

**VEAZIE SEWER DISTRICT  
FINANCIAL STATEMENTS  
MAY 31, 2014 AND 2013  
WITH INDEPENDENT AUDITORS' REPORT  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Veazie Sewer District  
Veazie, Maine

We have audited the accompanying financial statements of the Veazie Sewer District as of and for the years ended May 31, 2014 and 2013, and the related notes to the 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions 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 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 qualified audit opinion.

### **Basis for Qualified Opinion**

Auditing standards generally accepted in the United States of America require we design and perform audit procedures to identify litigation, claims and assessments that may give rise to a risk of material misstatement. Because of cost considerations, management declined to send a legal representation letter which we consider a necessary audit procedure. Because of this management-imposed limitation, we were unable to obtain sufficient appropriate audit evidence regarding litigation, claims and assessments.

### **Qualified Opinion**

In our opinion, except for the possible effects on the 2013 financial statements of declining to send a legal representation letter as described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Veazie Sewer District, as of May 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years 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 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.

*Horton McFarland + Veysey, LLC*

Horton, McFarland & Veysey, LLC  
Ellsworth, Maine  
September 24, 2014



**Veazie Sewer District  
Management's Discussion and Analysis  
May 31, 2014 and 2013**

Introduction of the Financial Statements

The Veazie Sewer District (the District) furnishes sewerage collection and treatment services in the Town of Veazie. The District's basic financial statements include the:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Fund Net Position
- Statements of Cash Flows
- Notes to the Financial Statements

The statement of net position presents the financial position of the District by providing information about the nature and amount of resources and obligations at year-end. The statement of revenues, expenses and changes in fund 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. The statement of cash flows presents the amount of cash and cash equivalents generated and used during the fiscal year. The notes to the financial statements present required disclosures and other information that are essential to a full understanding of the material provided in the statements.

Comparison of Financial Statements for Current and Prior Years

**Statements of Net Position**

	<b>2014</b>	<b>2013</b>
Current Assets	158,579	94,777
Capital Assets, Net	3,409,089	3,557,185
Other Assets	1,984	1,984
<b>Total Assets</b>	<u>3,569,652</u>	<u>3,653,946</u>
Current Liabilities	154,305	152,360
Non-Current Liabilities	748,570	848,078
<b>Total Liabilities</b>	<u>902,875</u>	<u>1,000,438</u>
Net Position:		
Net Investment in Capital Assets	2,565,687	2,619,254
Unrestricted	101,090	34,254
<b>Total Net Position</b>	<u>2,666,777</u>	<u>2,653,508</u>
<b>Total Liabilities and Net Position</b>	<u>3,569,652</u>	<u>3,653,946</u>

## Comparison of Financial Statements for Current and Prior Years (Continued)

### **Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>2014</b>	<b>2013</b>
Operating Revenues	483,917	495,570
Non-Operating Revenues	13	109
Total Revenues	<u>483,930</u>	<u>495,679</u>
Operating Expenses	450,974	593,058
Non-Operating Expenses	19,687	26,357
Total Expenses	<u>470,661</u>	<u>619,415</u>
Change in Net Position	13,269	(123,736)
Net Position – Beginning of Year	<u>2,653,508</u>	<u>2,777,244</u>
Net Position – End of Year	<u>2,666,777</u>	<u>2,653,508</u>

### Overall Financial Position and Results of Operations

To analyze the change in the District's overall financial position and results of operations in the past year, we have focused on two elements: revenue stability and financial ratios.

#### **Revenue Stability:**

Sewer rates are set to maintain operations and pay debt service. The District's primary sources of operating revenues are an assessment to the Town of Veazie, user usage fees and debt service and capital fees. Overall, operating revenues decreased \$11,653 or 2.35%. Approximately 23% of total operating revenues are generated from the assessment to the Town of Veazie.

#### **Financial Ratios:**

Two of the key financial ratios for analyzing the District's financial position are the current ratio and the coverage ratio. The current ratio measures an entity's ability to meet short-term obligations. The coverage ratio shows an entity's ability to meet debt service payments. During fiscal year 2014, the current ratio increased from 0.62 to 1.03. During fiscal year 2013, the coverage ratio increased from 0.53 to 1.68.

#### *Current Ratio*

	<b>2014</b>	<b>2013</b>
Current Assets	158,579	94,777
Current Liabilities	154,305	152,360
Current Ratio	1.03	0.62

## Overall Financial Position and Results of Operations (Continued)

### *Coverage Ratio*

	<b>2014</b>	<b>2013</b>
Operating Revenues	483,917	495,570
Non-Operating Revenues	13	109
Total Revenues	<u>483,930</u>	<u>495,679</u>
Operating Expenses	450,974	593,058
Depreciation	<u>(160,029)</u>	<u>(160,570)</u>
Expenses	<u>290,945</u>	<u>432,488</u>
Net Available for Debt Service	<u>192,985</u>	<u>63,191</u>
Principal Payments	94,528	92,295
Interest Payments	<u>20,005</u>	<u>26,668</u>
Total Debt Service Payments	<u>114,533</u>	<u>118,963</u>
Coverage Ratio	1.68	0.53

### Significant Transactions and Changes

The past year has moved the District toward significantly improved financial stability. For the first time in the past several years, the District's revenues actually covered its expenses. The District is now in a position to pay off some of its previously unfunded obligations and is restoring necessary reserves allowing the District to address needed plant and system upgrades as well as set aside the needed funds to meet its Maine Municipal Bond Bank payment obligations.

It is the goal of the District to work toward reducing and eventually eliminating the assessment on local property taxes and hopefully the District will also be able to reduce rates or at a minimum keep them from rising again anytime soon. The reduction of the property tax assessment is currently happening. The previously undefined tax assessment was at \$150,000 per year and was reduced last year to \$110,000. This upcoming year the assessment has been further reduced to \$96,500 and is projected to be further reduced to \$60,000 the following year. The assessment this upcoming year would have been \$60,000, but funds had to be generated to pay a previously unfunded obligation to pay accrued sick leave (up to 180 days of sick leave per employee) to employees who resigned from the District. The District has revised its policies and no longer pays for unused sick leave, so this liability will not re-occur in the future. The District has also re-established a long time policy of defining its assessment to the Town what the assessed funds will actually be used for. For several years only an amount was given with no definition of where it would be used. The current Trustees believe the citizens of Veazie should be aware of how their tax dollars are being spent. This upcoming year, \$36,500 of the assessment will be directed towards paying the unfunded sick leave liability created by previous Boards of Trustees and \$60,000 will be directed to replace capital reserve funds that were depleted to pay ever increasing operating costs. The operating cost increases were primarily driven by large annual increases in labor costs that occurred over a 10 year period.

### Significant Transactions and Changes (Continued)

The District has worked to clean up several liens on properties which were levied but never paid, or in some cases the outstanding balances were paid but liens were not discharged, creating potential issues for rate payers during title searches and property transactions.

Our fiscal audit for 2012-2013 is online at <http://www.veaziesewerdistrict.com/minutes.html>. Once the 2013-2014 audit is completed it will be posted as well.

As a result of Legislative changes initiated by the Trustees, election of Trustees is now carried out as part of the Town ballot on Election Day. All citizens of Veazie are now eligible to vote under the same laws and rules as every other municipal election in the town. The Trustees believe this change provides a better opportunity for citizen's voices to be heard in the elections for Trustees.

Plant operations have been streamlined as a result of a manpower evaluation conducted by an outside engineering firm - Woodard and Curran. As a result of the study, the District has reduced staffing from 4 employees to 2 full time employees. Wage rates are now appropriate for the position and facility. The District continues to meet its requirements under Dana McLaughlin, Superintendent and Becky Chase, Bookkeeper and Assistant to the Superintendent. This two person staff, along with part time help as required for special projects, has helped reduce the District's overhead and operating costs significantly while meeting the plant's license requirements.

### Budgetary Highlights

The District is not legally required to adopt budgetary accounting and reporting; however, an annual budget is prepared by management and approved by the Board of Trustees. There were no significant variations between original and final budget amounts. Overall, the District operated within 5% of its total budgeted revenue amount for fiscal year 2014. Significant variations between final budget amounts and actual results for operating expenses in fiscal year 2014 were:

1. Salaries being under-budget \$25,018.
2. Benefits being under-budget \$24,322.
3. Legal being over-budget \$14,470.
4. Engineering being under-budget \$15,692.

### Capital Assets and Long-Term Debt

The only major capital asset addition in fiscal year 2014 was plant equipment totaling \$11,933. Long-term debt outstanding at May 31, 2014 is \$843,402. Debt retired in fiscal year 2014 totaled \$94,528. No new debt was issued in fiscal year 2014. There are no unfinished commitments for capital expenditures at May 31, 2014 or any debt limitations that may affect future financing. There were no changes in credit ratings in fiscal year 2014.

### Next Year's Operations

The District and its employees will continue working to improve the discharge quality while reducing the expense of operation. There are no plans for major capital projects in fiscal year 2015. The District will reduce its annual assessment to the Town of Veazie by \$13,500 in fiscal year 2015.

### Request For Information

Questions about the District's finances and activities may be directed to Dana McLaughlin, Superintendent, 34 Hobson Avenue, Veazie, Maine 04401. Phone: 207-942-1536.



**VEAZIE SEWER DISTRICT  
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS  
AT MAY 31,**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
Current Assets:		
Cash - Unrestricted	14,098	60,147
Cash - Board Designated	120,739	-
Accounts Receivable	21,505	32,779
Prepaid Insurance	2,237	1,851
Total Current Assets	<u>158,579</u>	<u>94,777</u>
Non-Current Assets:		
Property, Plant and Equipment:		
Utility Plant	6,804,043	6,803,809
Less: Accumulated Depreciation	<u>3,394,954</u>	<u>3,246,624</u>
Total Property, Plant and Equipment	3,409,089	3,557,185
Customer Escrow Funds	<u>1,984</u>	<u>1,984</u>
Total Non-Current Assets	<u>3,411,073</u>	<u>3,559,169</u>
Total Assets	<u><u>3,569,652</u></u>	<u><u>3,653,946</u></u>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities:		
Accounts Payable	20,546	13,882
Accrued Interest	3,418	3,735
Accrued Benefits	33,525	40,215
Current Portion of Long-Term Debt	<u>96,816</u>	<u>94,528</u>
Total Current Liabilities	<u>154,305</u>	<u>152,360</u>
Non-Current Liabilities:		
Long-Term Debt	746,586	843,403
Compensated Absences	-	2,691
Customer Escrow Liability	<u>1,984</u>	<u>1,984</u>
Total Non-Current Liabilities	<u>748,570</u>	<u>848,078</u>
Net Position:		
Net Investment in Capital Assets	2,565,687	2,619,254
Unrestricted	<u>101,090</u>	<u>34,254</u>
Total Net Position	<u>2,666,777</u>	<u>2,653,508</u>
Total Liabilities and Net Position	<u><u>3,569,652</u></u>	<u><u>3,653,946</u></u>

*See independent auditors' report and accompanying notes to the financial statements.*



**VEAZIE SEWER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
YEARS ENDED MAY 31,**

	<b>2014</b>	<b>2013</b>
Operating Revenues:		
Town of Veazie Assessment	110,000	150,000
User Usage Fees	213,935	208,240
Debt Service and Capital Reserve Fees	151,542	109,340
User Late Charges and Fees	8,440	2,990
Other Income	-	25,000
Total Operating Revenues	<u>483,917</u>	<u>495,570</u>
Operating Expenses:		
Salaries and Wages	77,282	120,111
Employee Benefits	29,678	28,245
Payroll Taxes	6,595	9,494
Utilities	40,831	44,980
Supplies	13,577	7,627
Maintenance and Repairs	26,196	18,897
Lab Expense	5,194	5,507
Insurance	14,325	12,280
Office Supplies and Expense	8,498	4,453
Licenses	1,716	3,022
Legal Services	36,471	76,114
Accounting Services	5,654	12,279
Engineering Services	19,808	85,483
All Other	5,120	3,996
Depreciation	160,029	160,570
Total Operating Expenses	<u>450,974</u>	<u>593,058</u>
Net Operating Income	<u>32,943</u>	<u>(97,488)</u>
Non-Operating Revenues (Expenses):		
Interest Income	13	109
Interest Expense	(19,687)	(26,357)
Total Non-Operating Revenues (Expenses)	<u>(19,674)</u>	<u>(26,248)</u>
Change in Net Position	13,269	(123,736)
Net Position - Beginning of Year	<u>2,653,508</u>	<u>2,777,244</u>
Net Position - End of Year	<u>2,666,777</u>	<u>2,653,508</u>

*See independent auditors' report and accompanying notes to the financial statements.*



**VEAZIE SEWER DISTRICT  
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS  
YEARS ENDED MAY 31,**

	<b>2014</b>	<b>2013</b>
Cash Flows from Operating Activities:		
Receipts from Customers and Users	495,191	489,447
Payments to Suppliers	(177,707)	(261,077)
Payments to Employees	(116,341)	(157,370)
Net Cash Flows from Operating Activities	<u>201,143</u>	<u>71,000</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(11,933)	(4,134)
Interest Payments on Long-Term Debt	(20,005)	(26,668)
Principal Payments on Long-Term Debt	(94,528)	(92,295)
Net Cash Flows from Capital and Related Financing Activities	<u>(126,466)</u>	<u>(123,097)</u>
Cash Flows from Investing Activities:		
Investment Income	13	109
Net Cash Flows from Investing Activities:	<u>13</u>	<u>109</u>
Net Increase (Decrease) in Cash and Cash Equivalents	74,690	(51,988)
Cash and Cash Equivalents at Beginning of Year	<u>60,147</u>	<u>112,135</u>
Cash and Cash Equivalents at End of Year	<u><u>134,837</u></u>	<u><u>60,147</u></u>
Components of Cash:		
Unrestricted	14,098	60,147
Board Designated	<u>120,739</u>	<u>-</u>
	<u><u>134,837</u></u>	<u><u>60,147</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income (Loss)	32,943	(97,488)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation Expense	160,029	160,570
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	11,274	(6,123)
(Increase) Decrease in Prepaid Insurance	(386)	471
(Increase) Decrease in Customer Escrow Funds	-	(1,984)
(Increase) Decrease in Other Assets	-	20,315
(Decrease) Increase in Accounts Payable	6,664	2,269
(Decrease) Increase in Accrued Benefits	(6,690)	24,798
(Decrease) Increase in Compensated Absences	(2,691)	(33,812)
(Decrease) Increase in Customer Escrow Liability	-	1,984
Net Cash Flows from Operating Activities	<u><u>201,143</u></u>	<u><u>71,000</u></u>

*See independent auditors' report and accompanying notes to the financial statements.*



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

The Veazie Sewer District's (the District) financial statements include the operations for which the Board of Trustees exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Business Activity**

The 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. The major sources of revenue are user usage fees, user debt service and capital fees and an assessment to the Town of Veazie. There are no component units or fiduciary funds included in the District. Revenue is recognized when billed to customers.

**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 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.

**Restricted Resources**

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**Deposits and Investments**

Maine Statutes authorize investments in obligations of the U.S. Treasury and U.S Agencies, repurchase agreements, corporate stocks and bonds within statutory limits, obligations of financial institutions and mutual funds. The District has not formally adopted deposit and investment policies that limit the District's allowable deposits or investments and address the specific types of risk to which the District is exposed beyond Maine Statutes.

**Cash, Cash Equivalents and Custodial Credit Risk**

For purposes of these statements, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District does not have policies for bank balances not covered by depository insurance known as custodial credit risk. All cash is covered by FDIC insurance at May 31, 2014 and 2013. All cash is considered available for current use at May 31, 2014 and 2013. Cash totaling \$120,739 has been designated by the Board of Trustees at May 31, 2014 for debt service payments, capital asset replacements and sick leave buy back.



**Note 1: Summary of Significant Accounting Policies (Continued)**

**Accounts Receivable**

Accounts receivable are stated at net realizable value. Uncollectible accounts are written off in the year in which they are deemed to be uncollectible. No allowance for doubtful accounts has been recorded in the financial statements.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation has been provided on a basis considered adequate to amortize the cost of depreciable assets over their estimated useful lives on the straight-line method at rates from 2% to 20%. Annual rates in use are as follows:

Buildings and Pump Station	2.5% - 3.3%
Collection System	2.0%
Vehicles	10.0% - 20.0%
General Equipment	10.0% - 20.0%

Land costs are not being depreciated because they have indefinite useful lives.

**Capitalization Policy**

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. The amounts charged to utility plant accounts represent all reasonable and necessary costs, including labor, materials, overhead, equipment charges and interest costs incurred. Routine maintenance and repairs are expensed as incurred. The District does not have a policy setting a minimum capitalization threshold for amount or lives for reporting capital assets.

**Measurement Focus, Basis of Accounting and Basis of Presentation**

The District follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement provides specific guidance as to which FASB and AICPA pronouncement provisions should be applied to state and local governments. The District prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which are similar to those for private business enterprises. Proprietary funds are accounted for on the flow of economic resource measurement. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating activity. Operating revenues arise from providing goods or services to outside parties for a fee. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.



**Note 1: Summary of Significant Accounting Policies (Continued)**

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16 *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The District's personnel policy allows employees to carry unused vacation time to a maximum of 30 days or 240 hours. Employees also accrue sick leave at a rate of 1.25 eight hour days per month up to 120 days or 960 hours. The District use to buy back sick time accrued at employees' current rate of pay at the time of separation based on the number of years of service; however, this policy was changed and employees will no longer receive payment for accumulated sick time at separation.

Typically, accrued vacation is shown as a currently liability and the accrued sick time as a non-current liability. In 2013, three employees separated from the District but were not paid accrued sick time because of a cash shortfall. The District expects to pay these employees in fiscal year 2015 and therefore their sick time is shown as a current liability. The accrued benefit liability, shown as a current liability, at May 31, 2014 and 2013 was \$33,525 and \$40,215, respectively. The compensated absences liability, shown as a non-current liability, was \$0 and \$2,691, respectively, at May 31, 2014 and 2013. Activity for compensated absences was as follows at May 31:

2012			2013			2014
Balance	Increases	Decreases	Balance	Increases	Decreases	Balance
36,503		33,812	2,691		2,691	-0-

**Taxes**

As a quasi-municipal entity, the District is not subject to Federal and State income taxes, accordingly it is not necessary to consider the effects of any uncertain tax positions.

The District is subject to federal and state payroll taxes and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of May 31, 2014. No examinations have been conducted by the federal or state taxing authorities and no correspondence has been received from these authorities.

**Budget**

The District is not legally required to present budgetary comparison information as required supplementary information.





**VEAZIE SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2014 AND 2013**

**Note 2: Utility Plant**

Capital asset costs, additions and disposals are as follows for the year ended May 31, 2013:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	29,552			29,552
Garage Building	13,729			13,729
Pump Station	4,702,837			4,702,837
Plant Equipment	113,582		1,360	112,222
Collection System Equipment	25,163	1,784		26,947
Collection System	1,768,563			1,768,563
Office Equipment	19,275	2,350	2,767	18,858
Vehicles	36,684			36,684
Lab Equipment	94,417			94,417
Gross Utility Plant	6,803,802	4,134	4,127	6,803,809
Less: Accumulated Depreciation	3,090,181	160,570	4,127	3,246,624
Net Utility Plant	3,713,621	(156,436)	-0-	3,557,185

Capital asset costs, additions and disposals are as follows for the year ended May 31, 2014:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	29,552			29,552
Garage Building	13,729			13,729
Pump Station	4,702,837			4,702,837
Plant Equipment	112,222	11,933	7,200	116,955
Collection System Equipment	26,947			26,947
Collection System	1,768,563			1,768,563
Office Equipment	18,858		1,433	17,425
Vehicles	36,684			36,684
Lab Equipment	94,417		3,066	91,351
Gross Utility Plant	6,803,809	11,933	11,699	6,804,043
Less: Accumulated Depreciation	3,246,624	160,029	11,699	3,394,954
Net Utility Plant	3,557,185	(148,096)	-0-	3,409,089

**Note 3: Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance for the risks of losses to which it is exposed. There have been no significant reductions in the commercial coverage from the prior year. The District is not aware of any material actual or potential claim liabilities which should be recorded at May 31, 2014 and 2013.



**VEAZIE SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2014 AND 2013**

**Note 4: Long-Term Debt**

Long-term bonds and related terms are as follows at May 31, 2013:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Bond payable to Maine Municipal Bond Bank, maturing in 2021. Interest rate of 2.056%.	1,030,225	-0-	92,294	937,931
Less: Current Portion	<u>92,295</u>			<u>94,528</u>
Total Long-Term Debt	<u>937,930</u>			<u>843,403</u>

Long-term bonds and related terms are as follows at May 31, 2014:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Bond payable to Maine Municipal Bond Bank, maturing in 2021. Interest rate of 2.056%.	937,931	-0-	94,529	843,402
Less: Current Portion	<u>94,528</u>			<u>96,816</u>
Total Long-Term Debt	<u>843,403</u>			<u>746,586</u>

Future maturities of long-term debt will be as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	96,816	18,042	114,858
2016	99,159	16,034	115,193
2017	101,559	13,975	115,534
2018	104,016	11,866	115,882
2019	106,533	9,707	116,240
2020	109,111	7,495	116,606
2021	111,752	5,230	116,982
2022	114,456	2,912	117,368
	<u>843,402</u>	<u>85,261</u>	<u>928,663</u>

**Note 5: Major Customer**

The District derived approximately 23% and 30% of its operating revenues from the Town of Veazie from an assessment for the years ended May 31, 2014 and 2013, respectively.





**Note 6: Net Position**

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following components: net investment in capital assets and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and adding back unspent bond proceeds. The District's net investment in capital assets was calculated as follows at May 31:

	<b>2014</b>	<b>2013</b>
Total Property, Plant and Equipment	3,409,089	3,557,185
Long-Term Debt, Including Current Portion	<u>(843,402)</u>	<u>(937,931)</u>
Net Investment in Capital Assets	<u>2,565,687</u>	<u>2,619,254</u>

Unrestricted consists of all other net position not included in the above category.

**Note 7: Board Designated Cash**

Cash totaling \$120,739 and \$0, has been designated by the Board of Trustees at May 31, 2014 and 2013, respectively. Activity for the designated funds is as follows at May 31, 2014:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Debt Service Payments	-0-	88,295	-0-	88,295
Capital Asset Replacements	-0-	29,304	-0-	29,304
Sick Time Buy Back	-0-	10,500	7,360	3,140
	<u>-0-</u>	<u>128,099</u>	<u>7,360</u>	<u>120,739</u>

**Note 8: Customer Escrow**

In October 2011, the District took possession of three properties through foreclosure proceedings. In fiscal year 2013 the foreclosed properties were turned over to the previous owners when the District received payments for the outstanding debts owed. As part of the transaction, the previous owners were required to pay the District \$1,984 to be held in escrow to be used if the owners do not keep their sewer bill current. These funds are shown as a non-current asset titled customer escrow funds and a non-current liability titled customer escrow liability.



**Note 9: Retirement Plan**

The District will make a 100% matching contribution to the IRA of any regular full-time and regular part-time employee who provides proof of an employee contribution to his/her IRA of at least 3% of compensation in a year. The maximum match by the District will be 5% of compensation as approved by the Board of Trustees. Total expense related to the defined contribution plan was \$1,920 and \$1,985 at May 31, 2014 and 2013, respectively. Employee contributions totaled \$1,920 and \$3,620, respectively, during 2014 and 2013. The Board of Trustees have authority over plan provisions, requirements and amendments.

The District had a Deferred Compensation Retirement Agreement dated April 14, 1989 with its former Superintendent. Under the terms of the agreement, the former Superintendent deferred a portion of his compensation and the District matched his deferral up to a maximum contribution of 5% of compensation. The deferred and matching funds were deposited into a trust account to which the District is the trustee. This deferred compensation plan was created in accordance with Internal Revenue Code Section 457 and permitted the former Superintendent to defer a portion of his salary until future years. The deferred compensation was not available to the former Superintendent until termination. As of May 31, 2014, the trust account was invested in cash, deposit and money market funds with Morgan Stanley and had a fair value of \$85,565. The District has no liability for losses under the plan but does have the usual fiduciary responsibilities of a plan sponsor. The assets and liabilities of the plan are not reflected in the financial statements of the District.

**Note 10: Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 24, 2014, the date the financial statements were available to be issued.

In August 7, 2014, the District closed the Morgan Stanley trust account which held the deferred compensation retirement funds of its former Superintendent. The account was closed by transferring funds totaling \$85,401 to an approved retirement account in the name of the former Superintendent. This transfer eliminated all fiduciary responsibilities the District had regarding these funds.

