

**VEAZIE SEWER DISTRICT
FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016
WITH INDEPENDENT AUDITORS' REPORT
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**VEAZIE SEWER DISTRICT
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HORTON, McFARLAND & VEYSEY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 543
ELLSWORTH, MAINE 04605

207-667-5529 • 1-800-499-9108 • FAX 207-667-9915

James E. McFarland, CPA

Annette L. Gould, CPA

Ellen Cleveland, CPA

M.R. Horton, Jr., CPA

(1925 -2010)

Floyd S. Veysey, CPA

(1948 - 2006)

Amy J. Billings, CPA

Nicholas Henry, CPA

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, 2017 and 2016, 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, 2017 and 2016, 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
December 1, 2017



**Veazie Sewer District
Management's Discussion and Analysis
May 31, 2017 and 2016**

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

	2017	2016
Current Assets	351,098	277,516
Capital Assets, Net	3,018,444	3,165,851
Total Assets	<u>3,369,542</u>	<u>3,443,367</u>
Current Liabilities	71,961	65,571
Non-Current Liabilities	677,170	718,376
Total Liabilities	<u>749,131</u>	<u>783,947</u>
Net Position:		
Net Investment in Capital Assets	2,302,956	2,409,987
Unrestricted	317,455	249,433
Total Net Position	<u>2,620,411</u>	<u>2,659,420</u>
Total Liabilities and Net Position	<u>3,369,542</u>	<u>3,443,367</u>

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

Statements of Revenues, Expenses and Changes in Fund Net Position

	2017	2016
Operating Revenues	423,889	431,485
Non-Operating Revenues	136	98
Total Revenues	<u>424,025</u>	<u>431,583</u>
Operating Expenses	445,270	419,059
Non-Operating Expenses	17,764	16,313
Total Expenses	<u>463,034</u>	<u>435,372</u>
Change in Net Position	(39,009)	(3,789)
Net Position – Beginning of Year	<u>2,659,420</u>	<u>2,663,209</u>
Net Position – End of Year	<u>2,620,411</u>	<u>2,659,420</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 \$7,596 or 1.76%. Approximately 14% 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 2017, the current ratio increased from 4.23 to 4.88. During fiscal year 2016, the coverage ratio decreased from 24.46 to 2.52 due to no principal payments being made in 2016 due to a bond refinance.

Current Ratio

	2017	2016
Current Assets	351,098	277,516
Current Liabilities	71,961	65,571
Current Ratio	4.88	4.23

Overall Financial Position and Results of Operations (Continued)

Financial Ratios (Continued):

Coverage Ratio

	2017	2016
Operating Revenues	423,889	431,485
Non-Operating Revenues	136	98
Total Revenues	<u>424,025</u>	<u>431,583</u>
Operating Expenses	445,270	419,059
Depreciation	(167,841)	(165,920)
Expenses	<u>277,429</u>	<u>253,139</u>
Net Available for Debt Service	<u>146,596</u>	<u>178,444</u>
Principal Payments	40,376	-0-
Interest Payments	17,901	7,296
Total Debt Service Payments	<u>58,277</u>	<u>7,296</u>
Coverage Ratio	<u>2.52</u>	<u>24.46</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 2017.

Capital Assets and Long-Term Debt

Capital asset additions in fiscal year 2017 were: collection system equipment totaling \$12,961 and collection system totaling \$7,473. 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, 2017 and 2016 is \$715,488 and \$755,864, respectively. Debt retired in fiscal year 2017 and 2016 totaled \$40,376 and \$0, respectively. 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, 2017 or any debt limitations that may affect future financing. There were no changes in credit ratings in fiscal year 2017.

Significant Transactions and Changes

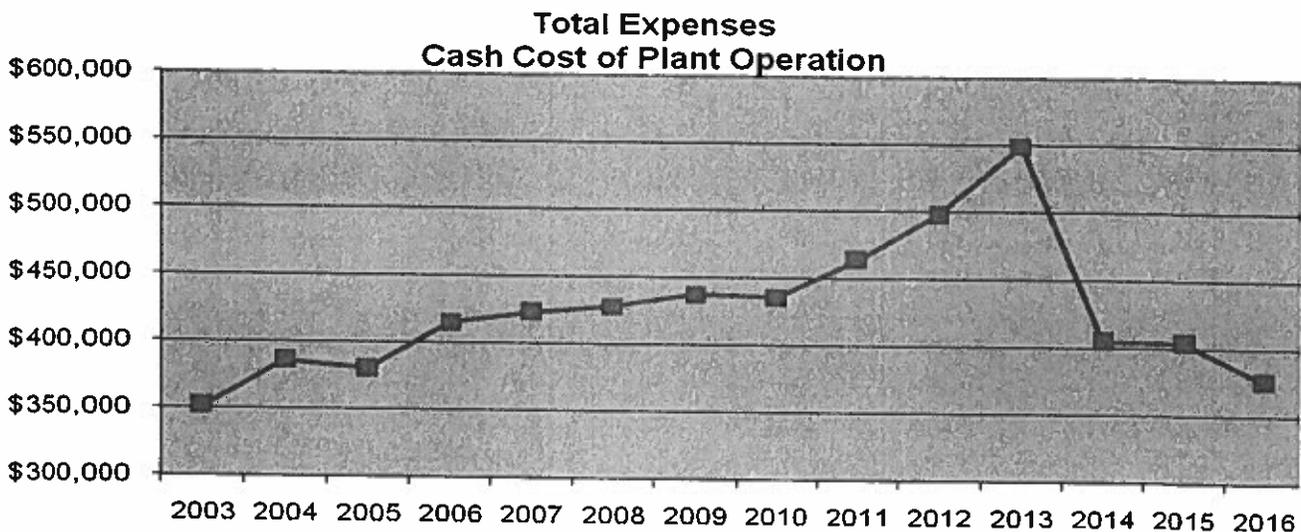
The Veazie Sewer District collects, treats and discharges the sanitary sewage for the Town of Veazie. The treatment plant collects on average approximately 200,000 gallons per day of wastewater from homes and businesses throughout town. This wastewater is then treated to meet regulatory requirements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

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

This year the District received a Safety Enhancement Grant from Maine Municipal Association of \$1,489 to fund a new Weber Compactor. The new compactor replaces the older pogo stick and causes much less stress on District employees.

The Sewer District, Orono Veazie Water District and the Town continue to collaborate on projects where all three entities have the need to upgrade. During the summer of 2017, the District is considering upgrading a section of eight sewer mains on Davis Drive; this project will be coordinated with water main and road improvement work. The District is deliberating on using a trenchless technology that will line the current A/C pipe with spiral wound fiberglass material. This will reduce the amount of digging needed, thus speeding up the project.

The District continues to work toward the goal of eventually eliminating the assessment to local property taxes. The previously undefined tax assessment peaked at \$150,000 per year and was reduced starting in 2013-14 FY to \$110,000. The assessment was again reduced to \$96,500 the following year, and then even further to \$74,000 in 2015. The assessment for this year will be \$60,000, the same as 2016. Since 2012, the assessment to the Town of Veazie has been reduced by 60%, or \$90,000.



Next Year's Operations

In fiscal year 2018, the District will maintain the annual assessment to the Town of Veazie at \$60,000. The District will be assessing the feasibility of an infrastructure project on Oak Grove Street and a separate sewer lining 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
AT MAY 31,**

ASSETS	2017	2016
Current Assets:		
Cash - Unrestricted	55,083	43,862
Cash - Board Designated	266,254	203,127
Accounts Receivable	27,498	28,311
Prepaid Insurance	2,263	2,216
Total Current Assets	<u>351,098</u>	<u>277,516</u>
Non-Current Assets:		
Property, Plant and Equipment:		
Utility Plant	6,825,644	6,806,662
Less: Accumulated Depreciation	<u>3,807,200</u>	<u>3,640,811</u>
Total Property, Plant and Equipment	<u>3,018,444</u>	<u>3,165,851</u>
Total Non-Current Assets	<u>3,018,444</u>	<u>3,165,851</u>
Total Assets	<u><u>3,369,542</u></u>	<u><u>3,443,367</u></u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	19,624	13,933
Accrued Interest	2,694	2,831
Accrued Benefits	8,437	8,431
Current Portion of Long-Term Debt	<u>41,206</u>	<u>40,376</u>
Total Current Liabilities	<u>71,961</u>	<u>65,571</u>
Non-Current Liabilities:		
Compensated Absences	2,888	2,888
Long-Term Debt	<u>674,282</u>	<u>715,488</u>
Total Non-Current Liabilities	<u>677,170</u>	<u>718,376</u>
Total Liabilities	<u>749,131</u>	<u>783,947</u>
Net Position:		
Net Investment in Capital Assets	2,302,956	2,409,987
Unrestricted	<u>317,455</u>	<u>249,433</u>
Total Net Position	<u>2,620,411</u>	<u>2,659,420</u>
Total Liabilities and Net Position	<u><u>3,369,542</u></u>	<u><u>3,443,367</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
YEARS ENDED MAY 31,**

	2017	2016
Operating Revenues:		
Town of Veazie Assessment	60,000	74,000
User Usage Fees	206,438	202,376
Debt Service and Capital Reserve Fees	152,520	152,233
User Late Charges and Fees	4,931	2,876
Total Operating Revenues	<u>423,889</u>	<u>431,485</u>
Operating Expenses:		
Salaries and Wages	107,521	105,473
Employee Benefits	21,784	22,581
Payroll Taxes	8,109	9,720
Utilities	39,407	37,980
Supplies	11,027	8,117
Maintenance and Repairs	33,824	22,823
Lab Expense	2,930	1,698
Insurance	13,870	15,223
Office Supplies and Expense	9,506	6,333
Licenses	1,958	1,944
Legal Services	3,701	3,748
Accounting Services	5,755	5,875
Other Services	13,912	6,806
All Other	4,125	4,818
Depreciation	167,841	165,920
Total Operating Expenses	<u>445,270</u>	<u>419,059</u>
Net Operating Income (Loss)	<u>(21,381)</u>	<u>12,426</u>
Non-Operating Revenues (Expenses):		
Interest Income	136	98
Interest Expense	(17,764)	(16,313)
Total Non-Operating Revenues (Expenses)	<u>(17,628)</u>	<u>(16,215)</u>
Change in Net Position	(39,009)	(3,789)
Net Position - Beginning of Year	<u>2,659,420</u>	<u>2,663,209</u>
Net Position - End of Year	<u><u>2,620,411</u></u>	<u><u>2,659,420</u></u>

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



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

	2017	2016
Cash Flows from Operating Activities:		
Receipts from Customers and Users	424,702	417,324
Payments to Suppliers	(142,480)	(124,236)
Payments to Employees	(129,299)	(150,937)
Net Cash Flows from Operating Activities	<u>152,923</u>	<u>142,151</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(20,434)	(77,937)
Interest Payments on Long-Term Debt	(17,901)	(7,296)
Principal Payments on Long-Term Debt	(40,376)	-
Net Cash Flows from Capital and Related Financing Activities	<u>(78,711)</u>	<u>(85,233)</u>
Cash Flows from Investing Activities:		
Investment Income	136	98
Net Cash Flows from Investing Activities	<u>136</u>	<u>98</u>
Net Increase (Decrease) in Cash and Cash Equivalents	74,348	57,016
Cash and Cash Equivalents at Beginning of Year	<u>246,989</u>	<u>189,973</u>
Cash and Cash Equivalents at End of Year	<u><u>321,337</u></u>	<u><u>246,989</u></u>
Components of Cash:		
Unrestricted	55,083	43,862
Board Designated	<u>266,254</u>	<u>203,127</u>
	<u><u>321,337</u></u>	<u><u>246,989</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income (Loss)	(21,381)	12,426
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation Expense	167,841	165,920
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	813	(14,161)
(Increase) Decrease in Prepaid Insurance	(47)	(287)
(Increase) Decrease in Customer Escrow Funds	-	1,998
(Decrease) Increase in Accounts Payable	5,691	1,136
(Decrease) Increase in Accrued Benefits	6	(22,883)
(Decrease) Increase in Compensated Absences	-	-
(Decrease) Increase in Customer Escrow Liability	-	(1,998)
Net Cash Flows from Operating Activities	<u><u>152,923</u></u>	<u><u>142,151</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. Revenue is recognized in the period when earned.

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Based on the applicable criteria, there are no other entities within the District that should be included as part of these financial statements. There are no fiduciary funds included in the District.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2017 and 2016. 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, 2017, cash on deposit consisted of the following:

	Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
Unrestricted	55,083	55,570	55,570	-0-	-0-
Board Designated	266,254	266,254	266,254	-0-	-0-

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-

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

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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)

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. Accrued vacation is shown as a currently liability and the accrued sick time as a non-current liability titled compensated absences. Activity for the compensated absences liability, shown as a non-current liability, was as follows at May 31:

2015			2016			2017
Balance	Increases	Decreases	Balance	Increases	Decreases	Balance
2,888	-0-	-0-	2,888	-0-	-0-	2,888

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, 2017 and 2016. 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.

Note 2: 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.



**VEAZIE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016**

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 participates in several public entity risk pools sponsored by Maine Municipal Association for the risks of losses to which it is exposed. There have been no significant reductions in the insurance 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, 2017 and 2016. Settlements have not exceeded insurance coverage for each of the past three years.

Note 4: Interest Expense

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, 2017 and 2016 was \$17,764 and \$16,313, respectively.

Note 5: Long-Term Debt

Long-term bonds and related terms are as follows at May 31, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Bond payable to Maine Municipal Bond Bank, maturing in 2031. Interest rate of 2.056%.	755,864	-0-	40,376	715,488
Less: Current Portion	<u>40,376</u>			<u>41,206</u>
Total Long-Term Debt	<u>715,488</u>			<u>674,282</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.



**VEAZIE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016**

Note 5: Long-Term Debt (Continued)

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

	Principal	Interest	Total
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	44,701	13,529	58,230
2023 - 2027	237,674	53,324	290,998
2028 - 2031	263,134	27,589	290,723
	<u>715,488</u>	<u>157,479</u>	<u>872,967</u>

Note 6: Board Designated Cash

Cash totaling \$266,254 and \$203,127, respectively, has been designated by the Board of Trustees at May 31, 2017 and 2016. Activity for the designated funds is as follows at May 31, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Debt Service Payments	73,707	57,781	50,554	80,934
Capital Asset Replacements	129,420	78,784	22,884	185,320
	<u>203,127</u>	<u>136,565</u>	<u>73,438</u>	<u>266,254</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Debt Service Payments	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: Major Customer

The District derived approximately 14% and 17% of its operating revenues from the Town of Veazie from an assessment for the fiscal years ended May 31, 2017 and 2016, respectively.



**VEAZIE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016**

Note 8: Utility Plant

Capital asset costs, additions and disposals are as follows for the year ended May 31, 2017:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	29,552			29,552
Garage Building	13,729			13,729
Pump Station	4,718,302			4,718,302
Plant Equipment	79,732			79,732
Collection System Equipment	44,756	12,961	1,402	56,315
Collection System	1,776,621	7,473	50	1,784,044
Office Equipment	9,030			9,030
Vehicles	43,589			43,589
Lab Equipment	91,351			91,351
Gross Utility Plant	6,806,662	20,434	1,452	6,825,644
Less: Accumulated Depreciation	3,640,811	167,841	1,452	3,807,200
Net Utility Plant	3,165,851	(147,407)	-0-	3,018,444

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	6,796,357	77,937	67,632	6,806,662
Less: Accumulated Depreciation	3,542,523	165,920	67,632	3,640,811
Net Utility Plant	3,253,834	(87,983)	-0-	3,165,851

Note 9: 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.



**VEAZIE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016**

Note 10: 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:

	2017	2016
Total Property, Plant and Equipment	3,018,444	3,165,851
Long-Term Debt, Including Current Portion	<u>(715,488)</u>	<u>(755,864)</u>
Net Investment in Capital Assets	<u>2,302,956</u>	<u>2,409,987</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 and capital asset replacements totaling \$266,254 and \$203,127 at May 31, 2017 and 2016, respectively.

Note 11: 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 12: 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 \$1,620 and \$1,560 for fiscal years ending May 31, 2017 and 2016, respectively. Employee contributions totaled \$2,220 and \$1,560 in fiscal years ending May 31, 2017 and 2016, respectively. The Board of Trustees have authority over plan provisions, requirements and amendments.



**VEAZIE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016**

Note 13: Commitments

In December 2016, the District entered into an agreement with Water Quality & Compliance Services Inc. for wastewater system management services. The agreement is ongoing and can be terminated at any time for any reason by either party. The amount paid to Water Quality & Compliance Services Inc. in fiscal year May 31, 2017 totaled \$8,039.

Note 14: Related Party Transactions

During fiscal year ending May 31, 2017, the District paid \$400 to a Trustee for carpentry services related to removing and replacing a shed roof. There is no related party accounts receivable or accounts payable at May 31, 2017.

Note 15: Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 1, 2017, the date the financial statements were available to be issued.

