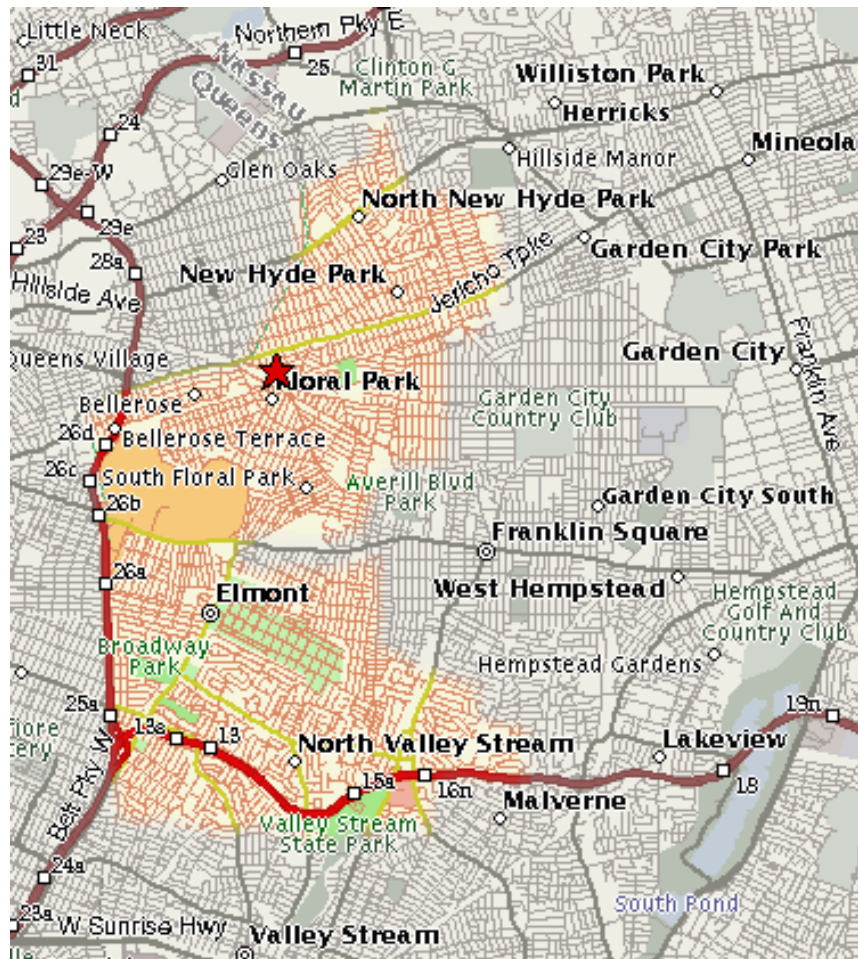


**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED MAY 31, 2012  
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**



Prepared by:  
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Director of Finance, Accounting & Customer Service  
Water Authority of Western Nassau County



**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED MAY 31, 2012**

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**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## **SECTION A: INTRODUCTORY SECTION**



# **Water Authority**

## **of Western Nassau County**

### **LETTER OF TRANSMITTAL**

August 17, 2012

The Honorable Members of the Board of Directors and our Customers  
Water Authority of Western Nassau County  
58 South Tyson Avenue  
Floral Park, New York

The Department of Accounting is pleased to transmit the Comprehensive Annual Financial Report ("CAFR") of the Water Authority of Western Nassau County, ("the Water Authority") for the fiscal year ended May 31, 2012. This letter of transmittal is designed to complement the Management's Discussion and Analysis ("MD&A") and should be read in conjunction with it. The Water Authority's MD&A can be found on pages 21-35 immediately following the report of the independent auditors.

### **INTRODUCTION**

#### **Management Representation**

This report was prepared by the Accounting Department of the Water Authority in conformance with the current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board ("GASB"). The presentation of data is designed to comply with the guidelines recommended by the Government Finance Officers Association of the United States and Canada ("GFOA"). The Water Authority's management is solely responsible for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures. We believe the data to be accurate in all material respects and reported in a manner designed to fairly set forth the financial position and results of the Water Authority's financial activities and operations. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, based upon a comprehensive framework of internal controls that have been established for this purpose, rests with the Water Authority management. To the best of our knowledge and belief, the information provided in the CAFR is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Water Authority. All disclosures necessary to enable the reader to gain an understanding of the Water Authority's financial and operational activities have been included.

Tabriztchi & Company, CPA, P.C., Independent Certified Public Accountants, have issued an unqualified ("clean") opinion on the financial statements of the Water Authority of Western Nassau County, for the year ended May 31, 2012. The independent auditors' report is located at the front of the financial section of this report, pages 19 and 20.

#### **Organization of Report**

The CAFR is presented in three sections as follows:

1. The Introductory Section includes this transmittal letter, excerpts from the charter, organization chart, and the list of principal officials, and is intended to familiarize the reader with the organizational structure of the Water Authority and the nature and scope of the services provided. The Introductory Section can be found on pages 1 through 17.

2. The Financial Section includes the independent auditor's report on the basic financial statements, the MD&A of the Water Authority's overall financial position and results of operations and the audited financial statements, including the accompanying note disclosures. This letter is designed to complement the MD&A and should be read in conjunction with it. The Water Authority's MD&A and its basic financial statements, including notes, can be found on pages 21 through 66.
3. The Statistical Section contains comprehensive statistical data on the Water Authority's operations for the past ten years. The Water Authority's Statistical Section can be found on pages 67 through 103.

## Organization's Profile

The Water Authority was established on July 25, 1990, pursuant to the "Water Authority of Western Nassau County Act" ("the Act") of the State of New York, as amended on July 31, 1992 and codified under Title 8-C of Article 5 of the Public Authorities Law. On May 28, 1996, the Water Authority, by exercise of the power of eminent domain, acquired the water supply and distribution system situated in the District previously owned by the Jamaica Water Supply Company. The District serves a population of approximately 120,000 within the Town of Hempstead and the Town of North Hempstead.

The Water Authority is not required to pay taxes, special ad valorem levies or special assessments upon the real property owned by it or any filing, recording or transfer fees or taxes in relation to instruments filed, recorded or transferred by or on its behalf. The Water Authority may pay, or enter into agreements with any municipality to pay annual amounts for the real property located in that municipality that constitutes a part of the District. The drilling of wells and acquisition of water are subject to the Jurisdiction of the State of New York, Department of Environmental Conservation ("DEC"). The powers of DEC in this respect are statewide and extend on all water service providers.

The mission of the Water Authority is as follows: *To satisfy customer expectations for high quality, reliable water service provided in a responsive and efficient manner at the lowest reasonable price.*

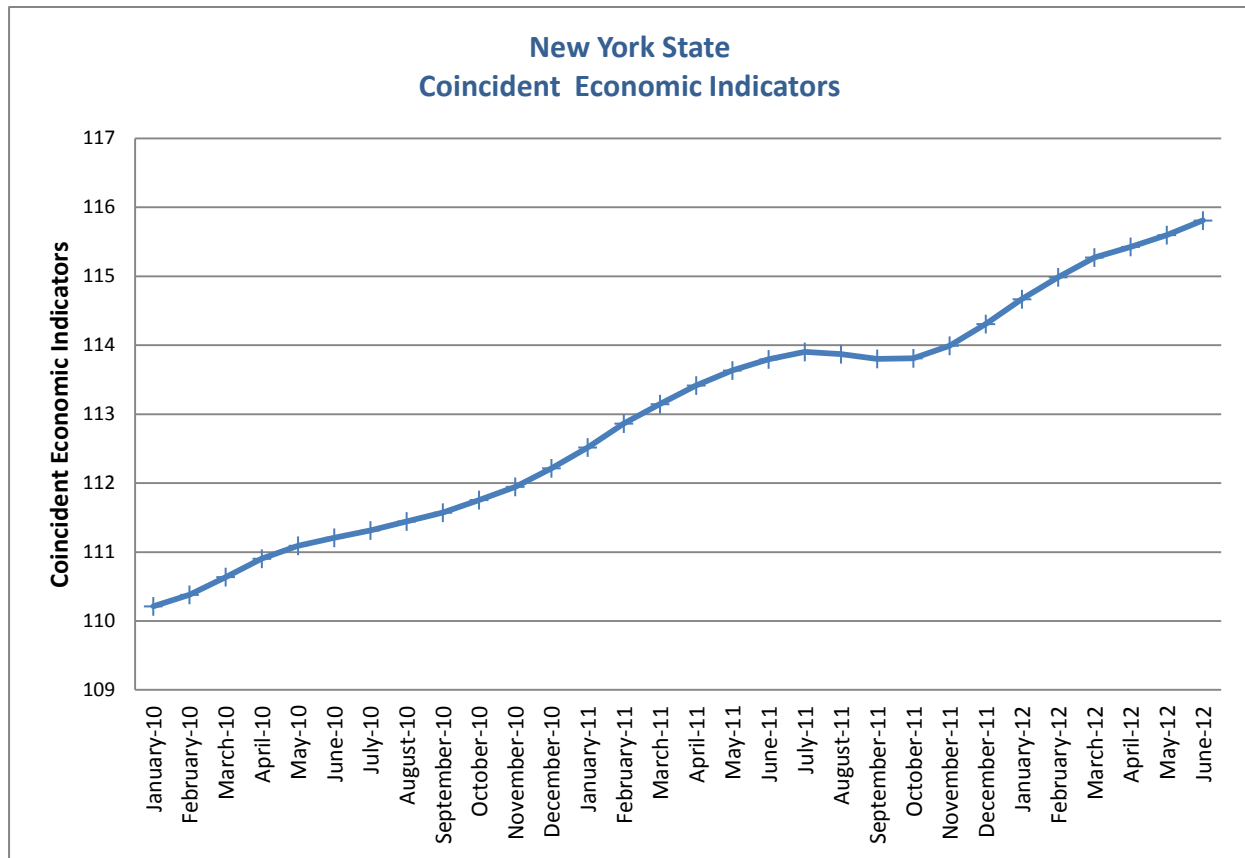
## LOCAL ECONOMIC CONDITIONS AND OUTLOOK

### Economic Recession and Recovery

In June 2012, the New York State Department of Labor's Index of Coincident Economic Indicators ("ICEI"), designed to provide reliable and timely information about current economic conditions, increased at an annual rate of 2.2%. This follows an 1.8% annual increase in May 2012. Over the past year, the ICEI has increased by 1.8%, indicating improvement in economic conditions in the State of New York.

The ICEI model combines and weighs four key indicators of statewide economic activity, which have historically moved in conjunction with the state's business cycles. The indicators are: (1) private sector employment; (2) unemployment rate; (3) average weekly hours of manufacturing workers; and (4) sales tax collections.





Since 1970, there have been seven distinct recessions in the United States and New York State. Recessions in New York have tended to be significantly longer than their national counterparts. The last four recessions in New York State (dating back to 1981) have averaged more than 2 ½ years in length, while the last four national recessions have averaged just over one year in duration.

#### COMPARISON OF UNITED STATES AND NEW YORK STATE RECESSIONS

Dates in U.S. U. S.	Length (months)	Dates in NYS (Peak Trough)	Length (months)	NYS Change in Jobs	
				Net (in 1000s)	Percent
Dec. '69-Nov. '70	11	Dec. '69-Nov. '71	23	(310.2)	-5.1%
Nov. '73-Mar. '75	16	Mar. '73-Sept. '75	30	(393.1)	-6.7%
Jan. '80-Jul. '80	6	Feb. '80-Jul. '80	5	(66.3)	-1.1%
Jul. '81-Nov. '82	16	Aug. '81-Dec. '82	16	(84.1)	-1.4%
Jul. '90-Mar. '91	8	Mar. '89-Nov. '92	44	(545.3)	-8.0%
Mar. '01-Nov. '01	8	Dec. '00-Aug. '03	32	(331.5)	-4.6%
Dec. '07-Jun. '09	18	Apr. '08- Nov. '09	19	(324.6)	-4.4%

Sources: National Bureau of Economic Research (U.S. dates) and New York State Department of Labor, Division of Research and Statistics (New York dates)

## Employment Conditions in Nassau County

From 2007 to 2009, Nassau County had lost approximately 22,300 jobs with the largest decreases in the following three sectors: retail trade (5,702), manufacturing (3,698) and construction (2,484). Between December 2010 and December 2011, the latest period for which disaggregated data is available, the County had gained around 3,700 jobs. The largest gain came from the health care and social assistance sectors. The employment in health care increased by 2,998 jobs from 111,447 in 2010 to 114,445 at December 31, 2011.

The State of New York Department of Labor report on non-farm *Employment by Industry*, indicates that the steady decline in manufacturing employment since the mid-1980s, has shifted Nassau County away from an export-oriented economy (servicing customers and markets that extend outside the County) towards a more locally oriented economy. In 2011, Nassau County's largest employment sectors were trade and healthcare, which comprised 37.21 percent of total employment. While some portions of this sector are export-oriented (such as transportation), almost three-quarters of all jobs in the sector are in retail trade, a locally oriented industry. In general, the shift from export-oriented to locally oriented jobs also implies a transition from relatively high paying to lower paying jobs. The number and percentages of jobs in 2011 in Nassau County and Long Island are presented below:

Industry Title	NASSAU COUNTY AND LONG ISLAND JOBS - 2011			
	Number of Jobs		Industry Share	
	Nassau County	All Long Island	Nassau County	All Long Island
Total, all industries	586,114	1,196,146	100%	100%
Total, all private	504,923	1,011,456	86.15%	84.57%
Agriculture, forestry, etc	206	2,510	0.04%	0.21%
Mining	8	190	0.00%	0.02%
Utilities	2,546	4,140	0.43%	0.35%
Construction	24,607	58,238	4.20%	4.87%
Manufacturing	18,988	72,451	3.24%	6.06%
Wholesale trade	26,894	61,794	4.59%	5.17%
Retail trade	76,722	153,321	13.09%	12.82%
Transportation and warehousing	14,762	30,602	2.52%	2.56%
Information technology	13,662	23,421	2.33%	1.96%
Finance and insurance	30,471	52,202	5.20%	4.36%
Real estate and rental and leasing	9,623	16,166	1.64%	1.35%
Professional and technical services	34,167	73,710	5.83%	6.16%
Management	6,499	13,850	1.11%	1.16%
Administrative and waste services	28,819	64,126	4.92%	5.36%
Educational services	19,688	29,568	3.36%	2.47%
Health care and social assistance	114,445	197,116	19.53%	16.47%
Arts, entertainment and recreation	11,195	20,905	1.91%	1.75%
Accommodation and food services	41,622	83,340	7.10%	6.97%
Other services	27,452	49,404	4.68%	4.13%
Total, all government	81,191	184,690	13.85%	15.43%
Unclassified	2,547	4,402	0.43%	0.37%
Total	586,114	1,196,146	100%	100%

Source: New York State Department of Labor – Non-farm Employment by Industry, North American Industry Classification System (NAICS)

Nassau County's share of jobs on Long Island is also changing. The professional and technical services, finance and insurance, trade, transportation, and utilities sectors have had recent job losses in Nassau County compared to job gains in Suffolk County. This has reduced Nassau County's share of these jobs on Long Island as a whole. Although Nassau County no longer has the majority of professional and

business services jobs on Long Island, it still remains the center for financial, education and health services jobs. The health services sector is the only major sector in which recent job growth in Nassau outpaced growth in Suffolk County.

Nassau County's unemployment rate for the first six months of 2012 was 7.5 percent, which was below the State's unemployment rate (8.9 percent). During the most recent recession, Nassau County's unemployment rate increased substantially, rising from 3.4 percent in May 2007 to 7.5 percent in February 2010, but this was still lower than New York State's rate which peaked at 9.4 percent in January of 2010. Unemployment rates have fallen slightly as the economy struggles to recover, but they have yet to return to pre-recession levels. Over the past year, the state of New York had a decrease in the amount of initial unemployment insurance claims, and an increase in the labor force as more New Yorkers gained confidence in the economy. Furthermore, the percentage of job seekers re-entering the labor force, or entering the labor force for the first time, increased 7% from June 2011 to June 2012.

UNEMPLOYMENT RATES		
Year	Nassau County	State of New York
2012 (June)	7.5%	8.9%
2011	6.7%	8.2%
2010	7.1%	8.6%
2009	7.1%	8.4%
2008	4.7%	5.3%
2007	3.7%	4.5%
2006	3.8%	4.6%
2005	4.1%	5.0%
2004	4.5%	5.8%
2003	4.7%	6.4%
2002	4.7%	6.2%

Source: NYS Department of Labor

### **Wages and Salaries in Nassau County**

According to the NYS Department of Labor's Quarterly Census of Employment and Wages, the annual wages earned in Nassau County grew by 2.27 percent in 2011 and at present the total is more than \$31.6 billion. Wages grew in all industry sectors in 2011. The fastest wage growth was in the information sector, where wages increased by 9.9 percent (an average of \$9,227).

Nassau County no longer accounts for the majority of jobs on Long Island, but the county continues to account for approximately 50% of wages earned—although the spread between Nassau and Suffolk has narrowed in recent years. This is not the result of a dramatic difference in job mix (the same sectors dominate in both counties), but rather of higher average salaries in almost all industries in Nassau County compared to Suffolk County. In fact, in 2011 average salaries in Nassau reached \$53,963 and ranked fourth in the State behind New York City (\$80,010), Westchester (\$64,535) and Hudson Valley (\$54,166).

The average salary across all industries in Nassau County increased by 4.5 percent between 2008 and 2010. This was less than the rate of increase in inflation during this period. The higher-paying sectors,

however, generally lost jobs and had declines in average wages in this period. Most job growth occurred in the healthcare sectors.

### Personal and Household Income in Nassau County

According to the U.S. Census Bureau, Nassau County's median household income increased slightly from \$91,104 in 2010 to \$91,414 in 2011. Nassau County's median household income ranked twelfth-highest in the nation, behind the income levels for counties from Virginia, New Jersey, Colorado and Maryland. The percentage of individuals in Nassau with income below the poverty level was 6.8 percent in 2011, significantly lower than the 14.9 percent rate across the remainder of New York State. Of the 822 counties in the nation for which the U.S. Census Bureau measured poverty in 2011, Nassau ranked 774th.

### Businesses in Nassau County

More than 51,700 business establishments are located in Nassau County. Approximately 36 percent of firms are in professional, scientific, and technical services; retail trade; and health care and social assistance. These same sectors account for just approximately 37 percent of the jobs in Nassau County; professional firms tend to be small, while health service firms are generally larger.

### Consumer Prices in the New York Region

Consumer price rises in the New York Region have historically been slightly higher than the national inflation rates, principally because of the region's disproportionate dependence on imported oil. For the first six months of 2012, the change in the Consumer Price Index in urban areas was 1.6% in the New York-Northern Jersey-Long Island, NY-NJ-CT-PA Region versus 1.7% nationally.

RATE OF CPI INCREASE		
Year	NY-NJ-CT-PA	USA
2012 (6 months)	1.6%	1.7%
2011	2.8%	3.2%
2010	1.7%	1.6%
2009	0.4%	-0.4%
2008	3.9%	3.8%
2007	2.8%	2.8%
2006	3.8%	3.2%
2005	3.9%	3.4%
2004	3.5%	2.7%
2003	3.1%	2.3%
2002	2.6%	1.4%

Source: U.S. Department of Labor

### Real Estate and Housing in Nassau County

Data from the State Office of Real Property Tax Services shows that the median sale price of homes in Nassau County actually increased by \$10,000 (2.30%) from 2009 to 2010, but decreased by \$12,750 (2.87%) from 2010 to 2011. Between 2000 and 2010, the county's median home value more than doubled, increasing at an average annual rate of 12.5 percent, and reaching \$437,500, which is second

highest in the State following Westchester. The number of closed sales in the 12-month period ending December 31, 2011 was 9,405, or a decrease of 1,710 or 15.4 percent from the previous year.

Fair market housing rentals in Long Island for 2012, estimated by the U.S. Department of Housing and Urban Development ("HUD"), range from \$1,233 a month for a studio apartment to \$2,432 per month for a four-bedroom apartment. Overall, these rents are the highest in the State. The rent for a two-bedroom apartment in Nassau ranks 10th for most expensive in the United States.

The most recent housing construction in Nassau has been of single-family homes. According to U.S. Census data, of the 7,202 (10,453 units) building permits that were issued in Nassau between 2002 and 2011, only 31.10 percent were issued for the construction of units in buildings with two or more units.

**HOUSING STARTS – PERMITS ISSUED – LAST 10 YEARS**  
**ESTIMATE WITH IMPUTATION (a)**

Year	Single Family	Two Family	Two Family Units	Three And Four Family	Three/Four Family Units	Five or More Family	Five Family Units	Total Buildings	Total Units
2011	311	1	2	0	0	20	540	332	853
2010	400	14	28	21	63	2	32	437	523
2009	367	4	8	0	0	1	5	372	380
2008	815	4	8	0	0	38	992	857	1,815
2007	734	9	18	1	4	6	68	750	824
2006	1,281	23	46	1	4	13	119	1,318	1,450
2005	1,191	24	48	2	7	6	197	1,223	1,443
2004	721	33	66	4	12	7	362	765	1,161
2003	663	18	36	0	0	59	333	740	1,032
2002	719	19	38	1	3	27	212	766	972
<b>Total</b>	<b>7,202</b>	<b>149</b>	<b>298</b>	<b>30</b>	<b>93</b>	<b>179</b>	<b>2,860</b>	<b>7,560</b>	<b>10,453</b>
<b>Percentage</b>	<b>68.90%</b>		<b>2.85%</b>		<b>0.89%</b>		<b>27.36%</b>		<b>100.0%</b>

(a) Estimates with Imputation - includes reported data for monthly and annual respondents and imputed data for monthly and annual nonrespondents.

Source: U.S. Census Bureau

## FINANCIAL INFORMATION

### Internal Control Environment

Management of the Water Authority is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the water utility are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the accurate presentation of financial statements in conformity with generally accepted accounting principles ("GAAP"). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not outweigh their benefit.

## Budget Formulation and Control

The Water Authority considers budget preparation and implementation as an important tool in planning operations and maintaining its fiscal responsibility and accountability. Annual operating and capital budgets are prepared by management and approved by the Board of Directors. The purpose of the budget process is to authorize and control expenditures, evaluate projected revenue to determine the Water Authority's ability to meet its obligations under various bond covenants and to provide analysis for planning purposes.

## Financial Reporting

Financial statements, consisting of a statement of net position, a statement of revenues and expenses and changes in net position and a report of cash balances and investments are prepared monthly, usually within two weeks of the last day of the month. A monthly presentation is made to the Board of Directors, comparing actual results of operations with the approved budget as well as prior year results. If unforeseen circumstances arise which alter the projections used in the budget process, a revision may be prepared by the Director of Finance, Accounting and Customer Service at the request of the Water Authority Superintendent for consideration and approval by the Board of Directors.

During 2006, the State of New York enacted the Public Authorities Accountability Act of 2005 ("PAAA"). The PAAA requires disclosure, notification, transparency, expanded reporting of information, etc. and specifies dates for meeting the legislative requirements. The Water Authority has implemented the necessary changes to meet its obligations in a timely manner.

## MAJOR ACCOMPLISHMENTS

### Operational Efficiencies

The Water Authority completed its sixteenth full year of operation on May 31, 2012. Beginning its seventeenth year of operation, the Water Authority continues its practice to search for operational efficiencies and has been able to control operation and maintenance expenses. Over this period, the Water Authority was still able to control its operating costs while providing excellent customer service and supplying clean and reliable water to its customers.

The Water Authority has instituted an aggressive program to encourage customers' payments for past due accounts by using a direct phone call to the customer with the delinquency just prior to sending crews out to shut off the service due to non payment. This process generally takes place in the later afternoon hours when many customers return home. This helps avoid having to incur the cost of sending a crew out to shut off and then upon remittance of the receivable to turn the service back on. Due to the efficiency of the collection department, accounts receivable write-offs for the Water Authority have been as follows:

ACCOUNTS RECEIVABLE WRITEOFFS	
FISCAL YEARS 2012 TO 2016	
Fiscal Year	Amount
2012	\$ 15,508
2011	15,342
2010	18,763
2009	17,553
2008	17,595
2007	11,948
2006	12,120
2005	12,486
2004	13,646
2003	11,945

The Water Authority has made available new methods of paying water bills by recurring automatic payment via customer checking accounts or online via credit card or check.

## Water Conservation

The Water Authority has submitted a water conservation program to the DEC in accordance with the regulations of the DEC. This program includes universal metering, public education, outdoor water use restrictions, water conservation kits, residential and commercial water use audits, proactive bill audits and customer service line replacements. In May 2003, the Board of the Water Authority adopted rules which allow Water Authority staff to cite violations of established watering regulations to customers. A program was established using seasonal employees who patrol the service territory during peak demand periods to assure water usage regulation compliance. According to the Board adopted terms, the 1st recorded violation is assigned a written warning; the 2nd violation is assessed a \$50 service charge; the third violation is assessed a \$75 service charge; the 4th violation is assessed a \$150 service charge; the 5th and any additional continued violations is assessed a \$300 service charge. This program has proven to be effective in raising the awareness of customers to the water usage restrictions at a low operating cost to the Water Authority.

## MAJOR INITIATIVES

### Capital Program

Capital projects have continued to require a large share of the Water Authority's budget, staff time and focus. The Water Authority has implemented a comprehensive capital improvement program with the goal of improving the water system's aging infrastructure through increased system capacity and dependability. Specifically, target areas include upgrading storage and delivery, enhancing water quality, identifying and complying with pending regulatory requirements, protecting the water source and its watershed, and reducing unaccounted-for water. Security improvements to protect its assets base are underway and will continue through subsequent years.

The Water Authority prepares and updates annually its Capital Improvement Plan ("CIP"), which establishes programmatic goals for the Water System and reviews the present condition and forecasted needs of the Water System facilities over the next five fiscal years. Individual projects are researched and prioritized. The updated CIP with detailed assumptions and considerations is submitted to the Board of Directors for approval.

The Capital Improvement Plan is summarized in the following table:

### CAPITAL PLAN – FISCAL YEARS 2012 TO 2016

	2012	2013	2014	2015	2016	Total Estimated Cost
Well & station improvements	\$ 55,000	\$ 101,000	\$ 2,488,600	\$ -	\$ 1,302,500	\$ 3,947,100
Treatment & SCADA	5,036,500	2,020,000	-	81,500	81,500	7,219,500
Structures & improvements	4,500	38,300	-	5,000	-	47,800
Meters & reading system	304,800	345,000	355,500	366,100	377,100	1,748,500
Transmission & distribution	1,913,250	870,850	2,296,000	1,475,050	3,116,400	9,671,550
Computer equipment	122,000	22,800	19,900	25,800	21,700	212,200
Vehicles & tools	147,500	174,600	232,300	161,250	65,450	781,100
Contingency	25,000	25,000	25,000	25,000	25,000	125,000
Operations center building	5,500,000	3,150,000	-	-	-	8,650,000
Total	\$ 13,108,550	\$ 6,747,550	\$ 5,417,300	\$ 2,139,700	\$ 4,989,650	\$ 32,402,750
Amounts to be funded with Series 2010 bonds	\$ 13,108,550	\$ 6,747,550	\$ 5,417,300	\$ 2,139,700	\$ 4,989,650	\$ 32,402,750



The Water Authority plans on investing the approximate amounts shown immediately above each year in future capital projects. The planned projects to be addressed over the ensuing 5-year period include iron removal plants, treatment plants, well pump screen and pump bowl replacements, booster pumps, motor control center replacements, water treatment equipment upgrades, telemetry upgrades, generator backup capacity, structures and improvements at various stations, radio read meter installations, distribution mains, services and hydrant replacements, upgrades in office technology, site security equipment, vehicle replacement and purchases of tools and work equipment.

### Well Station Improvements

The Water Authority's well stations are equipped with a variety of equipment that requires regular replacement or upgrading. Various pumps, motors, controls, parts inventory, telemetry and monitoring equipment will be upgraded or replaced. The Water Authority plans various structural improvements at the well stations.

### Construction of Iron Removal Plants

The Water Authority Board of Directors awarded a contract for the design of two new iron removal facilities, on July 26, 2010. These facilities will remove the naturally occurring iron that is in the groundwater which is supplied to Elmont and parts of Franklin Square and Valley Stream. One plant will be constructed in Franklin Square (Station No. 30) and will treat one well, the other plant will be constructed in Elmont (Station No. 28) and will treat three wells. One of the wells at the Elmont site is a high capacity well which has been out of service for over 15 years due to high levels of iron. The contracts for the construction of Iron Removal Facilities at Station Nos. 28 and 30 were awarded by the Board of Directors on Monday, April 25, 2011. Details of the contracts are listed in the table below.

<b>Contract Description</b>	<b>Bid Price</b>
Electrical Construction	\$ 2,583,000
General Construction	2,391,423
HVAC	190,066
Plumbing and Mechanical	2,481,100
Well Construction	388,700
Contract Total	<u>\$ 8,034,289</u>

The new Iron Removal Facilities will remove the naturally occurring iron and manganese that exists in the groundwater which is currently supplied to Elmont and portions of Franklin Square, North Valley Stream and Valley Stream. The process to remove the iron from the groundwater shall be Direct Pressure Filtration. The groundwater shall be pumped to multiple pressure vessels which contain a combination of sand and anthracite media to remove the iron. The iron removal treatment system has been designed to provide effluent iron levels of less than 0.1 mg/l, which is one third (1/3) of the 0.3 mg/l secondary standard for iron. The Iron Removal Facilities at Station Nos. 28 and 30 have been designed to treat 3.73 and 1.73 million gallons per day, respectively. Construction work commenced in June 2011 and is expected to be completed in early 2013.

In the Capital Expenditures Plan for the year ending May 31, 2013, \$5,000,000 is allocated for the installation of new iron removal plant for Wells 28, 28A, 28B and 30.

### Transmission & Distribution System

The Water Authority regularly replaces leaking, undersized or old water mains, especially in conjunction with repaving projects planned by local municipalities. The Water Authority also plans to replace or install new water service connections to replace leaking, old or undersized service connections. The Water



Authority anticipates some new main installations to improve water quality, flow and fire protection. The Water Authority also plans to replace or install new hydrants throughout the service area. The Water Authority installed approximately 300 feet of new 8-inch water main in Stewart Avenue between S. 8<sup>th</sup> Street and S. 9<sup>th</sup> Street in Stewart Manor to loop two dead-end water mains; and replaced approximately 1,350 feet of 100-year old 6-inch water main with new 6-inch water main in Hathaway Drive between New Hyde Park Road/Clinch Avenue and Fenimore Avenue in Garden City.

### **Meters**

All customers are currently metered. The Water Authority plans to replace or install a limited number of meters throughout the service area in accordance with time and registration requirements. The Water Authority plans to complete this installation of radio transmitters on all customer meters so that all meters can be read remotely.

### **Construction of New Office Building**

The Water Authority is currently erecting a new headquarters building at one of its existing sites in New Hyde Park. The Headquarters Project is comprised of two phases. Phase I, which includes design, preparation of the grounds, connection to discharge sewers, new power services, an emergency generator, additional underground distribution lines and the construction of the garage facility is nearly complete. The phase II of construction is in progress. Currently, the Water Authority operates from leased office space at 58 South Tyson Avenue, Floral Park, New York. It is anticipated that the Water Authority will save approximately \$350,000 annually in lease, maintenance and property tax expenses by moving to our own headquarters facility.

### **Miscellaneous**

Other capital items include vehicle replacements, computer-related systems, and large tools and work equipment.

## FINANCIAL STABILITY

### Water Rates

The Water Authority has the sole authority to fix the water rates and collect charges that are necessary for the payment of its operating expenses and principal and interest on its bonds. No governmental board, agency, corporation, or officer of the State has jurisdiction or control over the water rates or charges. Section 1198-d (9) of the Act expressly declares that neither the New York State Public Service Commission nor any other control board or commission of like character has jurisdiction over the Water Authority in the management and control of its properties and operations or any power over rates fixed or charges collected by the Water Authority. The Act requires that the rates or charges to be changed only following a public hearing session.

The Water Authority's average annual bill charged to customers:

AVERAGE ANNUAL WATER BILL				
Date	Residential	Commercial	Minimum	Per Hydrant
5/31/2012	\$346	\$1,434	\$131	\$787
5/31/2011	331	1,352	123	751
5/31/2010	312	1,269	115	700
5/31/2009	290	1,182	107	645
5/31/2008	269	1,097	99	598
5/31/2007	251	1,023	92	558
5/31/2006	234	951	86	519
5/31/2005	229	930	83	500
5/31/2004	229	930	83	500
5/31/2003	229	930	83	500
5/31/2002	229	930	83	500

Average Residential bill is based on current average usage of 106,000 applied to applicable tariffs. Average Commercial bill is based on current average usage of 472,000 gallons applied to applicable tariffs.

The following table compares the amount that will be charged by the Water Authority (Fiscal Year 2011-12) for typical residential consumption of 26,000 gallons per quarter with rates charged by several other Long Island water suppliers, as of June 1, 2012, all of whom rely solely on groundwater:

COMPARISON OF AVERAGE QUARTERLY WATER BILLS – LONG ISLAND	
Water Supplier	Quarterly Bill
Long Island American Water Corporation	\$135
Suffolk County Water Authority	61
Water Authority of Great Neck North	137
Water Authority of Western Nassau County	89

The Water Authority has covenanted that it will not furnish any free service by the Water System to any person, firm or corporation, public or private. The Water Authority's rate schedules applicable to residential, commercial, industrial and certain public users are uniform for its service area. The rate schedules effective as of June 1, 2012 for the Water System are set forth in the table below:

**WATER AUTHORITY OF WESTERN NASSAU COUNTY RATE SCHEDULE – JUNE 1, 2012**

Minimum charge up to 9,000 gal./quarter	\$33.75
Block 1 charge (9,000 – 105,000 gal./quarter)	\$3.246/1,000 gal.
Block 2 charge (greater than 105,000 gal./quarter)	\$2.228/1,000 gal.
Public fire hydrants	\$825 per year
Private fire protection services	Varies by meter size

**Debt Management**

At May 31, 2012, bonds totaling \$67.7 million were outstanding. The Bonds are limited obligations of the Water Authority and are not a debt of the State of New York or of Nassau County or of any municipality therein and none of the State of New York, Nassau County or any municipality therein shall be liable thereon. The Water Authority has no taxing power. The Bonds are payable as to both interest and principal solely from the net revenues of the Water System.

The Water Authority issued \$40.9 million of Series 2010, on April 15, 2010. At the time of the sale, the Water Authority received an **A+** rating from Fitch and **a3** rating from Moody's.

The proceeds of Series 2010 Bonds will be applied to finance the acquisition and construction cost of improvements to the water system, including the acquisition, construction and equipping of a new building to serve as the Water Authority's headquarters and office, fund deposits to reserve accounts and to pay certain costs of issuance. The Series 2010 Bonds are subject to optional and mandatory redemption prior to their stated maturity.

The proceeds from the sale of the bonds were received and applied as follows:

	<b>Series 2010A Amount</b>	<b>Series 2010B Amount</b>	<b>Total</b>
<b>Source of Funds</b>			
Principal amount of bonds	\$ 6,925,000	\$ 33,965,000	\$ 40,890,000
Net premium	106,875	-	106,875
Total Sources	<u>\$ 7,031,875</u>	<u>\$ 33,965,000</u>	<u>\$ 40,996,875</u>
<b>Use of Funds</b>			
Project fund	\$ 6,234,361	\$ 30,227,639	\$ 36,462,000
Debt service reserve fund	692,500	3,340,180	4,032,680
Costs of issuance	105,014	394,068	499,082
Additional proceeds	-	3,113	3,113
Total Uses	<u>\$ 7,031,875</u>	<u>\$ 33,965,000</u>	<u>\$ 40,996,875</u>

Under requirements stipulated in various bond resolutions, a trustee has been assigned to hold proceeds from the related bond issues. In addition, the trustee is required to hold funds deposited from time to time to pay registered owners (bondholders). The trustee is required to invest and reinvest funds as instructed by an authorized representative of the Water Authority.

## **Cash Management**

The New York State investment statutes govern the Water Authority's cash investment policies. The Water Authority is authorized to use demand deposits accounts, certificates of deposit, and the US Treasury Bills and Notes. The Water Authority investment policy is to match the maturity of the investment in the US Treasury obligations with its capital expenditure needs. The continued downturn in the market during fiscal 2010 resulted in lower investment returns.

Under the Bond Covenants and policies of the Board, the Water Authority maintains Rate Stabilization and Bond reserve Funds to ensure the stability of revenues and debt service payments. At May 31, 2010, the balances of Rate Stabilization and Bond Reserve Funds were \$0.5 million and \$6.5 million, respectively.

## **Risk Management**

The Water Authority maintains comprehensive liability and workers' compensation insurance in accordance with the levels required in our Bond Resolution. All insurance coverage is obtained through commercial insurance companies. In addition to its insurance coverage, the Water Authority is very proactive in safety training and follows all OSHA safety requirements to preserve a safe operating environment for its employees. The Water Authority has elected to self-insure itself for state unemployment insurance.

## **Independent Audit**

The Water Authority is required to have an annual audit by independent auditors. Tabriztchi & Co., CPA, P.C.; Certified Public Accountants of Garden City, New York has conducted an annual audit of the Water Authority's financial statements for the year ended May 31, 2012. The independent auditor's report relating to the audit of the Water Authority's general-purpose financial statements and schedules is included in Section B of this report, page 19. A report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standard.; is also included in Section D, page 105.

## **SEC REQUIREMENT**

Municipal bonds, are exempt from the disclosure requirements of the federal securities laws. As such, the SEC's statutory authority is limited. On November 10, 1994, the Securities and Exchange Commission amended the Securities Exchange Act of 1934, Rule 15c2-12, regarding continuing disclosure by issuers of municipal securities for the benefit of holders of such securities. The amendments require, among other things, that certain annual financial information be provided to various information repositories for bond issues sold on or after July 3, 1995. The annual financial information must include an update of the same financial statements, except for forecasts, that were included in the final official statement issued at the time of the bond sale. The Water Authority forwards copies of its CAFR to appropriate information repositories.

On May 26, 2010, the Securities and Exchange Commission approved rule changes improving the quality and timeliness of municipal securities disclosure. The compliance date of the new rules is Dec. 1, 2010. Under the amendment, the rule will apply to new issuances of such as variable rate demand obligations. The amended rule specifically include disclosure of events that may adversely affect a bond's tax exemption, including issuance by the IRS of proposed and final decisions about whether the bond can be taxed.

The existing rule presently provides that notice of all of the listed events need be made only "if material." The amended rule will eliminate the need for a materiality determination for the following events:

1. Failure to pay principal and interest.
2. Unscheduled payments out of debt service reserves reflecting financial difficulties.

3. Unscheduled payments by parties backing the bonds, reflecting financial difficulties, or a change in the identity of parties backing the bonds or their failure to perform.
4. Defeasances, including situations where the issuer has provided for future payment of all obligations under a bond.
5. Rating changes.

A materiality determination would be retained for some events, such as bond calls.

The amendments also increase the number of events to include:

1. Tender offers.
2. Bankruptcy, insolvency, receivership or similar proceeding.
3. Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated person or their termination, if material.
4. Appointment of a successor or additional trustee or the change of the name of a trustee, if material.

The amended rule will provide that notices of the events listed in the rule be disclosed in a timely manner not more than 10 business days after the event. Currently, the rule simply provides for disclosure “in a timely manner.” Certain information is being provided by the Water Authority to various Continuing Disclosure Undertakings in order that participating underwriters may comply with Rule 12c2-12 promulgated by the Securities and Exchange Commission (“SEC”). These disclosures made by the Water Authority can be found on the following pages:

1. Outstanding Indebtedness Financial Section; Statistical Section
2. Number of Service Connections (Meters) Statistical Section
3. Water System Facilities Statistical Section
4. Revenues and Expenses Financial Section
5. Capital Expenditures Statistical Section
6. Detail of Revenues and Expenses Financial Section
7. Largest Customers Statistical Section
8. Current Water Rates Statistical Section

#### **ACKNOWLEDGMENT**

I would like to express my appreciation to the Accounting Department of the Water Authority and our independent auditors, Tabriztchi & Co., CPA, P.C. for their assistance and dedication in the preparation of this report.

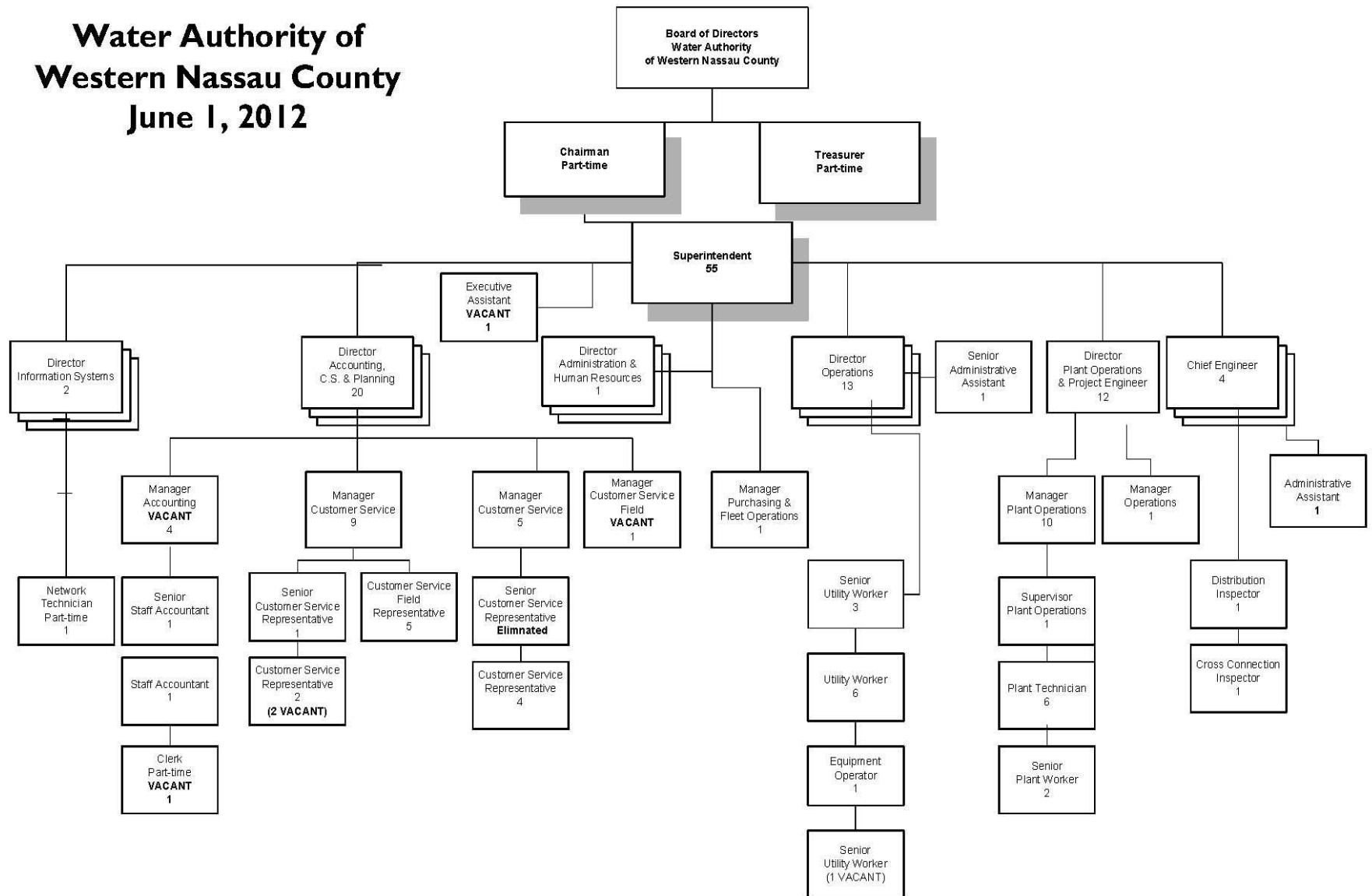
Respectfully submitted,

*Allan M. Kolakowski*

Director of Finance, Accounting & Customer Service

# Water Authority of Western Nassau County

June 1, 2012



**COMPREHENSIVE ANNUAL REPORT  
FISCAL YEAR ENDED MAY 31, 2012**

**BOARD OF DIRECTORS/VOTES**

		<b>Voting Percentage</b>
George Bakich	Town of Hempstead	26.40%
Aly Kayne	Town of Hempstead	26.40%
Dominick Longobardi	Village of Floral Park	17.00%
Marianna Wohlgemuth	Town of North Hempstead	12.40%
Reid Sakowich	Village of New Hyde Park	11.20%
Chris Gorman	Village of Stewart Manor	2.40%
Susan Powderly	Village of Bellerose	1.50%
Arlene McMullan	Village of South Floral Park	1.40%
Bart Brown	Village of Garden City	<u>1.30%</u>
Total		<u><u>100.00%</u></u>

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## **SECTION B: FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Water Authority of Western Nassau County  
Floral Park, New York

We have audited the accompanying financial statements of the Water Authority of Western Nassau County (the "Water Authority"), a business-type activity, for the years ended May 31, 2012 and May 31, 2011 which comprises the Water Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Water Authority's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority as of May 31, 2012 and the respective changes in its net assets and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2012 on our consideration of the Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control of financial reporting and our consideration of the Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 21 through 35 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory and statistical sections as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Water Authority. The introductory and statistical sections are the responsibility of management of the Water Authority. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*TABRIZCHI & Co., CPA, P.C.*

Garden City, New York  
August 17, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Water Authority of Western Nassau County (the "Water Authority") was established to provide potable water to portions of western Nassau County which encompasses the Incorporated Villages of Bellerose, Floral Park, New Hyde Park, South Floral Park, Stewart Manor and portions of Garden City and Valley Stream. The service area also includes the unincorporated areas of Bellerose Terrace, Elmont, Floral Park, Floral Park Centre, New Hyde Park and portions of Franklin Square and North Valley Stream.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and provides supplementary information. The MD&A represents management's examination and analysis of the Water Authority's financial condition and performance. Summary financial statements data, key financial and operational indicators used in the Water Authority's strategic plan, operating plan, bond covenants and other management tools were used for this analysis. The information contained in this analysis should be used by the reader in conjunction with the information contained in the audited financial statements and the notes to those financial statements.

The financial statements report information about the Water Authority. The Water Authority applied full accrual accounting methods as used by similar business activities in the private sector. The statements offer short and long-term financial information. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The financial statements include Statement of Net Position; statements of revenues, expenses and changes in net position; Statement of Cash Flows and notes to the financial statements.

The Statement of Net Position of the Water Authority reports all assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position. The Statement of Net Position represents the difference between all other elements in a statement of financial position in three components-net investment in capital assets; restricted (distinguishing between major categories or restrictions) and unrestricted. The Statement of Net Position provide information about the nature and amount of investment in resources (assets) and obligations to the Water Authority's creditors (liabilities) at year-end. It also provides the basis for computing rate of return, evaluating the capital structure of the Water Authority and assessing the liquidity and financial flexibility of the Water Authority. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

The statements of revenues, expenses and changes in 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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides information about whether the Water Authority has successfully recovered its costs through its user fees and other charges, its profitability and credit worthiness.

The statement of cash flows presents the changes in cash and cash equivalents resulting from operating, investing, capital financing and non-capital financing activities. The statements present cash receipts and

cash disbursements information, without consideration of the earning events, when an obligation arises or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Water Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

This section presents management's analysis of the Water Authority's financial conditions and activities for the fiscal years ended May 31, 2012 and 2011. Please read this information in conjunction with the financial statements which follow this section.

## **FINANCIAL HIGHLIGHTS**

Management believes the Water Authority's financial condition is strong and improving. The Water Authority is well within its debt covenants and the more stringent financial policies and guidelines set by its Board. The following are financial highlights:

- Total assets as of May 31, 2012 were \$88.7 million and exceeded liabilities in the amount of \$15.3 million (i.e. net position). Of the total net position, \$1.9 million was unrestricted. Total assets increased by \$0.06 million (0.1%) between May 31, 2011 and 2012. Net position increased by \$1.7 million (12.7%) over the same period last year and the economic and financial position of the Water Authority improved.
- Debt service coverage was 1.35, exceeding the minimum 1.20 required by the Bond covenants.
- Operating revenues were approximately \$13.0 million, showing a decrease of \$0.2 million (1.6%), as compared to \$13.2 million in the previous year.
- Operating expenses increased approximately \$0.3 million from \$8.9 million to \$9.2 million for the fiscal years ended May 31, 2011 and 2012. The 3.1% increase in operating expenses was due to slightly higher operational and depreciation expenses. Operations expenses increased by \$0.2 million (3.1%) from \$6.0 million to \$6.2 million for the fiscal years ended May 31, 2011 and 2012, respectively, primarily from increases in labor costs. Maintenance expenses decreased by \$0.03 million (1.4%) from \$1.9 million to \$1.8 million for the fiscal years ended May 31, 2011 and 2012.
- Operating income for the fiscal year ended May 31, 2012 was \$3.8 million as compared to \$4.3 million in 2011. The decrease in operating income of \$0.5 million (11.3%) primarily reflects the impact of a fall in revenue from residential water sales of \$0.2 million (1.9%) and commercial and fire protection revenues of \$0.04 million (1.0%) related to decreased consumption of water. As a result of decreased revenues and increased operating expenses, the ratio of operating income to total revenues declined to 29.4% from 32.6% from the fiscal year ended May 31, 2011 to 2012, respectively.
- The Water Authority's long-term debt decreased by \$1.5 million or 2.3% during the fiscal year ended May 31, 2012, from \$67.3 million at May 31, 2011 to \$65.8 million at May 31, 2012, as a result of the repayment of \$0.4 million of Series 2010 bonds and \$1.1 million of Series 2005 Bonds.

## **FINANCIAL ANALYSIS OF THE WATER AUTHORITY**

One of the most important objectives of the financial analysis is to determine if the Water Authority as a whole is better or worse off as a result of the year's activities. The Statement of Net Position and the

statements of revenues, expenses and changes in net position provide useful information in this regard. The amount of net position, the difference between total assets and liabilities, is a significant measure of the financial health or financial position. Over time, increases or decreases in the Water Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and zoning and new or changed government legislation should be considered in evaluating the financial conditions of the Water Authority.

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

## NET POSITION

A summary of the Water Authority's balance sheets is presented in the following table:

### CONDENSED STATEMENT OF NET POSITION (BALANCE SHEETS)

	May 31,			2011 to 2012		2010 to 2011	
	2012	2011	2010	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Current Assets	\$ 6,510,592	\$ 5,059,778	\$ 5,303,242	\$ 1,450,814	28.7	\$ (243,464)	(4.6)
Noncurrent Assets							
Other Noncurrent Assets	29,752,119	38,776,353	42,090,262	(9,024,234)	(23.3)	(3,313,909)	(7.9)
Capital Assets	52,433,616	44,800,607	40,236,512	7,633,009	17.0	4,564,095	11.3
Total Assets	88,696,327	88,636,738	87,630,016	59,589	0.1	1,006,722	1.2
Current Liabilities	4,418,285	4,862,059	4,712,170	(443,774)	(9.1)	149,889	3.2
Noncurrent Liabilities	3,196,579	2,896,971	2,838,352	299,608	10.3	58,619	2.1
Long-term Debt –Bonds, Net	65,788,442	67,308,617	68,785,927	(1,520,175)	(2.3)	(1,477,310)	(2.1)
Total Liabilities	73,403,306	75,067,647	76,336,449	(1,664,341)	(2.2)	(1,268,802)	(1.7)
Net Position							
Invested in Capital,	12,819,242	12,856,185	10,206,074	(36,943)	(0.3)	2,650,111	26.0
Restricted for rate							
stabilization	560,000	460,000	445,000	100,000	21.8	15,000	3.4
Unrestricted	1,913,779	252,906	642,493	1,660,873	656.7	(389,587)	(60.6)
Total Net Position	\$ 15,293,021	\$ 13,569,091	\$ 11,293,567	\$ 1,723,930	12.7	\$ 2,275,524	20.1

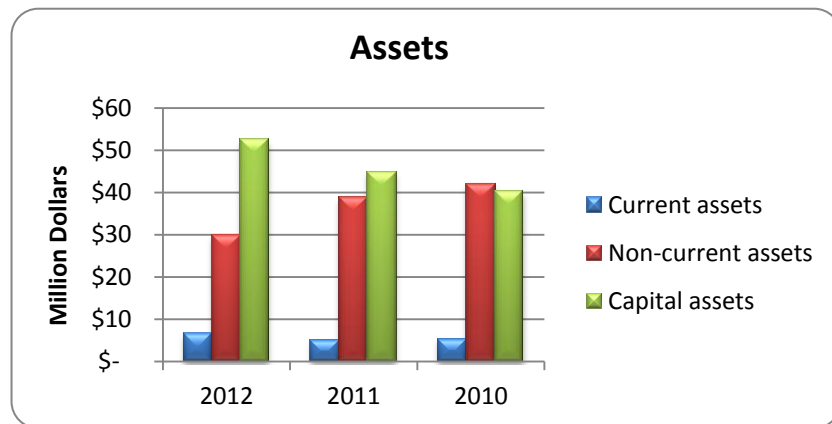
The table above and Chart 1 (on the next page) show that the amount of current and other assets increased by \$59,589 (0.1%) and current and other liabilities decreased by \$1,664,341 (2.2%) from May 31, 2011 to May 31, 2012. The increase in current and other assets was \$1,006,722 (1.2%) and the decrease in current and other liabilities was \$1,268,802 (1.7%) from May 31, 2010 to May 31, 2011. In 2012 the principal component of increase in assets was the additions to capital assets. The reason for a decrease in liabilities was the repayments of long-term bonds. In 2011 the principal component of increase in assets was the additions to capital assets. The reason for a decrease in liabilities was the repayments of long-term bonds.

The amount of bonds net of amortized bond premiums and advance funding loss decreased by \$1,520,175 (2.3%) during fiscal year 2012 as compared to a decrease of \$1,477,310 (2.1%) in 2011. The decrease in fiscal year 2012 reflects the payment of that year's debt requirements offset by the amortization of premium and loss.

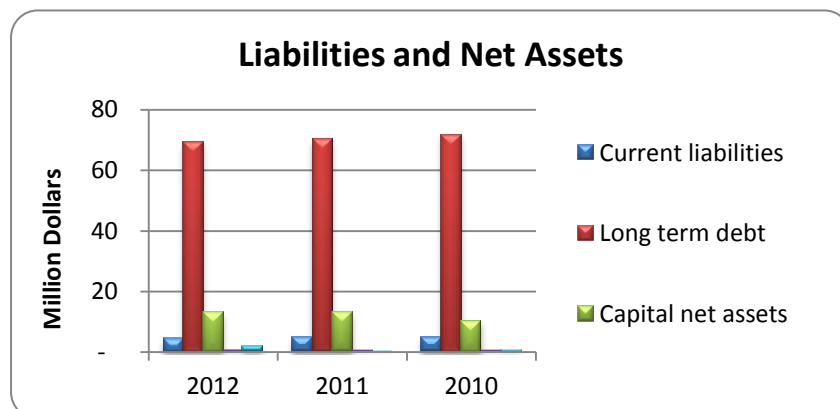
The net position of the Water Authority increased by \$1,723,930 (12.7%), in the fiscal year ended May 31, 2012 as compared to an increase of \$2,275,524 (20.1%), in the fiscal year ended May 31, 2011. The changes in net position in these fiscal years reflect the changes in operating income, which were \$3,819,483 and \$4,306,606, in the fiscal years ended May 31, 2012 and 2011, respectively. The non-operating expenses, net of non-operating income, remained approximately the same, \$2,095,553 and \$2,042,548, in the fiscal years ended May 31, 2012 and 2011, respectively.

The increase in unrestricted net position was \$1,660,873 (656.7%), in the fiscal year ended May 31, 2012, as compared to a decrease of \$389,587 (60.6%), in the fiscal year ended May 31, 2011. The increase in the unrestricted net position represents 96.3% of the total increase in net position, in the fiscal year ended May 31, 2012. The net position restricted for rate stabilization increased by \$100,000 (21.8%), to comply with the Bond covenants that require a minimum of 1/24 of the previous year revenues to be kept in the Rate Stabilization restricted cash. The net position invested in capital remained relatively unchanged, \$12,819,242, on May 31, 2012 as compared to \$12,856,185, on May 31, 2011.

**CHART 1**



**CHART 2**





## OPERATING RESULTS

The Water Authority's condensed statements of revenues, expenses and changes in net position are presented in the following table:

### CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	May 31,			2011 to 2012		2010 to 2011	
	2012	2011	2010	Increase (Decrease)	% Change	Increase (Decrease)	% Change
<b>Operating revenues</b>							
Water sales:							
Residential	\$ 9,208,977	\$ 9,382,910	\$ 7,710,810	\$ (173,933)	(1.9)	\$ 1,672,100	21.7
Commercial, municipal and other	3,779,491	3,818,169	3,261,772	(38,678)	(1.0)	556,397	17.1
Total operating revenues	12,988,468	13,201,079	10,972,582	(212,611)	(1.6)	2,228,497	20.3
<b>Operating expenses</b>							
Operations	6,154,917	5,972,061	5,920,498	182,856	3.1	51,563	0.9
Maintenance	1,845,803	1,871,302	1,869,872	(25,499)	(1.4)	1,430	0.1
Depreciation	1,168,265	1,051,110	953,313	117,155	11.1	97,797	10.3
Total operating expenses	9,168,985	8,894,473	8,743,683	274,512	3.1	150,790	1.7
Operating income	3,819,483	4,306,606	2,228,899	(487,123)	(11.3)	2,077,707	93.2
<b>Non-operating revenue (expense)</b>							
Interest income	247,852	536,218	247,009	(288,366)	(53.8)	289,209	117.1
Miscellaneous income	357,310	349,509	346,336	7,801	2.2	3,173	0.9
Interest on long-term debt	(2,624,800)	(2,853,926)	(1,656,025)	229,126	8.0	(1,197,901)	(72.3)
Other amortization, net	(75,915)	(74,349)	(75,182)	(1,566)	(2.1)	833	1.1
Net non-operating expenses	(2,095,553)	(2,042,548)	(1,137,862)	(53,005)	(2.6)	(904,686)	(79.5)
Change in net position before extraordinary items	1,723,930	2,264,058	1,091,037	(540,128)	(23.9)	1,173,021	107.5
Litigation settlement	-	11,466	214,378	(11,466)	(100.0)	(202,912)	(94.7)
Change in total net position	1,723,930	2,275,524	1,305,415	(551,595)	(24.2)	970,109	74.3
Net position, beginning	13,569,091	11,293,567	9,988,152	2,275,524	20.1	1,305,415	13.1
Net position, ending	\$ 15,293,021	\$ 13,569,091	\$ 11,293,567	\$ 1,723,930	12.7	\$ 2,275,524	20.1

## OPERATING REVENUES AND EXPENSES

The Water Authority provides water treatment and distribution to a population estimated at 120,000, equal to close to 10% of Nassau County's total population. The authority's customer base is diverse with no significant customer concentration and benefits economically from its proximity to New York City. Given the built-out nature of the towns being served limited growth is expected.

As of May 31, 2012, the Water Authority provided water to 26,432 residential customers, 1,385 commercial customers, 190 private fire customers and 2,432 municipal fire hydrants. The corresponding figures for May 31, 2011 were 26,452 residential customers, 1,399 commercial customers, 179 private fire customers and 2,432 municipal fire hydrants.

The Water Authority's revenues decreased by \$212,611 (1.6%), in fiscal year ended May 31, 2012, as compared to an increase of \$2,228,497 (20.3%) in the fiscal year ended May 31, 2011. The decrease in revenue in fiscal year 2012 was primarily the result of a \$173,933 (1.9%) decrease in residential water sales and \$38,678 in commercial and fire protection sales (see Chart 3).

The Lloyd, Magothy and Upper Glacial aquifers provide the Water Authority with a high quality water supply that requires minimal treatment. Storage facilities along with existing well fields provide ample pumping capacity (46 million gallons per day [mgd]) in relation to actual demand (8.6 mgd). The water system is compliant with all applicable permits and regulatory standards.

The total operating expenses before depreciation increased by \$157,357 (2.0%) and increased \$52,993 (0.7%) in fiscal years ended May 31, 2012 and 2011, respectively (see Chart 4). The operations expenses increased by \$182,856, from \$5,972,061, in the fiscal year ended May 31, 2011, to \$6,154,917, in the fiscal year ended May 31, 2012. The change in operations expense was the net result of rise in labor and benefits costs related to the pumping and treatment operations as offset by the decrease in costs of power purchased, customer servicing and meter reading. In fiscal year 2011 the operations expenses had increased primarily due to the rise in power costs related to the additional system consumption. The maintenance expenses remained relatively the same, \$1,845,803 and \$1,871,302, in the fiscal years ended May 31, 2012 and May 31, 2011, respectively. As a result of additional investment in capital assets, the depreciation expense in the fiscal year ended May 31, 2012 was \$117,155 (11.1%) higher than 2011. The depreciation expense for the fiscal year ended 2011, was \$97,797 (10.3%) higher than 2010.

As a result of changes in revenues and expenses, the Water Authority's net position increased by \$1,723,930 during fiscal year 2012 as compared to a \$2,275,524 increase in fiscal year 2011, a decrease of \$551,595 (24.2%).

**CHART 3**

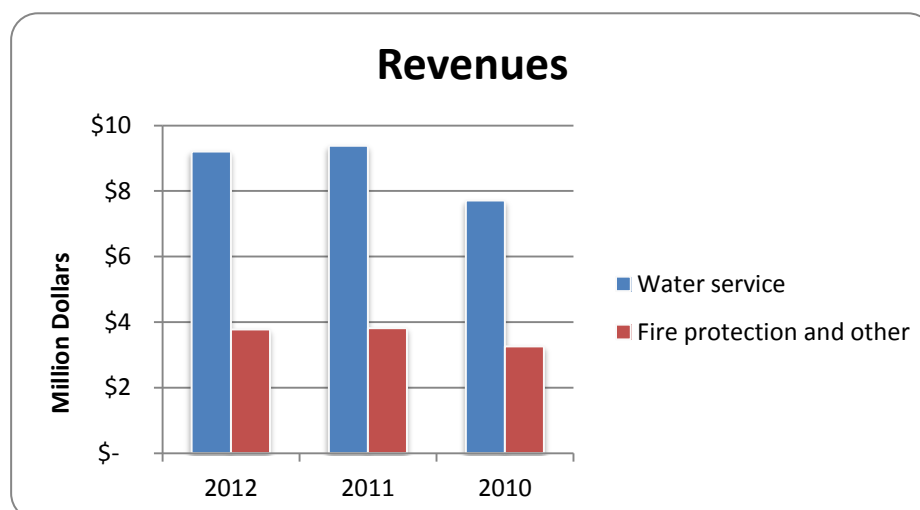
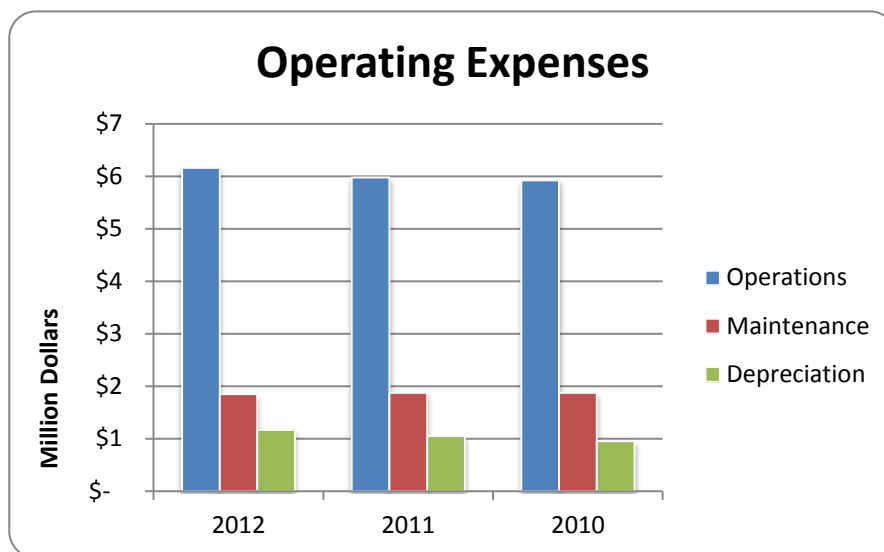


CHART 4



#### NON-OPERATING REVENUES AND EXPENSES

Non-operating revenue includes interest earnings on investment assets and miscellaneous income. Interest income decreased from \$536,218 for the fiscal year ended May 31, 2011 to \$247,852 for the fiscal year ended May 31, 2012. The reason for the decrease of \$288,366 (53.8%) was due lower amount of the unexpended proceeds of the Series 2010 Bond issuance invested in money market funds and the US Treasury Bonds, Notes and Bills. The total amount of cash, cash equivalents and investment were \$32,035,473 and \$39,696,454, as of May 31, 2012 and 2011.

Miscellaneous income increased by \$7,801 (2.2%) from \$349,509 for the fiscal year ended May 31, 2011 to \$357,310 for the fiscal year ended May 31, 2012. This increase was due to additional rental income realized from the lease of space atop water towers to cellular phone companies.

Interest expenses decreased \$229,126 (8.0%) from \$2,853,926 for the year ended May 31, 2011 to \$2,624,800 for the year ended May 31, 2012. The decrease resulted from the retirement of bonds issued during 2010 and 2005 and their related interest expenses. The amount of interest capitalized during the construction of capital assets were \$418,686 and \$237,157, in the fiscal years ended May 31, 2012 and 2011, respectively.

#### SPECIAL AND EXTRAORDINARY ITEMS

The Water Authority was a member of the plaintiff class in a class action lawsuit related to Methyl Tertiary Butyl Ether (MTBE) products liability against 70% of the total gasoline refining market. This lawsuit was settled on March 12, 2008 and the Water Authority's portion of the settlement was \$2,478,812, net of legal fees. The Water Authority recognized \$0 for the year ended May 31, 2012 and \$11,466 for the year ended May 31, 2011 as an extraordinary item in the Statements of Revenue, Expenses and Changes in Net Position.

## CAPITAL ASSETS

The Water Authority owns and maintains a broad range of infrastructure items including water plants, water lines, well stations, administrative facilities, vehicles and equipment necessary for the treatment and distribution of potable water to its customers. The Water Authority has approximately \$52.4 million in capital assets, an increase of approximately \$7.6 million from the prior year.

Capital assets consisted of the following for the years ended May 31:

	2012	2011	2010
Land	\$ 167,708	\$ 167,708	\$ 167,708
Construction in progress	11,537,141	5,336,146	3,819,408
Wells and standpipes	2,657,422	2,654,054	2,628,253
Pumping and purification	11,230,913	11,075,237	10,749,013
Distribution system	35,492,957	34,006,838	30,714,576
Building, vehicles and equipment	2,645,900	2,252,971	2,262,970
Total capital assets	63,732,041	55,492,954	50,341,928
Accumulated depreciation	(11,298,425)	(10,692,347)	(10,105,416)
Net capital assets	\$ 52,433,616	\$ 44,800,607	\$ 40,236,512

For more detailed information on capital assets activity, please refer to the financial statements Note 4 – Property, Plant and Equipment.

## MAJOR INCREASES IN CAPITAL ASSETS

Presently the capital plan covers the anticipated projects for the fiscal years 2011-2015. The total plan amount is \$35 million and is financed through the issuance of 2010 Series A and B Bonds. The capital plan includes the construction of a new headquarters, estimated to cost about \$9.5 million. The balance of proposed spending is aimed primarily at improvements to existing well stations and repair and replacement of transmission and distribution lines. The annual capital spending, which has averaged at approximately 450% of annual depreciation and will continue at that level under the present capital plan.

## IRON REMOVAL PROJECT CONTRACT AWARDS

The Board of Directors awarded the contracts for the construction of Iron Removal Facilities at Station Nos. 28 (Elmont) and 30 (Franklin Square) on April 25, 2011. Details of the contracts are as follows:

Contract Awarded	Amount
Electrical Construction	\$ 2,583,000
General Construction	2,391,423
HVAC	190,066
Plumbing and Mechanical	2,481,100
Well Construction	388,700
Total	\$ 8,034,289

The new Iron Removal Facilities will remove the naturally occurring iron and manganese that exists in the groundwater which is currently supplied to Elmont and portions of Franklin Square, North Valley Stream and Valley Stream. The process to remove the iron from the groundwater will be Direct Pressure Filtration. The groundwater will be pumped to multiple pressure vessels which contain a combination of sand and anthracite media to remove the iron. The iron removal treatment system has been designed to provide effluent iron levels of less than 0.1 mg/l, which is one third (1/3) of the 0.3 mg/l secondary standard for iron. The Iron Removal Facilities at Station Nos. 28 and 30 have been designed to treat 3.73 and 1.73 million gallons per day, respectively. Construction work commenced in June 2011 and is expected to be completed in early 2013.

In the Capital Expenditures Plan for the year ending May 31, 2013, \$5,000,000 is allocated for the installation of new iron removal plant for Wells 28A, 28B and 30.

#### NEW HEADQUARTERS PROJECT

The Water Authority is presently constructing a new headquarters building located at 1580 Union Turnpike, New Hyde Park, New York. This project is being constructed on an owned, active well station and will eliminate over \$330,000 per year in lease cost, property taxes and maintenance at our current location in Floral Park.

Phase I of the construction which included design of the entire project, underground facility work, installation of an emergency generator, and a new garage facility has been completed. Phase II of construction is planned to commence in July 2012 and the work is expected to continue through 2013. The work will be performed by six contractors under seven different contracts, of which Excel Builders Group, Inc. of Commack, New York is the approved general contractor for the project. The capital plan for the year ending May 31, 2013 includes a provision of \$5,500,000 to be expended for the construction costs of the new headquarters building and garage at Station 40.

The major additions of completed projects put into service to the capital assets in the fiscal years ended May 31, 2010, 2011 and 2012 are presented in the following table:

Description	2012	Percent Increase	2011	Percent Increase	2010	Percent Increase
Electric pumping equipment	\$ 45,655	1.2	\$ 54,560	1.4	\$ 4,120	0.1
Equipment – water treatment	106,720	3.9	266,189	11.4	336,712	14.5
Mains	581,324	4.4	1,632,282	14	1,895,264	16.3
Services	483,645	4.8	821,815	8.9	949,382	10.3
Meters and Meter Equipment	703,616	17.6	1,037,351	32.7	1,035,480	0.2
Hydrants	206,745	7.7	243,462	9.8	234,412	9.4
Office Equipment	113,063	19.9	-	-	-	-
Vehicles	146,640	18.7	-	-	-	-
Miscellaneous Equipment	207,079	112.5	-	-	-	-
Total additions	\$ 2,594,487	-	\$ 4,055,659	-	\$ 4,455,370	-

*Percentage reflects the change from the asset base amount for each category from the previous fiscal year.*

The major cost outlays with respect to capital assets relate to improvements in the Water Authority's water distribution system. The Water Authority spent \$581,324 for the completed construction and placement of water mains during the fiscal year ended May 31, 2012 compared to \$1,632,282 for the same period ended May 31, 2011. The Water Authority spent \$703,616 related to the installation of radio transmitters on customer's meters during the fiscal year ended May 31, 2012 compared to \$696,871 for the same period ended May 31, 2011.

In the Water Authority's capital expenditures plan, \$1,913,250 is allocated for transmission and distribution, \$5,036,500 is allocated for treatment & SCADA and \$658,800 for other capital improvements.

## **LONG-TERM DEBT**

### **REVENUE SERIES 2005 BONDS**

On May 28, 1996 the Water Authority issued \$34,460,000 Water System Revenue Bonds, Series 1996 to finance the cost of acquisition and certain construction expenditures of the water system, including initial working capital of the Water Authority and the costs of the utility assets and additional improvements to the water system.

The \$33,875,000 Water System Revenue Bonds, Series 2005 (the "Series 2005 Bonds") were applied to:

1. advance refund Water Authority's outstanding Water System Revenue Bonds, Series 1996,
2. finance the cost of acquisition and construction of improvements to the Water System,
3. fund a deposit to the Reserve Account, Series 2005,
4. pay certain costs of issuance relating to the Series 2005 Bonds.

The bond proceeds, in part, provided sufficient money to effect the advance refunding of the existing Series 1996 Bonds. Simultaneously with the issuance of the Series 2005 Bonds, a portion of the proceeds, together with other available moneys, was used to purchase non-callable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States of America (the "Federal Securities"), in an amount sufficient, together with the interest to accrue thereon, to pay the principal of, redemption premium and interest on the Refunded Bonds, as the same become due and payable.

The Federal Securities were deposited with an escrow agent (the "Escrow Agent") under a certain escrow agreement (the "Escrow Agreement") with the Water Authority to be applied solely to the payment of the principal, redemption premium and interest on the Refunded Bonds, as the bonds became due and payable. Pursuant to the Escrow Agreement, the Escrow Agent redeemed the Refunded Bonds on May 1, 2006 at a redemption price of 102% plus accrued interest.

The outstanding principal, maturities and interest rates of the Series 2005, are as follows:

**WATER REVENUE BONDS, SERIES 2005**  
**May 31, 2012**

<u>Bond</u>	<u>Amount</u>
Serial Bonds 3.00% - 5.00%, due through 2026	\$22,390,000
Term Bonds 5.00%, due 2030	2,015,000
Term Bonds 5.00%, due 2035	<u>3,150,000</u>
Total Series 2005	<u>\$27,555,000</u>

**REVENUE SERIES 2010 BONDS**

The Water Revenue Bonds, Series 2010 were dated April 1, 2010 and issued on April 15, 2010, with accrued interest. The Series 2010 Revenue Bonds include the Water System Revenue Bonds, Series 2010A, with aggregate principal balance of \$6,925,000, and, Series 2010B, federally taxable, Build America Bonds, with aggregate principal balance of \$33,965,000.

The Series 2010A Bonds were issued to finance costs of acquisition, improvements and additions to the water system, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010A Bonds. The Series 2010B Bonds were issued to finance the cost of acquisition, improvements and additions to the water system, including the construction of the Water Authority's headquarters, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010B Bonds.

The sources and uses of the Water System Revenue Bonds, Series 2010, are shown in the table below:

	<u>Series 2010A Amount</u>	<u>Series 2010B Amount</u>	<u>Total</u>
Source of Funds			
Principal amount of bonds	\$ 6,925,000	\$ 33,965,000	\$ 40,890,000
Net premium	106,875	-	106,875
Total Sources	<u>\$ 7,031,875</u>	<u>\$ 33,965,000</u>	<u>\$ 40,996,875</u>
Use of Funds			
Project fund	\$ 6,234,361	\$ 30,227,639	\$ 36,462,000
Debt service reserve fund	692,500	3,340,180	4,032,680
Costs of issuance	105,014	394,068	499,082
Additional proceeds	-	3,113	3,113
Total Uses	<u>\$ 7,031,875</u>	<u>\$ 33,965,000</u>	<u>\$ 40,996,875</u>

The outstanding balances, maturities and interest rates of the Series 2010 Bonds are as follows:

**2010 REVENUE BONDS**  
**May 31, 2012**

<u>Bond</u>	<u>Amount</u>
Water Revenue Bonds Series 2010	
Serial Bonds A 2.00% - 4.00%, due through 2020	\$ 6,140,000
Term Bonds B 6.00% - 6.70%, due through 2040 *	<u>33,965,000</u>
Total Series 2010	<u>\$ 40,105,000</u>

\* Note: Effective rate of 4.1% to 4.35% after 35% interest rebate in accordance with American Recovery Reinvestment Act of 2009.

During the fiscal years ended May 31, 2011 and May 31, 2012, the amounts of principal and interest paid were \$4,317,964 and \$3,823,949 respectively.

The Water Authority has sufficient borrowing for its capital expansion and no additional borrowing plans exist for the next several years. The increases in the net position of the Water Authority are expected to improve the current leverage. On February 17, 2012, Fitch Investors Services, Inc. affirmed the Water Authority's Bond rating at 'AA-' with its outlook as stable.

#### **Cash Available for Coverage:**

One indicator of the Water Authority's financial strength and future borrowing capability is its debt coverage ratio, which was 1.35 times for fiscal year ended May 31, 2012 as shown below.

Operating Income	\$ 3,819,483
Add:	
Depreciation	1,168,265
Interest and Other Income	<u>605,162</u>
Total Cash Available for Coverage	5,592,910

#### **Debt Service Requirements:**

Interest Payments	2,624,800
Principal Payments	<u>1,505,000</u>
Total Debt Service Requirements	\$ <u>4,129,800</u>

Coverage Ratio	1.35
Coverage Requirement as per Water System Revenue Bonds, Series 2010 and 2005	1.20

In February 2010, the Water Authority was given a rating of "A3" on its Series 2010 Water System Revenue Bonds by Moody's Investor Service. In April 2010, the Water Authority received a rating of "AA-" from Fitch Ratings.

The Water Authority's cash flows from operations decreased by \$24,050, from \$5,055,528 in 2011 to \$5,031,478 in 2012. The decreases in operating income from sales revenue and the litigation settlement were the reason for the decrease in cash flows from operations. The amount of \$13,297,622 was expended for the acquisition of capital assets and payment of related debt service charges.

For more detailed information on long-term debt activity, please refer to the financial statements Note 5 – Revenue Bonds Payable.



## CASH AND INVESTMENTS

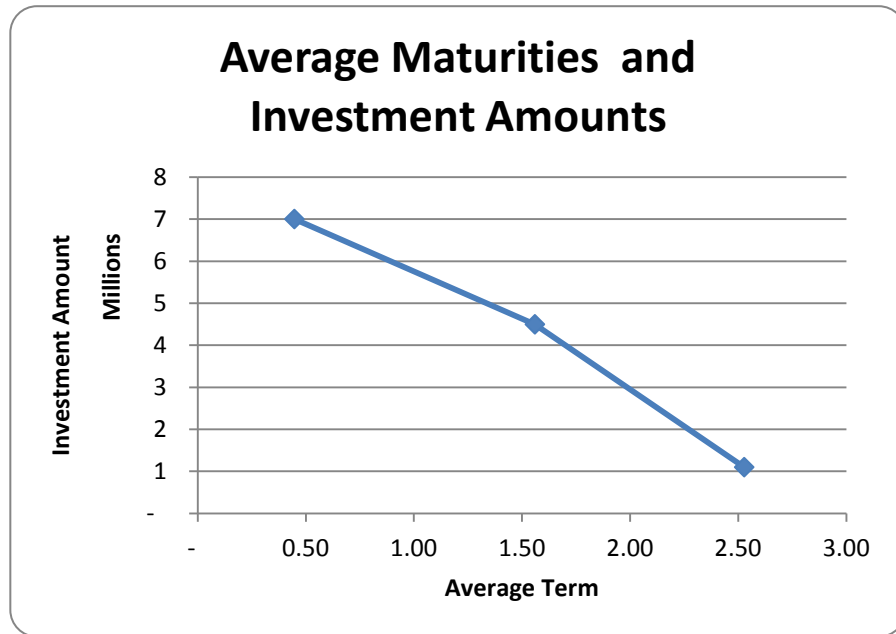
The total amounts of unrestricted and restricted cash, cash equivalents and investment in the US Treasury Securities were \$32,035,473 and \$39,696,454, on May 31, 2012 and 2011, respectively. The decrease of \$7,660,981 in cash and investment was primarily the result of accruing additional capital assets. The acquisition of new capital assets is also reflected in the decrease of \$9,289,444 (32%), in Bond Construction Fund cash, cash equivalents and investment, which changed from \$28,950,758, on May 31, 2011 to \$19,661,314, on May 31, 2012. To increase the availability of funds for construction, the Water Authority increased the proportion of the Construction Funds, which is kept in cash equivalents, from 42% on May 31, 2011 to 45%, on May 31, 2012.

The amount of cash, cash equivalents and investment in Bond reserve funds increased by \$174,198 (3%) from \$6,724,858, on May 31, 2011 to \$6,899,056, on May 31, 2012. The Water Authority increased the proportion of the Reserve Fund invested in the US Treasury Securities from 48%, on May 31, 2011, to 70%, on May 31, 2012, because these funds are expected to remain unused in 2012.

On May 31, 2012, the amount of bank deposits was \$3,604,697 and the amount of investment was \$28,430,078, of which 48% was invested in money market funds and 52% in the US Treasury Securities. The money market fund investment included \$13,379,695 invested in Dreyfus Government Prime Cash Management 557 Fund and \$242,282 invested in Dreyfus Government Cash Management 566 Fund. Dreyfus money market funds invest only in the securities of the US government or the US government agencies and enterprises.

As of May 31, 2012, the maturities of investment in the Water Authority's US treasury securities were as follows:

Maturity date		Fair Value	Percent of Total	Weighted Average Term
From	To			
6/01/2012	5/31/2013	7,000,703	55%	0.45
6/01/2013	5/30/2014	4,496,237	36%	1.56
5/16/2014	2/15/2015	1,098,579	9%	5.53
		\$ 12,595,519	100%	1.03



The Water Authority's investment strategy is designed to eliminate the default risk and to maximize interest income by matching the maturities of the investments with the cash requirements of construction activities. The strategy minimizes the risk of having to liquidate the investment to pay construction under unfavorable market interest conditions. All of the Water Authority's investments are in the US Treasury notes with maturities of less than five years and the overall weighted average maturity term of 1.0 years. The weighted average coupon rate of total investment was 4.0%, as of May 31, 2012.

#### ECONOMIC FACTORS AND NEXT YEAR'S PLAN AND RATES

The Water Authority's Board of Directors and Management considered many factors when setting the fiscal year 2012 plan, user fees and charges. The Water Authority's service area population is approximately 120,000. The Water Authority presently has over 28,000 accounts in western Nassau County, of which about 94% are residential. Commercial and fire protection constitute most of the remainder. The Water Authority's customer base has mirrored Nassau County's population. According to the 2010 Census, Nassau County's population was 1,339,532. That was a 0.4% increase from the 1,334,546 residents in 2000. The population breakdown by towns within Nassau County for 2010 and 2000 is as follows:

#### NASSAU COUNTY

Town of North Hempstead  
 Town of Hempstead  
 City of Long Beach  
 Town of Oyster Bay  
 City of Glen Cove  
 TOTAL NASSAU COUNTY

	2010 (a)	2000 (b)
Town of North Hempstead	221,315	220,491
Town of Hempstead	759,185	756,360
City of Long Beach	35,615	35,482
Town of Oyster Bay	296,680	295,576
City of Glen Cove	26,737	26,637
TOTAL NASSAU COUNTY	1,339,532	1,334,546

- a. Source: 2010 United States Census
- b. Source: 2000 United States Census

Several indicators including unemployment rates in Nassau County and changes in the consumer price index for the New York – Northern New Jersey – Long Island area were considered by the Water Authority's management in developing the operating plan of the Water Authority for the fiscal year ended May 31, 2012.

The unemployment rate in Nassau County has continued to be lower than national and State of New York averages. The average unemployment rates in the County of Nassau increased from 7.1% to 7.5% from June 2011 to June 2012. The unemployment rate in Nassau and Suffolk remained below the rates in the City of New York, State of New York and the United States as a whole. The unemployment rates for the City of New York, State of New York and United States as a whole were 10.3%, 8.9%, and 8.4% respectively in June 2012 as compared to 8.7%, 8.0%, and 9.2% in June 2011. The inflation rate, as measured by the percentage change in Consumer Price Index for All Urban Consumers ("CPI-U") from June 2011 to June 2012, was consistent with the national average in the New York – Northern New Jersey – Long Island area. The annualized rate of increase in the Consumer Price Index for all items in New York –Northern New Jersey – Long Island was 1.6% as contrasted to 1.7% in the U.S. for June 2012.

In June 2012, the CPI-U was unchanged on a seasonally adjusted basis. This compares with an increase of 1.7% over last 12 months. The index for energy, which declined 3.9% over last 12 months, decreased at a 1.4% in June 2012. The food index has increased at a 0.2% rate in June 2012, following a 2.7% rise over last 12 months. Excluding food and energy, the CPI-U advanced at a 0.2% in June 2012, as compared to an increase of 2.2% over last 12 months.

The Water Authority has adopted its operating and capital plans for the fiscal year ending May 31, 2013. The operating revenues are estimated to be \$13,068,620. The operating expenses for the fiscal year ending May 31, 2013 are planned at \$9,703,660. Non-operating revenues and expenses are planned to be \$864,300 and \$3,071,100 respectively. The increase in net position is estimated to be \$1,158,160.

Capital expenditures are planned to be \$13,108,550. The projects in the planned capital expenditures include the continued construction of the Water Authority's new headquarters building and the construction of two iron removal plants.

#### **CONTACTING THE WATER AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide readers with a general overview of the Water Authority's finances and to show the Water Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Water Authority's Superintendent at 58 South Tyson Avenue, Floral Park, New York, 11001.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**STATEMENT OF NET POSITION**  
**MAY 31,**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,730,917	\$ 2,411,292
Accounts receivable:		
Billed, net of \$25,000 allowance for doubtful accounts	405,653	414,560
Unbilled	1,950,000	1,797,000
Prepayments and other current assets	205,510	212,774
Materials and supplies, at weighted average cost	218,512	224,152
	<u>6,510,592</u>	<u>5,059,778</u>
 Total current assets	 6,510,592	 5,059,778
 Noncurrent assets:		
Restricted cash and cash equivalents		
Rate stabilization fund	560,000	460,000
Bond construction fund	9,705,309	12,281,932
Bond reserve fund	2,046,961	3,474,194
Bond payment fund	234,874	237,995
Customer deposits	949,312	911,551
Restricted investments held by trustees		
Bond construction fund	9,956,005	16,668,826
Bond reserve fund	4,852,095	3,250,664
Capital assets		
Non-depreciable	11,704,849	5,503,854
Depreciable	40,728,767	39,296,753
Other assets		
Unamortized bond issue cost	928,824	950,421
Other assets	518,739	540,770
	<u>82,185,735</u>	<u>83,576,960</u>
 Total noncurrent assets	 82,185,735	 83,576,960
 <b>Total assets</b>	 <b>\$ 88,696,327</b>	 <b>\$ 88,636,738</b>

The accompanying notes to the financial statements are an integral part of these statements.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**STATEMENT OF NET POSITION**  
**MAY 31,**  
**(continued)**

	<u>2012</u>	<u>2011</u>
<b>Liabilities and Net position</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,492,758	\$ 1,891,588
Deferred revenue	662,014	769,251
Accrued interest payable	388,747	393,897
Customer advance on construction	180,166	113,848
Water revenue bond payable	1,550,000	1,505,000
Due to employee retirement system	104,600	148,475
Accrued vacation and sick leave	<u>40,000</u>	<u>40,000</u>
 Total current liabilities	 4,418,285	 4,862,059
 Noncurrent liabilities:		
Water revenue bonds payable	65,788,442	67,308,617
Customer deposits	1,009,232	972,116
Other post employment benefits	1,408,447	1,152,955
Accrued vacation and sick leave	<u>778,900</u>	<u>771,900</u>
 Total noncurrent liabilities	 <u>68,985,021</u>	 <u>70,205,588</u>
 <b>Total liabilities</b>	 73,403,306	 75,067,647
 <b>Net Position</b>		
Netinvestment in capital assets	12,819,242	12,856,185
Restricted for rate stabilization	560,000	460,000
Unrestricted	<u>1,913,779</u>	<u>252,906</u>
 <b>Total net position</b>	 <u>\$ 15,293,021</u>	 <u>\$ 13,569,091</u>

The accompanying notes to the financial statements are an integral part of these statements.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED MAY 31,**

	<b>2012</b>	<b>2011</b>
<b>Operating revenues:</b>		
Residential	\$ 9,208,977	\$ 9,382,910
Commercial	1,700,729	1,834,695
Fire protection	2,019,112	1,920,169
Other water revenues	59,650	63,305
	<hr/>	<hr/>
Total operating revenues	12,988,468	13,201,079
<b>Operating expenses:</b>		
Operations	6,154,917	5,972,061
Maintenance	1,845,803	1,871,302
Depreciation	1,168,265	1,051,110
	<hr/>	<hr/>
Total operating expenses	9,168,985	8,894,473
	<hr/>	<hr/>
<b>Operating income</b>	3,819,483	4,306,606
<b>Non-operating revenues (expenses):</b>		
Interest income	247,852	536,218
Miscellaneous income, net	357,310	349,509
Interest on long-term debt, net	(2,624,800)	(2,853,926)
Other amortization, net	(75,915)	(74,349)
	<hr/>	<hr/>
Net non-operating expenses	(2,095,553)	(2,042,548)
	<hr/>	<hr/>
<b>Change in net position before extraordinary items</b>	1,723,930	2,264,058
Litigation settlement	-	11,466
	<hr/>	<hr/>
Net change in total net position	1,723,930	2,275,524
Net position - beginning	13,569,091	11,293,567
	<hr/>	<hr/>
<b>Total net position - ending</b>	\$ 15,293,021	\$ 13,569,091
	<hr/>	<hr/>

The accompanying notes to the financial statements are an integral part of these statements.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED MAY 31,**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 13,056,986	\$ 13,096,214
Payments to suppliers for goods or services	(3,829,599)	(4,037,161)
Rental property revenues	357,310	349,509
Payments for employee services	(4,195,909)	(4,014,991)
Litigation settlement award	<u>-</u>	<u>11,466</u>
Net cash provided by operating activities	5,388,788	5,405,037
<b>Cash flows from capital and related financing activities:</b>		
Repayment of water revenue bonds	(1,505,000)	(1,525,000)
Acquisition of capital assets	(9,162,672)	(5,354,706)
Bond issue costs	--	(12,000)
Interest paid on water revenue bonds	<u>(2,629,950)</u>	<u>(2,792,964)</u>
Net cash used by investing activities	(13,297,622)	(9,684,670)
<b>Cash flows from non-capital financing activities:</b>	-	-
<b>Cash flows from investing activities:</b>		
Decrease of fixed income securities	5,111,390	16,311,821
Interest and dividends received	<u>247,853</u>	<u>536,218</u>
Net cash provided in financing activities	<u>5,359,243</u>	<u>16,848,039</u>
Net increase (decrease) in cash and cash equivalents	(2,549,591)	12,568,406
Cash and equivalents, beginning of year	<u>19,776,964</u>	<u>7,208,558</u>
<b>Cash and equivalents, end of year</b>	<u><u>\$ 17,227,373</u></u>	<u><u>\$ 19,776,964</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED MAY 31,**  
**(continued)**

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 3,819,483	\$ 4,306,606
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,168,265	1,051,110
Litigation settlement award	-	11,466
Changes in operating assets and liabilities:		
Accounts receivable	8,906	52,135
Accrued unbilled revenue	(153,000)	(157,000)
Prepaid expenses and other assets	7,263	(62,439)
Inventory of materials and supplies	5,640	23,669
Other assets	(2,462)	(77,065)
Accounts payable and accrued expenses	28,887	(139,114)
Deferred revenues	(107,237)	(89,734)
Due to employee retirement system	(43,875)	77,275
Customer deposits	37,116	29,911
Other post employment benefits	255,492	207,408
Compensated absences	7,000	(178,700)
<b>Net cash provided by operating activities</b>	<u>\$ 5,031,478</u>	<u>\$ 5,055,528</u>

Non-cash transactions: None.

The accompanying notes to the financial statements are an integral part of these statements.



**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2012**

**NOTE 1 – ORGANIZATION**

The Water Authority of Western Nassau County (“the Water Authority”) was established on July 25, 1990, pursuant to the “Water Authority of Western Nassau County Act,” of the State of New York, as amended on July 31, 1992 and codified under Title 8-C of Article 5 of the Public Authorities Law. As a governmental agency constituting a public benefit corporation, the Water Authority was created for the purpose of acquiring, constructing, maintaining and operating a water supply and distribution system within the territorial boundaries of the Water Authority of Western Nassau County District (“the District”).

On May 28, 1996, the Water Authority, by exercise of the power of eminent domain, acquired the water supply and distribution system situated in the District previously owned by Jamaica Water Supply Company. The District serves a population of approximately 120,000 within the Town of Hempstead and the Town of North Hempstead. The Town of Hempstead component includes the incorporated villages of Bellerose, Floral Park, New Hyde Park, South Floral Park, Stewart Manor and portions of Garden City and Valley Stream. The area within the Town of Hempstead also includes the unincorporated areas of Bellerose Terrace, Elmont and portions of Franklin Square and North Valley Stream. The area within the Town of North Hempstead includes the unincorporated areas of Floral Park, Floral Park Centre and New Hyde Park.

The Water Authority is governed by a Board of Directors consisting of nine members who are accountable to their constituents for their actions. The town board of the Town of Hempstead appoints two members and the town board of the Town of North Hempstead appoints one member to the Board. The village boards of the Villages of Bellerose, Floral Park, Garden City, New Hyde Park, South Floral Park and Stewart Manor each appoint a single member to the Board. Each member serves for a period of two years. The number of votes of each Board member is proportional to the number of water customers in the town or village that appoints them.

Under the Government Accounting Standards Board (“GASB”) Statement No. 14, The Financial Reporting Entity, and Statement No. 39, Determining Whether Certain Organizations Are Component Units, the Water Authority is classified as a primary government agency with no component units. The classification is based on the following criteria: (1) it has a separately appointed governing body; (2) pursuant to its charter, the Water Authority is a legally separate and distinct entity from the State of New York, the County of Nassau and the Towns and Villages that appoint its Board of Directors and (3) neither the State of New York nor any of its municipal entities are financially accountable or liable for the indebtedness of the Water Authority. The Water Authority determines its operating plan, sets rates and issues bonded debt without approval by another government entity.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Water Authority have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Water Authority applies all applicable pronouncements of GASB as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of Financial Accounting Standards Board (“FASB”), Opinions of the Accounting Principles Board and the Accounting Research Bulletins of the Committee on Accounting Procedure of the American Institute of Certified Public Accountants. In accordance with GASB Statement No. 20, the Water Authority has elected not to apply FASB pronouncements issued after November 30, 1989 and exclusively applies GASB Statements and Interpretations.

The activities of the Water Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. The flow of economic resources refers to the reporting of all the net position available to the Water Authority for the purposes of providing related water services. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) and associated activities are reported and equity is reported as net position.

Basis of accounting refers to when revenues, expenses, transfers and the related assets and liabilities are recognized and reported in the financial statements. Specifically, it relates to the timing of the measurements made regardless of the nature of the measurement.

The Water Authority uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. Proprietary-type accounting also distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing water services and producing potable water for the service area in connection with the Water Authority’s principal ongoing operations. The principal operating revenues of the Water Authority are charges to customers to provide potable water service. Other ancillary fees and services related to providing water are also recognized as operating revenues. Operating expenses include the cost of service, administration and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The Water Authority has adopted the provisions of Government Accounting Standard Board (GASB) Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* and GASB statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements established reporting standards for all state and local governments which include Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows and inclusion of Management’s Discussion and Analysis.

The Statement of Net Position of the Water Authority reports all assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position. The Statement of Net Position represents the difference between all other elements in a statement of financial position in three components-net investment in capital assets; restricted (distinguishing between major categories or restrictions) and unrestricted. The Statement of Net Position provides information about the nature and amount of investment in resources (assets) and obligations to the Water Authority's creditors (liabilities) at year-end. It also provides the basis for computing rate of return, evaluating the capital structure of the Water Authority and assessing the liquidity and financial flexibility of the Water Authority. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

The Statement of Net Position requires the classification of net position into three components as described on the next page.

1. *Net investment in capital assets*– This component of net position consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets. Deferred outflows of resources and deferred inflow of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources, at the end of the period, the portion of the debt or deferred inflow of resources attributable to unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. *Restricted* – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets. Generally, a liability relates to the restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted asset reported. This component of net position consists of restrictions placed on net position as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net position* – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### *Cash and Cash Equivalents*

For the purpose of the Statement of Cash Flows, the Water Authority considers all highly liquid investments with maturity of three months or less, when purchased, to be cash equivalents. The Statement of Cash Flows presented uses the direct method of reporting cash flows.

Under the Bonds Covenants, the Water Authority maintains its cash and cash equivalents in the Water Revenue Fund, General Fund and Operating Fund. The Water Authority pays into the Water Revenue Fund all of the revenues and all other moneys required to be paid into the fund other than the revenues and other amounts expressly required or permitted to be credited to, or deposited in, any other fund

account. Cash in the General Fund may be used for any lawful purpose of the Water Authority. All reasonable and necessary operations and maintenance expenses are paid from the Operating Fund.

#### *Restricted Cash, Cash Equivalents and Investments held by Trustee*

Restricted cash, cash equivalents and investments are held in the following funds:

*Rate Stabilization Fund* – This is a fund maintained by the Water Authority. Money deposited into the Rate Stabilization Fund is used in the following order:

1. To the extent provided in the current operating plan, money should be credited to or transferred to any other fund or account created under resolution.
2. Transferred to the bond fund trustee for deposit in the Bond Fund to ensure that there are no deficiencies in payments to the Bond Fund.
3. Transferred to the bond fund trustee for deposit in the Secondary Bond Fund to ensure that there are no deficiencies in payments to the Secondary Bond Fund.
4. Transferred to Unrestricted – Operating.

The amount of Rate Stabilization Fund cash and cash equivalents was \$560,000 as of May 31, 2012.

*Bond Construction Fund* – In accordance with the bond resolution, money deposited in the Bond Construction Fund from the proceeds of the Water System Revenue Bonds, Series 2005 and Series 2010 are restricted to the cost of improvements or the replacement of the water system. The Bond Construction Fund is to be maintained in trust and held by the fund trustee. The total amount in the Bond Construction Funds at May 31, 2012 was \$19,661,314 of which \$9,705,309 was in cash and cash equivalents and the balance of \$ 9,956,005 was invested in fixed income US Treasury Notes.

*Bond Reserve Funds* – Under the Series 2005 and 2010 Resolutions, the Water Authority is required to deposit into the Reserve Accounts, Series 2005, Series 2010A and Series 2010B the lesser of (i) 10% of the proceeds of the Series 2005, Series 2010A and Series 2010B Bonds, (ii) the maximum principal and interest payments due on the Series 2010A Bonds and Series 2010B Bonds in any Fiscal Year, (iii) 125% of the average of the annual installments of Debt Service with respect to all Series 2005, Series 2010A and Series 2010B Bonds for the current and all future Fiscal Years, and (iv) the maximum permitted by federal tax law to be funded from bond proceeds.

The Bond Reserve Funds are to be maintained in trust and held by the fund trustee. Amounts in the Reserve Accounts are available to pay debt service when insufficient funds for that purpose are available in the Bond Fund. The deposits in the Reserve Funds that the Water Authority is required to maintain are \$2,500,000, \$692,500 and \$3,340,180 from the proceeds of the Series 2005, Series 2010A and Series 2010B Bonds.

As of May 31, 2012, the total amount of Bond Reserve Funds was \$6,899,056 of which \$2,046,961 was in cash and cash equivalents and \$4,852,095 was invested in fixed income US Treasury Notes.

*Bond Payment Fund* – The Water Authority’s bond resolution authorizing the Water System Revenue Bonds, Series 2005, and Series 2010 bond issues has established the Bond Payment Fund. The Bond Fund is to be maintained in trust and held by the fund trustee. The Bond Fund is comprised of two separate fund accounts including the Bond Principal and Interest Fund. All money deposited in the Bond Fund is used solely for the purpose of paying the principal and interest on the bonds. As of May 31, 2012, the amount in the Bond Fund cash and cash equivalents was \$234,874.

*Investment Securities* — Investments are reported at fair value in the financial statements. Fair value is the amount in which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an investment, the fair value is the total number of trading units of the instrument times the market price per unit. All investment income, including changes in fair value of investments is recognized as non-operating revenue in the operating statement.

#### *Accrued Unbilled Revenues*

Accrued unbilled revenues represent revenue earned in the current year but not yet billed to customers until future days, usually within three months, based on the estimated billings occurring in the three months of the succeeding year. Historical trend are used to estimate accrued unbilled revenues.

#### *Accounts Receivable*

Accounts receivable is net of an allowance for doubtful accounts of \$25,000 at May 31, 2012 and 2011. The allowance is estimated based on trends in historical collection rates and write-offs.

#### *Prepaid Expenses*

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statement of Net Position.

#### *Materials and Supplies*

Materials and supplies inventory is valued at weighted average cost, which approximates market.

#### *Capital Assets*

Capital assets are defined by the Water Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are carried at cost to the Water Authority. Improvements, renewals purchased or contributed property, replacements of retired units of property and significant repairs inclusive of materials, labor and certain overhead that extend the life of the asset are capitalized while minor repairs and maintenance costs are expensed as incurred.

Depreciation is provided on the straight-line basis using the following estimated useful lives for each asset type:

<u>Capital Asset</u>	<u>Useful Life Years</u>
Distribution system	35 - 105
Wells and standpipes	40 - 60
Pumping and purification	20 - 50
Other property and equipment	5 - 10

When assets are retired or otherwise disposed of, the related assets and accumulated depreciation is written off and any related gains or losses are recorded.

#### *Capitalization of Interest during Construction*

The Water Authority capitalizes the interest cost during the construction of capital assets according to Financial Accounting Standards Board's Accounting Standards Codification Paragraph 835-20-30-10 through 835-20-30-12.

The amount of interest cost capitalized for qualifying assets is that portion of the interest cost incurred during the assets' acquisition periods that theoretically could have been avoided if expenditures for the assets had not been made. The amount capitalized in an accounting period is determined by applying the capitalization rate to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period is based on the rates applicable to borrowings outstanding during the period. If the Water Authority's financing plans associate a specific new borrowing with a qualifying asset, the Water Authority uses the rate on that borrowing as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that borrowing.

Interest earned is not to be offset against interest cost in determining either capitalization rates or limitations on the amount of interest cost to be capitalized except in situations involving acquisition of qualifying assets financed with the proceeds of tax-exempt borrowings if those funds are externally restricted to finance acquisition of specified qualifying assets or to service the related debt.

The amount of interest cost capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings that are externally restricted as specified in the preceding paragraph shall be the interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use. The interest cost and interest earned on any portion of the proceeds of the tax-exempt borrowings that are not designated for the acquisition of specified qualifying assets and servicing the related debt are excluded.

The Water Authority has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued in December 2010, has fully incorporated the interest capitalization rules of ASC 835. The adoption of GASB Statement No. 62 did not have any effect on the financial statements.

### *Long-term Obligations*

In the financial statements long-term debt is reported as a liability in the Statement of Net Position. Long-term debt is reported at face value less any loss on defeasance and plus or minus applicable premium or discount, respectively.

Bond premiums and bond discounts are deferred and amortized over the life of the bonds in relation to principal payment over the life of the issue. The costs related to the issuance of long-term debt and the loss on the early retirement of refunded debt are amortized in relation to principal repayment over the life of the issue.

The amortization expense of bond issuance costs were \$51,423 and \$49,857 and the amortization of bond discount was \$24,492 and \$24,492 for the fiscal years ended May 31, 2012 and 2011, respectively.

### *Deferred Revenues*

The deferred revenues include advance payments by customers and charges for future repairs. The Water Authority recognizes the amounts charged as liabilities and credits them to revenue only when associated costs are incurred.

### *Other Postemployment Benefits*

In addition to providing pension benefits, the Water Authority provides health insurance coverage for eligible retired employees. Substantially all the Water Authority's employees may become eligible for these benefits provided the employee has a minimum of ten years full time employment with the Water Authority, has obtained 55 years of age and has terminated employment with the Water Authority within five years from the date on which entitled to a retirement allowance from the New York State and Local Employees Retirement System.

The Water Authority's Board of Directors adopted a resolution dated September 17, 2002, as amended November 9, 2009, that provides eligible enrollees with post retirement medical insurance coverage, limited to the health insurance programs offered by the Water Authority to its then full-time employees, as modified from time to time by the Board of Directors of the Water Authority.

The Water Authority recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. The liability for these other postemployment benefits is recorded as a long-term liability in the Statement of Net Position and is estimated based on the most recent actuarial valuation in accordance with the parameters of GASB Statement No. 45.

### *Accrued Vacation and Sick Leave*

In the event of termination or upon retirement, employees are entitled to receive accumulated but unused vacation and sick leave at various rates subject to certain maximum limitations pursuant to policies adopted by the Board of Directors.

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent obligations on the Statement of Net Position. The current portion of this liability is



estimated based on historical trends. In the Statements of Revenues, Expenses and Changes in Net Position only the compensated absence liability payable from available financial resources is incurred.

#### *Retirement Plan*

The Water Authority provides retirement benefits for substantially all of its regular, full-time employees through contributions to the New York State and Local Employees' Retirement System. The system provides various plans and options, and all full-time employees are required to join the plan.

#### *Revenue Recognition*

Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings. Billings for water service are generally rendered on a quarterly basis except for one consumer, which is billed monthly due to the requirements of a legal settlement. The Water Authority's Board of Directors has the power to independently set rates and charges, which are sufficient to meet its obligations, and is not subject to the regulation of any department or commission, including the New York State Public Service Commission.

#### *Operating and Non-operating Revenues and Expenses*

Operating revenues and expenses are related to operating transactions. The operating transactions are those other than capital and related financing activities, noncapital financing activities and investing activities. Operating revenues generally result from sales of water, grants for production and delivery of water, and reimbursement of operating expenses. Operating expenses include depreciation on all fixed assets. Non-operating revenue includes interest earnings on investment assets and miscellaneous income. Non-operating expenditures include interest expense on long-term debt.

#### *Taxes*

As a Public Benefit Corporation, the Water Authority is exempt from federal and state income taxes, as well as state and local property taxes.

#### *Use of Estimates*

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

#### *Operating and Capital Plans*

The Water Authority adopts annual operating and capital plans. Plans are adopted on a basis consistent with generally accepted accounting principles. The current operating plan details the Water Authority's plans to earn and expend funds for charges incurred for operations, maintenance, certain interest and other charges for the fiscal year. The capital plan details the Water Authority's plan to receive and expend capital contribution fees and revenues for improving and expanding capital facilities.



All unexpended or encumbered appropriations in the operating plan remaining at the end of the fiscal year lapse. No appropriations for capital projects in the capital plan lapse until the purpose for which the appropriation was made, has been accomplished or changed.

Management submits a proposed plan to the Water Authority's Board of Directors prior to the commencement of the next fiscal year. A plan is adopted by resolution prior to June 1. During the year, the Board of Directors has to authorize the transfer of planned amounts between line items.

### *New Accounting Pronouncements*

In March 2012, the Governmental Accounting Standards Board (GASB) issued two Statements: Statement No. 65, Items Previously Reported as Assets and Liabilities, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 66, Technical Corrections—2012.

GASB Statement 65. GASB Concepts Statement No. 4, Elements of Financial Statements, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GAS Statement 66. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

This Statement also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.

The provisions of both Statements are effective for periods beginning after December 15, 2012. The Water Authority is evaluating the effects of the adoption of this statement on its financial statements.

### NOTE 3 –CASH, CASH EQUIVALENTS AND INVESTMENTS

As of May 31, 2012, the carrying amount petty cash, deposits and investment in cash equivalent and other investment consisted of the following:

Petty cash	\$	700
Deposits		3,604,697
Investments		<u>28,430,076</u>
Total	\$	<u><u>32,035,473</u></u>

#### *Cash and Cash Equivalents*

As of May 31, 2012, the carrying amount of the Water Authority's deposits, cash and cash equivalents were as follows:

#### **Unrestricted**

Deposit in banks	\$	1,171,367
Money Market Funds		2,558,850
Petty cash		<u>700</u>
<b>Total unrestricted cash and cash equivalents</b>		<b>3,730,917</b>

#### **Restricted**

Bank Deposit		1,509,312
Money Market Funds		<u>11,987,144</u>
<b>Total restricted cash and cash equivalents</b>		<b><u>13,496,456</u></b>
<b>Total cash and cash equivalents</b>	\$	<b><u><u>17,227,373</u></u></b>

*Custodial Credit Risk* – All cash deposits of the Water Authority are required to be insured by the Federal Deposit Insurance Corporation (“FDIC”) or to be secured by obligations of, or guaranteed by, the United States of America or of the State of New York of a market value equal at all times to the amount on deposit and all banks and trust companies are authorized to give such security for such deposits.

In the case of time and interest bearing deposits, there is a risk that in the event of a bank failure, the Water Authority's deposits may not be returned. Section 330.15 of the FDIC regulations (12 CFR 330.15) governs the insurance coverage of public unit accounts. All time deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all interest bearing demand deposits owned by a public unit and held by the same official custodian in an insured depository

institution within the State in which the public unit is located are added together and insured up to \$250,000.

For the period from December 31, 2010 through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) provides separate and unlimited deposit insurance coverage for accounts that meet the definition of a 'noninterest-bearing transaction account.

The Water Authority's cash accounts are secured by the appropriate amount from the FDIC with all remaining amounts fully pledged collateral at May 31, 2012. All pledged collateral are classified in the highest category by being held in bank trust departments in the Water Authority's name.

### *Investments*

*Investments Authorized by the State of New York and Bond Resolutions.* Pursuant to the Bond Resolution, the Water Authority may only invest moneys on deposit in various funds established under the resolution in certain investment securities. In addition, and in accordance with the requirements of the State of New York Public Authorities Law, the Water Authority has adopted comprehensive investment guidelines which govern the investment of all moneys of the Water Authority. These guidelines provide that moneys on deposit with the Water Authority may only be invested in:

1. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America ("USA").
2. Bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by any agency or instrumentality of the USA or any other corporation wholly owned by the USA.
3. Public housing bonds or preliminary, temporary or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions, under an annual contributions contract, or contracts with the USA or any federal agency.
4. Direct and general obligations of any State or political subdivision of State, as to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged and at the time of their purchase, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies.
5. Bank time deposits evidenced by certificates of deposit and bankers' acceptances issued by any bank or trust company which is a member of the FDIC.
6. Obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the USA or any state thereof, provided that such investments shall be rated in the two highest rating categories established by at least two nationally recognized bond rating agencies.
7. Certificates or other obligations of the USA or any state, political subdivision, agency or instrumentality of the USA or any state or political subdivision. It is required that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Bond Fund Trustee under the Bond Resolution. Certificates or other obligations of a state or political subdivision, the payments of all principal of, and interest on such certificates or such obligations, shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by,

one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, L.P. ("Moody's") and either Standard & Poor's Corporation ("S&P") or Fitch Investors Service, Inc. ("Fitch"), or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's and either S&P or Fitch.

8. Written investment agreements, rated or the issuer of which is rated, in one of the two highest rating categories by at least two nationally recognized rating agencies, and if rated by Moody's, S&P or Fitch, such investment agreements or the long-term unsecured debt obligations of the insurer thereof must be rated in one of the two highest rating categories by the respective agency rating such investment agreements.
9. Money market funds registered under the Investment Company Act of 1940, as amended, the investment portfolios of which are comprised solely of investments in obligations described in items 1, 2 and 3 above, and which money market funds are rated in one of the two highest rating categories by the respective agency rating such money market funds.

*Disclosures Relating to Credit Risk* - – There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Any moneys of the Water Authority not required for immediate use or disbursement may, at the discretion of the Water Authority, be invested in those obligations specified pursuant to the provisions of Section 98(a) of the State Finance Law and the Bond Resolution with respect to the Water Authority's Water System Revenue Bonds, Series 2010 and 2005 Bonds.

In addition, there is the risk of loss attributed to the magnitude of the Water Authority's investment in a single issuer. Given the relative safety of those investment instruments that the Water Authority can purchase, the policies of the Water Authority do not place a limit on the amount that may be invested in any one issuer. As of May 31, 2012, the Water Authority's investment, including the investment in cash equivalents was as follows.

		<b>S&amp;P-AAAm</b>	
	<b>Fair Value</b>	<b>Moody's-Aaa-mf</b>	<b>US Treasury Securities</b>
		<b>NAIC-Class 1</b>	
Dreyfus Government Prime Cash management 557	\$ 13,379,695	\$ 13,379,695	\$ -
Dreyfus Cash Management #566	242,282	242,282	-
US Treasury Bills	2,443,949	-	2,443,949
US Treasury Notes	11,614,056	-	11,614,056
US Treasury Bonds	750,096	-	750,096
Total	<u>\$ 28,430,078</u>	<u>\$ 13,621,977</u>	<u>\$ 14,808,101</u>

At May 31, 2012, the Water Authority had invested \$14,808,101 in credit risk free US Securities and \$13,621,977 in two money market funds with highest credit rating. The money market funds are managed by Dreyfus Corporation, a BNY Mellon Company. Dreyfus Government Prime Cash Management 557 fund invests in securities issued or guaranteed as to the timely payment of principal and interest by the U.S. Government, or its agencies or instrumentalities. The fund does not invest in repurchase agreements or any other type of money market instrument or security. Dreyfus Government

Cash Management 566 fund investments are in securities issued by the U.S. Government or its agencies and repurchase agreements related to the U.S. Government securities. The investment in the money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

*Interest Rate Risk* – When investing idle funds, there is the risk that changes in interest rates will adversely affect the fair value of that investment. The Water Authority currently has an investment policy that limits its exposure to fair value losses by establishing maturity timeframes that meet the cash flow requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. On May 31, 2012, the maturity dates of the Water Authority's investment securities were as follows:

	<b>Fair Value</b>	<b>12 Months or Less</b>	<b>13 to 36 Months</b>
Dreyfus Government Prime Cash Management 557	\$ 13,379,695	\$ 13,379,695	-
Dreyfus Cash Management 566	242,282	242,282	-
US Treasury Bills	2,443,949	2,443,949	-
US Treasury Notes	11,614,056	6,705,630	4,908,426
US Treasury Bonds	750,096	-	750,096
Total	\$ 28,430,078	\$ 22,771,556	\$ 5,658,522

The Weighted Average Maturity of Dreyfus Government Prime Cash Management 557 and Dreyfus Cash Management 566 have been very short, less than 60 days. The yield from money market funds may vary, although they haven't in the past year, and is not fixed for a specific period. A sharp and unexpected rise in interest rates could cause the share price to drop below a dollar. However, the extremely short maturities of the securities held in the portfolio reduce the potential for price fluctuation. Also, the yields of US Treasury securities' and money market funds will fluctuate as the short-term securities in the Water Authority portfolio mature and the proceeds are reinvested in securities with different interest rates.

#### *Custodial Risk of Investments*

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. The Water Authority's investments are held by the Bank of New York Mellon as the trustee and custodian.

#### **NOTE 4 – PROPERTY, PLANT AND EQUIPMENT**

As of May 31, 2012 and 2011, the cost and the accumulated depreciation of the property, plant and equipment were as follows:

	<u>2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>2012</u>
Capital assets not subject to depreciation:				
Land and land rights	\$ 167,708	\$ -	\$ -	\$ 167,708
Construction in progress	<u>5,336,146</u>	<u>8,802,149</u>	<u>(2,601,154)</u>	<u>11,537,141</u>
Total capital assets not being depreciated	5,503,854	8,802,149	(2,601,154)	11,704,849
Capital assets in service being depreciated:				
Wells and standpipes	2,654,054	3,368	-	2,657,422
Pumping and purification	11,075,237	155,675	-	11,230,912
Distribution system	34,006,838	1,975,330	(489,210)	35,492,958
Building, vehicles and equipment	<u>2,253,971</u>	<u>466,781</u>	<u>(73,225)</u>	<u>2,647,527</u>
Total capital assets being depreciated	49,990,100	2,601,154	(562,435)	52,028,819
Less accumulated depreciation for:				
Wells and standpipes	(919,658)	(63,561)	-	(983,219)
Pumping and purification	(3,806,804)	(309,084)	-	(4,115,888)
Distribution system	(3,809,582)	(726,906)	488,333	(4,048,155)
Building, vehicles and equipment	<u>(2,157,303)</u>	<u>(68,712)</u>	<u>73,225</u>	<u>(2,152,790)</u>
Total accumulated depreciation	<u>(10,693,347)</u>	<u>(1,168,263)</u>	<u>561,558</u>	<u>(11,300,052)</u>
Total net capital assets being depreciated	<u>39,296,753</u>	<u>1,432,891</u>	<u>(877)</u>	<u>40,728,767</u>
Total net capital assets	<u>\$ 44,800,607</u>	<u>\$ 10,235,040</u>	<u>\$ (2,602,031)</u>	<u>\$ 52,433,616</u>

As of May 31, 2012 and 2011, the amounts of capitalized interest included in construction in progress were \$418,686 and \$237,157, respectively.

#### **NOTE 5 – REVENUE BONDS PAYABLE**

On August 4, 2005 the Water Authority issued \$33,065,000 Water System Revenue Bonds, Series 2005 in part to provide sufficient funds to affect the advanced refunding of 1996 Series bonds. The interest on the refunding bonds ranges from 2.84% to 5.30% (average interest of 3.7%) and the bonds were issued at a premium of \$1,642,140. The \$28,155,000 remaining balance of the Water Authority's outstanding Series 1996A bonds had interest rates ranging from 5.65% to 6.43% (average interest of 5.6%). Simultaneously with the issuance of the Series 2005 Bonds, \$28,758,320, the amount of \$27,900,000 from the proceeds of the sale of the Series 2005 Bonds together with other available moneys, were used to purchase non-callable direct obligations of the USA. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the May 1, 2006, redemption of the bonds, at a redemption price of 102% plus accrued interest. As a result, \$28,225,000 of Series 1996A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The bond issuance costs of \$512,778 were paid from bond proceeds. The unamortized bond issue costs and discount on Series 1996A bonds were \$646,742 and \$593,990, respectively.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$2,230,412. The Water Authority completed the refunding to reduce its total debt service payments over the next 30 years to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,314,315.

On April 15, 2010, the Water Authority issued its Series 2010 Revenue Bonds. The Series 2010 Revenue Bonds include the Water System Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), with aggregate principal balance of \$6,925,000, and Water System Revenue Bonds, Series 2010B (the "Series 2010B Bonds"), federally taxable, Build America Bonds, with aggregate principal balance of \$33,965,000. The Bonds were issued pursuant to the water system revenue bonds General Resolution adopted by the Water Authority on May 13, 1996 and the supplemental Series 2010 Resolution adopted on January 25, 2010. The Series 2010 Bonds are the third and fourth Series of Bonds (as that term is defined herein) to be issued under the General Resolution.

The Series 2010A Bonds were issued to finance costs of acquisition, improvements and additions to the water system, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010A Bonds. The Series 2010B Bonds were issued to finance the cost of acquisition, improvements and additions to the water system, including the construction of the Water Authority's headquarters, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010B Bonds. The Series 2010 Bonds, which are issued as Senior Lien Bonds, are the third and fourth Series of Bonds issued under the General Resolution. The Series 2010 Bonds are payable as to both interest and principal solely from the net revenues on a parity with other outstanding Bonds.

The General Resolution requires the Water Authority to establish rates and other charges for the water that will be sufficient in each fiscal year to produce revenues (with deposits from Rate Stabilization Fund) that will be at least equal to: (i) the fiscal year's debt service and reserve fund replenishment obligations, operation and maintenance expenses (including amounts to be deposited to the Rate Stabilization Fund), and any other charges or liens; (ii) 1.20 times the debt service for such Fiscal Year.

The Water Authority has elected to treat the Series 2010B Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") and to receive a cash subsidy from the US Treasury in connection therewith. Pursuant to the Recovery Act, the Water Authority is entitled to receive cash subsidy payments rebating a portion of the interest on the Build America Bonds from the US Treasury equal to 35% of the interest payable on the Series 2010B Bonds. The Water Authority will use this subsidy exclusively to pay interest on the Series 2010B Bonds.

The Series 2010A Bonds are not subject to redemption prior to maturity. The Series 2010B Bonds are subject to Make-Whole and Extraordinary Redemption at the option of the Water Authority.

#### *Make-whole Redemption*

The Series 2010B Bonds are subject to redemption, in whole or in part, prior to their stated maturities, on any date. The redemption price is equal to the greater of:

- (i) 100% of the principal amount of such Series 2010B Bonds to be redeemed, plus accrued and unpaid interest, or



- (ii) The sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption at the Treasury Rate plus 30 basis points. "Treasury Rate" is the yield to maturity of the Treasury Issue, with equivalent maturity.

#### *Extraordinary Redemption*

The Series 2010B Bonds are subject to redemption prior to maturity at the option of the Water Authority, in whole or in part, on any date following the occurrence of an "Extraordinary Event", at redemption price equal to the greater of:

- (i) 100% of the principal amount of such Series 2010B Bonds to be redeemed, plus accrued and unpaid interest, or
- (ii) The sum of the present values of the remaining scheduled payments of principal and interest on such Series 2010B Bonds to be redeemed discounted to the date of redemption on a semiannual basis at the Treasury Rate plus 100 basis points.

An "Extraordinary Event" occurs if the 35% cash subsidy payment from the US Treasury to the Water Authority is reduced or eliminated as a result of change in provisions of Internal Revenue Code of 1986 pertaining to Build America Bonds or determination by the Internal Revenue Service or the US Treasury that the Bonds do not qualify to receive the subsidy.

The Series 2010B Bonds maturing on April 1, 2025, 2030 and 2040 are subject to mandatory redemption prior to their stated maturity in part on each April 1 on and after April 1, 2021, 2026 and 2031, respectively. The Bonds will be redeemed from moneys required to be credited to the Bond Retirement Account in the Bond Fund at a redemption price equal to the principal amount to be redeemed, together with interest accrued on such principal amount to the date fixed for redemption.

A summary of changes in Revenue Bonds Payable for the year ended May 31, 2012 is as follows:

	<u>May 31,</u> <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>May 31,</u> <u>2012</u>	<u>Due in</u> <u>one year</u>	<u>Noncurrent</u> <u>portion</u>
Water System Revenue Bonds payable	\$ 69,165,000	\$ -	\$ (1,505,000)	\$ 67,660,000	\$ 1,550,000	\$ 66,110,000
Adjustment for deferred amounts:						
Deferred loss on Series 1996 Bonds	(1,881,066)	91,135	-	(1,789,931)	-	(1,789,931)
Unamortized premium on 2005 Series	1,429,924	-	(55,360)	1,374,564	-	1,374,564
Unamortized premium on Series 2010A	99,759	-	(5,950)	93,809	-	93,809
Total Revenue Bonds	<u>\$ 68,813,617</u>	<u>\$ 91,135</u>	<u>\$ (1,566,310)</u>	<u>\$ 67,338,442</u>	<u>\$ 1,550,000</u>	<u>\$ 65,788,442</u>

The Bond Resolution requires that net revenues equal at least 1.20 times the debt service for such fiscal year. The outstanding Water System Revenue Bonds at May 31, 2012 consist of the following:



<b>Bond</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Average Interest Rate</b>	<b>Original Principal</b>	<b>Outstanding Principal</b>
Water System Revenue Bonds, Series 2005:					
Serial Bonds	2008-2010	3.00-5.00%	3.70%	\$27,900,000	\$22,390,000
Term Bonds	2016	5.00%	5.00%	2,015,000	2,015,000
Term Bonds	2026	5.00%	5.00%	3,150,000	3,150,000
Total Series 2005				<u>\$33,065,000</u>	<u>\$27,555,000</u>
Water System Revenue Bonds, Series 2010:					
Series A Bond					
Uninsured Serial Bond	2011-2012	2.00-3.00%	2.64%	\$ 785,000	\$ -
Serial Bond	2013-2020	3.00-4.00%	3.80%	6,140,000	6,140,000
Series B Bond					
Term Bond	2025	6.01%	6.01%	6,090,000	6,090,000
Term Bond	2030	6.45%	6.45%	7,420,000	7,420,000
Term Bond	2040	6.70%	6.70%	20,455,000	20,455,000
Total Series 2010				<u>\$40,890,000</u>	<u>\$40,105,000</u>
Total				<u>\$73,955,000</u>	<u>\$67,660,000</u>

At May 31, 2012, debt service requirements to maturity for the Bond Series 2010 and 2005 were as follows:

#### SERIES 2005 BONDS

<b>Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 1,180,000	\$ 1,330,556	\$ 2,510,556
2014	1,225,000	1,289,256	2,514,256
2015	1,265,000	1,244,850	2,509,850
2016	1,320,000	1,194,250	2,514,250
2017-2020	5,965,000	4,083,500	10,048,500
2021-2025	9,290,000	3,266,500	12,556,500
2026-2030	4,160,000	1,253,250	5,413,250
2031-2035	3,150,000	487,500	3,637,500
Total	<u>\$ 27,555,000</u>	<u>\$ 14,149,662</u>	<u>\$ 41,704,662</u>

#### SERIES 2010A BONDS

<b>Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 370,000	\$ 227,363	\$ 597,363
2014	370,000	216,263	586,263
2015	375,000	205,163	580,163
2016	935,000	193,913	1,128,913
2017-2020	4,090,000	414,588	4,504,588
Total	<u>\$ 6,140,000</u>	<u>\$ 1,257,290</u>	<u>\$ 7,397,290</u>

## SERIES 2010B BONDS

Date	Principal	Interest	Gross Subsidy	Net Interest	Gross	Net
2013	\$ -	\$ 2,215,180	\$ (775,313)	\$ 1,439,867	\$ 2,215,180	\$ 1,439,867
2014	-	2,215,180	(775,313)	1,439,867	2,215,180	1,439,867
2015	-	2,215,180	(775,313)	1,439,867	2,215,180	1,439,867
2016	-	2,215,180	(775,313)	1,439,867	2,215,180	1,439,867
2017-2020	-	8,860,720	(3,101,252)	5,759,468	8,860,720	5,759,468
2021-2025	6,090,000	10,372,781	(3,630,473)	6,742,308	16,462,781	12,832,308
2026-2030	7,420,000	8,329,114	(2,915,190)	5,413,924	15,749,114	12,833,924
2031-2035	9,140,000	5,680,438	(1,988,153)	3,692,285	14,820,438	12,832,285
2036-2040	11,315,000	2,338,984	(818,644)	1,520,340	13,653,984	12,835,340
Total	\$ 33,965,000	\$ 44,442,757	\$ (15,554,964)	\$ 28,887,793	\$ 78,407,757	\$ 62,852,793

### NOTE 6 – OTHER LONG-TERM LIABILITIES

Changes in long-term liabilities, other than the Bonds, were as follows:

	May 31, 2011	Addition	Reduction	May 31, 2011	Due in 1- year	Noncurrent Liability
Accrued vacation and sick leave	\$811,900	\$7,000	-	\$818,900	\$40,000	\$778,900

### NOTE 7 – EMPLOYEE BENEFITS

#### *Plan Description*

The Water Authority participates in the New York State and Local Employees' Retirement System ("ERS"), a cost-sharing multiple-employer defined benefit retirement system. The ERS 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 ERS.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of their funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

#### *Funding Policy*

The Water Authority's employees participate in the ERS. Tier levels are dependent on date of hire and prior public service with a participating ERS agency. No contributions are required of Tier-1 employees while Tier-4 employees are required to contribute 3% of their gross earnings toward retirement benefits until they have accumulated ten years of credited service and Tier 5 employees are required to contribute 3% for the employees' entire employment. A new Tier 6 was added on April 1, 2012 which requires various contribution percentages of gross earnings for all years of public service. These contributions are

considered a reduction of taxable wages for federal income tax purposes. 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 Water Authority is required to contribute at an actuarially determined rate. The Water Authority's contributions made to the System were equal to 100% of the amount required. The required contributions for the current year and the two preceding years were:

<u>Year</u>	<u>Contribution Amount</u>
2012	\$ 595,700
2011	452,300
2010	306,700

#### *Retiree Benefits*

The Water Authority's Board of Directors has amended a resolution for postretirement benefits. The Water Authority has been self-funding retiree benefits and as of May 31, 2012 has deferred a liability in the amount of \$1,408,447.

#### *Accrued Vacation and Sick Leave*

The Water Authority employees earn vacation leave each month at a scheduled rate in accordance with the years of service and sick leave at the rate of one day per month. The maximum accumulated sick leave is 60 days. Accumulated unpaid vacation and sick leave amounts are accrued as earned. On May 31, 2012 the liability for accrued vacation and sick days was \$818,900.

### **NOTE 8 – NET POSITION**

Net position represents the difference between assets and liabilities. The net asset amounts were:

	<u>2012</u>	<u>2011</u>
Invested in capital assets net of related debt:		
Capital assets, net of accumulated depreciation	\$ 52,433,616	\$ 44,800,607
Less: related debt		
Revenue bonds payable	(67,660,000)	(69,165,000)
Bond premium	(1,468,373)	(1,529,683)
Loss on defeasance of 1996 Bonds	1,789,931	1,881,066
Unspent debt proceeds in construction and reserve funds	26,795,244	35,918,774
Bond issue costs	928,824	950,421
Total invested in capital assets net of related debt	12,819,242	12,856,185
Restricted for capital activity and debt service:		
Restricted cash and equivalents	1,509,312	1,371,551
Deductions:		
Customer deposits	(949,232)	(911,551)
Total restricted for capital activity and debt service	560,000	460,000
Unrestricted	1,913,779	252,906
Total net position	\$ 15,293,021	\$ 13,569,091

## NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

From an accrual accounting perspective, the cost of postemployment healthcare benefits, similar to 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. Since adopting the requirements of GASB Statement No. 45 during the year ended May 31, 2009, the Water Authority recognized the cost of postemployment healthcare in the year when the employee services were received, reported the accumulated liability from prior years, and provided information useful in assessing potential demands on the Water Authority's future cash flows. Recognition of the liability accumulated from prior periods was phased in over 30 years, commencing with the 2009 liability.

### *Plan Description*

Postemployment health insurance coverage is afforded under single employer defined benefit plan to the Water Authority's retired employees and their dependents in accordance with the provisions of a resolution adopted by the Water Authority's Board of Directors on September 17, 2002 and as amended November 9, 2009. Substantially all Water Authority employees may become eligible for these benefits provided the employee has a minimum of ten years full-time employment with the Water Authority, has obtained 55 years of age and has terminated employment with the Water Authority within five years from the date on which entitled to a retirement allowance from the ERS.

The Board adopted resolution and amended resolution provides eligible enrollees with postretirement medical insurance coverage, limited to the health insurance programs offered by the Water Authority to its then full-time employees, as modified from time-to-time by the Board. The Water Authority pays 60% of the cost of premium for individual coverage and 40% of the cost for dependent coverage for eligible retired employees. These benefits continue for the lifetime of the retiree.

The Water Authority provides life insurance policies, at no cost to the retiree, for individuals who were hired prior to June 1996. The life insurance benefit is \$20,000 for hourly employees and \$40,000 for salaried employees and is subject to age reductions set by the insurance carrier.

The number of participants as of May 31, 2011, the effective date of the annual OPEB valuation, is as follows:

<b>Participants</b>	<b>Number</b>
Active employees	47
Retired employees	4
Total	51

### *Funding Policy*

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

### *Annual Other Postemployment Benefit Cost*

For the fiscal year ended May 31, 2012, the Water Authority's annual OPEB cost (expense) of \$306,512 is equal to the Annual Required Contribution. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$40,862 for retirees and their beneficiaries, and the interest earned on the net OPEB obligations of \$51,883, the result was an increase in the Net OPEB Obligation of \$255,492 for the year ended May 31, 2012.

The Water Authority's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and Net OPEB obligation for fiscal year 2012 and 2011 were as follows:

### *Annual OPEB Cost and Net OPEB Obligation*

<b>Fiscal year ending May 31,</b>	<b>2012</b>	<b>2011</b>
A Annual Required Contribution (ARC)	\$ 306,512	\$ 245,214
B Net OPEB Obligation (NOO), beginning	1,152,955	945,547
C Interest on NOO at 4.5%	51,883	42,550
D Adjustment to ARC (NOO/17.02)	(67,741)	(55,555)
E Annual OPEB Cost (AOC)	290,654	232,209
F Less Amount Contributed	(35,162)	(24,801)
G Change in Net OPEB Obligation	255,492	207,408
H Net OPEB Obligation, Ending Balance	\$ 1,408,447	\$ 1,152,955

The Water Authority's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the fiscal years ended May 31, 2012, May 31, 2011 and May 31, 2010 were as follows:

<b>Fiscal Year</b>	<b>OPEB Cost</b>	<b>Percentage of Annual OPEB Contributed</b>	<b>Net OPEB Obligation</b>
May 31, 2012	\$ 290,654	12%	\$ 1,408,447
May 31, 2011	232,209	11%	1,152,955
May 31, 2010	228,852	13%	945,547
May 31, 2009	233,305	8%	747,110

### *The funding status*

	<u>2012</u>	<u>2011</u>
Actuarial accrued liability	\$ 2,470,292	\$ 1,729,921
Actuarial value of plan assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 2,470,292</u>	<u>\$ 1,729,921</u>
Funded status	0.00%	0.00%
Covered payroll	\$ 3,708,940	\$ 2,968,770
Unfunded actuarial liability as a percentage of covered payroll	66.60%	58.27%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Water Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

### *Actuarial Methods and Assumptions*

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

In the June 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 10% investment rate of return (net of administrative expenses) and an annual healthcare cost of 10% and reduced decrements to a rate of 5% after 5 years. The Retiree Health Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls which was assumed to grow at 3% annually. The remaining balance of the amortization period is 28 years.

#### **ACTUARIAL ASSUMPTIONS**

<i>Interest rate</i>	4.5%
<i>Employee turnover rate</i>	
Age 25	6.80%
Age 30	5.05%
Age 35	3.95%
Age 40	3.25%
Age 45	2.75%
Age 50	2.25%
Age 55+	0.00%

### ACTUARIAL ASSUMPTIONS (CONTINUED)

<i>Medical trend</i>	
Beginning rate	10.0%
Ultimate rate	5.0%
Year ultimate rate reached	2016
<i>Expected retirement rates</i>	
62 – 64	9%
65 – 69	20%
70 +	100%
<i>Annual medical premium</i>	
Pre 65 – employee only:	\$8,327
Pre 65 – family:	\$18,167
Post 65 – employee only:	\$4,868
Post 65 – two person:	\$11,248
<i>Expected claims to be distributed</i>	
Age 55	\$10,219
Age 60	\$12,196
Age 64	\$14,377
<i>Additional Information</i>	
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar
Amortization period:	Single amortization period
Amortization period (in years):	30
Amortization period status:	Open
Asset valuation method:	Market value
Medical Trend (Inflation Rate)	10% in 2011, declines 1% per year, to 5.% in 2016 and after.

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. On March 30, 2010 the Health Care and Education Reconciliation Act of 2010 (HCERA), which amends certain aspects of PPACA was signed into law. The new laws are expected to have a financial impact on employers who sponsor postemployment health care benefit plans and therefore may affect the GASB 45 valuation. As of the date of this report, the Water Authority could not reasonably conclude which provisions would impact the financial accounting of the plan. Upon release of further regulatory guidance, the impact of PPACA and HCERA will be appropriately reflected in the valuation.

## **NOTE 10 – EXTRAORDINARY ITEM**

### *Proceeds from Settlement*

The Water Authority was a member of the plaintiff class in a class action lawsuit related to Methyl Tertiary Butyl Ether (MTBE) products liability against 70% of the total gasoline refining market. This lawsuit was settled on March 12, 2008 and the Water Authority's portion of the settlement was \$2,660,164 net of legal fees. The Water Authority recognized \$11,466 for the year ended May 31, 2011 and \$214,378 for the year ended May 31, 2010 as an extraordinary item in the Statements of Revenue, Expenses and Changes in Net position.

## **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

### *Litigation*

The Water Authority is subject to lawsuits in the ordinary conduct of its affairs. The Water Authority does not believe, however, that any such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Water Authority.

### *Risk Management*

The Water Authority is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

### *Insurance*

The Water Authority's commercial insurance coverage provides for virtually all risks of loss including property, liability, automobile accidents and public official's coverage. The Water Authority also carries umbrella liability insurance coverage. This coverage is comparable to that of the prior fiscal year.

### *Compensated Absences*

The Water Authority estimates that the amount of compensated absences due within one year is \$40,000.

### *Pollution Remediation Obligations*

In adopting the requirements of GASB Statement No. 49 during the year ended May 31, 2009, it is the Water Authority's policy to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. Obligor events include the following:

If the Water Authority:

- Is compelled to take remediation action because of imminent endangerment,



- Violates a pollution related permit or license,
- Is named or will be named as a responsible party or potentially responsible party for a remediation,
- Is named, or will be named in a lawsuit to compel pollution remediation, or
- Commences or obligates it to remediate pollution.

As of May 31, 2012, the Water Authority has not identified any pollution remediation obligations and therefore no liability has been recorded on the Statement of Net Position.

#### *Lease Commitments*

The Water Authority had a ten-year lease for its office space, which expired in May 2006 and was extended three times, first for a period of four years ending May 31, 2010, subsequently for two years ending May 31, 2012 and for another two years ending May 31, 2014. Rental expense under the office space lease was \$252,000 for the fiscal year ended May 31, 2012. Office rentals are included in operating expenses in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The future minimum rental commitments under operating leases as of May 31, 2012 are:

<u>Year Ended</u>	<u>Rent</u>
May 31, 2013	\$ 264,000
May 31, 2014	276,000
Total minimum lease payments	\$ <u>540,000</u>

#### **NOTE 12 – LEASE REVENUE AGREEMENTS**

The Water Authority has several lease agreements in place with various cell phone providers for the leasing of Water Authority property to install and maintain cell phone transmission towers. These lease agreements range for a period of one year to five years and are renewable at the discretion of the cell phone providers for periods that coincide with the initial lease period. The minimum amount of lease income expected to be recognized by the Water Authority over the next remaining lease periods is summarized in the following table:

<u>Year Ended May 31,</u>	<u>Amount</u>
2013	\$ 242,491
2014	250,843
2015	259,623
2016	269,518
Total	\$ <u><u>1,256,909</u></u>

#### **NOTE 13 – RATE CHANGES**

Under the Water Authority Charter, the Board is empowered to set rates for all its customers. The rates are to be sufficient to pay for operations, maintenance, reserves, debt service, additions, extensions and betterment of the facilities.

A summary of the annual rate changes that the Water Authority has achieved over the last ten years:

<b>Effective June 1,</b>	<b>Rate change</b>
2012	4.8%
2011	4.8%
2010	7.2%
2009	7.4%
2008	7.8%
2007	7.1%
2006	7.6%
2005	3.8%
2004	0.0%
2003	0.0%

The Water Authority passed back a Rate Stabilization Fund subsidy of \$55,000 to its customers in the fiscal year ended May 31, 2009.

#### **NOTE 14 – SUBSEQUENT EVENTS**

The Water Authority evaluated subsequent events from May 31, 2012 through August 17, 2012, the date on which the financial statements were available to be issued, and determined that there were no material subsequent events.

## **SECTION C: STATISTICAL SECTION**



## WATER AUTHORITY OF WESTERN NASSAU COUNTY

### STATISTICAL SECTION (UNAUDITED)

This section of the Water Authority of Western Nassau County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Water Authority's overall financial health.

#### Contents Page

	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Water Authority's financial performance has changed over time.</i>	67
Revenue Capacity <i>These schedules contain information to help the reader assess the Water Authority's most significant revenue source – water sales.</i>	75
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Water Authority's current levels of outstanding debt and the Water Authority's ability to issue additional debt in the future</i>	81
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Water Authority's financial activities take place</i>	87
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Water Authority's financial report relates to services the Water Authority provides and the activities it performs.</i>	93



## **SECTION C: STATISTICAL SECTION**

### **Financial Trends**





**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**STATEMENTS OF NET POSITION**  
**LAST TEN FISCAL YEARS**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Current assets</b>										
Cash and cash equivalents	\$ 3,730,917	\$ 2,411,292	\$ 2,798,391	\$ 3,131,838	\$ 298,547	\$ 443,578	\$ 364,783	\$ 1,445,000	\$ 2,860,000	\$ 4,618,000
Accounts receivable, net	405,653	414,560	466,695	392,124	329,033	330,053	274,054	212,000	325,000	308,000
Unbilled	1,950,000	1,797,000	1,640,000	1,451,000	1,262,000	1,340,000	1,378,000	1,466,000	1,185,000	1,024,000
Due from litigation settlement	-	-	-	-	2,362,677	-	-	-	-	-
Materials and supplies	218,512	224,152	247,821	267,422	284,845	135,440	246,162	245,000	251,000	258,000
Prepayments & other current assets	205,510	212,774	150,335	138,522	199,973	277,377	271,499	223,000	258,000	190,000
Total current assets	6,510,592	5,059,778	5,303,242	5,380,906	4,737,075	2,526,448	2,534,498	3,591,000	4,879,000	6,398,000
<b>Restricted cash and cash equivalents</b>										
Customer deposits	949,312	911,551	881,758	848,853	812,514	767,341	663,754	600,000	528,000	465,000
Rate stabilization fund	560,000	460,000	445,000	445,000	500,000	590,579	1,311,900	1,757,000	2,530,000	2,708,000
Bond construction and Reserve Fund	11,752,270	15,756,126	3,080,296	-	-	-	-	-	-	-
Bond interest and Payment Fund	234,874	237,995	3,113	-	270,404	237,241	217,195	211,000	278,000	198,000
Total Restricted cash and cash equivalents	13,496,456	17,365,672	4,410,167	1,293,853	1,582,918	1,595,161	2,192,849	2,568,000	3,336,000	3,371,000
<b>Restricted investments</b>										
Construction fund	9,956,005	16,668,826	32,165,352	212,391	2,605,019	3,517,821	4,355,136	-	-	-
Bond reserve fund	4,852,095	3,250,664	4,065,959	2,367,434	2,396,166	2,722,578	3,394,659	2,426,000	2,426,000	2,426,000
Bond payment fund	-	-	-	280,735	-	-	-	-	-	-
Total restricted investments	14,808,100	19,919,490	36,231,311	2,860,560	5,001,185	6,240,399	7,749,795	2,426,000	2,426,000	2,426,000
<b>Other assets</b>										
Property, plant and equipment, net	52,433,616	44,800,607	40,236,512	35,818,270	32,150,650	30,694,785	29,370,911	28,386,000	27,373,000	26,804,000
Deferred charges and receivables	1,447,563	1,491,191	1,448,784	1,078,689	1,130,918	1,517,375	1,128,182	1,346,000	1,446,000	1,470,000
Total other assets	53,881,179	46,291,798	41,685,296	36,896,959	33,281,568	32,212,160	30,499,093	29,732,000	28,819,000	28,274,000
<b>Total assets</b>	<b>\$88,696,327</b>	<b>\$88,636,738</b>	<b>\$87,630,016</b>	<b>\$46,432,278</b>	<b>\$44,602,746</b>	<b>\$42,574,168</b>	<b>\$42,976,235</b>	<b>\$38,317,000</b>	<b>\$39,460,000</b>	<b>\$40,469,000</b>

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**STATEMENTS OF NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Continued)**

**LIABILITIES AND NET ASSETS**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Current liabilities</b>										
Accounts payable and accrued expenses	\$1,672,924	\$2,005,436	\$1,884,050	\$2,668,135	\$ 1,010,814	\$ 1,019,496	\$ 996,202	\$ 1,599,000	\$ 1,168,000	\$ 1,607,000
Unearned revenue	662,014	769,251	858,985	817,387	819,887	834,656	853,149	853,000	853,000	1,093,000
Accrued interest payable	388,747	393,897	332,935	120,281	122,881	125,393	183,898	-	-	-
Non-current liabilities due within one year										
Water revenue bonds payable	1,550,000	1,505,000	1,525,000	1,070,000	1,040,000	1,005,000	960,000	770,000	735,000	695,000
Due to employees' retirement system	104,600	148,475	71,200	42,612	47,600	53,300	53,300	-	-	-
Accrued vacation and sick leave	40,000	40,000	40,000	37,005	33,580	33,180	29,642	-	-	-
<b>Total current liabilities</b>	<b>4,418,285</b>	<b>4,862,059</b>	<b>4,712,170</b>	<b>4,755,420</b>	<b>3,074,762</b>	<b>3,071,025</b>	<b>3,076,191</b>	<b>3,222,000</b>	<b>2,756,000</b>	<b>3,395,000</b>
<b>Non-current liabilities</b>										
Water revenue bonds payable	64,320,069	65,778,934	67,302,339	27,745,063	28,731,922	29,691,579	30,684,588	28,225,000	28,995,000	29,730,000
Unamortized premium (discount) on revenue bonds	1,468,373	1,529,683	1,483,588	1,535,549	1,586,052	1,634,856	1,642,140	(597,000)	(612,000)	(626,000)
Customer deposits payable	1,009,232	972,116	942,205	957,889	997,825	767,341	667,996	600,000	531,000	465,000
Post employment benefits payable	1,408,447	1,152,955	945,547	747,110	539,800	441,400	310,264	-	-	-
Accrued vacation and sick leave	778,900	771,900	950,600	703,095	638,020	630,420	563,197	576,000	547,000	458,000
<b>Total non-current liabilities</b>	<b>68,985,021</b>	<b>70,205,588</b>	<b>71,624,279</b>	<b>31,688,706</b>	<b>32,493,619</b>	<b>33,165,596</b>	<b>33,868,185</b>	<b>28,804,000</b>	<b>29,461,000</b>	<b>30,027,000</b>
<b>Total liabilities</b>	<b>73,403,306</b>	<b>75,067,647</b>	<b>76,336,449</b>	<b>36,444,126</b>	<b>35,568,381</b>	<b>36,236,621</b>	<b>36,944,376</b>	<b>32,026,000</b>	<b>32,217,000</b>	<b>33,422,000</b>
<b>Net assets</b>										
Invested in capital assets, net of related debt	12,819,242	12,856,185	10,206,074	8,526,238	6,288,736	6,749,058	5,988,896	2,618,000	1,618,000	1,058,000
Restricted	560,000	460,000	445,000	445,000	500,000	590,579	1,311,900	4,183,000	4,956,000	4,732,000
Unrestricted	1,913,779	252,906	642,493	1,016,914	2,245,629	(1,002,090)	(1,268,937)	(510,000)	669,000	1,257,000
<b>Total net assets</b>	<b>\$15,293,021</b>	<b>\$13,569,091</b>	<b>\$11,293,567</b>	<b>\$9,988,152</b>	<b>\$9,034,365</b>	<b>\$6,337,547</b>	<b>\$6,031,859</b>	<b>\$6,291,000</b>	<b>\$7,243,000</b>	<b>\$7,047,000</b>

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Water service	\$10,909,706	\$11,217,605	\$9,133,347	\$9,182,718	\$9,093,383	\$8,630,742	\$8,216,000	\$8,428,000	\$7,968,000	\$8,243,000
Fire protection	2,019,112	1,920,169	1,786,241	1,648,961	1,524,886	1,425,535	1,323,000	1,274,000	1,271,000	1,271,000
Other	59,650	63,305	52,994	50,270	53,273	50,633	50,000	41,000	38,000	29,000
Total operating revenues	12,988,468	13,201,079	10,972,582	10,881,949	10,671,542	10,106,910	9,589,000	9,743,000	9,277,000	9,543,000
<b>Operating expenses:</b>										
Operations	6,154,917	5,972,061	5,920,498	6,076,842	6,108,059	6,141,007	6,031,000	5,729,000	5,363,000	5,010,000
Maintenance	1,845,803	1,871,302	1,869,872	1,915,638	1,767,985	1,546,139	1,423,000	1,646,000	1,444,000	1,321,000
Operating expenses before depreciation	8,000,720	7,843,363	7,790,370	7,992,480	7,876,044	7,687,146	7,454,000	7,375,000	6,807,000	6,331,000
Depreciation	1,168,265	1,051,110	953,313	847,340	814,527	526,998	859,000	824,000	777,000	763,000
Total operating expenses	9,168,985	8,894,473	8,743,683	8,839,820	8,690,571	8,214,144	8,313,000	8,199,000	7,584,000	7,094,000
Operating income	3,819,483	4,306,606	2,228,899	2,042,129	1,980,971	1,892,766	1,276,000	1,544,000	1,693,000	2,449,000
<b>Non-operating revenue (expense):</b>										
Interest income	247,852	536,218	247,009	154,080	293,519	445,150	386,000	234,000	218,000	255,000
Miscellaneous income	357,310	349,509	346,336	241,664	224,046	242,132	213,000	173,000	166,000	158,000
Federal grant	-	-	-	-	-	-	-	-	58,000	-
Interest on long term debt	(2,624,800)	(2,853,926)	(1,656,025)	(1,471,971)	(1,502,209)	(1,492,836)	(1,604,000)	(1,647,000)	(1,685,000)	(1,718,000)
Other amortization, net	(75,915)	(74,349)	(75,182)	(73,250)	(71,609)	(31,524)	(30,000)	(56,000)	(54,000)	(53,000)
Total non-operating expenses	(2,095,553)	(2,042,548)	(1,137,862)	(1,149,477)	(1,056,253)	(837,078)	(1,035,000)	(1,296,000)	(1,297,000)	(1,358,000)
Income before extraordinary items	1,723,930	2,264,058	1,091,037	892,652	924,718	1,055,688	241,000	248,000	396,000	1,091,000
Extraordinary item - litigation settlement	-	11,466	214,378	116,135	2,362,677	-	-	-	-	-
Change in net assets	1,723,930	2,275,524	1,305,415	1,008,787	3,287,395	1,055,688	241,000	248,000	396,000	1,091,000
Less: board approved customer subsidies	-	-	-	-	(645,577)	(750,000)	(500,000)	(1,200,000)	(200,000)	(600,000)
Net change in total net assets	1,723,930	2,275,524	1,305,415	1,008,787	2,641,818	305,688	(259,000)	(952,000)	196,000	491,000
Net assets beginning	13,569,091	11,293,567	9,988,152	8,979,365	6,337,547	6,031,859	6,291,000	7,243,000	7,047,000	6,556,000
<b>Net assets ending</b>	<b>\$15,293,021</b>	<b>\$13,569,091</b>	<b>\$11,293,567</b>	<b>\$9,988,152</b>	<b>\$8,979,365</b>	<b>\$6,337,547</b>	<b>\$6,032,000</b>	<b>\$6,291,000</b>	<b>\$7,243,000</b>	<b>\$7,047,000</b>

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
OPERATING REVENUE BY SOURCE  
LAST TEN FISCAL YEARS**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Water service	\$10,910,000	\$11,218,000	\$9,134,000	\$9,183,000	\$9,094,000	\$8,631,000	\$8,216,000	\$8,428,000	\$7,968,000	\$8,243,000
Fire protection	2,019,000	1,920,000	1,786,000	1,649,000	1,525,000	1,425,000	1,323,000	1,274,000	1,271,000	1,271,000
Other services	59,000	63,000	53,000	50,000	53,000	51,000	50,000	41,000	38,000	29,000
Total	<u>\$12,988,000</u>	<u>\$13,201,000</u>	<u>\$10,973,000</u>	<u>\$10,882,000</u>	<u>\$10,672,000</u>	<u>\$10,107,000</u>	<u>\$9,589,000</u>	<u>\$9,743,000</u>	<u>\$9,277,000</u>	<u>\$9,543,000</u>

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
OPERATING EXPENSES  
LAST TEN FISCAL YEARS**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operations	\$ 6,155,000	\$ 5,972,000	\$ 5,921,000	\$ 6,077,000	\$ 6,108,000	\$ 6,141,000	\$ 6,031,000	\$ 5,729,000	\$ 5,363,000	\$ 5,010,000
Maintenance	1,846,000	1,871,000	1,870,000	1,916,000	1,768,000	1,546,000	1,423,000	1,646,000	1,444,000	1,321,000
Depreciation	<u>1,168,000</u>	<u>1,051,000</u>	<u>953,000</u>	<u>847,000</u>	<u>815,000</u>	<u>527,000</u>	<u>859,000</u>	<u>824,000</u>	<u>777,000</u>	<u>763,000</u>
Total operating expenses	\$ <u>9,169,000</u>	\$ <u>8,894,000</u>	\$ <u>8,744,000</u>	\$ <u>8,840,000</u>	\$ <u>8,691,000</u>	\$ <u>8,214,000</u>	\$ <u>8,313,000</u>	\$ <u>8,199,000</u>	\$ <u>7,584,000</u>	\$ <u>7,094,000</u>

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**NON-OPERATING REVENUE AND EXPENSES**  
**LAST TEN FISCAL YEARS**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Interest income	\$ 248,000	\$ 536,000	\$ 247,000	\$ 154,000	\$ 294,000	\$ 445,000	\$ 386,000	\$ 234,000	\$ 218,000	\$ 255,000
Miscellaneous income, net	357,000	349,000	346,000	242,000	224,000	242,000	213,000	173,000	224,000	158,000
Interest on long term debt, net	(2,625,000)	(2,854,000)	(1,656,000)	(1,472,000)	(1,502,000)	(1,493,000)	(1,604,000)	(1,647,000)	(1,685,000)	(1,718,000)
Other amortization, net	<u>(76,000)</u>	<u>(74,000)</u>	<u>(75,000)</u>	<u>(73,000)</u>	<u>(72,000)</u>	<u>(31,000)</u>	<u>(30,000)</u>	<u>(56,000)</u>	<u>(54,000)</u>	<u>(53,000)</u>
Total non-operating expenses	<u>\$ (2,096,000)</u>	<u>\$ (2,043,000)</u>	<u>\$ (1,138,000)</u>	<u>\$ (1,149,000)</u>	<u>\$ (1,056,000)</u>	<u>\$ (837,000)</u>	<u>\$ (1,035,000)</u>	<u>\$ (1,296,000)</u>	<u>\$ (1,297,000)</u>	<u>\$ (1,358,000)</u>

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
HISTORICAL COLLECTION RATES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total Billing</b>	<b>Total Receipts</b>	<b>Percent Collected</b>
2012	\$ 10,764,804	\$ 10,977,814	101.98%
2011	11,092,105	11,293,152	101.81%
2010	9,031,708	9,027,978	99.96%
2009	9,023,097	9,021,270	99.98%
2008	8,687,132	8,720,945	100.39%
2007	8,002,112	7,913,409	98.89%
2006	7,880,406	7,904,674	100.31%
2005	7,020,194	7,137,655	101.67%
2004	7,075,713	6,986,758	98.74%
2003	7,575,061	7,640,064	100.86%

Excludes fire hydrants billings and receipts

Source: Accounting Department

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## **SECTION C: STATISTICAL SECTION**

### **Revenue Capacity**



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**WATER PRODUCED AND CONSUMED (in thousands gallons)**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Water Produced	Water Consumed	Unbilled Potable Water	Percent Unbilled (a)	Average Quarterly Charge Per Customer		Average Annual Charge
					Minimum Charge	Consumption Charge	
2012	4,159,000	3,401,000	758,000	18.2%	\$ 32.20	\$ 62.52	\$ 378.86
2011	4,401,000	3,728,000	673,000	15.3%	30.71	66.61	389.29
2010	3,961,000	3,199,000	762,000	19.2%	30.51	48.19	314.81
2009	4,190,000	3,463,000	727,000	17.4%	28.46	50.23	314.77
2008	4,200,000	3,611,000	589,000	14.0%	27.88	59.89	351.07
2007	4,409,000	3,555,000	854,000	19.4%	24.55	44.74	277.17
2006	4,472,000	3,756,000	716,000	16.0%	22.95	45.33	273.13
2005	4,202,000	3,434,000	768,000	18.3%	21.34	39.39	242.90
2004	4,230,000	3,465,000	765,000	18.1%	21.34	39.81	244.62
2003	4,450,000	3,850,000	600,000	13.5%	21.34	44.59	263.74

(a) Included in the water produced figures are planned programs including the annual main flushing and well and pump maintenance which result in higher percentages of unbilled water.

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
BILLED WATER SALES BY SERVICE AREA  
LAST TEN FISCAL YEARS**

<b>Service Area</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Village of Elmont	\$ 3,790,032	\$ 3,999,662	\$ 3,202,566	\$ 3,195,249	\$ 3,085,428	\$ 2,887,478	\$ 2,769,879	\$ 2,465,110	\$ 2,518,819	\$ 2,689,207
Village of Floral Park	1,603,562	1,639,218	1,346,999	1,346,646	1,296,389	1,178,700	1,167,955	1,044,945	1,052,211	1,126,468
Village of South Floral Park	133,361	138,094	112,003	115,846	108,645	98,652	96,279	89,012	88,440	94,681
Village of New Hyde Park - Hempstead	460,808	460,322	387,656	385,664	362,963	336,153	328,590	298,389	299,260	320,379
Village of Stewart Manor	231,316	243,989	63,460	66,497	64,141	56,037	56,283	48,907	47,990	50,670
Village of Garden City	139,437	143,302	243,090	245,857	241,365	219,263	216,560	188,288	186,501	207,741
Village of Valley Stream	1,480,146	1,501,441	1,242,830	1,236,732	1,174,800	1,061,076	1,115,344	973,481	969,910	1,038,359
Village of Bellerose	352,349	352,404	289,162	280,430	270,390	255,670	250,980	220,941	223,449	239,218
Village of Floral Park Centre	256,324	256,414	214,414	214,929	208,803	196,315	189,810	177,925	171,366	183,460
Village of New Hyde Park - N. Hempstead	1,663,522	1,701,295	1,389,572	1,397,417	1,337,013	1,239,916	1,217,799	1,112,782	1,096,808	1,174,212
Village of Franklin Square	653,947	655,964	539,956	537,830	531,195	472,852	470,927	400,414	420,959	450,666
<b>Total</b>	<b>\$ 10,764,804</b>	<b>\$ 11,092,105</b>	<b>\$ 9,031,708</b>	<b>\$ 9,023,097</b>	<b>\$ 8,681,132</b>	<b>\$ 8,002,112</b>	<b>\$ 7,880,406</b>	<b>\$ 7,020,194</b>	<b>\$ 7,075,713</b>	<b>\$ 7,575,061</b>

Excludes fire hydrant billing  
Customers rezoned in 2011

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
NUMBER OF WATER CUSTOMERS BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Residential Customers</b>	<b>Public Fire Hydrant Customers</b>	<b>Commercial Customers</b>	<b>Total Customers</b>
2012	26,432	13	1,385	27,830
2011	26,643	13	1,499	27,965
2010	26,453	13	1,399	27,865
2009	26,435	13	1,397	27,845
2008	26,422	13	1,404	27,839
2007	26,429	13	1,400	27,842
2006	26,455	13	1,413	27,881
2005	26,473	13	1,429	27,915
2004	26,434	13	1,419	27,866
2003	26,416	13	1,408	27,837

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
QUARTERLY BILLED WATER RATES  
LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Water Rates Minimum</b>	<b>Per 1,000 Gallons</b>		<b>Public Hydrant</b>	<b>Private Fire</b>
		<b>Block I</b>	<b>Block II</b>		
2012	\$33.75	\$3.246	\$2.228	825.00	varies
2011	32.20	3.097	2.125	787.00	varies
2010	30.71	2.954	2.027	751.00	varies
2009	28.64	2.755	1.890	700.00	varies
2008	26.67	2.565	1.760	645.00	varies
2007	24.74	2.379	1.633	598.00	varies
2006	23.09	2.221	1.524	558.28	varies
2005	21.47	2.065	1.417	519.04	varies
2004	20.68	1.989	1.365	500.00	varies
2003	20.68	1.989	1.365	500.00	varies

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**

**TEN LARGEST CUSTOMERS**

**YEARS ENDED MAY 31, 2012, 2011 and 2010**

Customer Name	Year Ended May 31, 2012				Year Ended May 31, 2011				Year Ended May 31, 2010			
	Million		% of		Million		% of		Million		% of	
	Billed	Gallons	Annual	Usage	Billed	Gallons	Annual	Usage	Billed	Gallons	Annual	Usage
	Charges	Used	Revenue	Rank	Charges	Used	Revenue	Rank	Charges	Used	Revenue	Rank
New York Racing Association	\$ 436,302	205.6	4.00%	1	\$ 576,146	284.5	4.36%	1	\$ 344,763	182.6	3.14%	1
Valley Park Owners Company	59,042	23.6	0.54%	2	55,647	23.4	0.42%	3	47,262	21	0.43%	3
Franklin Hospital Medical Center	55,821	25.3	0.51%	3	57,834	27.5	0.44%	2	61,944	31.7	0.56%	2
Village of Floral Park	38,397	15.7	0.35%	4	35,662	15.1	0.27%	4	30,774	14	0.28%	4
Central School District 2	27,127	11.8	0.25%	5	28,792	13.4	0.22%	5	14,793	7	0.13%	8
Flower View Gardens	27,026	11.8	0.25%	6	27,483	12.8	0.21%	6	22,649	11.2	0.21%	5
Town of North Hempstead	19,804	8.9	0.18%	7	14,433	6.5	0.11%	8	-	-	-	-
Elmont School District	15,971	6.4	0.15%	8	26,389	12.1	0.20%	7	16,925	8	0.15%	6
Broadval LLC/Dutchcon LLC	14,536	6.1	0.13%	9	-	-	-	-	-	-	-	-
YS Frankiln Inc.	13,058	6.0	0.12%	10	13,673	6.6	0.10%	9	13,589	7	0.12%	9
Town of Hempstead Housing	-	-	-	-	13,537	6.3	0.10%	10	15,649	7.9	0.14%	7
U Correo	-	-	-	-	-	-	-	-	10,849	5.4	0.10%	10

Data are available for the years presented, for the past ten years.

Source: Accounting Department

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# **SECTION C: STATISTICAL SECTION**

## **Debt Capacity**



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**RATIOS OF OUTSTANDING DEBT BY SERIES**  
**LAST TEN FISCAL YEARS**  
**(IN THOUSANDS)**

**Debt by Type**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Water Revenue Bonds, Series 1996</b>										
Serial Bonds 4.30% - 5.50%, due through 2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,280	\$ 6,015	\$ 6,710
Term Bonds, 5.50%, due 2016	-	-	-	-	-	-	-	5,875	5,875	5,875
Term Bonds 5.50%, due 2026	-	-	-	-	-	-	-	17,840	17,840	17,840
Subtotal Series 1996	-	-	-	-	-	-	-	28,995	29,730	30,425
<b>Water Revenue Bonds, Series 2005</b>										
Serial Bonds 5.20%, due 2007	-	-	-	-	-	-	810	-	-	-
Serial Bonds 3.00% - 5.00%, due through 2026	22,390	23,530	24,635	25,705	26,745	27,750	27,900	-	-	-
Term Bonds 5.00%, due 2030	2,015	2,015	2,015	2,015	2,015	2,015	2,015	-	-	-
Term Bonds 5.00%, due 2035	3,150	3,150	3,150	3,150	3,150	3,150	3,150	-	-	-
Subtotal Series 2005	27,555	28,695	29,800	30,870	31,910	32,915	33,875	-	-	-
<b>Water Revenue Bonds Series 2010</b>										
Serial Bonds A 2.00% - 4.00%, due through 2020	6,140	6,505	6,925	-	-	-	-	-	-	-
Term Bonds B 6.00% - 6.70%, due through 2040	33,965	33,965	33,965	-	-	-	-	-	-	-
Subtotal Series 2010	40,105	40,470	40,890	-	-	-	-	-	-	-
Total debt outstanding	\$67,660	\$69,165	\$70,690	\$30,870	\$31,910	\$32,915	\$33,875	\$28,995	\$29,730	\$30,425
Percentage Series 1996	0%	0%	0%	0%	0%	0%	0%	100%	100%	100%
Percentage Series 2005	41%	41%	42%	100%	100%	100%	100%	0%	0%	0%
Percentage Series 2010	59%	59%	58%	0%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**DEBT MATURITY SCHEDULE BY SERIES**  
**MAY 31, 2012**

<b>Year</b>	<b>Series 2010 A</b>	<b>Series 2010 B</b>	<b>Series 2005 Refunding</b>	<b>Series 2005 Construction</b>	<b>Total</b>
2013	\$ 370,000	\$ -	\$ 1,180,000	\$ -	\$ 1,550,000
2014	370,000	-	1,225,000	-	1,595,000
2015	375,000	-	1,265,000	-	1,640,000
2016	935,000	-	1,320,000	-	2,255,000
2017	965,000	-	1,385,000	-	2,350,000
2018	1,000,000	-	1,455,000	-	2,455,000
2019	1,040,000	-	1,525,000	-	2,565,000
2020	1,085,000	-	1,600,000	-	2,685,000
2021	-	1,125,000	1,680,000	-	2,805,000
2022	-	1,170,000	1,765,000	-	2,935,000
2023	-	1,215,000	1,855,000	-	3,070,000
2024	-	1,265,000	1,945,000	-	3,210,000
2025	-	1,315,000	2,045,000	-	3,360,000
2026	-	1,365,000	2,145,000	-	3,510,000
2027	-	1,420,000	-	470,000	1,890,000
2028	-	1,480,000	-	490,000	1,970,000
2029	-	1,545,000	-	515,000	2,060,000
2030	-	1,610,000	-	540,000	2,150,000
2031	-	1,675,000	-	570,000	2,245,000
2032	-	1,750,000	-	600,000	2,350,000
2033	-	1,825,000	-	630,000	2,455,000
2034	-	1,905,000	-	660,000	2,565,000
2035	-	1,985,000	-	690,000	2,675,000
2036	-	2,075,000	-	-	2,075,000
2037	-	2,165,000	-	-	2,165,000
2038	-	2,260,000	-	-	2,260,000
2039	-	2,355,000	-	-	2,355,000
2040	-	2,460,000	-	-	2,460,000
<b>Total</b>	<b>\$ 6,140,000</b>	<b>\$ 33,965,000</b>	<b>\$ 22,390,000</b>	<b>\$ 5,165,000</b>	<b>\$ 67,660,000</b>

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
PRINCIPAL OUTSTANDING BY SERIES  
MAY 31, 2012**

<b><u>Series</u></b>	<b><u>Amount</u></b>
Series 2010 A	\$ 6,140,000
Series 2010 B	33,965,000
Series 2005 Refunding	22,390,000
Series 2005 Construction	<u>5,165,000</u>
Total	<u>\$ 67,660,000</u>

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**SCHEDULE OF DEBT SERVICE**  
**May 31, 2012**

Year	<u>Series 2010 A</u>		<u>Series 2010 B</u>		<u>Build America</u>	<u>Series 2005 Refunding</u>		<u>Series 2005 Construction</u>		Total
	Redemption	Interest	Redemption	Interest	Bond Subsidy 2010 B	Redemption	Interest	Redemption	Interest	
2013	370,000	227,362	-	2,215,180	(775,313)	1,180,000	1,072,306	-	258,250	4,547,785
2014	370,000	216,263	-	2,215,180	(775,313)	1,225,000	1,031,006	-	258,250	4,540,386
2015	375,000	205,162	-	2,215,180	(775,313)	1,265,000	986,600	-	258,250	4,529,879
2016	935,000	193,913	-	2,215,180	(775,313)	1,320,000	936,000	-	258,250	5,083,030
2017	965,000	161,187	-	2,215,180	(775,313)	1,385,000	870,000	-	258,250	5,079,304
2018	1,000,000	125,000	-	2,215,180	(775,313)	1,455,000	800,750	-	258,250	5,078,867
2019	1,040,000	85,000	-	2,215,180	(775,313)	1,525,000	728,000	-	258,250	5,076,117
2020	1,085,000	43,400	-	2,215,180	(775,313)	1,600,000	651,750	-	258,250	5,078,267
2021	-	-	1,125,000	2,215,180	(775,313)	1,680,000	571,750	-	258,250	5,074,867
2022	-	-	1,170,000	2,147,601	(751,660)	1,765,000	487,750	-	258,250	5,076,941
2023	-	-	1,215,000	2,077,319	(727,062)	1,855,000	399,500	-	258,250	5,078,007
2024	-	-	1,265,000	2,004,334	(701,517)	1,945,000	306,750	-	258,250	5,077,817
2025	-	-	1,315,000	1,928,346	(674,921)	2,045,000	209,500	-	258,250	5,081,175
2026	-	-	1,365,000	1,849,354	(647,274)	2,145,000	107,250	-	258,250	5,077,580
2027	-	-	1,420,000	1,761,298	(616,454)	-	-	470,000	258,250	3,293,094
2028	-	-	1,480,000	1,669,693	(584,393)	-	-	490,000	234,750	3,290,050
2029	-	-	1,545,000	1,574,219	(550,977)	-	-	515,000	210,250	3,293,492
2030	-	-	1,610,000	1,474,551	(516,093)	-	-	540,000	184,500	3,292,958
2031	-	-	1,675,000	1,370,690	(479,741)	-	-	570,000	157,500	3,293,449
2032	-	-	1,750,000	1,258,448	(440,457)	-	-	600,000	129,000	3,296,991
2033	-	-	1,825,000	1,141,180	(399,413)	-	-	630,000	99,000	3,295,767
2034	-	-	1,905,000	1,018,887	(356,610)	-	-	660,000	67,500	3,294,777
2035	-	-	1,985,000	891,233	(311,932)	-	-	690,000	34,500	3,288,801
2036	-	-	2,075,000	758,218	(265,376)	-	-	-	-	2,567,842
2037	-	-	2,165,000	619,172	(216,710)	-	-	-	-	2,567,462
2038	-	-	2,260,000	474,096	(165,934)	-	-	-	-	2,568,162
2039	-	-	2,355,000	322,653	(112,929)	-	-	-	-	2,564,724
2040	-	-	2,460,000	164,845	(57,696)	-	-	-	-	2,567,149
Total	\$6,140,000	\$ 1,257,287	\$ 33,965,000	\$ 44,442,757	\$ (15,554,966)	\$ 22,390,000	\$ 9,158,912	\$ 5,165,000	\$ 4,990,750	\$ 111,954,740

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**DEBT SERVICE COVERAGE**  
**LAST TEN FISCAL YEARS**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating results										
Water consumption charges	\$10,910,000	\$11,218,000	\$9,133,000	\$9,183,000	\$9,094,000	\$8,631,000	\$8,216,000	\$8,428,000	\$7,968,000	\$8,243,000
Fire protection	2,019,000	1,920,000	1,786,000	1,649,000	1,525,000	1,425,000	1,323,000	1,274,000	1,271,000	1,271,000
Other	59,000	63,000	53,000	50,000	53,000	51,000	50,000	41,000	38,000	29,000
Interest & other	605,000	885,000	593,000	396,000	518,000	687,000	599,000	407,000	388,000	360,000
Contributions from Rate Stabilization fund	-	-	-	55,000	591,000	750,000	500,000	1,200,000	600,000	500,000
	13,593,000	14,086,000	11,565,000	11,333,000	11,781,000	11,544,000	10,688,000	11,350,000	10,265,000	10,403,000
Operating and maintenance expenditures	8,000,000	7,843,000	7,790,000	7,993,000	7,876,000	7,687,000	7,454,000	7,375,000	6,807,000	6,331,000
Net revenue available	5,593,000	6,243,000	3,775,000	3,340,000	3,905,000	3,857,000	3,234,000	3,975,000	3,458,000	4,072,000
Interest expense	2,625,000	2,904,000	1,656,000	1,472,000	1,502,000	1,493,000	1,604,000	1,647,000	1,685,000	1,718,000
Principal repayment	1,505,000	1,525,000	1,070,000	1,040,000	1,005,000	960,000	770,000	735,000	695,000	665,000
	\$4,130,000	\$4,429,000	\$2,726,000	\$2,512,000	\$2,507,000	\$2,453,000	\$2,374,000	\$2,382,000	\$2,380,000	\$2,383,000
Debt coverage ratio	1.354	1.410	1.384	1.330	1.557	1.572	1.362	1.669	1.453	1.709

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
WATER AUTHORITY PER CAPITA INDEBTEDNESS  
LAST TEN FISCAL YEARS**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Total outstanding indebtedness	\$ 67,660,000	\$ 69,165,000	\$ 70,690,000	\$ 30,870,000	\$ 31,910,000	\$ 32,915,000	\$ 33,875,000	\$ 28,995,000	\$ 29,730,000	\$ 30,425,000
Population served (estimated)	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Per capita debt	\$ 563.83	\$ 576.38	\$ 589.08	\$ 257.25	\$ 265.92	\$ 274.29	\$ 282.29	\$ 241.63	\$ 247.75	\$ 253.54

Source: Accounting Department



## **SECTION C: STATISTICAL SECTION**

### **Demographic and Economic Information**



**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
LONG ISLAND YEAR-ROUND HOUSEHOLDS  
BY MAJOR MUNICIPALITY**

	<b>2010 Census</b>	<b>2000 Census</b>	<b>1990 Census</b>
<b>Nassau County</b>			
Town of North Hempstead	78,084	76,628	74,587
Town of Hempstead	246,456	246,828	239,234
City of Long Beach	14,809	14,923	13,592
Town of Oyster Bay	99,419	99,208	95,566
City of Glen Cove	9,764	9,461	8,466
<b>Total Nassau</b>	<b>448,532</b>	<b>447,048</b>	<b>431,445</b>
<b>Suffolk County</b>			
Town of Huntington	69,311	65,917	62,841
Town of Babylon	70,894	69,048	64,506
Town of Islip	103,631	98,936	89,726
Town of Smithtown	40,055	38,487	35,565
Town of Brookhaven	162,994	146,828	129,137
Town of Riverhead	12,990	10,749	8,736
Town of Southampton	21,419	21,504	18,164
Town of Southold	9,090	8,461	8,125
Town of East Hampton	8,410	8,101	6,882
Town of Shelter Island	1,128	996	1,017
<b>Total Suffolk</b>	<b>499,918</b>	<b>469,027</b>	<b>424,699</b>
<b>Nassau-Suffolk Total</b>	<b>948,450</b>	<b>916,075</b>	<b>856,144</b>
Queens County			
Rockaway Peninsula	39,513	36,081	34,005

Sources: US Census and 2011 LIPA Populations Survey

Notes:

Census 2000 total excludes 339 unclassified households for Nassau

Census 1990 total excludes 70 unclassified households for Nassau

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
SUMMARY OF LONG ISLAND POPULATION ESTIMATES  
LAST TEN YEARS**

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>NASSAU COUNTY</b>									
Town of North Hempstead	225,717	226,874	226,109	225,291	224,774	223,870	222,836	222,042	221,968
Town of Hempstead	758,668	769,040	766,878	764,234	765,111	763,822	761,944	760,675	759,535
City of Long Beach	33,329	35,731	36,201	36,051	36,002	35,840	35,692	35,528	35,612
Town of Oyster Bay	292,872	304,293	303,285	302,589	301,273	300,786	300,616	299,840	298,696
City of Glen Cove	26,970	27,304	27,654	27,564	27,374	27,342	27,269	26,847	26,869
<b>TOTAL NASSAU COUNTY</b>	<b>1,337,556</b>	<b>1,363,242</b>	<b>1,360,127</b>	<b>1,355,729</b>	<b>1,354,534</b>	<b>1,351,660</b>	<b>1,348,357</b>	<b>1,344,932</b>	<b>1,342,680</b>
<b>SUFFOLK COUNTY</b>									
Town of Huntington	203,055	205,944	204,784	203,977	203,834	202,767	201,496	199,368	197,626
Town of Babylon	213,565	219,676	218,679	218,370	217,833	217,061	215,723	214,340	213,828
Town of Islip	335,301	333,767	333,978	333,566	333,650	332,484	331,002	329,257	328,370
Town of Smithtown	117,885	120,783	120,397	120,269	119,999	119,605	118,954	118,132	117,575
Town of Brookhaven	486,568	492,761	491,818	491,035	489,255	485,295	479,578	472,425	466,837
Town of Riverhead	33,455	34,191	34,185	33,864	33,566	33,098	32,028	30,909	29,921
Town of Southampton	56,800	60,693	60,007	60,281	59,813	58,876	58,564	57,659	56,991
Town of Southold	21,965	23,707	23,175	22,931	22,852	22,629	22,344	21,994	21,447
Town of East Hampton	21,460	21,875	21,822	21,784	21,630	21,399	21,268	20,945	20,611
Town of Shelter Island	2,396	2,546	2,546	2,525	2,515	2,483	2,439	2,396	2,349
<b>TOTAL SUFFOLK COUNTY</b>	<b>1,492,450</b>	<b>1,515,943</b>	<b>1,511,391</b>	<b>1,508,602</b>	<b>1,504,947</b>	<b>1,495,697</b>	<b>1,483,396</b>	<b>1,467,425</b>	<b>1,455,555</b>
<b>TOTAL NASSAU &amp; SUFFOLK</b>	<b>2,830,006</b>	<b>2,879,185</b>	<b>2,871,518</b>	<b>2,864,331</b>	<b>2,859,481</b>	<b>2,847,357</b>	<b>2,831,753</b>	<b>2,812,357</b>	<b>2,798,235</b>
<b>QUEENS COUNTY, NYC</b>									
Rockaway Peninsula	112,735	131,213	130,326	130,042	129,531	120,483	114,978	110,300	108,098

Source: LIPA

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
CENSUS DATA BY SERVICE AREA – NASSAU COUNTY**

<b>Service Area</b>	<b>Population Estimate 2011 (a)</b>	<b>Population 2010</b>	<b>Housing Units Occupied 2010</b>	<b>Median Age 2010</b>
Village of Bellerose	1,196	1,193	399	37.7
Village of Floral Park	13,537	13,524	5,630	41.0
Village of New Hyde Park	9,707	9,712	3,240	44.2
Village of Stewart Manor	1,899	1,896	723	40.4
Village of South Floral Park	1,768	1,764	497	43.2
Village of Garden City	22,379	22,371	7,087	40.8
Village of Valley Stream	37,234	37,511	11,626	38.2
Elmont	33,141	33,198	9,777	36.9
Floral Park Centre	2,328	2,339	897	39.9
Franklin Square	29,362	29,320	9,992	42.5
North Valley Stream	16,590	16,628	5,101	38.8
<b>Total</b>	<b>169,141</b>	<b>169,456</b>	<b>54,969</b>	

(a) The Water Authority service area includes approximately 120,000 of this estimated population.

Sources: LIPA 2011 population estimates and U.S. Census Bureau estimates of population, housing units and median age in 2010.

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
NASSAU COUNTY POPULATION, TOTAL PERSONAL INCOME, PER CAPITA PERSONAL INCOME  
AND UNEMPLOYMENT RATE  
LAST TEN YEARS**

<b>Year</b>	<b>Population (In Thousands)</b>	<b>Total Personal Income</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
	(a)		(b)	(c)
2011	1,338	N/A	N/A	6.7%
2010	1,363	N/A	65,615	7.1%
2009	1,360	N/A	64,124	6.9%
2008	1,357	89,111	65,668	4.7%
2007	1,355	85,339	62,981	3.6%
2006	1,352	84,199	62,278	3.7%
2005	1,348	74,060	54,941	4.1%
2004	1,345	71,149	52,899	4.5%
2003	1,343	66,923	49,831	3.9%
2002	1,340	65,945	49,213	4.1%

Sources:

(a) Annual LIPA Long Island population Survey estimates

(b) United States Bureau of Economic Analysis.

(c) NYS Department of Labor.

Source: Nassau County, New York

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**COUNTY OF NASSAU, NEW YORK – PRINCIPAL EMPLOYMENT BY SECTOR**  
**2011 AND NINE YEARS AGO**

<b>Employment Sector</b>	<b>2011</b>			<b>2002</b>		
	<b>Nassau County</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Nassau County</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Health care and social assistance	114,948	1	19.95%	86,520	1	14.63%
Retail trade	76,889	2	13.34%	82,070	3	13.88%
Government*	68,325	3	11.86%	83,535	2	14.13%
Accommodation and food services	42,737	4	7.42%	36,764	5	6.22%
Professional and technical services	33,900	5	5.88%	34,797	6	5.88%
Finance and insurance	30,546	6	5.30%	40,390	4	6.83%
Administrative and waste services	29,661	7	5.15%	30,148	9	5.10%
Other services	27,517	8	4.77%	25,453	11	4.30%
Wholesale trade	27,034	9	4.69%	31,445	8	5.32%
Construction	25,791	10	4.48%	26,400	10	4.46%
Manufacturing	18,979	11	3.29%	32,320	7	5.47%
Educational services	17,493	12	3.04%	16,822	12	2.84%
Transportation and warehousing	13,848	13	2.40%	13,546	14	2.29%
Information	13,416	14	2.33%	16,382	13	2.77%
Arts, entertainment and recreation	13,270	15	2.30%	11,095	15	1.88%
Real estate and rental and leasing	9,734	16	1.69%	10,312	16	1.74%
Total	564,088		97.89%	577,999		97.74%

\*2011 Government consists of 59,305 Local Govt, 5,403 Federal, and 3,617 State Employees

2002 Government consists of 70,971 Local Govt, 8,778 Federal, and 3,787 State Employees

Data Source: Quarterly Census of Employment and Wages, developed through a cooperative program from the State of New York and the U.S. Bureau of Labor Statistics.

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# **SECTION C: STATISTICAL SECTION**

## **Operating Information**



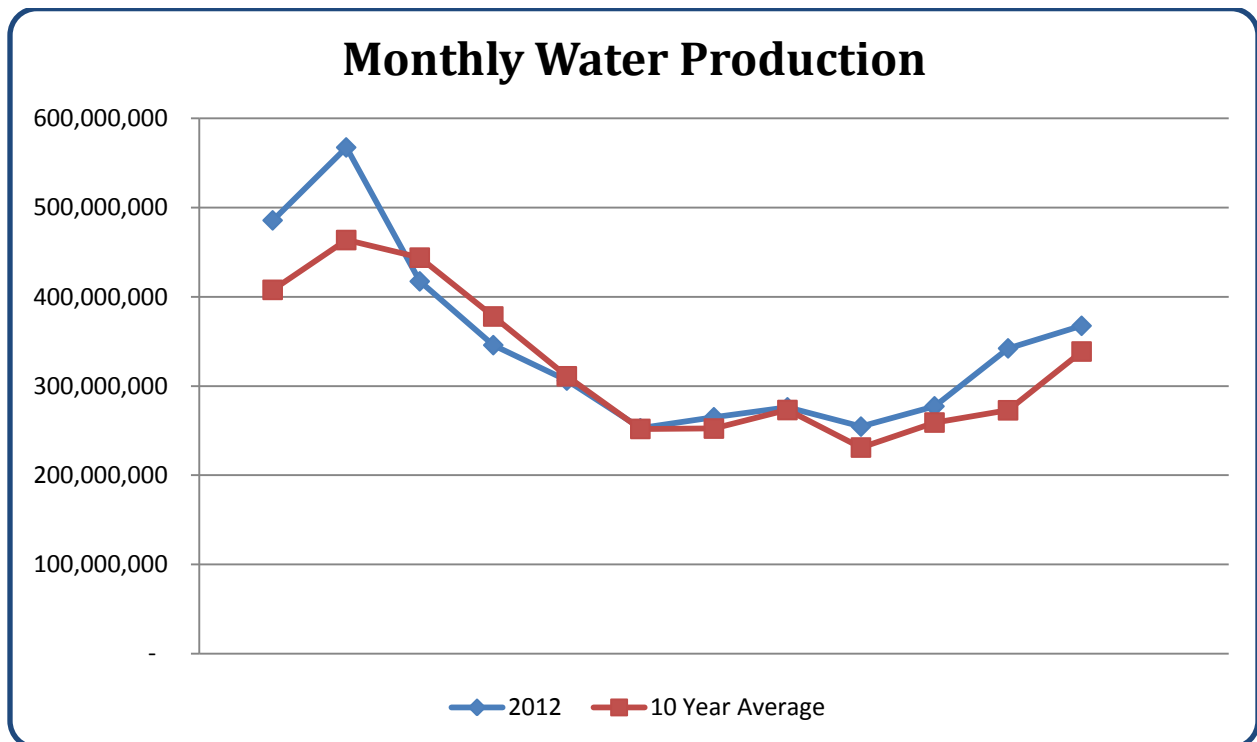
**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
STATISTICAL SUMMARY AND FLASH REPORT  
LAST TEN FISCAL YEARS**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Estimated population served	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Employees headcount	50	51	52	52	52	51	47	47	48	45
Billed consumption (million gallons)	3,401	3,728	3,199	3,463	3,611	3,555	3,756	3,434	3,465	3,850
Average daily consumption (million gallons)	9.31	10.21	8.77	9.49	11.89	9.74	10.29	9.41	9.49	10.23
Average daily peak consumption (million gallons)	22.1	24.3	17.4	21.7	19.2	21.5	22.3	23.4	22.7	287.0
<b>OPERATING INFORMATION</b>										
Treated water reservoir capacity (million gallons)	11.90	11.90	11.90	11.90	11.90	11.90	11.90	11.90	11.90	11.90
Fire hydrants operated and maintained	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,428	2,428
<b>FINANCIAL INFORMATION</b>										
Net property, plant & equipment	52,433,616	44,800,607	40,236,512	35,818,270	32,150,650	30,694,785	29,370,911	28,386,000	27,373,000	26,804,000
Restricted assets	560,000	460,000	445,000	445,000	500,000	590,579	1,311,900	4,183,000	4,956,000	4,732,000
Total long term debt	67,660,000	69,165,000	70,690,000	30,870,000	31,910,000	32,915,000	33,875,000	28,995,000	29,730,000	30,425,000
Rate increases	4.8%	4.8%	7.2%	7.4%	7.8%	7.1%	7.6%	3.8%	0.0%	0.0%
Operating revenues	12,988,468	13,201,079	10,972,582	10,881,949	10,671,542	10,106,910	9,589,000	9,743,000	9,277,000	9,543,000
Operating expenses	9,168,985	8,894,473	8,743,683	8,839,820	8,690,571	8,214,144	8,313,000	8,199,000	7,584,000	7,094,000
Operating income	3,819,483	4,306,606	2,228,899	2,042,129	1,980,971	1,892,766	1,276,000	1,544,000	1,693,000	2,449,000
Debt service	4,129,800	4,428,783	2,726,025	2,512,000	2,507,000	2,453,000	2,374,000	2,382,000	2,380,000	2,383,000
Depreciation and amortization	1,244,180	1,125,459	1,028,495	847,340	814,527	526,998	859,000	824,000	777,000	763,000
Net increase (decrease) in net assets	1,723,930	2,275,524	1,305,415	953,787	2,696,818	305,688	(259,000)	(952,000)	196,000	491,000

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MONTHLY WATER PRODUCTION (GALLONS)  
FISCAL YEAR ENDED MAY 31, 2012 AND  
LAST TEN FISCAL YEARS AVERAGE**

	<b>2012</b>	<b>Ten-Year Average 2003-2012</b>
June	485,796,408	407,880,637
July	567,544,986	463,725,980
August	417,422,346	443,978,661
September	345,894,732	378,037,648
October	306,189,468	310,965,790
November	252,733,512	251,967,214
December	265,064,268	252,411,850
January	276,207,689	273,164,822
February	254,568,474	231,124,248
March	277,330,218	259,140,967
April	342,281,604	272,885,029
May	367,582,458	338,767,543



Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
ANNUAL CONSUMPTION BY MONTH (GALLONS)  
LAST TEN FISCAL YEARS**

<b>Month</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
June	413,437,500	417,933,000	364,995,750	354,737,250	409,091,250	400,393,500	340,614,000	310,160,250	298,428,000	314,230,500
July	382,331,250	445,953,750	321,195,000	424,296,000	322,451,250	329,733,750	381,408,750	409,917,000	347,103,000	419,772,750
August	171,570,750	202,803,000	160,192,500	203,133,750	286,518,000	235,536,750	290,143,500	227,858,250	273,993,000	299,801,250
September	604,166,250	683,575,500	478,103,250	487,212,000	540,705,000	578,040,750	610,580,250	483,108,750	434,589,750	531,694,500
October	361,052,250	405,327,750	345,252,000	434,728,500	388,932,000	373,081,500	399,223,500	380,011,500	430,703,250	466,328,250
November	121,548,000	141,743,250	171,511,500	180,569,250	228,657,000	198,081,750	273,285,750	189,869,250	222,375,750	222,652,500
December	350,163,000	412,925,250	389,115,000	377,025,750	384,685,500	402,882,000	372,875,250	378,923,250	342,417,750	333,150,000
January	321,443,250	258,597,750	246,305,250	244,586,250	275,902,500	239,619,750	292,339,500	217,432,500	294,679,500	302,910,750
February	33,393,750	91,151,250	75,555,750	96,087,750	102,807,750	101,787,000	137,541,750	165,423,000	140,516,250	139,896,000
March	309,940,500	327,708,000	315,026,250	319,692,750	288,594,750	289,599,000	313,350,000	278,966,250	276,758,250	262,581,000
April	241,111,500	235,841,250	242,871,750	231,180,750	262,256,250	263,448,750	232,131,750	279,261,000	271,455,750	260,088,000
May	90,583,500	104,868,000	89,511,750	109,857,750	120,750,750	142,867,500	112,863,750	113,343,750	132,309,750	182,301,750
<b>Total</b>	<b>3,400,741,500</b>	<b>3,728,427,750</b>	<b>3,199,635,750</b>	<b>3,463,107,750</b>	<b>3,611,352,000</b>	<b>3,555,072,000</b>	<b>3,756,357,750</b>	<b>3,434,274,750</b>	<b>3,465,330,000</b>	<b>3,735,407,250</b>

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNT**  
**ANNUAL CONSUMPTION BY SERVICE AREA (a)**  
**LAST TEN FISCAL YEARS**  
**(IN THOUSANDS OF GALLONS)**

<b>Service Area</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Village of Elmont	1,242,617	1,403,907	1,173,992	1,270,621	1,333,346	1,335,442	1,360,231	1,244,456	1,281,877	1,377,860
Village of Floral Park	502,937	543,707	474,230	514,696	536,653	517,624	554,716	509,719	514,067	553,760
Village of South Floral Park	40,872	45,186	38,409	43,372	43,545	42,118	43,846	41,810	41,868	45,101
Village of New Hyde Park	136,763	144,898	129,122	139,825	142,259	141,410	148,883	139,250	139,077	149,815
Village of Stewart Manor	72,030	81,342	22,705	26,025	27,264	25,339	27,421	24,211	23,727	24,533
Village of Garden City	42,935	46,775	85,090	92,795	98,123	95,626	101,421	90,168	89,597	100,538
Village of Valley Stream	468,658	502,992	443,548	475,214	485,133	466,234	536,360	481,296	477,699	514,584
Village of Bellerose	109,921	115,688	100,603	104,524	108,801	110,886	116,851	104,968	106,966	115,226
Village of Floral Park Centre	76,892	80,853	72,382	78,381	82,313	83,044	85,664	82,483	80,108	86,293
Village of New Hyde Park N. Hemp	502,727	545,851	469,862	513,266	533,633	529,311	559,721	523,321	517,620	557,587
Village of Franklin Square	204,390	217,229	189,841	204,678	220,282	208,097	221,244	193,003	204,649	220,451
<b>Total</b>	<b>3,400,742</b>	<b>3,728,428</b>	<b>3,199,784</b>	<b>3,463,397</b>	<b>3,611,352</b>	<b>3,555,131</b>	<b>3,756,358</b>	<b>3,434,685</b>	<b>3,477,255</b>	<b>3,745,748</b>

(a) Includes consumption for Fire Sprinkler Customers

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**ACTIVE METERS BY SIZE**  
**MAY 31, 2012**

<b>Size</b>	<b>Total</b>	<b>Residential</b>	<b>Commercial</b>	<b>Municipal</b>	<b>Large Users</b>
5/8 inch	24,549	24,011	527	11	-
3/4 inch	2,369	1,997	361	8	3
1 inch	612	414	181	14	3
1 1/2 inch	142	-	130	10	2
2 inch	107	-	77	26	4
3 inch	7	-	3	4	-
4 inch	6	-	2	3	1
6 inch	12	-	9	-	3
8 inch	3	-	-	-	3
<b>Total</b>	<b>27,807</b>	<b>26,422</b>	<b>1,290</b>	<b>76</b>	<b>19</b>

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
CUSTOMER BILLS BY SERVICE AREA  
LAST TEN FISCAL YEARS**

<b>Service Area</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Village of Elmont	8,971	9,022	9,048	9,025	9,061	9,115	9,124	9,191	9,142	9,071
Village of Floral Park	4,328	4,341	4,384	4,380	4,383	4,406	4,398	4,370	4,411	4,382
Village of South Floral Park	400	404	404	406	408	409	413	410	411	408
Village of New Hyde Park	1,268	1,265	1,313	1,314	1,309	1,308	1,295	1,292	1,312	1,304
Village of Stewart Manor	661	657	205	205	205	206	206	206	209	217
Village of Garden City	357	359	816	824	825	823	821	821	824	822
Village of Valley Stream	3,717	3,732	3,731	3,725	3,738	3,759	3,777	3,771	3,770	3,746
Village of Bellerose	1,028	1,031	1,039	1,038	1,038	1,050	1,043	1,041	1,047	1,040
Village of Floral Park Centre	825	829	826	832	837	839	841	862	844	838
Village of New Hyde Park N. Hemp	5,067	5,066	5,111	5,118	5,124	5,154	5,152	5,165	5,165	5,131
Village of Franklin Square	1,531	1,534	1,547	1,542	1,547	1,560	1,560	1,529	1,556	1,545
<b>Total</b>	<b>28,153</b>	<b>28,240</b>	<b>28,422</b>	<b>28,409</b>	<b>28,474</b>	<b>28,628</b>	<b>28,629</b>	<b>28,657</b>	<b>28,692</b>	<b>28,504</b>

Source: Accounting Department



**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
COMPLETED CAPITAL PROJECTS  
LAST THREE FISCAL YEARS**

**MAJOR INCREASES IN CAPITAL ASSETS**

<b>Description</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Headquarters	\$ 662,933	\$ 473,030	\$ 1,939,587
Structures & improvements	3,300	30,038	11,032
Electric pumping equipment	45,655	54,560	4,120
Structure – water treatment	42,478	1,238	11,165
Equipment – water treatment	64,242	266,189	336,712
Mains	581,324	1,632,282	1,895,264
Services	401,533	821,815	949,382
Meters	80,239	340,480	318,718
Meter equipment	253,320	696,871	716,782
Hydrants	169,705	243,462	234,412
Office equipment	113,063	7,084	18,305
Vehicles	146,640	-	2,039
Leasehold improvements	-	-	-
Miscellaneous equipment	207,079	6,681	795
Total additions	\$ <u>2,771,511</u>	\$ <u>4,573,430</u>	\$ <u>6,438,313</u>

Data available for 2010 to 2012

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**NUMBER OF EMPLOYEES BY FUNCTION**  
**LAST THREE FISCAL YEARS**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Administration</b>			
Chairman (P/T)	1	1	1
Executive Director	1	1	1
Treasurer (P/T)	1	1	1
Personnel Director	1	1	1
Customer Service	7	8	8
Meter Reading/Repairs	5	5	5
Information Technology	2	2	2
Accounting/Billing	3	3	3
Support Staff	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal Administration	23	24	24
<b>System Maintenance</b>			
Water system maintenance	1	1	1
Inspectors	2	2	2
Water distribution	13	13	14
Water treatment	9	9	9
Maintenance Support	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal Maintenance	<u>27</u>	<u>27</u>	<u>28</u>
Total Employees	<u><u>50</u></u>	<u><u>51</u></u>	<u><u>52</u></u>

Data available for 2010 to 2012

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
OPERATING CAPACITY  
LAST TEN FISCAL YEARS**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b><u>Water Supply</u></b>										
Well Stations	15	15	15	15	15	15	15	15	15	15
Individual Wells	24	24	24	24	24	24	24	24	24	24
Automated wells	9	9	9	9	9	9	9	9	9	9
Stations with emergency power supplies	6	5	5	4	4	4	4	4	4	4
Stations -High pressure zones	5	5	5	5	5	5	5	5	5	5
Stations- low pressure zones	10	10	10	10	10	10	10	10	10	10
<b><u>Treatment</u></b>										
Treatment facilities	9	7	7	5	5	5	5	5	5	5
<b><u>Storage</u></b>										
Storage facilities	7	7	7	7	7	7	7	7	7	7
Storage capacity ( Million Gallons)	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
<b><u>Transmission and Distribution</u></b>										
Water mains (2 to16 inches diameter), thousand linear feet	1,235	1,235	1,235	1,235	1,235	1,230	1,230	1,229	1,229	1,228
Fire Hydrants	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,428	2,428
<b><u>Interconnections</u></b>										
Interconnections to Nassau County	11	11	11	11	11	11	11	11	11	11
Interconnections to NYC system	13	13	13	13	13	13	13	13	13	13

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**WELL STATION DESCRIPTION**  
**FISCAL YEAR ENDED MAY 31, 2012**

<b>Well Station</b>	<b>Pressure Zone</b>	<b>Well No.</b>	<b>Storage Tank (Millions Gallons)</b>	<b>Treatment Type</b>	<b>Emergency Power</b>
Bryant Ave. W. of North 5th Street, New Hyde Park	High	9		1,2	
Hemp. Tpke. West of Plainfield Ave., Elmont	Low	15D	5.00	-	
Elmont Rd., South of Atherton Ave, Elmont	Low	15A	—	1,2	
Elmont Rd., South of Belpark Ave, Elmont	Low	15B	—	1,2,5	Yes
Elmont Rd., South of Joan Court, Elmont	Low	15C, 15E	—	1,2	
North 4th St., South of Hillside Ave, North Hempstead (New Hyde Park)	High	16A	—	1,2	
Evergreen Ave., West of Denton Ave., North Hempstead (New Hyde Park)	High	20	0.50	1,2,4	
Elmont Rd. North of Oliver Ave, North Valley Stream	Low	25A	—	1,2,3,5	
Miriam Pkwy. North of Stuyvesant St., Elmont	Low	28, 28A, 28B	1.50	1,2,3	Yes
Swale Rd. East of Park Lane South, Franklin Square	Low	30, 30-1	0.60	1,2,3	
Franklin Ave. North of So. State Parkway, North Valley Stream	Low	34	—	1,2,3	
Cisney Ave. West of Gilbert Ct, Floral Park	Low	35, 35A	1.00	1,2,4	Yes
Union Tpke. West of N.H.P. Rd, North Hempstead (New Hyde Park)	High	40, 40A 44, 44A, 44B, 44C	—	1,2,4	Yes
Makofske Ave. and Chelsea St., Elmont	Low	44C	2.00	1,2,4	
2nd Ave. and South 6th St., New Hyde Park	High	57, 57A	1.30	1,2,4	Yes

Treatment types are as follows:

- 1) Chlorination
- 2) Corrosion Control
- 3) Zinc Metaphosphate Sequestration (iron removal)
- 4) Air Stripper VOC Removal
- 5) GAC Treatment

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
SCHEDULE OF INSURANCE IN FORCE  
FOR FISCAL YEAR ENDED MAY 31, 2012**

TYPE	PREMIUM	TERM	COVERAGE	COVERAGE LIMITS	DEDUCTIBLE
<b>Property and Liability Protection</b>					
<b>General Liability</b>					
St. Paul Travelers Insurance Co.	79,453	3/1/12 - 3/1/13	General Aggregate	2,000,000	
		3/1/12 - 3/1/13	Products	2,000,000	
		3/1/12 - 3/1/13	Terrorism	2,000,000	
		3/1/12 - 3/1/13	Boiler & Machinery	2,000,000	
		3/1/12 - 3/1/13	Personal Injury	1,000,000	
		3/1/12 - 3/1/13	Advertising Injury	1,000,000	
		3/1/12 - 3/1/13	Premises Damage	1,000,000	
		n/a	Medical Expense	Excluded	
		n/a	Sewer Back-up	Excluded	
		3/1/12 - 3/1/13	Failure to Supply	1,000,000	
<b>Inland Marine</b>					
St. Paul Travelers Insurance Co.	10,163	3/1/12 - 3/1/13	Equipment Floater	Replacement cost	25,000
		3/1/12 - 3/1/13	Unscheduled Limit	112,000	2,500
Property					
St. Paul Travelers Insurance Co.	44,533	3/1/12 - 3/1/13	Blanket basis	31,934,956	
<b>Casualty</b>					
Automobile					
St. Paul Travelers Insurance Co.	26,092	3/1/12 - 3/1/13	Liability	1,000,000	
		3/1/12 - 3/1/13	PIP Deductible	Included	
		3/1/12 - 3/1/13	Additional PIP	175,000	
		3/1/12 - 3/1/13	Uninsured Motorist	1,000,000	
		3/1/12 - 3/1/13	Underinsured Motorist	1,000,000	
		3/1/12 - 3/1/13	Physical Damage	Per vehicle schedule	
<b>Excess Catastrophe</b>					
(Umbrella)	24,353	3/1/12 - 3/1/13	Liability, each	10,000,000	
St. Paul Travelers Insurance Co.		3/1/12 - 3/1/13	Liability, aggregate	10,000,000	
		3/1/12 - 3/1/13	Retained Limit	10,000	
Crum and Foster	50,664	3/1/12 - 3/1/13	Liability, each	25,000,000	
		3/1/12 - 3/1/13	Liability, aggregate	25,000,000	
Travelers	10,000	3/1/12 - 3/1/13	Liability, each	5,000,000	
		3/1/12 - 3/1/13	Liability, aggregate	5,000,000	
<b>Employee Protection</b>					
Public Officials' Liability					
Scottsdale Indemnity Co,	11,444	3/1/12 - 3/1/13	Public Officials	10,000,000	15,000
			Employment Practices		
Scottsdale Indemnity Co,	13,842	3/1/12 - 3/1/13	Liability	10,000,000	15,000
<b>Crime</b>					
Utica Mutual Insurance Co.	3,933	3/1/12 - 3/1/13	Forgery/Alteration	1,000,000	10,000
		3/1/12 - 3/1/13	Computer Fraud	1,000,000	10,000
<b>Employee Benefit Plans Liability</b>					
St. Paul Travelers Insurance Co.	192	3/1/12 - 3/1/13	Wrongful Act, each	1,000,000	1,000
		3/1/12 - 3/1/13	Wrongful Act, aggregate	1,000,000	1,000

Source: Accounting Department

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## **SECTION D: COMPLIANCE SECTION**





**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Water Authority of Western Nassau County  
Floral Park, New York

We have audited the financial statements of the Water Authority of Western Nassau County as of and for the year ended May 31, 2012, and have issued our report thereon dated August 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Water Authority of Western Nassau County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority of Western Nassau County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Water Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.



Garden City, NY  
August 17, 2012