

**VEAZIE SEWER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2009 AND 2008
WITH INDEPENDENT AUDITORS' REPORT
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**VEAZIE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2009**

The Veazie 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 the past year. The District is pleased to report that we received and treated a daily flow of 123, 000 gallons of wastewater and met current water quality standards by removing over 90% of the pollutants during 2008.

From time to time, the District needs to enter manholes which are considered confined spaces. The District applied for and received a Safety Enhancement Grant worth \$2,000 for a 2:1 matching grant. We replaced a tripod, winch, harness and two portable radios to be used in confined space entry.

District staff attended a dedication for the Mary Silver memorial at the Veazie Community School. The Veazie Garden Club purchased and planted 500 flower bulbs with the District's donation in Mary's name, near the tree and memorial plaque in her honor.

We sent out a mailing to allow District ratepayers the option of helping us keep costs down in order to delay a rate increase. As stated in the mailer (newsletter), one of the big items that will help delay a rate increase is to keep sump pumps out of the sewer system by putting your sump pump hose out the cellar window. We have dealt with a lot of excessive rain and unusual storms over the past year. Water from sump pumps is clean water and should not be pumped into the sewer where we need to pay to treat it.

A major piece of equipment, a Muffin Monster, which is the first piece of equipment the wastewater flows through as it gets to the facility, needed to be replaced. The Muffin Monster is a very powerful grinder. A rebuilt Muffin Monster was purchased at a reduced price with the exchange of our old one. All work was completed by facility staff.

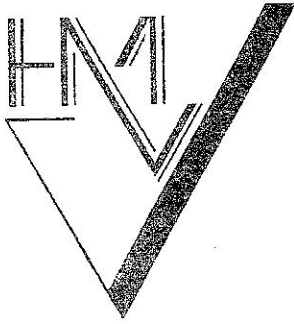
We continue to update our website and plan to keep adding information to it.

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 can also visit the website at www.veaziesewerdistrict.com.

Respectfully Submitted,

Veazie Sewer District Trustees and Staff

Trustees: Steven Theborge, Esther Bushway, Gary Brown



HORTON, McFARLAND & VEYSEY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

September 17, 2009

Board of Trustees
Veazie Sewer District
Veazie, Maine

We have audited the accompanying balance sheets of Veazie Sewer District as at May 31, 2009 and 2008, 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, 2009 and 2008, 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, 2009 AND 2008**

ASSETS

	2009	2008
Current Assets:		
Cash on Hand	83	122
Cash Checking	31,815	32,595
Cash Savings	9,548	17,717
Cash Money Market	135,585	113,593
Accounts Receivable -Customer	18,427	23,492
	<u>195,458</u>	<u>187,519</u>
Reserve Fund - Savings	<u>75,907</u>	<u>23,161</u>
Utility Plant and Equipment		
Sewers and Treatment Plant	6,615,612	6,602,179
Less: Accumulated Depreciation	<u>2,485,104</u>	<u>2,320,022</u>
	<u>4,130,508</u>	<u>4,282,157</u>
Total Assets	<u>4,401,873</u>	<u>4,492,837</u>

LIABILITIES AND EQUITY CAPITAL

Current Liabilities:		
Accounts Payable	3,785	1,701
Payroll Taxes	1,906	1,650
Bonds Payable - Current Portion	85,906	83,876
Accrued Interest	6,652	4,723
	<u>98,249</u>	<u>91,950</u>
Bonds Payable	1,294,230	1,378,106
Less: Current Portion	<u>85,906</u>	<u>83,876</u>
	<u>1,208,324</u>	<u>1,294,230</u>
Retained Earnings:		
Unappropriated	(44,095)	(68,211)
Appropriated	303,117	270,817
Invested in Plant - Net of Debt	<u>2,836,278</u>	<u>2,904,051</u>
	<u>3,095,300</u>	<u>3,106,657</u>
Total Liabilities and Equity Capital	<u>4,401,873</u>	<u>4,492,837</u>

See accompanying notes and accountants' report.



**VEAZIE SEWER DISTRICT
STATEMENTS OF INCOME
FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

	2009	2008
Revenues:		
Town of Veazie Appropriation	140,000	140,000
User Fees	277,222	276,614
Connection Fees	1,500	14,000
User Late Charges	1,128	(481)
Interest Income	1,188	2,804
Foreclosure Proceeds	77,000	-
	<u>498,038</u>	<u>432,937</u>
Expenses:		
Salaries	142,559	132,272
Trustees Fees	1,300	1,300
Health and Dental Insurance	61,932	58,464
Retirement	2,110	1,640
Payroll Taxes	11,074	10,235
Utilities	47,037	41,527
Supplies	6,161	6,392
Maintenance and Repairs	14,162	26,070
Vehicle Expense	2,515	2,515
Insurance	10,939	8,158
Office Supplies and Expense	3,144	2,978
Telephone	2,512	2,473
Licenses	1,667	888
Legal and Audit	2,963	7,890
Engineering	237	5,879
Other	4,946	6,928
Interest	31,072	30,561
Depreciation	165,082	164,474
	<u>511,412</u>	<u>510,644</u>
Net Income (Loss)	<u>(13,374)</u>	<u>(77,707)</u>

See accompanying notes and accountants' report



VEAZIE SEWER DISTRICT
STATEMENT OF CHANGES IN EQUITY CAPITAL
FOR THE YEARS ENDED MAY 31, 2009 AND 2008

	<i>Unappropriated</i>	<i>Appropriated</i>	<i>Invested in Plant</i>
Balance May 31, 2008	<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>
Net Income (Loss) for the Year Ended May 31, 2009	(13,374)		
Appropriated To Reserves	(32,300)	32,300	
contributions in Aid	2,017		
Debt Retired	(83,876)		83,876
Plant Additions	(13,433)		13,433
Depreciation Provision	<u>165,082</u>	<u></u>	<u>(165,082)</u>
Balance May 31, 2009	<u>(44,095)</u>	<u>303,117</u>	<u>2,836,278</u>

See accompanying notes and accountants' report.



VEAZIE SEWER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008

	2009	2008
Cash Flows from Operating Activities		
Receipts from Customers and Users	283,787	306,656
Payments to Suppliers	(170,359)	(190,740)
Payments to Employees	(142,559)	(132,272)
Net Cash Provided by Operating Activities	(29,131)	(16,356)
Cash Flows from Noncapital Financing Activities		
Investment Income	2,316	2,323
Assessments	140,000	140,000
Foreclosure Proceeds	77,000	-
Net Cash Provided by Noncapital Financing Activities	219,316	142,323
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(13,433)	0
Interest Payments on Long-term Debt	(29,143)	(30,841)
Principal Payments on Long-term Debt	(83,876)	(81,894)
Construction Receipts	2,017	-
Net Cash Used in Capital and Related Financing Activities	(124,435)	(112,735)
Net (Decrease) Increase in Cash	65,750	13,232
Cash at Beginning of Year	187,188	173,956
Cash at End of Year	252,938	187,188
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	17,698	(47,146)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	165,082	164,474
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	5,065	16,042
(Decrease) Increase in Payables	2,340	(7,403)
Net Cash Provided by Operating and	190,185	125,967
Non Capital Financing Activities		

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 \$1,294,230 is to be paid over a remaining period of thirteen years. Interest is due and payable on a semi-annual basis at 2.056% on the unpaid balance. Principal plus interest payments are due as follows:

	Principal	Interest	Total
2010	85,906	29,633	115,539
2011	87,985	27,856	115,841
2012	90,114	26,036	116,150
2013	92,295	24,171	116,466
2014	94,528	22,262	116,790
2015 - 2019	508,083	81,006	589,089
2020 - 2022	<u>335,319</u>	<u>22,553</u>	<u>357,872</u>
	<u>1,294,230</u>	<u>233,517</u>	<u>1,527,747</u>

