

OYSTER BAY WATER DISTRICT
AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Oyster Bay Water District
45 Audrey Avenue
Oyster Bay, New York 11771

We have audited the accompanying financial statements of the governmental activities and each major fund of the Oyster Bay Water District, a component unit of the Town of Oyster Bay, New York, (the "District"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 governmental activities and each major fund of the Oyster Bay Water District, as of December 31, 2014, and the respective changes in financial position thereof for the year 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, general fund – statement of revenues, expenditures and changes in fund balance – budget and actual, and schedule of funding progress for postemployment benefits other than pensions on pages 3 through 7 and pages 29-31 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oyster Bay Water District's basic financial statements. The other supplementary information on page 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


RYNKAR, VAIL & BARRETT, LLP

Mineola, New York
June 30, 2015

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2014

Our discussion and analysis of the Oyster Bay Water District, a component unit of the Town of Oyster Bay, New York (the District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2014. Please read it in conjunction with the District's financial statements and notes to financial statements.

USING THIS ANNUAL REPORT

This annual report consists of two sets of financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities - Government-Wide provide information about the activities of the District as a whole and present a longer-term view of the District's finances. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Governmental Fund Financial Statements

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds tell how services were financed in the short term as well as what remains for future spending. The Governmental Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund and capital projects fund. The District's basic services are reported in funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Positions and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

**OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2014**

CONDENSED FINANCIAL INFORMATION

Our analysis below focuses on the net position and changes in net position as set forth in the following condensed financial statement:

**Condensed Statement of Net Position:
as of December 31,**

	2014	2013
Assets		
Current and other assets	\$ 2,288,960	\$ 2,545,396
Capital assets	9,926,813	10,053,588
Total Assets	12,215,773	12,598,984
Liabilities		
Current liabilities	526,598	2,016,004
Noncurrent liabilities	4,499,698	3,361,986
Total Liabilities	5,026,296	5,377,990
Net Position		
Invested in capital assets	6,515,182	6,323,335
Restricted	996,505	995,857
Unrestricted	(322,210)	(98,198)
Total Net Position	\$ 7,189,477	\$ 7,220,994

	2014	2013
Changes in Net Position for the years ended December 31,		
Program Revenues		
Charges for services	\$ 930,967	\$ 1,028,061
Total Program Revenues	930,967	1,028,061
General Revenues		
Real property taxes	915,251	925,289
Use of money and property	438,396	415,921
Other local sources	31,060	12,730
Federal aid	-0-	4,598
Total General Revenues	1,384,707	1,358,538
Total Revenues	2,315,674	2,386,599
Expenses - Water supply services	2,347,191	2,421,197
Changes in Net Position	(31,517)	(34,598)
Net Position - Beginning of the Year	7,220,994	7,255,592
Net Position - End of the Year	\$ 7,189,477	\$ 7,220,994

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2014

FINANCIAL HIGHLIGHTS

The District's net position as of December 31, 2014 was \$7,189,477, a decrease of \$31,517, from the prior year. Of the Districts total net position \$6,515,182 was invested in capital assets net of related debt, \$996,505 is restricted for acquisition of capital assets and (\$322,210) was unrestricted.

The deficit balance of unrestricted net position does not necessarily indicate financial stress. These financial statements include a liability for other postemployment benefits (OPEB). OPEB costs must now be recognized during the period of the employees' years of service and for benefits already earned by current and former employees, amortized over a period of 30 years. It is not currently required that this liability for OPEB actually be funded, accordingly, unrestricted net position will be impacted in subsequent years due to the recognition of this liability for OPEB.

Program revenues were \$930,967 in the current year, which were \$97,094 less than the prior year.

General revenues were \$1,384,707 in the current year. General revenues were slightly higher in the current year due to other local sources received in the current year in the amount of \$31,060 related to premiums and accrued interest.

Total operating expenses were \$2,347,191 in the current year, which were overall \$74,006 less than the prior.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reported budget and actual in the general fund as follows:

	Original Budget	Final Budget	Actual Amounts	Variance
Revenues	\$ 2,152,218	\$ 2,152,218	\$ 2,332,498	\$ 180,280
Expenditures	(2,275,190)	(2,275,190)	(2,123,382)	151,808
Other Sources and Uses				
Transfers out - Capital Projects	(220,000)	(220,000)	(171,229)	48,771
Proceeds for debt refunding		192,837	192,837	
Premiums on bonds		23,212	23,212	
Payments for debt refunding		(216,049)	(216,049)	
Net Change in Fund Balance	\$ (342,972)	\$ (342,972)	\$ 37,887	\$ 380,859

The general fund reported revenues and other sources in excess of expenditures and other uses this year of \$37,887 increasing the fund balance to \$1,919,801. Actual revenues exceeded estimated revenues by \$180,280. Budgeted expenditures were more than actual expenditures by \$151,808. Actual transfer to and from the capital projects fund were less than budgeted by \$48,771. The budget was also modified during the current year for a debt refunding.

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2014

CAPITAL ASSETS AND LONG-TERM DEBT

The District has been financing all capital expenditures from proceeds of general obligation bonds and annual budgetary appropriations. During 2014, the District purchased capital assets and made improvements to the water system totaling as follows:

Construction in progress	\$	151,233
Wells, water tanks and structures		251,087
Machinery and equipment		24,245
Water mains		83,521
Equipment		5,475
Vehicles		28,505
Total Costs	\$	<u>544,066</u>

In addition to the capital improvements described above, the District is committed to the long-term maintenance of the water system and plans significant capital expenditures on a regular basis. The District maintains a running capital budget which amounts to approximately \$3.6 million of capital expenditures over the next several years.

At year-end, the District had \$3,577,669 of general obligation bonds outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District derives a significant portion of their revenues from metered water sales. For water utilities, water revenues are dependent on the amount of rainfall, particularly during the summer months. As such, these revenues are unpredictable and very volatile. Water revenues for the District can vary significantly from a rainy year to a dry year. Water revenues are budgeted on the conservative side, which is in anticipation of a rainy year. However, actual water revenues can still fall far short of estimates. The District also believes that such adverse weather conditions can easily recur over two or more consecutive years. Gallons pumped and metered revenues for the past five years are as follows:

	<u>Gallons pumped</u> <u>In 000's</u>	<u>Revenue</u>
2014	404,646	\$ 891,126
2013	391,978	882,355
2012	409,093	912,360
2011	380,872	858,284
2010	428,821	985,651

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. For fiscal years, beginning in 2012 and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however the District can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Board of Commissioners, by unanimous vote, approves the annual budget as well as the property taxes levy to be assessed each year.

**OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2014**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Secretary to the Board at Oyster Bay Water District, 45 Audrey Avenue, Oyster Bay, NY 11771.

BASIC FINANCIAL STATEMENTS

OYSTER BAY WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
 December 31, 2014

Assets

Current assets:

Cash and investments	\$	1,792,935
Accounts receivable		252,607
Due from Town of Oyster Bay		171,301
Prepaid expenses		24,490
Inventory of materials and supplies		47,627

Total Current Assets 2,288,960

Noncurrent assets:

Non-depreciable capital assets		168,590
Depreciable capital assets, net of depreciation		9,758,223

Total Noncurrent Assets 9,926,813

Total Assets 12,215,773

Liabilities

Current liabilities:

Accounts payable and accrued expenses		111,580
Collections in advance		8,964
Developer deposits		35,645
Current portion of long term liabilities		370,409

Total Current Liabilities 526,598

Noncurrent liabilities:

General obligation bonds payable		3,239,154
Compensated absences		185,881
Other postemployment benefits payable		1,074,663

Total Noncurrent Liabilities 4,499,698

Total Liabilities 5,026,296

Net Position

Investment in capital assets, net of related debt		6,515,182
Restricted		996,505
Unrestricted		(322,210)

Total Net Position \$ 7,189,477

OYSTER BAY WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
December 31, 2014

Governmental Activities

Expenses - Water supply services \$ 2,347,191

Program revenues

Charges for services	930,967
Total Program revenues	<u>930,967</u>
Net Program Expense	<u>(1,416,224)</u>

General revenues

Real property taxes and other items	915,251
Use of money and property	438,396
Other local sources	<u>31,060</u>
Total General Revenues	<u>1,384,707</u>

Change in Net Position	(31,517)
Net Position - Beginning of the Year	<u>7,220,994</u>
Net Position - End of the Year	<u>\$ 7,189,477</u>

**OYSTER BAY WATER DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014**

Assets	General	Capital Projects	Total
Cash and investments	\$ 1,792,935		\$ 1,792,935
Accounts receivable	173,046		173,046
Due from other fund		\$ 20,459	20,459
Due from Town of Oyster Bay	5,264	166,037	171,301
Inventory of materials and supplies	47,827		47,627
Total Assets	\$ 2,018,872	\$ 186,496	\$ 2,205,388
 Liabilities			
Accounts payable and accrued liabilities	\$ 34,203	\$ 18,308	\$ 50,511
Developer deposits	35,645		35,645
Due to other fund	20,459		20,459
Collections in advance	8,964		8,964
Total Liabilities	99,271	18,308	115,579
 Fund Equity (Deficit)			
Non-spendable	47,827		47,827
Restricted	996,505		996,505
Assigned	334,607	170,188	504,795
Unassigned	540,862		540,862
Total Fund Equity	1,919,601	170,188	2,089,789
Total Liabilities and Fund Equity	\$ 2,018,872	\$ 186,496	\$ 2,205,368

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position of Governmental Activities**

Total Governmental Fund Balances	\$ 2,089,789
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	79,562
Some expenditures requiring the use of current financial resources are recorded as expenditures in the fund statements but as prepaid expenses in the statement of net position since they benefit a future period.	24,490
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,928,813
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(3,577,669)
Accrued interest payable	(81,070)
Other postemployment benefits payable	(1,074,663)
Compensated absences	(195,664)
Due to employees' retirement system	(22,111)
Net Position of Governmental Activities	\$ 7,189,477

See notes to financial statements.

OYSTER BAY WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
 December 31, 2014

	General	Capital Projects	Total
Revenues			
Real property taxes	\$ 882,182		\$ 882,182
Other real property tax items	33,069		33,069
Departmental income	978,851		978,851
Use of money and property	438,396		438,396
Other local sources	-0-	\$ 31,060	31,060
Total Revenues	2,332,498	31,060	2,363,558
Expenditures			
Home and Community Service - Water Supply Services			
Administration	457,536		457,536
Source of supply, power and pumping	145,492		145,492
Purification	42,617		42,617
Transmission and distribution	633,506		633,506
Employee benefits	420,307		420,307
Debt service	423,924		423,924
Capital outlay		244,051	244,051
Total Expenditures	2,123,382	244,051	2,367,433
Excess (Deficiency) of Revenues over (under) Expenditures			
	209,116	(212,991)	(3,875)
Other Sources (Uses) of Funds			
Interfund transfers in (out)	(171,229)	171,229	
General obligation bonds		1,338,937	1,338,937
Bond anticipation notes redeemed from appropriations		50,000	50,000
Refunding bond proceeds	192,837		192,837
Premiums on bonds	23,212		23,212
Payments to refunded bond escrow agent	(216,049)		(216,049)
Total Other Sources and (Uses) of Funds	(171,229)	1,560,166	1,388,937
Net Change in Fund Balance	37,887	1,347,175	1,385,062
Fund Balance (Deficit) Beginning of Year	1,881,714	(1,176,987)	704,727
Fund Balance End of Year	\$ 1,919,601	\$ 170,188	\$ 2,089,789

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,385,062
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital assets	287,301
Depreciation expense	(414,075)
The issuance of long-term debt provide current financial resources, while the repayment of bond principal consumes the current financial resources in the governmental funds:	
Bonds issued	(1,542,837)
Payment of bond principal	465,706
Certain revenues and expenses reported in the statement of activities are not reported as revenues or expenditures in governmental funds:	
Accounts receivable	(47,884)
Accrued interest	(15,794)
Employees' retirement system	10,775
Compensated absences	(7,399)
Other postemployment benefits	(152,372)
Change in Net Position of Governmental Activities	\$ (31,517)

See notes to financial statements.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

A. Summary of Significant Accounting Policies

The Oyster Bay Water District (the "District") is governed by Town Law and other general laws of the State of New York. The Board of Commissioners is the legislative body responsible for overall operations. The Board of Commissioners consists of three members, all of whom are elected by the residents of the District for terms of three years. The primary function of the District is to provide water service to district residents.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District's more significant accounting policies are described below.

1. Financial Reporting

The Town of Oyster Bay, New York is financially accountable as a result of fiscal dependency for the Oyster Bay Water District. Long-term debt of the District, which is backed by the full faith and credit of the Town, and other fiscal matters results in fiscal interdependency with the Town. Accordingly, the Oyster Bay Water District has been determined to be a component unit of the Town of Oyster Bay, New York.

2. Basis of Presentation

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds).

Government-wide Financial Statements

The government-wide financial statements report information on the District as a whole.

In the government-wide Statement of Net Position, the District's governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts—invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of the District's function (home and community service – water supply services), which are otherwise supported by general revenues (real property taxes, use of money and property, sale of property and compensation for loss, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants to produce the net cost of each program. Program revenues include (a) charges for services and (b) operating and capital grants and contributions that are directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. The net cost is normally covered by general revenues. This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation (continued)

Fund Financial Statements

The emphasis in the fund financial statements is on the major funds. The District considers all funds to be major funds.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Accordingly, the District maintains the following fund types:

Governmental Funds - Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Governmental funds are further classified as major funds.

The District reports the following major governmental funds:

General Fund - is the principal operating fund of the District. This fund is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects Fund - is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

3. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide Statement of Net Position and the Statement of Activities governmental activities are presented using the economic resources measurement focus and are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Interfund transactions have been eliminated from the government-wide financial statements.

In the funds statement, governmental activities use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

A. Summary of Significant Accounting Policies (continued)

3. Measurement Focus/Basis of Accounting (continued)

Expenditures are recorded when incurred except that:

- a. Expenditures for prepaid expenses are recognized at the time of purchase.
- b. Principal and interest on indebtedness are not recognized as expenditures until due.
- c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as expenditures when paid.

4. Property Taxes and Delinquent Water Bills

Property taxes and delinquent water bills are collected by the Town of Oyster Bay Receiver of Taxes on behalf of the District. The Town of Oyster Bay Receiver of Taxes collects all real property taxes for the Town, Nassau County, Town Special Districts and School Districts. Town and County taxes are levied on January 1, and are due in two installments payable by February 10 and August 10. The Town remits 100% of the amount of real property tax levied and the delinquent water bills to the District. Responsibility for the collection of unpaid taxes rests with Nassau County.

5. Accounts Receivable

Accounts receivables include amounts due from customers. Receivables are recorded and revenues recognized as earned. Revenue from unbilled water usage at year end is recognized in the government-wide financial statements. At December 31, 2014, the District considered all remaining accounts receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

6. Inventory of Materials and Supplies

The District records inventory using the consumption method. Inventory is valued at cost utilizing the latest invoice price, which approximates the first-in, first-out method.

7. Prepaid Expenses

Prepays in the government-wide statements, if any, represent retirement benefits that will benefit a future period.

8. Interfund Receivables, Payables and Transfers

Interfund receivable and payable balances for the District represent primarily the payment of financing sources and uses that will be reimbursed subsequent to year end. Interfund transfer balances represent the funding of capital expenditures through general fund appropriations.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

A. Summary of Significant Accounting Policies (continued)

9. Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Fixed assets purchased or acquired with an original cost of \$1,000 or more are capitalized and included as capital assets in the government-wide financial statements. Prior to December 31, 2002, infrastructure assets consisting of water mains were capitalized at estimated historical cost.

Depreciation of all exhaustible fixed assets and amortization of all finite intangible assets is recorded as an expense in the Statement of Activities, with accumulated depreciation and amortization reflected in the Statement of Net Position. Depreciation or amortization is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

– Buildings	40 years
– Improvements	20 years
– Wells, water tanks and structures	40 years
– Water main	50 years
– Machinery and equipment	10 - 20 years
– Office furniture and equipment	5 years
– Vehicle	8 years
– Computer software	5 years

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

10. Developer Deposits

Developer deposits represent funds advanced from real estate developers for the installation of new water mains and connection to the District's water distribution system. Any remaining funds after the installation is completed are refunded to the developer.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any items qualifying for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District did not have any items qualifying for reporting in this category.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

A. Summary of Significant Accounting Policies (continued)

12. Long-Term Debt

All long-term debt is reported as liabilities in the government-wide statements. Long-term debt consists of general obligation bonds, accrued compensated absences, and the other postemployment benefit liabilities.

Only the portion of long-term liabilities expected to be financed from expendable available financial resources is reported as liabilities in governmental fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

13. Compensated Absences

District employees earn vacation and sick leave in varying amounts. In the event of separation from service (except termination for cause), employees are paid for accumulated unused vacation and sick leave subject to certain limitations.

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements only the compensated absence liability payable from expendable available financial resources is recorded as a liability in the governmental fund statements.

14. Postemployment Benefits

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors who meet certain criteria. The District recognizes the cost of providing benefits by recording its share of insurance premiums as expenditure in the governmental funds in the year paid. The liability for these other postemployment benefits payable is recorded as a long-term liability in the government-wide statements.

15. Insurance

The District purchases insurance against liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability not covered by insurance has been incurred and the amount of loss can be reasonably estimated.

16. Net Position and Fund Equity Classifications

Government-wide Financial Statements

In government-wide financial statements equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

A. Summary of Significant Accounting Policies (continued)

16. Net Position and Fund Equity Classifications (continued)

Government-Wide Financial Statements (continued)

Restricted net position—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position—All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

In the fund financial statements governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable fund balance includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory of materials and supplies recorded in the general fund.

Restricted fund balance includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority. The Board of Commissioners is not empowered to establish local law; accordingly the District will not have committed fund balances.

Assigned fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has the authority to assign amounts to be used for specific purposes. Assigned fund balances including all remaining amounts (except negative balances) that are not reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. It is also used to report negative fund balances in other governmental funds.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

A. Summary of Significant Accounting Policies (continued)

16. Net Position and Fund Equity Classifications (continued)

Fund Financial Statements (continued)

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the Board of Commissioners will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged. It is the intention of the Board of Commissioners that the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to assigned fund balance to the extent that there is an assignment, and then to the unassigned fund balance.

17. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

18. New Accounting Principle

The District has adopted all of the current statements of the GASB that are applicable, including GASB Statement No. 67 and GASB Statement No. 69. The implementation of these GASBs had no impact on the financial statements.

B. Stewardship, Compliance and Accountability

Budgetary Data

The District's budget policies are as follows:

The District prepares an annual budget for the general fund, which is approved by the Board of Commissioners. The budget is then submitted to the Town of Oyster Bay for inclusion in the Town Budget and a public hearing is held thereon. The budget is not subject to referendum. The annual budget lapses at year-end and any revisions are adopted by resolution of the Board of Commissioners.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general and capital projects funds.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

B. Stewardship, Compliance and Accountability (continued)

Budgetary Data (continued)

The District's budget policies are as follows: (continued)

Budget(s) are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances (if any) carried forward from the prior year.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. For fiscal years, beginning in 2012 and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Board of Commissioners, by unanimous vote, approves the annual budget as well as the property taxes levy to be assessed each year.

Fund Balance

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of non-spendable fund balances, as well as the purposes for restricted and assigned fund balance. The unassigned fund balance is also shown.

	General Fund	Capital Projects Funds	Total
Nonspendable:			
Inventory of materials and supplies	\$ 47,627		\$ 47,627
Total Nonspendable	47,627	-0-	47,627
Restricted for:			
Capital projects - water system improvements	996,505		996,505
Total Restricted	996,505	-0-	996,505
Assigned to:			
Subsequent year's budget	334,607		334,607
Capital Reserve - General		170,188	170,188
Total Assigned	334,607	170,188	504,795
Unassigned			
	540,862		540,862
Total Fund Balances	<u>\$ 1,919,601</u>	<u>\$ 170,188</u>	<u>\$ 2,089,789</u>

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

B. Stewardship, Compliance and Accountability (continued)

Capital Projects Reserve

The District received a settlement for the possible contamination related to the gasoline additive Methyl Tertiary Butyl Ether with which the Board of Commissioners established a capital reserve fund. This reserve fund will be used to finance the cost of construction, replacement or acquisition of water mains, tanks, land, buildings, related equipment and machinery, any of which may be necessitated as a result of the any detection of contaminants in the water supply, wells or any other facilities of the District. A summary of activity in this capital reserve is as follows:

Balance – 1/1/2014	\$ 695,555
Interest	<u>462</u>
Balance – 12/31/2014	<u>\$ 696,017</u>

The Board of Commissioners also established a capital reserve fund for general improvements to the system.

Balance – 1/1/2014	\$ 300,302
Interest	<u>186</u>
Balance – 12/31/2014	<u>\$ 300,488</u>

C. Cash and Investments

The District's investment policies are governed by state statutes. In addition, the District has its own written investment policy. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts, money market accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and time deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, and obligations of the State and its municipalities.

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits and investments are categorized according to custodial credit risk as either (a) insured or collateralized with securities held by the District or by its agent in the District's name, (b) collateralized with securities held by the pledging financial institution's trust department or agent in the District's name, or (c) uncollateralized. At December 31, 2014, the District's cash and cash equivalents totaled \$1,792,935. The District's bank deposit balances were \$1,911,497 of which \$500,000 was covered by the Federal Deposit Insurance Corporation and \$1,411,497 was covered by collateral with a fair value of \$1,510,619 at December 31, 2014, and is held by the District's agent, a third-party financial institution, in the District's name.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

D. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
Capital assets not being depreciated				
Land	\$ 85,555			\$ 85,555
Construction in progress	188,567	\$ 151,233	\$ 256,765	83,035
Total capital assets not being depreciated	274,122	151,233	\$ 256,765	188,590
Depreciable capital assets				
Building	1,253,188			1,253,188
Improvements	1,079,084			1,079,084
Wells, water tanks and structures	6,328,892	251,087		6,579,979
Machinery and equipment	441,738	24,245		465,983
Water mains	6,802,554	83,521		6,886,075
Equipment	370,884	5,475		376,359
Office, furniture and equipment	77,008			77,008
Computer software	23,749			23,749
Vehicles	321,372	28,505		349,877
Total depreciable capital assets	16,698,469	392,833	-0-	17,091,302
Accumulated Depreciation				
Building	482,922	33,428		496,350
Improvements	514,914	54,988		569,902
Wells, water tanks and structures	1,621,177	152,237		1,773,414
Machinery and equipment	404,177	5,279		409,456
Water mains	3,210,157	136,051		3,346,208
Equipment	326,613	14,248		340,861
Office, furniture and equipment	76,212	760		76,972
Computer software	23,749			23,749
Vehicles	279,081	17,084		296,165
Total accumulated depreciation	\$ 6,919,002	\$ 414,075	\$ -0-	7,333,077
Total net depreciable capital assets				9,758,225
Total capital assets				\$ 9,926,815

Depreciation and amortization expense of \$414,075 was charged to water supply services expense for the year 2014.

E. Indebtedness

Short-Term Debt

A bond anticipation note (BAN) is used as a temporary means of financing capital expenditures in the capital projects fund. State law requires that a BAN issued for capital purposes be converted to a long-term obligation within five years after the original issue date. The note or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. The liability for the BAN is accounted for in the capital projects fund. The note bears interest at 1.5% and was redeemed in March 2014.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

E. Indebtedness (continued)

Short-Term Debt (continued)

The note activity is summarized as follows:

	Balance 1/1/14	Issued	Redeemed	Balance 12/31/14
Bond anticipation note payable	\$ 1,400,000	\$ -0-	\$ (1,400,000)	\$ -0-

Interest expense of \$20,942 has been included in water supply service expense in the statement of activities. All short-term liabilities are paid from the general fund.

Long-Term Debt

General Obligation Serial Bonds - The District periodically borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the Town of Oyster Bay, bear interest at rates ranging from 2.0 to 5.0 percent.

Compensated Absences - Represents the value of the earned and unused portion of the liability for compensated absences.

Other Postemployment Benefits - Represents the actuarial value of other postemployment benefits liability. See Note G for further details on this liability.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2014:

	Balance 1/1/14	Issued	Redeemed	Balance 12/31/14	Non-current Liabilities Due Within One Year
General obligation bonds	\$ 2,500,538	\$ 1,542,837	\$ (465,706)	\$ 3,577,669	\$ 338,515
Compensated absences	188,265	\$ 81,474	(74,075)	195,664	9,783
Due to employees' retirement system	42,680		(20,569)	22,111	22,111
Other postemployment benefits	922,291	216,886	(64,514)	1,074,663	-0-

Principal and interest payments to maturity of the general obligation serial bonds as of December 31, 2014 are as follows:

	Principal	Interest	Total
Years Ending December 31, 2015	\$ 338,515	\$ 149,821	\$ 488,338
2016	369,568	117,257	486,825
2017	319,296	105,381	424,677
2018	332,391	93,696	426,087
2019	331,891	80,409	412,300
2020-2024	1,278,348	212,171	1,488,519
2025-2028	609,660	45,756	855,416
	<u>\$ 3,577,669</u>	<u>\$ 804,491</u>	<u>\$ 4,382,160</u>

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

E. Indebtedness (continued)

Long-Term Debt (continued)

Interest expense of \$91,176 has been included in water supply service expense in the statement of activities. All long-term liabilities are paid from the general fund.

Advance Refunding of Bonds

On April 24, 2014, the Town of Oyster Bay, on behalf of the District, issued \$192,837 in Public Improvement Refunding Bonds with interest rates ranging from 2% to 5% and annual maturities through January 15, 2028.

The net proceeds of \$215,004 (the par amount of the bonds plus a premium of \$23,212 less underwriter's fees, insurance and other issuance costs of \$1,044) were used to advance refund \$203,900 of outstanding 2007 Series Bonds with interest rates ranging from 4.000% - 4.125%.

The net proceeds were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the non-current governmental liabilities column of the statement of net position. At December 31, 2014, \$203,900 of outstanding bonds are considered defeased.

The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the District's total debt service payments by \$11,596.

Defeasance of Debt

In the current year and in the prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the District's financial statements. At December 31, 2014, \$1,517,000 of these bonds outstanding are considered defeased.

F. Retirement System

Plan Description

The Oyster Bay Water District participates in the New York State and Local Employees' Retirement System (ERS), which is a cost-sharing multiple-employer defined benefit plan, and the Public Employees' Group Life Insurance Plan. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

F. Retirement System (continued)

Plan Description (continued)

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found on the website of the Office of the New York State Comptroller or by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

Plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their salary for NYSERS members throughout active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, depending upon their salary, throughout active membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	Annual Required Contribution	Early Retirement Incentive	Total Payment
2014	\$ 97,959	\$ 23,556	\$ 121,515
2013	137,135	23,556	160,691
2012	128,147	23,556	151,703

The District's contributions to the System were equal to 100 percent of the contributions required for each year.

Pursuant to Chapter 105 of the Laws of 2010, the State Legislature authorized local governments to make available retirement incentive program with estimated total costs of \$103,383. The cost of the program is being billed and paid over five years beginning in 2011 and will include interest at 7.5%.

Principal and interest payments to maturity of the retirement incentive plan as of December 31, 2014 are as follows:

	Principal	Interest	Total
Years Ending December 31, 2015	\$ 22,111	\$ 1,659	\$ 23,770
	\$ 22,111	\$ 1,659	\$ 23,770

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

G. Postemployment Benefits (Obligations for Health Insurance)

In the government-wide financial statements, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The District recognizes the costs of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years is being amortized over 30 years, which commenced in 2007.

Plan Description

The District, per its contracts with employees, will pay the full premium costs for the medical insurance coverage (currently provided by Empire Plan Plus Enhancements of the New York State Government Employees Health Insurance Program) for an employee of the District at retirement, provided the employee has reached age 55 and has been employed by the District for at least 5 years prior to the date of retirement. Commissioners may become eligible for these benefits if they reach age 60 with 10 years of service while working for the District. These contracts will be renegotiated at various times in the future. The retiree is also eligible for Medicare reimbursement in the amount of \$1,313 per year. Upon death of an active employee with ten years of service, the District will pay eighty percent, or an amount determined by the Commissioners based on the circumstances of the District, of the cost to continue coverage for the non-remarried spouse and dependents of the employee.

The number of participants as of January 1, 2013, the effective date of the most recent actuarial valuation, follows. There have been no significant changes in the number or the type of coverage since that date.

Active employees	12
Retired employees	6
Spouses of retired employees	<u>1</u>
Total	<u>19</u>

Funding Policy

The District currently pays for postemployment health care benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2014, the District's annual other postemployment benefits cost (expenses) was \$216,886. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$64,514 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$152,372 for the year ended December 31, 2014.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

G. Postemployment Benefits (Obligations for Health Insurance) (continued)

Benefit Obligation and Normal Cost

	<u>Medical</u>	<u>Medicare B</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)			
Retired employees	\$ 1,001,789	\$ 196,845	\$ 1,198,634
Active employees	1,421,641	233,915	1,655,556
Unfunded Actuarial Accrued Liability (AAL)	<u>\$ 2,423,430</u>	<u>\$ 430,760</u>	<u>\$ 2,854,190</u>

The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount that actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's other postemployment benefits liability:

Level Percentage of Projected Pay Amortization
Calculation of ARC under the Entry Age Method

	<u>Medical</u>	<u>Medicare B</u>	<u>Total</u>
Normal cost	\$ 68,959	\$ 11,545	\$ 80,504
Amortization of unfunded actuarial liability (UAAL) over 30 years	117,243	20,992	138,235
Interest	6,120	1,082	7,202
Annual required contribution (ARC)	<u>192,322</u>	<u>33,619</u>	<u>225,941</u>
Interest on net OPEB Obligation	29,845	5,083	34,928
Adjustment to ARC	<u>(37,582)</u>	<u>(6,401)</u>	<u>(43,983)</u>
Annual OPEB Cost	184,585	32,301	216,886
Contribution for fiscal year ended			
December 31, 2014	<u>56,961</u>	<u>7,553</u>	<u>64,514</u>
Increase In other postemployment benefits liability	127,624	24,748	152,372
Other postemployment benefits liability			
at December 31, 2013	<u>782,036</u>	<u>140,255</u>	<u>922,291</u>
Other postemployment benefits liability			
at December 31, 2014	<u>\$ 909,860</u>	<u>\$ 165,003</u>	<u>\$ 1,074,663</u>
Percent of annual OPEB cost contributed	30.86%	23.38%	29.75%

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

G. Postemployment Benefits (Obligations for Health Insurance) (continued)

Annual Other Postemployment Benefit Cost (continued)

The District's annual OPEB cost, the percent of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and preceding two years is as follows:

	Annual OPEB Cost	Percent of annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 218,888	29.75%	\$ 1,074,663
2013	207,935	30.37%	922,291
2012	192,965	32.55%	777,499

Funded Status and Funding Progress

The funded status of the plan for the year ended December 31, 2014, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
\$ -0-	\$ 2,854,190	\$ 2,854,190	0%	\$ 575,024	496.4%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term liability in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2013 actuarial valuation, the liabilities were computed using the entry age normal method and level percentage of projected payroll of active plan members. The actuarial assumptions utilized a 4.0% discount rate and a 2.5% payroll growth rate. The valuation assumes a 5-8% healthcare cost trend increase for the year ended 2013, reduced decrements to a rate of 5% after four years. The remaining amortization period at December 31, 2014 was twenty-two years.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

H. Commitments and Contingencies

Capital Improvements

The District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contract or is planning additional improvements amounting to approximately \$3.6 million within the next one to two years.

I. New Pronouncements

The Governmental Accounting Standards Board ("GASB") issued authoritative guidance (GASB Statement No. 68) on *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The objective of the statement is to improve financial reporting by state and local governmental pension plans. The District is required to implement this authoritative guidance for the year ended December 31, 2015.

GASB has issued Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date*"—an amendment of GASB Statement No. 68. The primary objective of this Statement is to address an Issue regarding amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of the new statement become effective for the District for the year ended December 31, 2015.

The District is currently evaluating the impact of the above pronouncements.

**REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OYSTER BAY WATER DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
 December 31, 2014

	Budget Amounts		Actual	Variance
	Original	Final	Amounts Budget Basis	Positive (Negative)
Revenues				
Real Property Taxes				
Ad valorem	\$ 771,891	\$ 771,891	771,856	\$ (35)
Special assessments	110,327	110,327	110,326	(1)
Total Real Property Taxes	882,218	882,218	882,182	(36)
Other Real Property Tax Items				
Payments in lieu of taxes	32,000	32,000	33,069	1,069
Total Other Real Property Tax Items	32,000	32,000	33,069	1,069
Departmental income				
Metered water sales	750,000	750,000	891,126	141,126
Installation charges	2,000	2,000	11,997	9,997
Hydrant rentals and sprinkler charges	65,000	65,000	64,350	(650)
Interest and penalties - water rents	6,000	6,000	8,183	2,183
Other water charges	5,000	5,000	3,195	(1,805)
Total Departmental Income	828,000	828,000	978,851	150,851
Use of Money and Property				
Interest earnings	2,000	2,000	1,062	(938)
Tower rental	408,000	408,000	437,334	29,334
Total Use of Money and Property	410,000	410,000	438,396	28,396
Total Revenues	2,152,218	2,152,218	2,332,498	180,280
Other Financing Sources				
Refunding bond proceeds	-0-	192,837	192,837	-0-
Premium and accrued interest on obligations	-0-	23,212	23,212	-0-
Total Other Financing Sources	-0-	216,049	216,049	-
Total Revenues and Other Sources	\$ 2,152,218	\$ 2,368,267	2,548,547	\$ 180,280
Expenditures				
Administration				
Office salaries	\$ 212,000	\$ 167,500	163,590	\$ 3,910
Commissioners' fees	36,000	36,000	33,200	2,800
Computerization and software	5,000	7,200	6,641	559
Office utilities	12,000	12,000	6,721	5,279
Accounting and auditing	40,000	48,000	45,229	2,771
Legal	0	64,500	63,365	1,135
Insurance	80,000	80,000	77,021	2,979
Notices and advertising	4,000	4,000	2,720	1,280
Office maintenance & service contracts	37,000	37,000	27,871	9,129
Postage	8,000	8,000	7,463	537
Conferences, meetings and conventions	18,000	24,500	23,715	785
Contingencies	30,000	-0-	-0-	-0-
Total Administration	482,000	488,700	457,536	31,164
Source of Supply, Power and Pumping				
Electrical power	160,000	160,000	145,492	14,508
Total Source of Supply, Power and Pumping	160,000	160,000	145,492	14,508
Purification				
Chemical treatment and analysis	40,000	42,700	42,617	83
Total Purification	40,000	42,700	42,617	83

See notes to financial statements.

OYSTER BAY WATER DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
 December 31, 2014

	Budget Amounts		Actual	Variance
	Original	Final	Amounts Budget Basis	Positive (Negative)
				(continued)
Transmission and Distribution				
Personal services - plant salaries	460,000	460,000	440,428	19,572
Equipment - vehicles	32,000	32,000	28,505	3,495
Equipment - plant	8,000	30,000	28,710	1,290
Repairs and maintenance - plant	65,000	65,000	54,427	10,573
Plant supplies	-0-	900	827	73
Small tools and equipment	3,000	3,000	1,181	1,819
Plant communications	10,000	10,000	9,227	773
Meters and supplies	40,000	40,000	29,283	10,717
Engineering	50,000	50,000	17,832	32,168
Auto expense	20,000	20,000	18,784	1,216
Miscellaneous	4,000	4,400	4,302	98
Total Transmission and Distribution	<u>692,000</u>	<u>715,300</u>	<u>633,506</u>	<u>81,794</u>
Employee Benefits				
State retirement	165,000	123,400	112,481	10,919
Social security	55,000	59,900	52,470	7,430
Hospital and medical insurance	210,000	214,000	213,939	61
Hospital and medical insurance - buy back	42,000	42,000	41,417	583
Total Employee Benefits	<u>472,000</u>	<u>439,300</u>	<u>420,307</u>	<u>18,993</u>
Debt Service				
Serial bonds				
Principal	261,806	261,806	261,806	-0-
Interest	96,442	96,442	91,176	5,266
Bond Anticipation Notes				
Principal	50,000	50,000	50,000	-0-
Interest	20,942	20,942	20,942	-0-
Total Debt Principal and Interest	<u>429,190</u>	<u>429,190</u>	<u>423,924</u>	<u>5,266</u>
Total Expenditures	<u>2,275,190</u>	<u>2,275,190</u>	<u>2,123,382</u>	<u>151,808</u>
Other Uses				
Interfund transfers out	220,000	220,000	171,229	48,771
Payments to refunded bond escrow agent	-0-	216,049	216,049	-0-
Total Other Uses	<u>220,000</u>	<u>436,049</u>	<u>387,278</u>	<u>48,771</u>
Total Expenditures and Other Uses	<u>2,495,190</u>	<u>2,711,239</u>	<u>2,510,660</u>	<u>200,579</u>
Change in Fund Balance	<u>\$ (342,972)</u>	<u>\$ (342,972)</u>	<u>37,887</u>	<u>\$ 380,859</u>
Fund Balance at Beginning of Year			<u>1,881,714</u>	
Fund Balance at End of Year			<u>1,919,601</u>	

See notes to financial statements.

OYSTER BAY WATER DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
December 31, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Liability as a Percentage of Covered Payroll</u>
1/1/2013	\$ -0-	\$ 2,739,981	\$ 2,739,981	0%	\$ 560,999	488.4%
1/1/2011	\$ -0-	\$ 2,684,841	\$ 2,684,841	0%	\$ 539,664	497.5%
1/1/2009	\$ -0-	\$ 2,111,343	\$ 2,111,343	0%	\$ 305,726	690.6%

See notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

OYSTER BAY WATER DISTRICT
CAPITAL PROJECTS FUNDS
SCHEDULE OF PROJECT EXPENDITURES
December 31, 2014

Capital Project	Expenditures		Encumbrances	Total
	Prior Years	Current Year		
Well 6-2 rehabilitation	\$ 130,935	\$ 35,787		\$ 166,722
Plant 4 rehabilitation	53,757	9,095		62,852
Plant 1 - SCADA	3,876	-0-		3,876
GAC treatment system - Plant 2		84,366		84,366
Wash Hollow/ Glen Cove Water Main		16,307	\$ 4,150	20,457
Hydrants		83,521		83,521
Financing costs		14,976		14,976
Total Expenditures	<u>\$ 188,568</u>	<u>\$ 244,052</u>	<u>\$ 4,150</u>	<u>\$ 436,770</u>

See notes to financial statements.