

**VEAZIE SEWER DISTRICT
FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015
WITH INDEPENDENT AUDITORS' REPORT
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**VEAZIE SEWER DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Veazie Sewer District

We have audited the accompanying financial statements of net position, statements of revenues, expenses and changes in fund net position, and statements of cash flows of the Veazie Sewer District as of and for the years ended May 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Veazie Sewer District's basic 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 audit 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 audit opinions.

Opinions

In our opinion, 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, 2016 and 2015, and the respective changes in financial position and, where applicable, 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 10, 2016



**Veazie Sewer District
Management's Discussion and Analysis
May 31, 2016 and 2015**

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

	2016	2015
Current Assets	277,516	206,052
Capital Assets, Net	3,165,851	3,253,834
Other Assets	-0-	1,998
Total Assets	<u>3,443,367</u>	<u>3,461,884</u>
Current Liabilities	65,571	146,362
Non-Current Liabilities	718,376	652,313
Total Liabilities	<u>783,947</u>	<u>798,675</u>
Net Position:		
Net Investment in Capital Assets	2,409,987	2,507,248
Unrestricted	249,433	155,961
Total Net Position	<u>2,659,420</u>	<u>2,663,209</u>
Total Liabilities and Net Position	<u>3,443,367</u>	<u>3,461,884</u>

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

Statements of Revenues, Expenses and Changes in Fund Net Position

	2016	2015
Operating Revenues	431,485	465,460
Non-Operating Revenues	98	36
Total Revenues	<u>431,583</u>	<u>465,496</u>
Operating Expenses	419,059	451,347
Non-Operating Expenses	16,313	17,717
Total Expenses	<u>435,372</u>	<u>469,064</u>
Change in Net Position	(3,789)	(3,568)
Net Position – Beginning of Year	<u>2,663,209</u>	<u>2,666,777</u>
Net Position – End of Year	<u>2,659,420</u>	<u>2,663,209</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, pay debt service and fund reserve accounts. 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 \$33,975 or 7.30%. Approximately 17% 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 2016, the current ratio increased from 1.41 to 4.23. During fiscal year 2015, the coverage ratio increased from 1.56 to 24.46 due to no principal payments being made in 2016 due to a bond refinance.

Current Ratio

	2016	2015
Current Assets	277,516	206,052
Current Liabilities	65,571	146,362
Current Ratio	4.23	1.41

Overall Financial Position and Results of Operations (Continued)

Financial Ratios (Continued):

Coverage Ratio

	2016	2015
Operating Revenues	431,485	465,460
Non-Operating Revenues	98	36
Total Revenues	<u>431,583</u>	<u>465,496</u>
Operating Expenses	419,059	451,347
Depreciation	(165,920)	(164,639)
Expenses	<u>253,139</u>	<u>286,708</u>
Net Available for Debt Service	<u>178,444</u>	<u>178,788</u>
Principal Payments	-0-	96,816
Interest Payments	7,296	18,043
Total Debt Service Payments	<u>7,296</u>	<u>114,859</u>
Coverage Ratio	<u>24.46</u>	<u>1.56</u>

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 its total approved budget for fiscal year 2016.

Significant Transactions and Changes

The District collects, treats and discharges the sanitary sewage for the Town of Veazie. The treatment plant collects approximately 200,000 gallons per day of wastewater from homes and businesses throughout town. This wastewater is then treated to meet regulatory requirements from the State of Maine and subsequently discharged into the Penobscot River.

The District continues to move towards significantly improved financial stability since a low point experienced four years ago. The District is continuing the process of rebuilding reserve funds that were depleted for operating expenses, while at the same time making needed repairs to the facility that were delayed due to lack of reserve funds. The District is working to build reserve funds to the recommended target of \$300,000.

Significant Transactions and Changes (Continued)

The District was able to refinance the outstanding debt on the plant this past year. The refinancing of this bonded debt reduced the annual debt service payment by about 50% or \$59,000 per year. The District is currently evaluating how best to return these savings directly to the citizens of Veazie.

The District has applied for a grant this year to fund the replacement of a section of old sewer pipe located on several streets in Veazie. These sections of sewer lines consist of old clay pipe, and are a significant source of fresh water infiltration to the treatment plant. Unfortunately, the District was not successful in obtaining the grant this year. The District will be re-applying for the grant funding next year and will asking the Orono-Veazie Water District and Town of Veazie if they would like to participate in the grant process with us for the upcoming year.

It is the goal of the District to work toward reducing and eventually eliminating the assessment on local property taxes. The reduction of the property tax assessment continues to happen. The previously undefined tax assessment was at \$150,000 per year and was reduced in 2013-14 FY to \$110,000. The assessment was further reduced to \$96,500 the following year, and then further to \$74,000 in 2015. The assessment for this year will be reduced again to \$60,000. Since 2012, the assessment to the Town of Veazie has been reduced by 60% or \$90,000.

Capital Assets and Long-Term Debt

Capital asset additions in fiscal year 2016 were: pump station and treatment plant totaling \$22,465, plant equipment totaling \$3,872, collection system equipment totaling \$13,903, collection system totaling \$14,058 and vehicles totaling \$23,639. Long-term debt outstanding at May 31, 2016 is \$755,864. Debt retired in fiscal year 2016 totaled \$0. In fiscal year ending May 31, 2016, the District refinanced its bond with the Maine Municipal Bond Bank. As a result of the refinance, annual debt payments were reduced and the bond maturity date was extended until 2031. There are no unfinished commitments for capital expenditures at May 31, 2016 or any debt limitations that may affect future financing. There were no changes in credit ratings in fiscal year 2016.

Next Year's Operations

In fiscal year 2017, the District will reduce the assessment to the Town of Veazie to \$60,000. The District will also be reapplying for grant funding with the Orono-Veazie Water District and Town of Veazie for a joint infrastructure project.

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,**

ASSETS	2016	2015
Current Assets:		
Cash - Unrestricted	43,862	50,590
Cash - Board Designated	203,127	139,383
Accounts Receivable	28,311	14,150
Prepaid Insurance	2,216	1,929
Total Current Assets	<u>277,516</u>	<u>206,052</u>
Non-Current Assets:		
Property, Plant and Equipment:		
Utility Plant	6,806,662	6,796,357
Less: Accumulated Depreciation	<u>3,640,811</u>	<u>3,542,523</u>
Total Property, Plant and Equipment	3,165,851	3,253,834
Customer Escrow Funds	-	1,998
Total Non-Current Assets	<u>3,165,851</u>	<u>3,255,832</u>
Total Assets	<u><u>3,443,367</u></u>	<u><u>3,461,884</u></u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	13,933	12,797
Accrued Interest	2,831	3,092
Accrued Benefits	8,431	31,314
Current Portion of Long-Term Debt	<u>40,376</u>	<u>99,159</u>
Total Current Liabilities	<u>65,571</u>	<u>146,362</u>
Non-Current Liabilities:		
Customer Escrow Liability	-	1,998
Compensated Absences	2,888	2,888
Long-Term Debt	<u>715,488</u>	<u>647,427</u>
Total Non-Current Liabilities	<u>718,376</u>	<u>652,313</u>
Total Liabilities	<u>783,947</u>	<u>798,675</u>
Net Position:		
Net Investment in Capital Assets	2,409,987	2,507,248
Unrestricted	<u>249,433</u>	<u>155,961</u>
Total Net Position	<u>2,659,420</u>	<u>2,663,209</u>
Total Liabilities and Net Position	<u><u>3,443,367</u></u>	<u><u>3,461,884</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,**

	2016	2015
Operating Revenues:		
Town of Veazie Assessment	74,000	96,500
User Usage Fees	202,376	210,930
Debt Service and Capital Reserve Fees	152,233	151,782
User Late Charges and Fees	2,876	6,248
Total Operating Revenues	<u>431,485</u>	<u>465,460</u>
Operating Expenses:		
Salaries and Wages	105,473	104,156
Employee Benefits	22,581	27,106
Payroll Taxes	9,720	8,465
Utilities	37,980	43,186
Supplies	8,117	9,667
Maintenance and Repairs	22,823	22,296
Lab Expense	1,698	7,279
Insurance	15,223	14,821
Office Supplies and Expense	6,333	9,956
Licenses	1,944	2,620
Legal Services	3,748	7,216
Accounting Services	5,875	5,425
Other Services	6,806	20,534
All Other	4,818	3,981
Depreciation	165,920	164,639
Total Operating Expenses	<u>419,059</u>	<u>451,347</u>
Net Operating Income	<u>12,426</u>	<u>14,113</u>
Non-Operating Revenues (Expenses):		
Interest Income	98	36
Interest Expense	(16,313)	(17,717)
Total Non-Operating Revenues (Expenses)	<u>(16,215)</u>	<u>(17,681)</u>
Change in Net Position	(3,789)	(3,568)
Net Position - Beginning of Year	<u>2,663,209</u>	<u>2,666,777</u>
Net Position - End of Year	<u>2,659,420</u>	<u>2,663,209</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,**

	2016	2015
Cash Flows from Operating Activities:		
Receipts from Customers and Users	417,324	472,815
Payments to Suppliers	(124,236)	(162,887)
Payments to Employees	(150,937)	(130,585)
Net Cash Flows from Operating Activities	<u>142,151</u>	<u>179,343</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(77,937)	(9,384)
Interest Payments on Long-Term Debt	(7,296)	(18,043)
Principal Payments on Long-Term Debt	-	(96,816)
Net Cash Flows from Capital and Related Financing Activities	<u>(85,233)</u>	<u>(124,243)</u>
Cash Flows from Investing Activities:		
Investment Income	98	36
Net Cash Flows from Investing Activities	<u>98</u>	<u>36</u>
Net Increase (Decrease) in Cash and Cash Equivalents	57,016	55,136
Cash and Cash Equivalents at Beginning of Year	<u>189,973</u>	<u>134,837</u>
Cash and Cash Equivalents at End of Year	<u>246,989</u>	<u>189,973</u>
Components of Cash:		
Unrestricted	43,862	50,590
Board Designated	<u>203,127</u>	<u>139,383</u>
	<u>246,989</u>	<u>189,973</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income (Loss)	12,426	14,113
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation Expense	165,920	164,639
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(14,161)	7,355
(Increase) Decrease in Prepaid Insurance	(287)	308
(Increase) Decrease in Customer Escrow Funds	1,998	(14)
(Decrease) Increase in Accounts Payable	1,136	(7,749)
(Decrease) Increase in Accrued Benefits	(22,883)	(2,211)
(Decrease) Increase in Compensated Absences	-	2,888
(Decrease) Increase in Customer Escrow Liability	(1,998)	14
Net Cash Flows from Operating Activities	<u>142,151</u>	<u>179,343</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 earned.

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.

Measurement Focus, Basis of Accounting and Basis of Presentation

The District follows Governmental Accounting Standards Board (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)

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. All cash is considered available for current use at May 31, 2016 and 2015. Custodial credit risk is the risk that, in the event of the bank's failure, the District will not be able to recover the value of its deposits and investments that are in the possession of an outside party. The District does not have policies addressing custodial credit risk.

The District's deposits are categorized as follows to give an indication of the level of risk assumed by the District at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or by the District's agent in the District's name; Category 2 includes uninsured deposits covered by collateral held by the pledging financial institution's trust department or agent in the District's name; and Category 3 includes uninsured and uncollateralized deposits. At May 31, 2016, cash on deposit consisted of the following:

	Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
Unrestricted	43,862	49,454	49,454	-0-	-0-
Board Designated	203,127	203,127	203,127	-0-	-0-

At May 31, 2015, cash on deposit consisted of the following:

	Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
Unrestricted	50,590	48,432	48,432	-0-	-0-
Board Designated	139,383	139,383	139,383	-0-	-0-

Board designated cash are funds that have been designated by the Board of Trustees for debt service payments, sick time buy back and capital asset replacements.



Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at net realizable value. No allowance for doubtful accounts has been recorded in the financial statements; uncollectible accounts are written off in the year in which they are deemed to be uncollectible. Generally accepted accounting principles require that the allowance method be used to recognize bad debts. The effect of using the direct write-off method has not been materially different from the results that would have been obtained under the allowance method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of donation. 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.

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, 2016 and 2015. No examinations have been conducted by the federal or state taxing authorities and no correspondence has been received from these authorities.



Note 1: Summary of Significant Accounting Policies (Continued)

Budget

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

Compensated Absences

The District reports compensated absences in accordance with the provisions of 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's old policy allowed accrued sick time to be bought back at the employee's current rate of pay at the time of separation based on the number of years of service. This policy was changed and employees will no longer receive payment for accumulated sick time at separation. One employee was grandfathered under the old policy and is currently eligible to have a portion of accumulated sick leave paid out at the time of separation. If the employee uses all of his current sick leave time, he is eligible to use the grandfathered sick time should he need it.

Typically, accrued vacation is shown as a currently liability and the accrued sick time as a non-current liability. In 2013 an employee was separated from the District but was not paid accrued sick time because of a cash shortfall. The District paid this employee in fiscal year 2016. The accrued benefit liability, shown as a current liability, at May 31, 2016 and 2015 was \$8,431 and \$31,314, respectively. Activity for the compensated absences liability, shown as a non-current liability, was as follows for the year ending May 31:

2014			2015			2016
Balance	Increases	Decreases	Balance	Increases	Decreases	Balance
-0-	2,888	-0-	2,888	-0-	-0-	2,888

Note 2: 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, 2016 and 2015.



**VEAZIE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015**

Note 3: Contingencies

There are no pending legal proceedings to which the District is a party that are material or are expected to have a material effect on the District's financial position, results of operations or cash flows.

Note 4: Utility Plant

Capital asset costs, additions and disposals are as follows for the year ended May 31, 2015:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	29,552			29,552
Garage Building	13,729			13,729
Pump Station	4,702,837			4,702,837
Plant Equipment	116,955		3,197	113,758
Collection System Equipment	26,947	3,906		30,853
Collection System	1,768,563			1,768,563
Office Equipment	17,425	5,478	13,873	9,030
Vehicles	36,684			36,684
Lab Equipment	91,351			91,351
Gross Utility Plant	<u>6,804,043</u>	<u>9,384</u>	<u>17,070</u>	<u>6,796,357</u>
Less: Accumulated Depreciation	<u>3,394,954</u>	<u>164,639</u>	<u>17,070</u>	<u>3,542,523</u>
Net Utility Plant	<u>3,409,089</u>	<u>(155,255)</u>	<u>-0-</u>	<u>3,253,834</u>

Capital asset costs, additions and disposals are as follows for the year ended May 31, 2016:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	29,552			29,552
Garage Building	13,729			13,729
Pump Station and Treatment Plant	4,702,837	22,465	7,000	4,718,302
Plant Equipment	113,758	3,872	37,898	79,732
Collection System Equipment	30,853	13,903		44,756
Collection System	1,768,563	14,058	6,000	1,776,621
Office Equipment	9,030			9,030
Vehicles	36,684	23,639	16,734	43,589
Lab Equipment	91,351			91,351
Gross Utility Plant	<u>6,796,357</u>	<u>77,937</u>	<u>67,632</u>	<u>6,806,662</u>
Less: Accumulated Depreciation	<u>3,542,523</u>	<u>165,920</u>	<u>67,632</u>	<u>3,640,811</u>
Net Utility Plant	<u>3,253,834</u>	<u>(87,983)</u>	<u>-0-</u>	<u>3,165,851</u>



**VEAZIE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015**

Note 5: Long-Term Debt

Long-term bonds and related terms are as follows at May 31, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Bond payable to Maine Municipal Bond Bank, maturing in 2021. Interest rate of 2.056%.	843,402	-0-	96,816	746,586
Less: Current Portion	<u>96,816</u>			<u>99,159</u>
Total Long-Term Debt	<u>746,586</u>			<u>647,427</u>

Long-term bonds and related terms are as follows at May 31, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Bond payable to Maine Municipal Bond Bank, maturing in 2031. Interest rate of 2.056%.	746,586	9,278	-0-	755,864
Less: Current Portion	<u>99,159</u>			<u>40,376</u>
Total Long-Term Debt	<u>647,427</u>			<u>715,488</u>

In fiscal year ending May 31, 2016, the District refinanced its bond with the Maine Municipal Bond Bank. As a result of the refinance, annual debt payments were reduced and the bond maturity date was extended until 2031.

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

	Principal	Interest	Total
2017	40,376	17,899	58,275
2018	41,206	17,062	58,268
2019	42,054	16,205	58,259
2020	42,918	15,331	58,249
2021	43,801	14,439	58,240
2022 - 2026	232,886	58,162	291,048
2027 - 2031	312,623	34,587	347,210
	<u>755,864</u>	<u>173,685</u>	<u>929,549</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the fiscal years ending May 31, 2016 and 2015 was \$16,313 and \$17,717, respectively.



**VEAZIE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015**

Note 6: Board Designated Cash

Cash totaling \$203,127 and \$139,383, respectively, has been designated by the Board of Trustees at May 31, 2016 and 2015. Activity for the designated funds is as follows at May 31, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Debt Service Payments and Sick Time Buy Back	91,435	86,655	117,998	60,092
Capital Asset Replacements	29,304	73,335	23,348	79,291
	<u>120,739</u>	<u>159,990</u>	<u>141,346</u>	<u>139,383</u>

Activity for the designated funds is as follows at May 31, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Debt Service Payments and Sick Time Buy Back	60,092	45,054	31,439	73,707
Capital Asset Replacements	79,291	105,053	54,924	129,420
	<u>139,383</u>	<u>150,107</u>	<u>86,363</u>	<u>203,127</u>

Note 7: 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:

	2016	2015
Total Property, Plant and Equipment	3,165,851	3,253,834
Long-Term Debt, Including Current Portion	<u>(755,864)</u>	<u>(746,586)</u>
Net Investment in Capital Assets	<u>2,409,987</u>	<u>2,507,248</u>

Unrestricted consists of all other net position not included in the above category. Included in unrestricted net position are board designated funds for debt service payments, sick time buy back and capital asset replacements totaling \$203,127 and \$139,383 at May 31, 2016 and 2015, respectively.



Note 8: Major Customer

The District derived approximately 17% and 21% of its operating revenues from the Town of Veazie from an assessment for the fiscal year ended May 31, 2016 and 2015, respectively.

Note 9: 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. The interest income earned on the funds increases the escrow. These funds are shown as a non-current asset titled customer escrow funds and a non-current liability titled customer escrow liability. In fiscal year 2016, the check returning the escrow funds to the owners was issued.

Note 10: 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 \$1,560 and \$2,330 for fiscal years ending May 31, 2016 and 2015, respectively. Employee contributions totaled \$1,560 and \$2,330 in fiscal years ending May 31, 2016 and 2015, respectively. The Board of Trustees have authority over plan provisions, requirements and amendments.

Note 11: Noncash Investing and Financing Activities

In fiscal year ending May 31, 2016, the District refinanced its existing Maine Municipal Bond Bank bond. The new bond was issued at an amount in excess of the outstanding balance of the old bond because of accrued interest totaling \$9,278.

Note 12: Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 10, 2016, the date the financial statements were available to be issued.

