITORS' REPORT

October 8, 2008

Board of Trustees
Veazie Sewer District
Veazie, Maine

We have audited the accompanying balance sheets of Veazie Sewer District as at May 31, 2008 and 2007, 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, 2008 and 2007, 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
BALANCE SHEETS
MAY 31, 2008 AND 2007**

ASSETS

	2008	2007
Current Assets:		
Cash on Hand	122	99
Cash Checking	32,595	45,849
Cash Savings	17,717	3,653
Cash Money Market	113,593	101,323
Accounts Receivable -Customer	23,509	39,534
	<u>187,536</u>	<u>190,458</u>
Reserve Fund - Savings	<u>23,161</u>	<u>23,032</u>
Utility Plant and Equipment		
Sewers and Treatment Plant	6,602,179	6,602,179
Less: Accumulated Depreciation	<u>2,320,022</u>	<u>2,155,548</u>
	<u>4,282,157</u>	<u>4,446,631</u>
Total Assets	<u>4,492,854</u>	<u>4,660,121</u>

LIABILITIES AND EQUITY CAPITAL

Current Liabilities:		
Accounts Payable	1,701	8,547
Payroll Taxes	1,650	2,207
Bonds Payable - Current Portion	83,876	81,894
Accrued Interest	4,723	5,003
	<u>91,950</u>	<u>97,651</u>
Bonds Payable	1,378,106	1,460,000
Less: Current Portion	<u>83,876</u>	<u>81,894</u>
	<u>1,294,230</u>	<u>1,378,106</u>
Retained Earnings:		
Unappropriated	(68,194)	(48,784)
Appropriated	270,817	246,517
Invested in Plant - Net of Debt	2,904,051	2,986,631
	<u>3,106,674</u>	<u>3,184,364</u>
Total Liabilities and Equity Capital	<u>4,492,854</u>	<u>4,660,121</u>

See accompanying notes and accountants' report.



**VEAZIE SEWER DISTRICT
STATEMENTS OF INCOME
FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

	2008	2007
Revenues:		
Town of Veazie Appropriation	140,000	135,000
User Fees	276,614	279,537
Connection Fees	14,000	4,500
User Late Charges	(481)	3,290
Interest Income	2,804	3,426
	<u>432,937</u>	<u>425,753</u>
Expenses:		
Salaries	132,272	124,227
Trustees Fees	1,300	1,300
Health and Dental Insurance	58,464	45,245
Retirement	1,640	1,600
Payroll Taxes	10,235	9,905
Utilities	41,527	48,888
Supplies	6,392	7,616
Maintenance and Repairs	26,070	20,969
Vehicle Expense	2,515	2,486
Insurance	8,158	10,878
Office Supplies and Expense	2,978	3,753
Telephone	2,473	2,281
Licenses	888	444
Legal and Audit	7,890	5,105
Engineering	5,879	473
Other	6,928	4,294
Interest	30,561	29,057
Depreciation	164,474	118,009
	<u>510,644</u>	<u>436,530</u>
Net Income (Loss)	<u>(77,707)</u>	<u>(10,777)</u>

See accompanying notes and accountants' report



**VEAZIE SEWER DISTRICT
STATEMENT OF CHANGES IN EQUITY CAPITAL
FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

	<i>Unappropriated</i>	<i>Appropriated</i>	<i>Invested in Plant</i>
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></u>	<u>(118,009)</u>
Balance May 31, 2007	<u>(48,784)</u>	<u>246,517</u>	<u>2,986,631</u>
Net Income (Loss) for the Year Ended May 31, 2008	(77,707)		
Appropriated To Reserves	(24,300)	24,300	
Debt Retired	(81,894)		81,894
Depreciation Provision	<u>164,474</u>	<u></u>	<u>(164,474)</u>
Balance May 31, 2008	<u>(68,211)</u>	<u>270,817</u>	<u>2,904,051</u>

See accompanying notes and accountants' report.



**VEAZIE SEWER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

	2008	2007
Cash Flows from Operating Activities		
Receipts from Customers and Users	306,656	282,878
Payments to Suppliers	(190,740)	(209,089)
Payments to Employees	(132,272)	(124,227)
Net Cash Provided by Operating Activities	(16,356)	(50,438)
Cash Flows from Noncapital Financing Activities		
Investment Income	2,323	6,716
Assessments	140,000	135,000
Net Cash Provided by Noncapital Financing Activities	142,323	141,716
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	0	(15,658)
Interest Payments on Long-term Debt	(30,841)	(33,630)
Principal Payments on Long-term Debt	(81,894)	(105,000)
Net Cash Used in Capital and Related Financing Activities	(112,735)	(154,288)
Net (Decrease) Increase in Cash	13,232	(63,010)
Cash at Beginning of Year	173,956	236,966
Cash at End of Year	187,188	173,956
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(47,146)	18,280
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	164,474	118,009
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	16,042	(1,159)
(Decrease) Increase in payables	(7,403)	(43,852)
Net Cash Provided by Operating and Non Capital Financing Activities	125,967	91,278

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:

2008	83,876
2009	85,906
2010	87,984
2011	90,113
2012	92,294

Increasing amounts from \$94,528 in 2013 to \$114,456 in 2021 will be due thereafter.

