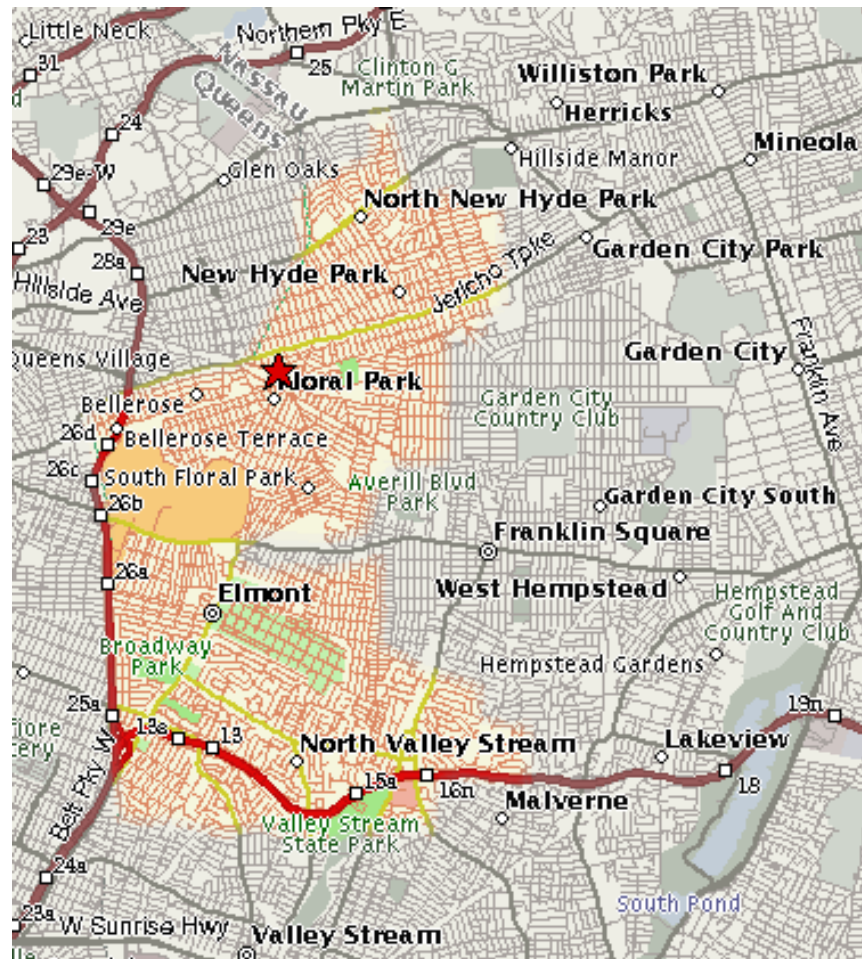


**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED MAY 31, 2014  
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**



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



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED MAY 31, 2014**  
**(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

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## SECTION A: INTRODUCTORY SECTION





# **Water Authority**

## **of Western Nassau County**

### **LETTER OF TRANSMITTAL**

August 30, 2014

The Honorable Members of the Board of Directors and our Customers  
Water Authority of Western Nassau County  
1580 Union Turnpike,  
New Hyde Park, NY 11040-1762

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, 2014. 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 27-46, immediately following the report of the independent auditors.

### **INTRODUCTION**

#### **Management Representation**

New York State Public Authorities Law requires that every public authority publish, within 90 days of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfil that requirement for the fiscal year ended May 31, 2014. 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"), on a consistent basis. 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").

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the information provided in the comprehensive annual financial report (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, 2014. The independent auditors' report is located at the front of the financial section of this report, pages 23 to 25.

*1580 Union Turnpike, New Hyde Park, NY 11040-1762*  
*(516) 327-4000 \* Fax: (516) 327-4087*

## Organization of Report

The CAFR is presented in four sections as follows:

1. The *Introductory Section (Section A)* 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 22.
2. The *Financial Section B (Section B)* includes the independent auditors' report on the basic financial statements, the management's discussion and analysis (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 27 through 77.
3. The *Statistical Section (Section C)* contains comprehensive statistical data on the Water Authority's financial conditions, operations and demographic and economic environment, for the past ten years. The Water Authority's Statistical Section can be found on pages 79 through 115.
4. The *Compliance Section (Section D)* contains the independent auditors' report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards. The report is presented on pages 117 and 118.

## Organization's Profile

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. 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 Water Authority 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.

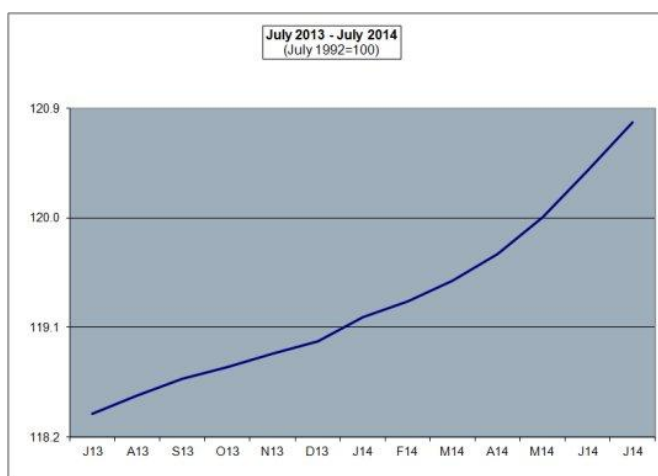
The mission of the Water Authority is as follows: *To satisfy customer expectations for high quality, reliable water service provided in a responsive and efficient manner at the lowest reasonable price.*



## LOCAL ECONOMIC CONDITIONS AND OUTLOOK

The New York State Department of Labor's Division of Research and Statistics calculates and publishes a monthly composite index of business cycle indicators. More formally known as the Index of Coincident Economic Indicators (ICEI). The index is designed to provide reliable and timely information about current economic conditions in New York State. The ICEI model combines and weights four key indicators of statewide economic activity, which have historically moved in conjunction with the state's business cycles: (1) private sector employment, (2) unemployment rate, (3) average weekly hours of manufacturing workers and (4) sales tax collections.

In July 2014, the New York State Department of Labor's Index of Coincident Economic Indicators (ICEI) for New York State increased at an annual rate of 4.1%. This follows an annual rate of increase of 3.9% in June 2014. Over the past year, the ICEI has increased by 2.0%.



The table below presents the business cycle dates -- including the starting (peak) and ending (trough) months -- for recessions occurring in the nation (as defined by the National Bureau of Economic Research) and in New York State (as determined by the Bry-Boschan algorithm, using the Department's monthly Index of Coincident Economic Indicators) since 1970.

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

Dates in 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)

Since 1970, there have been seven distinct recessions in the U.S. and New York State. Recessions in New York have tended to be significantly longer than their national counterparts. This trend has become more pronounced over the past 30 years. The last four recessions in New York State (dating back to 1981) have averaged just under 2½ years in length, while the last four national recessions have averaged just over one year in duration.

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

According to US Bureau of Labor Statistics, in second quarter of 2013 Nassau and Suffolk had average weekly wages that placed them in the top 100 among the 334 large counties nationwide. Nassau no longer accounts for the majority of jobs on Long Island, but it continues to account for approximately 50% of wages earned. The same sectors dominate in both counties and average salaries in almost all industries is higher in Nassau compared to Suffolk. In fact, in June 2013 average weekly salary in Nassau was \$1,046 and in Suffolk \$996. Based on the level of weekly wages, Nassau ranked fiftieth nationally and third behind Westchester (\$1,244) and New York City (\$1,118), in the State of New York.

The preliminary estimates of Nassau County employment and wage information, for the first quarter of 2014, are presented in the following table:

<b>INDUSTRY TITLE</b>	<b>REPORTING UNITS</b>	<b>AVERAGE EMPLOYMENT</b>	<b>TOTAL WAGES</b>	<b>AVERAGE WAGES</b>
Total, all industries	53,196	590,977	\$8,381,455,804	\$14,182
Total, all private	52,478	510,506	6,941,123,025	13,597
Agriculture, forestry, fishing & hunting	34	160	1,229,229	7,683
Mining, quarrying, and oil & gas	3	2	42,000	21,000
Utilities	37	3,572	88,665,124	24,822
Construction	4,322	25,769	420,229,727	16,308
Manufacturing	1,118	17,745	305,099,758	17,194
Wholesale trade	3,442	26,903	530,955,209	19,736
Retail trade	6,021	77,724	646,327,200	8,316
Transportation and warehousing	1,173	15,067	177,515,186	11,782
Information	546	12,091	376,090,687	31,105
Finance and insurance	2,783	31,158	789,587,625	25,341
Real estate and rental and leasing	2,513	9,896	153,877,212	15,549
Professional, scientific, and technical	6,962	37,072	660,082,901	17,805
Management of companies	258	6,656	174,543,272	26,223
Administrative & waste management	3,029	27,865	297,003,697	10,659
Educational services	682	19,940	205,230,663	10,292
Health care and social assistance	5,787	113,561	1,561,476,219	13,750
Arts, entertainment, and recreation	809	9,604	87,423,883	9,103
Accommodation and food services	3,340	44,650	221,086,836	4,952
Other services	5,850	28,059	218,597,702	7,791
Total, all government	718	80,471	1,440,332,779	17,899
Unclassified	3,769	3,012	26,058,895	8,652

Source, New York State, Department of Labor, Quarterly Census of Employment and Wages

The average employment for all industries was 590,977, in the first quarter of 2014. Five industries which included health care and social assistance, government, finance and insurance, professional, scientific, and technical and retail trade accounted for 61% of total wages and 58% of employment in Nassau. The health care and social assistance and government formed the largest industrial sectors with 19% and 17% of wages and 19% and 14% of employment, respectively.

For the period from first quarter of 2013 to the first quarter of 2014, the changes in average employment and wages for major industries are presented in the following Table:

INDUSTRY TITLE	MAJOR INDUSTRIAL SECTORS			
	AVERAGE EMPLOYMENT CHANGE		AVERAGE WAGES CHANGE	
	FIRST QUARTER 2013 TO 2014		FIRST QUARTER 2013 TO 2014	
	NUMBER	PERCENTAGE	AMOUNT	PERCENTAGE
Total, all industries	8,654	1.5%	\$171	1.2%
Total, all private	8,640	1.7%	180	1.3%
Health care and social assistance	1,790	1.6%	155	1.1%
Retail trade	1,472	1.9%	204	2.5%
Professional, scientific, and technical	804	2.2%	859	5.1%
Finance and insurance	381	1.2%	502	2.0%
Total, all government	14	0.02%	181	1.0%

Source, New York State, Department of Labor, Quarterly Census of Employment and Wages

The increase in the average number of persons employed in health care and social services and retail trade comprised 21% and 17% of the 8,640 rise in private sector employment, respectively. The professional, scientific and technical industry and the retail trade had the largest increases in average quarterly wages of 5.1% and 2.5%, respectively.

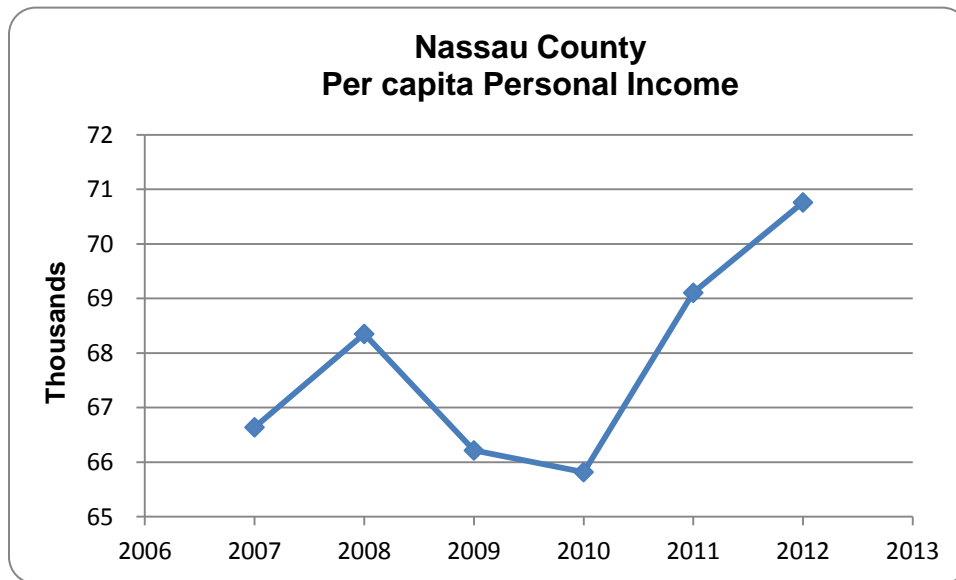
### Personal and Household Income in Nassau County

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.

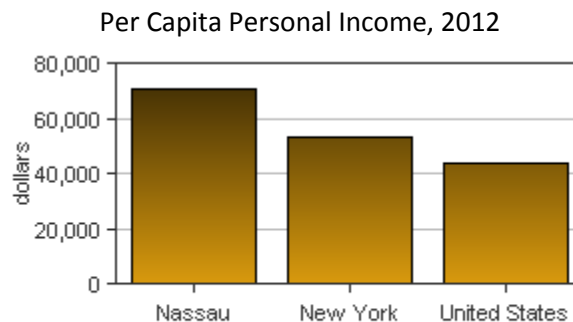
The US Department of Commerce, Bureau of Economic Analysis data shows that the seasonally unadjusted per capita and total personal incomes had decreased in 2009 by 3.2% and 2.7%, respectively, due to recession. The decline in per capita income had continued in 2010. With the onset of economic recovery in 2011 the per capita personal income increased by 4.8% and continued to rise by 2.3% in 2012.

Year	Personal Income	
	Per Capita	Total (In millions)
2012	\$70,761	\$95,473
2011	69,105	93,003
2010	65,819	88,283
2009	66,216	88,206
2008	68,351	90,574
2007	66,640	88,102

Source: US Department of Commerce, Bureau of Economic Analysis



In 2012, Nassau had a per capita personal income (PCPI) of \$70,761. This PCPI ranked 3rd in the state and was 133 percent of the state average, \$53,241, and 162 percent of the national average, \$43,735. The 2012 PCPI reflected an increase of 2.4 percent from 2011. The 2011-2012 New York State change was 2.6 percent and the national change was 3.4 percent. In 2002, the PCPI of Nassau was \$49,967 and ranked 3rd in the state. The 2002-2012 compound annual growth rate of PCPI was 3.5 percent. The compound annual growth rate for the state was 4.0 percent and for the nation was 3.2 percent.



Based on Moody's Analytics Forecast (Moody's Economy.com), the local economy appears to be moving in a positive direction along with the nation. Moody's forecast has Nassau's Gross County Product growing 1.8% and personal income by of 2.7%, in 2014.

### Employment Conditions in Nassau County

For the period from July 2013 to July 2014, the level and changes in labor force and unemployment rate for Nassau, Suffolk, New York City and New York State are presented in the following table:

	LABOR FORCE		UNEMPLOYMENT RATE		LABOR FORCE CHANGE	
	JULY	JULY	JULY	JULY	JULY 2013 TO JULY 2014	
	2014	2013	2014	2013	AMOUNT	PERCENT
<b>Nassau County</b>	710,000	716,900	5.1%	6.0%	(6,900)	-1.0%
Freeport Village	22,800	23,000	6.1%	7.2%	(200)	-0.9%
Glen Cove City	13,600	13,800	4.6%	5.9%	(200)	-1.4%
Hempstead Town	401,900	406,100	5.4%	6.4%	(4,200)	-1.0%
Hempstead Village	27,000	27,400	6.6%	7.8%	(400)	-1.5%
Long Beach City	18,900	19,100	5.1%	6.2%	(200)	-1.0%
North Hempstead Town	118,400	119,200	4.5%	5.1%	(800)	-0.7%
Oyster Bay Town	157,200	158,600	4.9%	5.7%	(1,400)	-0.9%
Rockville Centre Village	13,100	13,200	4.4%	5.4%	(100)	-0.8%
Valley Stream Village	20,300	20,500	5.7%	6.4%	(200)	-1.0%
<b>Suffolk County</b>	806,000	815,500	5.5%	6.6%	(9,500)	-1.2%
<b>New York City</b>	4,152,600	4,099,300	8.0%	9.1%	53,300	1.3%
<b>New York State</b>	9,752,000	9,803,900	6.8%	7.8%	(51,900)	-0.5%

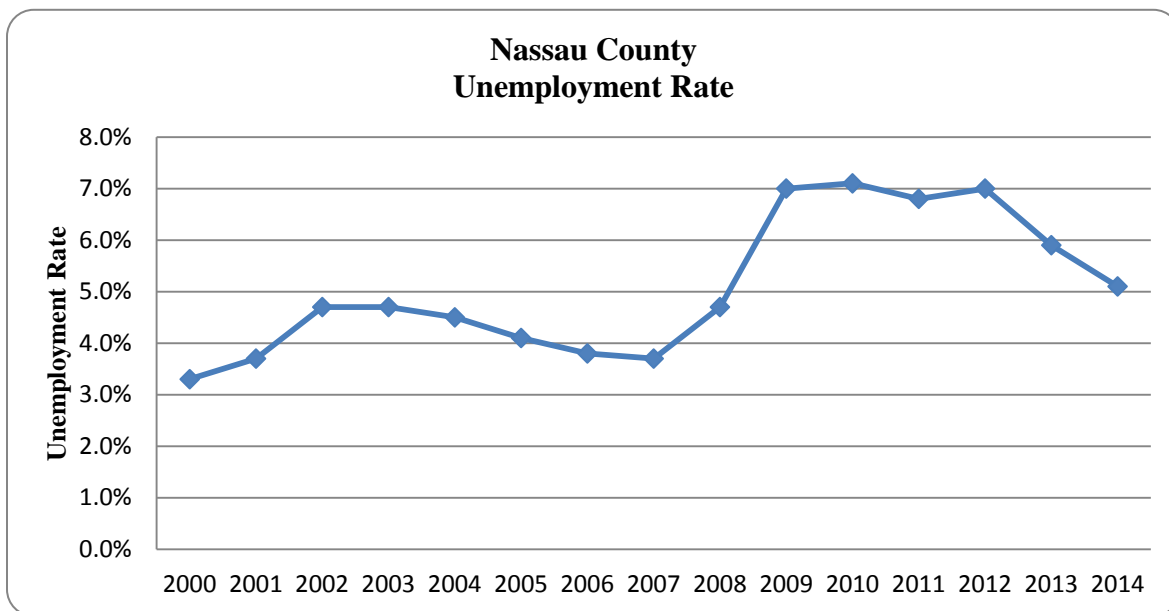
Source, New York State, Department of Labor, Quarterly Census of Employment and Wages

During the year ended July 31, 2014, the size of Nassau labor force decreased by 6,900. The largest decreases in labor force were in towns of Hempstead (4,200) and Oyster Bay (1,400). The Village of Hempstead had the greatest relative decrease in labor force of 1.5% and the highest unemployment rate in Nassau. The reduction in unemployment rates in Nassau compared favorably with Suffolk, New York City and State of New York. 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 a major sector in which recent job growth in Nassau outpaced growth in Suffolk County.

During the most recent recession, Nassau County's unemployment rate (seasonally unadjusted) increased substantially, rising from 3.4 percent in May 2007 to 7.8 percent in February 2010, but this was still lower than New York State's rate which peaked at 9.6 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.

UNEMPLOYMENT RATES		
Year	Nassau County	State of New York
2014 (July)	5.1%	6.7%
2013	5.9%	7.7%
2012	7.0%	8.5%
2011	6.8%	8.2%
2010	7.1%	8.6%
2009	7.0%	8.3%
2008	4.7%	5.4%
2007	3.7%	4.6%
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



Economic recovery has continued. New York State's annual average private sector job count increased by 133,100, or 1.8%, to 7,339,500 in 2012, an all-time annual employment high. This also marked the state's third consecutive year of job growth since the state's economic recovery started in 2009. New York has now recovered all of the private sector jobs lost during the recession, making it one of only a handful of states to have done so. In contrast, the nation has regained just over 60% of its lost private sector jobs. In July, Nassau and Putnam Counties, N.Y., had the lowest unemployment rate in the New York-Northern New Jersey-Long Island, N.Y.-N.J.-Pa. Metropolitan Statistical Area, at 5.1 percent, the U.S. Bureau of Labor Statistics reported.

### 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. The annualized rates on increase in CPI-U for the period 2005 to 2014 are presented in the following table:

Year	RATE OF CPI INCREASE	
	NY-NJ-CT-PA	USA
2014 (a)	1.6%	2.0%
2013	1.4%	1.5%
2012	2.0%	2.1%
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%

(a) July 2013 to 2014.

Source: U.S. Department of Labor

The United States City Average Consumer Price Index (CPI-U) for July 2014 was 238.250 representing a change of 2.0% over July 2013. The Northeast Area Consumer Price Index for July 2014 was 253.833—representing a change of 1.8% over July 2013. The New York-Northern New Jersey and Long Island Area CPI-U for July 2014 was 261.498—representing an increase of 1.6% over July 2013. The change in New York-Northern New Jersey and Long Island Area July 2014 index is related to increases in food prices which were largely offset by declining prices for energy and other expenditures.

Numerous organizations project the changes in the CPI-U for US City Average all Urban Consumers. The Blue Chip Economic Indicators, a monthly publication presents 2014 and 2015 economic projections from approximately 50 sources. According to this publication the annual CPI increases may be projected at 2.0% for 2014 and 2.1% for 2015.

### Real Estate and Housing in Nassau County

Data from the State of New York Office of Real Property Tax Services shows that the median sale price of homes in Nassau County actually increased by \$5,000 (1.2%) from 2012 to 2013, but as it is shown in the in the following table, the number of sales declined by 1,564 (18%):

	Sales	Median Price
2013	\$7,341	\$420,000
2012	8,905	415,000
2011	7,597	430,000

Source: State of New York Office of Real Property Tax Services

Fair market housing rentals in Long Island for 2013, estimated by the U.S. Department of Housing and Urban Development ("HUD"), ranged from \$1,014 a month for a studio apartment to \$2,370 per month

for a four-bedroom apartment. Fair market housing rentals in Long Island for 2012, ranged from \$1,233 a month for a studio apartment to \$2,432 per month for a four-bedroom apartment. Although, the rents declined , they are still the highest in the State. The rent for a two-bedroom apartment in Nassau ranks 10th for most expensive in the United States.

According to the US Census Bureau, the most recent housing construction in Nassau has been of single-family homes. The estimated construction expenditures for the single family houses was \$269 million, for two family houses \$1.3 million and for five or more family buildings \$21 million, in 2013.

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
2013	630	5	10	-	-	2	154	637	794
2012	343	2	-	-	-	-	274	358	619
2011	311	1	2	-	-	20	540	332	853
2010	400	14	28	21	63	2	32	437	523
2009	367	4	8	-	-	1	5	372	380
2008	815	4	8	-	-	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

(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.

The New York State Public Authorities Accountability Act (PAAA) of 2005 imposed increased reporting and auditing requirements on public authorities, called for board member training and the disclosure of executive compensation rates, required each public authority to adopt a code of ethics, directed them to make their annual reports and required documentation available online, and restricted their power to dispose of real property for less than fair market value or without public bidding. The PAAA was followed in 2009 by enactment of the Public Authorities Reform Act, which gave the Authorities Budget Office the power to promulgate regulations, to initiate formal investigations, and to publicly warn and censure noncompliant authorities. Significantly, the act also clarified that board members operate as fiduciaries and are responsible for carrying out their duties with a reasonable degree of diligence, care, skill, and independence. 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 eighteenth full year of operation on May 31, 2014. Beginning its ninetieth 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 institutes 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 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 2005 TO 2014**

<b>Fiscal Year</b>	<b>Amount</b>
2014	\$ 18,086
2013	11,260
2012	15,508
2011	15,342
2010	18,763
2009	17,553
2008	17,595
2007	11,948
2006	12,120
2005	12,486

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**

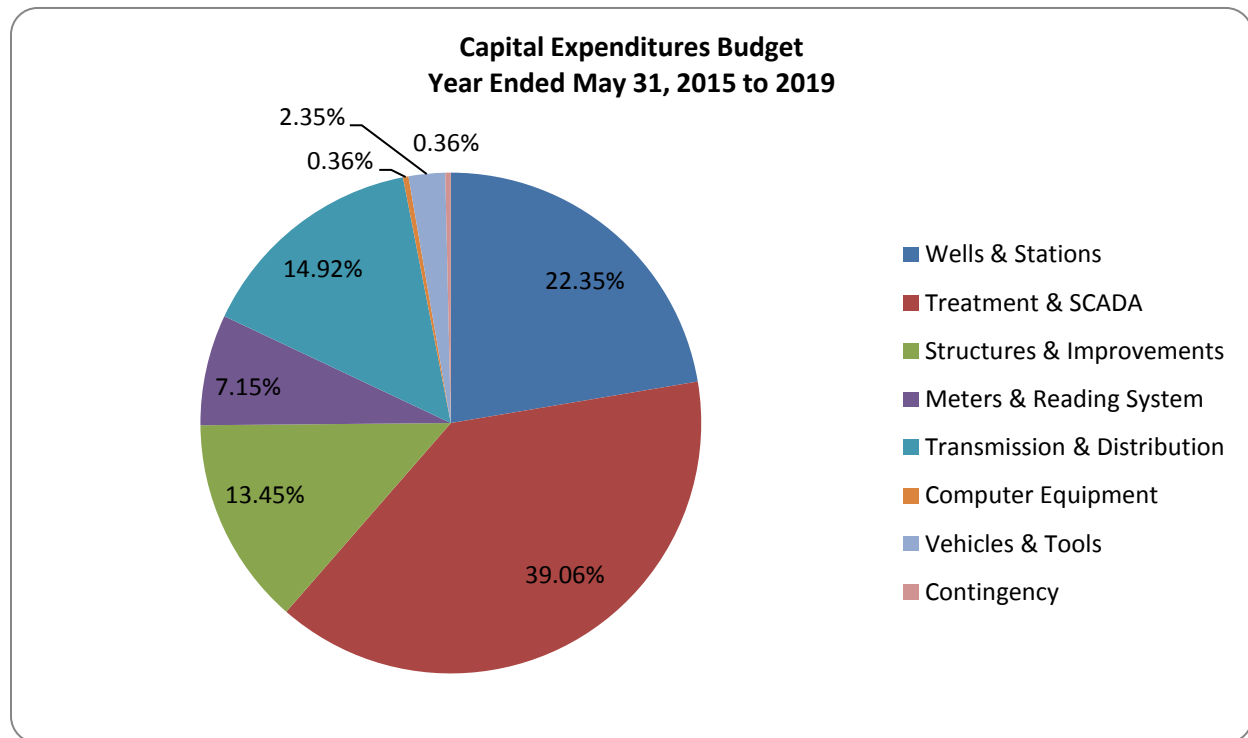
Capital projects have continued to require a large share of the Water Authority's budget, staff time and focus. The Water Authority has implemented a comprehensive capital improvement program with the goal of improving the water system's aging infrastructure through increased system capacity and dependability. 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:

	Year Ending May 31					TOTAL
	2014-2015	2015-2016	2016-17	2017-2018	2018-2019	
Wells & Stations	\$450,000	\$19,000	\$319,000	\$3,550,500	\$3,500,000	\$7,838,500
Treatment & SCADA	1,750,000	5,000,000	5,000,000	950,000	1,000,000	13,700,000
Structures & Improvements	2,500,000		458,000	1,750,000	9,000	4,717,000
Meters & Reading System	656,000	529,310	517,450	397,440	409,210	2,509,410
Transmission & Distribution	954,600	798,500	1,803,220	829,550	846,750	5,232,620
Computer Equipment	21,900	9,925	13,150	57,375	23,450	125,800
Vehicles & Tools	113,930	352,250	178,025	128,270	52,125	824,600
Contingency	25,000	25,000	25,000	25,000	25,000	125,000
Subtotal Construction	6,471,430	6,733,985	8,313,845	7,688,135	5,865,535	35,072,930
Operations Center Building	875,000					875,000
Total	\$7,346,430	\$6,733,985	\$8,313,845	\$7,688,135	\$5,865,535	\$35,947,930



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 fiveyear period include water storage tank improvements, 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.

### **System Improvements**

The Water Authority completed construction of its new headquarters located at 1580 Union Turnpike, New Hyde Park, New York in the fall of last year. This two story facility was built on existing Water Authority owned property which also contains two active wells and a Volatile Organic Compound Treatment facility, as well as a separate garage and generator. The Water Authority saves about \$400,000 per year by eliminating the rental cost, property taxes and maintenance costs previously incurred at its prior headquarters in Floral Park.

The Water Authority has begun the rehabilitation of its elevated water storage Tank No. 19, located on the north side of 2nd Avenue between S. 5th Street and S. 6th Street in New Hyde Park. This project includes repairs to the tank and power washing and sandblasting to remove dirt and old coatings. After the repairs and cleaning are completed, the interior and exterior surfaces of the tank will be painted. This tank has a capacity of approximately 1,265,000 gallons of water and serves the Water Authority's customers in New Hyde Park, Bellerose and the northern portion of Floral Park. The rehabilitation and painting is expected to be complete by the end of May 2015.

Lastly, both of our Iron Removal Plant projects have been completed. The plant located at Well Station No. 28 in Elmont was completed in 2012; the second plant located at Well Station No. 30 in Franklin Square was completed last year. During 2013, over 675 million gallons of water have been treated and supplied to the customers in those distribution areas.

Additional improvements included the installation of 210 feet of new 12-inch water main and the replacement of 1 hydrant and 2 water services in N. Fletcher Avenue between Howell Road and Greenway Blvd. in North Valley Stream to connect 2 12-inch transmission water mains; Replacement of 800 feet of 100-year old 6-inch water main, 2 hydrants and 12 water services in Colvin Drive between Hathaway Drive and Hawthorne Road in Garden City; Completion of the installation of radio transmitters on residential accounts; Replacement of electric motor at Station 16; Service and hydrant replacements; Meter change outs; and Vehicle and large equipment replacements.

### **Planned Improvements**

Our planned initiatives include the construction of a new storage garage at Well Station No. 44 in Elmont; Replacement of 700 feet of 100-year old 6-inch water main, 2 hydrants and 19 water services in Greenridge Avenue and Hawthorne Road in Garden City; Purchase of a towable, diesel-powered emergency generator; Rehabilitation of elevated water storage Tank no. 19 in New Hyde Park; Design of a new VOC removal facility for Well Nos. 15A, 15B, 15C and 15E in Elmont; Well pump bowl replacements; Service and hydrant replacements; and Meter change outs.

## 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.

All customers are subject to basic service charge of \$38.29, which represents the minimum charge billed whether or not the customer uses any water. The basic service charge entitles a customer to use up to 9,000 gallons each 90 days (100 gallons per day). This charge includes the cost of maintaining and reading meters, along with certain other costs of services provided by the Water Authority.

Both residential and commercial customers are billed quarterly for the preceding three (3) month period. All bills are due upon receipt and become delinquent if payment is not received within 30 days of the bill date indicated on the front of the bill.

Customers are subject to an additional charge of 1% per month for any unpaid balance if payment is not received within 30 days of the bill date indicated on the front of the bill.

If the Water Authority fails to bill the customer for usage or service, it has six months from the time the error is discovered to issue a back bill. The back billing period will be limited to a maximum of 24 months unless there is evidence that the customer caused or contributed to the error. If there is such evidence, the back billing period will be limited to a maximum of six years.

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

AVERAGE ANNUAL WATER BILL				
Date	Residential	Commercial	Minimum	Per Hydrant
5/31/2014	\$378	\$1,668	\$145	\$875
5/31/2013	357	1,576	137	825
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

Average Residential bill is based on current average usage of 104,000 applied to applicable tariffs. Average Commercial bill is based on current average usage of 468,000 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, 2013, all of whom rely solely on groundwater:

<b>COMPARISON OF AVERAGE QUARTERLY WATER BILLS – LONG ISLAND</b>	
<b>Water Supplier</b>	<b>Quarterly Bill</b>
New York American - East	\$142
New York American - West	133
Suffolk County Water Authority	64
Water Authority of Great Neck North	137
Water Authority of Western Nassau County	101

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 Water Authority's Board of Directors approved a 7% increase in water rates effective June 1, 2014, to cover debt service costs and support the Water Authority's capital program for the current fiscal year.

<b>WATER AUTHORITY OF WESTERN NASSAU COUNTY RATE SCHEDULE – JUNE 1, 2014</b>	
Minimum charge up to 9,000 gal./quarter	\$38.29
Block 1 charge (9,000 – 96,000 gal./quarter)	\$3.683/1,000 gal.
Block 2 charge (greater than 105,000 gal./quarter)	\$2.527/1,000 gal.
Public fire hydrants	\$936 per year
Private Sprinkler Rates - Fire Protection Service (Quarterly)	
1" Meter	\$13.48
1 ½" Meter	\$20.71
2" Meter	\$31.04
2 ½" Meter	\$36.33
3" Meter	\$53.90
4" Meter	\$97.46
6" Meter	\$199.12
8" Meter	\$398.16
10" Meter	\$547.01

### **Debt Management**

At May 31, 2014, bonds totaling \$64.5 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 are being 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</b>	<b>Series 2010B</b>	
	<b>Amount</b>	<b>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.

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, 2013, the balances of Rate Stabilization and Bond Reserve Funds were \$0.6 million and \$7 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, 2014. The independent auditor's report relating to the audit of the Water Authority's general-purpose financial statements is included in Section B of this report, pages 23 to 25. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards is also included in Section D, pages 117 and 118.

## **SEC REQUIREMENT**

Municipal bonds, are exempt from the disclosure requirements of the federal securities laws. 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 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 eliminates 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, additional trustee and the change of a trustee, if material.

The amended rule provides that notices of the events listed in the rule be disclosed in a timely manner not more than 10 business days after the event. Certain information is being provided by the Water Authority in order that participating underwriters may comply with Rule 12c2-12 promulgated by the Securities and Exchange Commission. These disclosures made by the Water Authority can be found on the financial and statistical sections of this Comprehensive Annual Financial Report for the year ended May 31, 2014.

#### **AWARD AND ACKNOWLEDGMENT**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the Water Authority of Western Nassau County for its comprehensive annual financial report (CAFR) for the fiscal year ended May 31, 2013. This was the fourth consecutive year that the Water Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the effort, and dedication of the staff of the Accounting department. I wish to thank all of the Water Authority Departments for their assistance in providing the data necessary to prepare this report

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



Government Finance Officers Association

# **Certificate of Achievement for Excellence in Financial Reporting**

Presented to

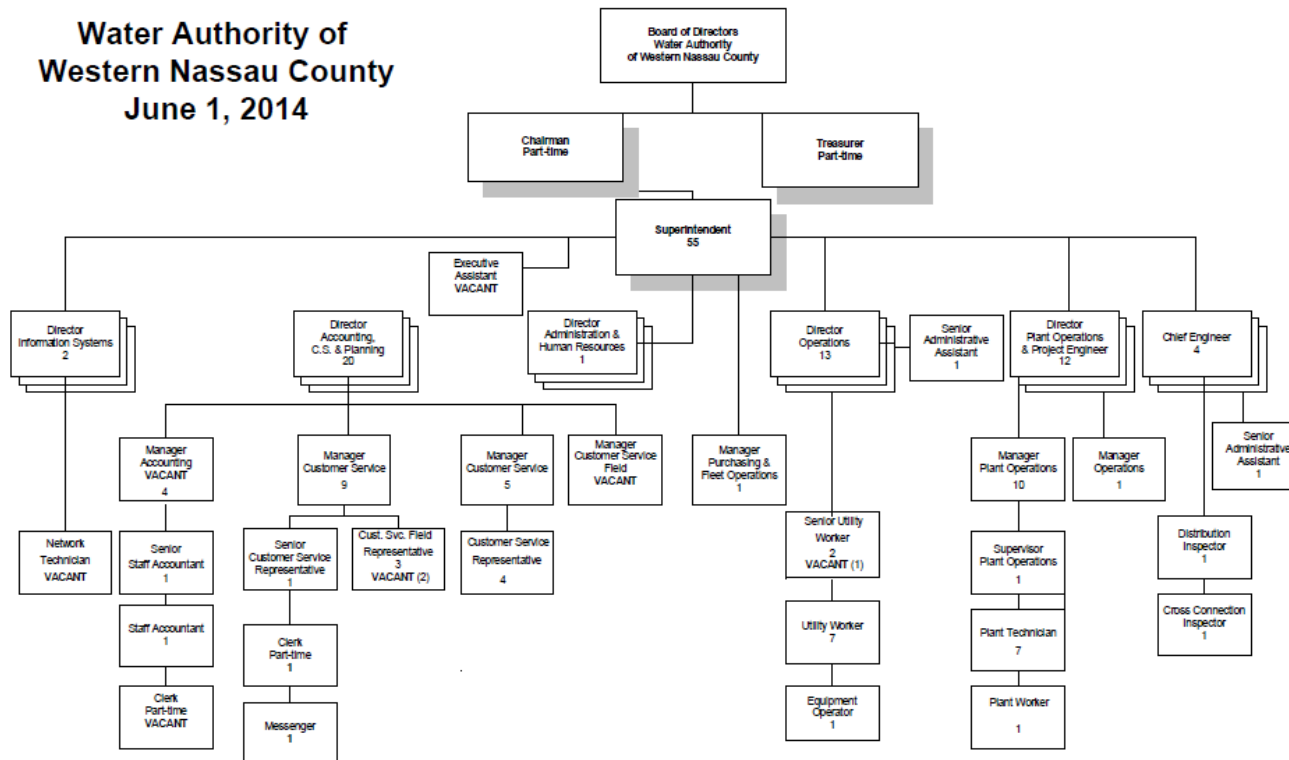
**Water Authority of Western  
Nassau County, New York**

For its Comprehensive Annual Financial Report  
for the Fiscal Year Ended

**May 31, 2013**

Executive Director/CEO

**Water Authority of  
Western Nassau County  
June 1, 2014**



**COMPREHENSIVE ANNUAL REPORT  
FISCAL YEAR ENDED MAY 31, 2014**

**BOARD OF DIRECTORS/VOTES**

		<b>Voting Percentage</b>
George Bakich	Town of Hempstead	26.2%
Aly Kayne	Town of Hempstead	26.2%
Dominick Longobardi	Village of Floral Park	17.7%
Marianna Wohlgemuth	Town of North Hempstead	12.3%
Reid Sakowich	Village of New Hyde Park	11.1%
Chris Gorman	Village of Stewart Manor	2.3%
Susan Powderly	Village of Bellerose	1.5%
Arlene McMullan	Village of South Floral Park	1.4%
Bart Brown	Village of Garden City	1.3%
Total		<u>100.0%</u>

## 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 of the Water Authority of Western Nassau County, State of New York, as of and for the years ended May 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Water Authority of Western Nassau County's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the Water Authority of Western Nassau County, as of May 31, 2014, and the respective changes in financial position and, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

## ADOPTION OF NEW ACCOUNTING PRINCIPLES

As described in Note 1 to the basic financial statements, the Water Authority of Western Nassau County, New York adopted Governmental Accounting Standards Board Statements No. 65, *Items Previously Reported as Assets and Liabilities*, and effective June 1, 2012. Our opinion is not modified with respect to these matters.

## OTHER MATTERS

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 27 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water Authority of Nassau County's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, on our consideration of the Water Authority of Western Nassau County'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 control over financial reporting and compliance and the results of that testing,



and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority of Western Nassau County's internal control over financial reporting and compliance.

TABRIZCHI & Co., CPA, P.C.

Garden City, New York  
August 30, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS





## THE WATER AUTHORITY OF WESTERN NASSAU COUNTY 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 that encompass 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

This financial report consists of three sections: Management's Discussion and Analysis; the Financial Statements; and Notes to the Financial Statements that explain in more detail some of the information in 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 the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows, and the 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 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, 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 Revenues, Expenses and Changes in Net Position* presents the results of the activities of the Water Authority 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, and capital financing and non-capital financing activities. The statements present

## **THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2014 and 2013. 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, 2014 were \$89.2 million and exceeded liabilities in the amount of \$18.1 million (i.e. net position). Of the total net position, \$2.1 million was unrestricted. Total assets decreased by \$1.3 million (1.5%) between May 31, 2013 and 2014. Net position increased by \$2.1 million (12.9%) over the same period last year and the economic and financial position of the Water Authority improved.
- Operating revenues were approximately \$14.1 million, showing an increase of \$0.4 million (3.1%), as compared to \$13.7 million in the previous year. The increased revenues from residential water sales of \$0.3 million (3.2%) and commercial and fire protection revenues of \$0.1 million (2.9%) were related to increased consumption of water and a 6.02% increase in water rates.
- Operating expenses increased by approximately \$0.7 million, from \$9.9 million to \$10.6 million for the fiscal years ended May 31, 2013 and 2014. The 7.5% increase in operating expenses was due to higher operational and depreciation expenses. Operations expenses increased by \$0.4 million (7.1%) from \$6.7 million to \$7.2 million for the fiscal years ended May 31, 2013 and 2014, respectively, primarily from increases in costs of labor and purchased power. Maintenance expenses decreased by \$0.01 million (.6%) from \$1.92 million to \$1.91 million for the fiscal years ended May 31, 2013 and 2014.
- Operating income for the fiscal years ended May 31, 2014 and 2013 were \$3.5 and \$3.8 million. The decrease in operating income of \$0.3 million (8.4%) reflects the rise in operating expense, including depreciation, exceeding the increase in operating revenues. As a result of this change, the ratio of operating income to total revenues declined from 27.7% to 24.6%, from the fiscal year ended May 31, 2013 to 2014.
- The Water Authority's long-term bonded debt, including the current portion, decreased by \$1.6 million (2.4%) during the fiscal year ended May 31, 2014, from \$66.1 million at May 31, 2013 to \$64.5 million at May 31, 2014, as a result of the repayment of \$0.4 million of Series 2010 bonds and \$1.2 million of Series 2005 Bonds and amortization of bond premiums. Debt service coverage was 1.3, meeting the amount required by the Bond covenants.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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:

<b>CONDENSED STATEMENT OF NET POSITION (BALANCE SHEETS)</b>							
	<b>May 31,</b>			<b>2013 to 2014</b>		<b>2012 to 2013</b>	
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>Increase (Decrease)</b>		<b>Increase (Decrease)</b>	
	<b>Amount</b>		<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>
Current assets	\$ 6,989,314	\$ 7,485,682	\$ 6,510,592	\$ (496,368)	(6.6)	\$ 975,090	15.0
Noncurrent assets							
Other noncurrent assets	14,121,304	19,077,012	28,979,670	(4,955,708)	(26.0)	(9,902,658)	(34.2)
Capital assets	68,063,563	63,873,372	52,433,616	4,190,191	6.6	11,439,756	21.8
Total assets	89,174,181	90,436,066	87,923,878	(1,261,885)	(1.4)	2,512,188	2.9
Deferred charge on refunding	1,132,345	1,201,753	1,268,612	(69,408)	(5.8)	(66,859)	(5.3)
Total deferred outflows	1,132,345	1,201,753	1,268,612	(69,408)	(5.8)	(66,859)	(5.3)
Current liabilities	4,031,915	6,113,333	4,418,285	(2,081,418)	(34.0)	1,695,048	38.4
Noncurrent liabilities	3,969,402	3,573,609	3,196,579	395,793	11.1	377,030	11.8
Long-term debt—bonds, net	64,215,818	65,924,806	67,578,373	(1,708,988)	(2.6)	(1,653,567)	(2.4)
Total liabilities	72,217,135	75,611,748	75,193,237	(3,394,613)	(4.5)	418,511	0.6
Net position							
Invested in capital, Restricted for rate stabilization	15,436,386	14,543,793	11,525,474	892,593	6.1	3,018,319	26.2
Unrestricted	570,000	560,000	560,000	10,000	1.8	-	0.0
	2,083,005	922,278	1,913,779	1,160,727	125.9	(991,501)	(51.8)
Total Net Position	\$ 18,089,391	\$ 16,026,071	\$ 13,999,253	\$ 2,063,320	12.9	\$ 2,026,818	14.5

## THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

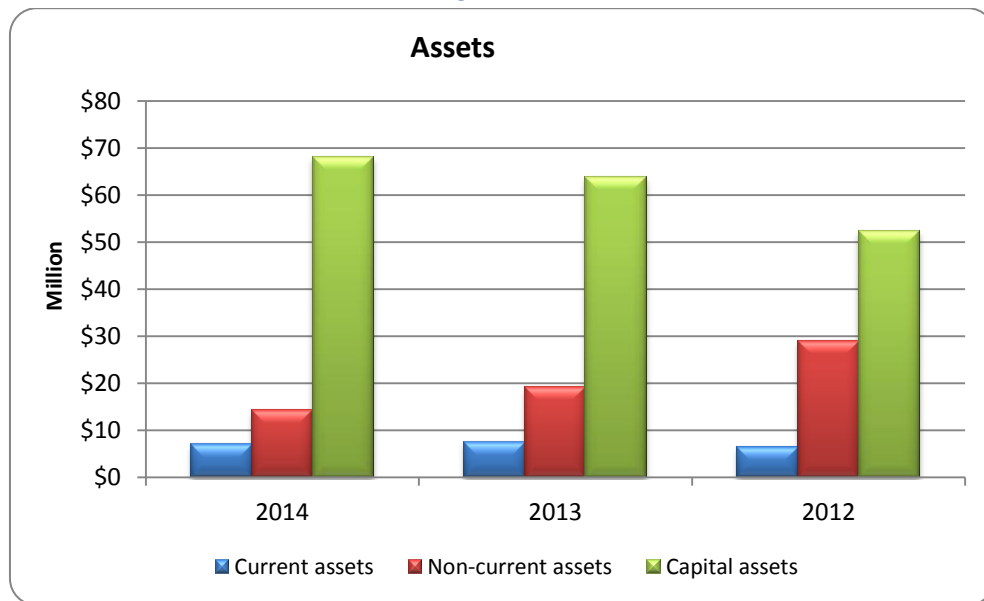
The table above and Chart 1 show that the amount of total assets decreased by 1,261,885 (1.4%) and total liabilities declined by \$3,394,613 (4.5%), from May 31, 2013 to May 31, 2014. The increase in total assets and total liabilities were \$2,512,188 (2.9%) and \$418,511 (.6%), respectively, from May 31, 2012 to May 31, 2013. During the year ended May 31, 2014, the Water Authority increased its gross capital assets by \$5,420,056 (7.1%) by expending the restricted funds held for construction. The addition to capital assets, net of depreciation, was \$4,190,191 (6.6%). The non-current assets, which include the bond proceeds restricted for construction, decreased by \$4,955,708 (26.0%). In 2013, the principal components of changes in assets included the net additions to capital assets of \$11,439,756 (21.8%) and reduction in other non-current assets, restricted cash and investments, of \$9,902,658. The primary reason for a decrease in total liabilities was the repayments of long-term bonds.

During the year ended May 31, 2014, the current assets and current liabilities decreased by \$496,368 (6.6%) and \$2,081,418 (34.0%), respectively. The principal reason for the decrease in current assets was \$431,000 (19.2%) reduction in unbilled accounts receivable and for current liabilities was \$1,930,079 (58.5%) reduction in accounts payable and accrued expenses. As a result of substantial decrease in current liabilities the net working capital position of the Water Authority improved by \$1,585,050 (115.5%) from \$1,372,349, on May 31, 2013, to \$2,597,399, on May 31, 2014.

The amount of bonds, including the current portion, was \$64,515,000 and \$66,110,000, on May 31, 2014 and 2013, respectively. The principal payments made during the fiscal years ended May 31, 2014 were \$1,595,000 as compared to \$1,550,000, in the previous year.

The net position of the Water Authority increased by \$2,063,320 (12.9%), in the fiscal year ended May 31, 2014, as compared to an increase of \$2,026,818 (14.5%), in the fiscal year ended May 31, 2013. The changes in net position represent the excess of operating incomes of \$3,462,974 and \$3,778,788 over the non-operating expenses of \$1,399,654 and \$1,751,970, in the fiscal years ended May 31, 2014 and 2013, respectively.

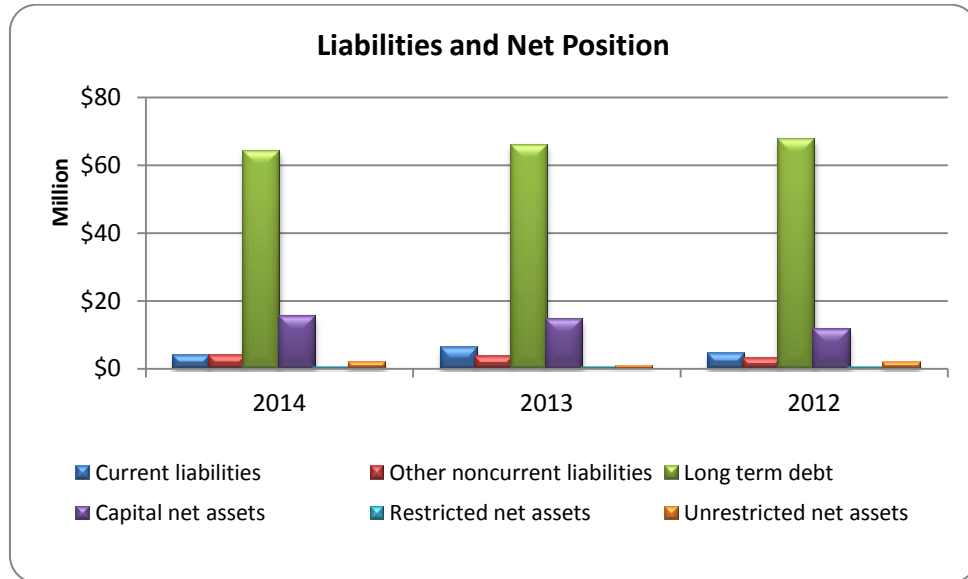
CHART 1





**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CHART 2**



The unrestricted net position increased by \$1,160,727 (125.9%), in the fiscal year ended May 31, 2014, as compared to a decrease of \$991,501 (51.8%) in previous year. The increase in the unrestricted net position represented 56.3% of the total increase in net position of \$2,063,320, in the fiscal year ended May 31, 2014. The net position restricted for rate stabilization was increased by \$10,000, to comply with the Bond covenants regarding maintaining Rate Stabilization restricted cash and cash equivalents. The net position invested in capital increased by \$892,593 (6.1%) from \$14,543,793 on May 31, 2013 to \$15,436,386, on May 31, 2014.

**OPERATING RESULTS**

As of May 31, 2014, the Water Authority provided water to 26,430 residential customers, 1,359 commercial customers, 195 private fire customers and 2,432 municipal fire hydrants. The corresponding figures for May 31, 2013 were 26,411 residential customers, 1,368 commercial customers, 192 private fire customers and 2,432 municipal fire hydrants.

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

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

				2013 to 2014		2012 to 2013	
		May 31,		Increase (Decrease)		Increase (Decrease)	
	2014	2013	2012	Amount	%	Amount	%
<b>Water sales:</b>							
Residential	\$ 10,023,162	\$ 9,715,394	\$ 9,208,977	\$ 307,768	3.2	\$ 506,417	5.5
Commercial, municipal and other	4,054,704	3,941,453	3,779,491	113,251	2.9	161,962	4.3
Total operating revenues	14,077,866	13,656,847	12,988,468	421,019	3.1	668,379	5.1
<b>Operating expenses</b>							
Operations	7,155,325	6,682,648	6,154,917	472,677	7.1	527,731	8.6
Maintenance	1,913,099	1,924,246	1,845,803	(11,147)	(0.6)	78,443	4.2
Depreciation	1,546,468	1,271,165	1,168,265	275,303	21.7	102,900	8.8
Total operating expenses	10,614,892	9,878,059	9,168,985	736,833	7.5	709,074	7.7
Operating income	3,462,974	3,778,788	3,819,483	(315,814)	-8.4	(40,695)	(1.1)
<b>Non-operating revenue (expense)</b>							
Interest income	74,188	122,817	247,852	(48,629)	(39.6)	(125,035)	(50.4)
Miscellaneous income	375,941	375,320	357,310	621	0.2	18,010	5.0
Interest on long-term debt	(1,825,291)	(2,226,107)	(2,624,800)	400,816	(18.0)	398,693	(15.2)
Other amortization, net	(24,492)	(24,000)	(34,529)	(492)	2.1	10,529	(30.5)
Net non-operating expenses	(1,399,654)	(1,751,970)	(2,054,167)	352,316	(20.1)	302,197	(14.7)
Change in total net Position	2,063,320	2,026,818	1,765,316	36,502	1.8	261,502	14.8
Net position, beginning	16,026,071	13,999,253	12,233,937	2,026,818	14.5	1,765,316	14.4
Net position, ending	\$ 18,089,391	\$ 16,026,071	\$ 13,999,253	\$ 2,063,320	12.9	\$ 2,026,818	14.5

**OPERATING REVENUES AND EXPENSES**

The Water Authority provides water treatment and distribution to a population estimated at 120,000, approximately equal to 10% of Nassau County's total population. The Authority's customer base is diverse with no significant customer concentration. It benefits economically from its proximity to New York City. Limited growth is expected because the towns served have little free area for new development.

The Water Authority's revenues increased by \$421,019 (3.1%), in fiscal year ended May 31, 2014, as compared to an increase of \$668,380 (5.1%) in the fiscal year ended May 31, 2013. The increase in revenue in fiscal year ended May 31, 2014 was the result of a \$307,768 (3.2%) increase in residential water sales and \$113,251 (2.9%) in commercial and fire protection sales (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

## THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

pumping capacity (46 million gallons per day [mgd]) in relation to actual demand. The water system is compliant with all applicable permits and regulatory standards.

The total operating expenses before depreciation increased by \$461,530 (5.4%) and \$606,174 (7.6%) in fiscal years ended May 31, 2014 and 2013, respectively (Chart 4). The change in operations expenses of \$472,677 (7.1%) and \$527,731 (8.65), in the fiscal year ended May 31, 2014 and 2013, respectively, were primarily the result of a rise in labor costs and benefits, along with an increase in the costs of power and chemicals. The maintenance expenses remained relatively unchanged from the previous year. Maintenance expenses were \$1,913,099, in the fiscal years ended May 31, 2014, as compared to \$1,924,246 in previous year. As a result of changes in revenues and expenses, the Water Authority's net position increased by \$2,063,320 and \$2,026,818 during the years ended May 31, 2014 and 2013, respectively.

CHART 3

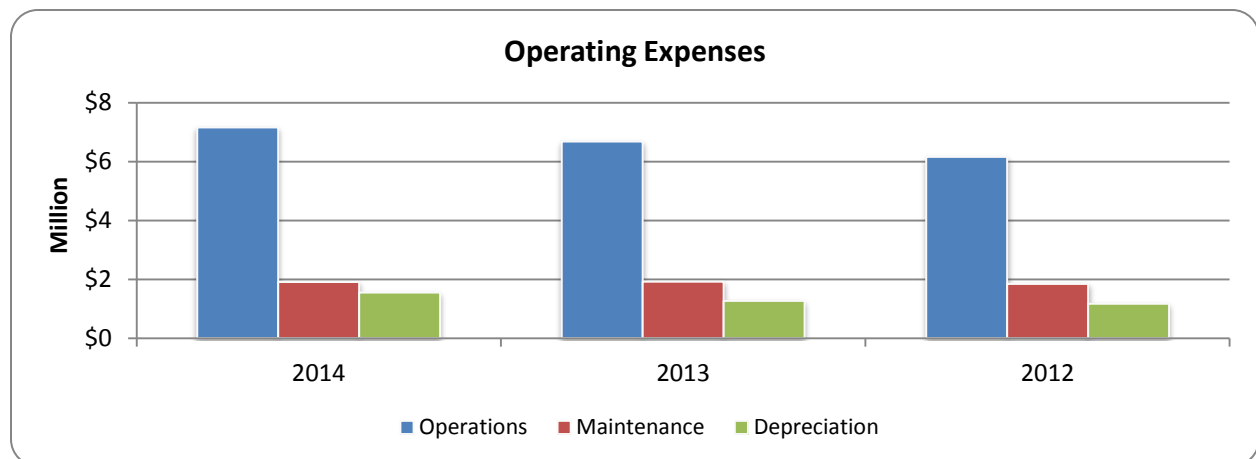
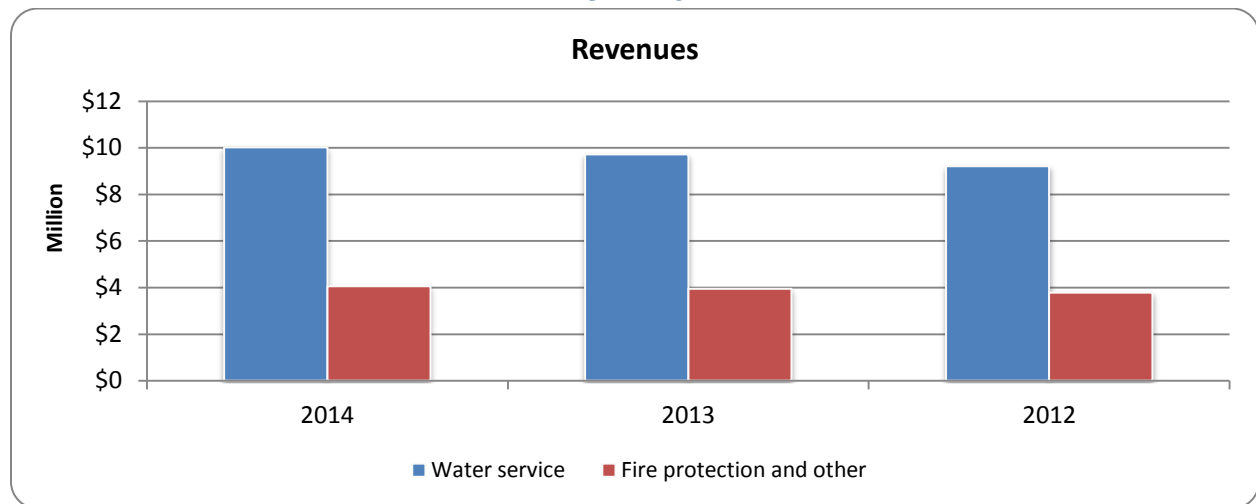


CHART 4

### NON-OPERATING REVENUES AND EXPENSES

Non-operating revenue includes interest earnings on investment assets and miscellaneous income. Interest incomes were \$74,188 and \$122,817, in the year ended May 31, 2014 and 2013 respectively.

## THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

The primary reason for reduction in the interest income was the expenditure of restricted funds held in cash equivalents and investment accounts for construction of capital assets.

Miscellaneous income was \$375,941, in the year ended May 31, 2014 and \$375,320, in the year ended May 31, 2013. This increase was due to additional rental income realized from the lease of space atop water towers to cellular phone companies.

The gross amount of Interest expenses, including amortization of issuance costs, bond premium and accruals, were \$3,010,240 and \$3,007,607, in the years ended May 31, 2014 and 2013, respectively. The amount of interest capitalized during the construction of capital assets were \$1,184,950 and \$781,500 and the net interest expenses were \$1,825,291 and \$2,226,107, in the fiscal years ended May 31, 2014 and 2013, respectively. The Water Authority has presented the interest expense, net of the capitalized portion, for the year ended May 31, 2013 and 2014. The \$2,945,386 interest paid during the year ended May 31, 2014 included \$1,285,556 for Series 2005 Bonds; \$214,412, for Series 2010A bonds; and \$1,501,500 for Series 2010B bonds. The interest paid on Series 2010B was net of a \$713,676 Federal subsidy.

### 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 \$68.1 million in capital assets, an increase of approximately \$4.2 million (6.6%) from the prior year.

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Land	\$ 167,708	\$ 167,708	\$ 167,708
Construction in progress	289,745	22,509,705	11,537,141
Wells and standpipes	2,725,027	2,705,737	2,657,422
Pumping and purification	21,065,839	11,234,460	11,230,913
Distribution system	38,332,125	36,782,613	35,492,957
Building, vehicles and	19,035,411	2,795,575	2,645,900
Total capital assets	81,615,855	76,195,798	63,732,041
Accumulated depreciation	(13,552,292)	(12,322,426)	(11,298,425)
Net capital assets	\$ 68,063,563	\$ 63,873,372	\$ 52,433,616

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

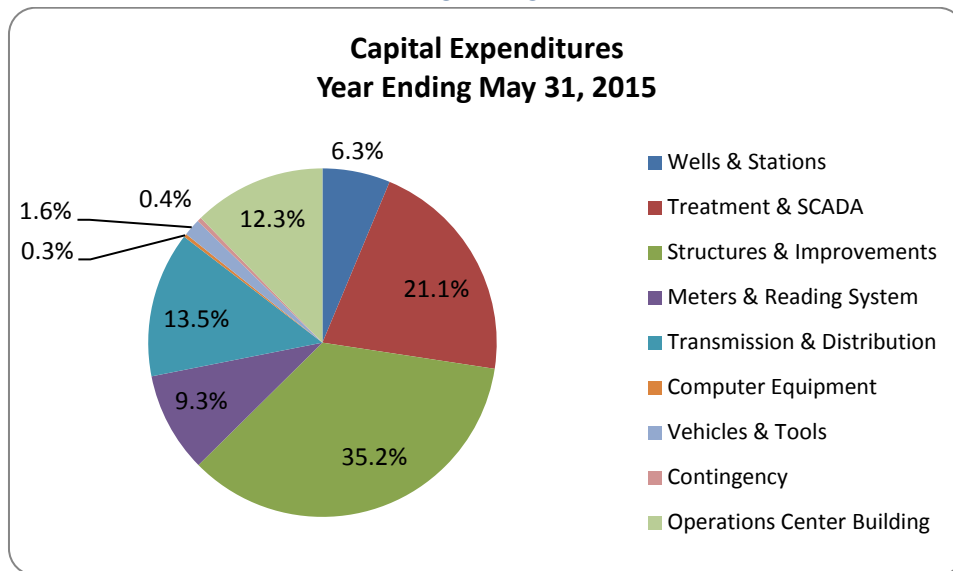
### MAJOR INCREASES IN CAPITAL ASSETS

The new capital plan covers the anticipated projects for the fiscal years 2014-2019. The total plan amount is \$35.7 million and will be financed by the proceeds of the 2010 Series A and B Bonds and projected new financing. The planned spending is aimed primarily at improvements to the treatment system and repair and replacement of transmission and distribution lines. The planned capital expenditures for the year ending May 31, 2015 and five years ending May 31, 2019 are as follows:

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

	Year Ending May 31, 2015	Years Ending May 31, 2015 to 2019
Wells and stations	\$ 450,000	\$ 7,838,500
Treatment and SCADA	1,500,000	13,450,000
Structures and improvements	2,500,000	4,717,000
Meters and reading system	656,000	2,509,410
Transmission and distribution	954,600	5,232,620
Computer equipment	21,900	125,800
Vehicles and tools	113,930	824,600
Contingency	25,000	125,000
Operations center building	875,000	875,000
Total projected capital expenditures	\$ 7,096,430	\$ 35,697,930

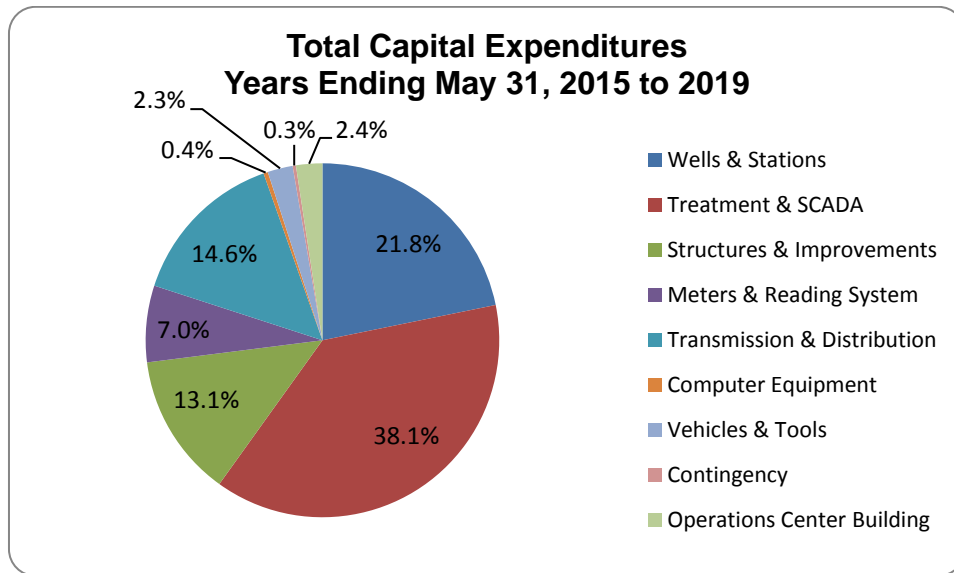
**CHART 5**



The major planned capital expenditures for the year ending May 31, 2015 include \$2.5 million (35.2%) for structures, \$1.5 million (21.1%) for treatment and SCADA, \$1 million (13.5%) for transmission and distribution and \$0.9 million (12.3%) for completion of operations center building (Chart 5). The capital expenditures of \$7.1 million for the year ended May 31, 2015, represents 10% increase in \$68.1 million capital assets net of depreciation, as of May 31, 2014.

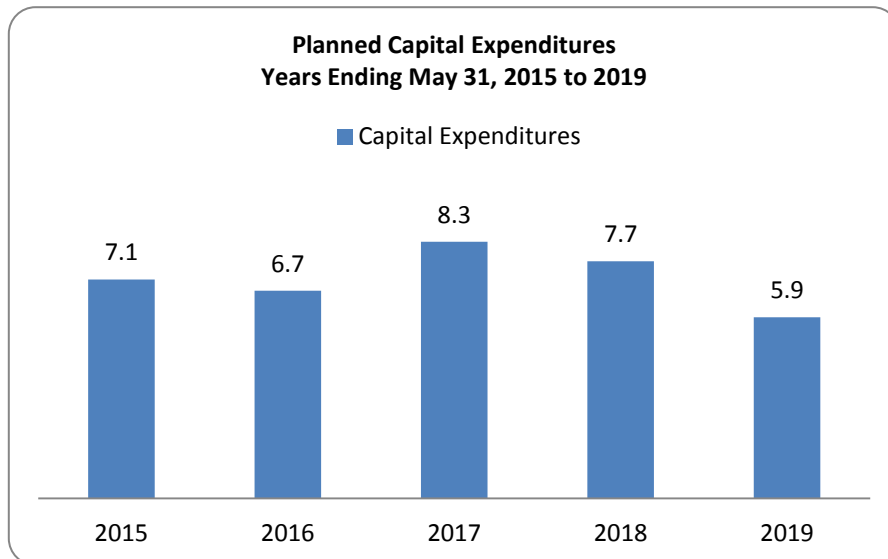
**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CHART 6**



Over the five years ending May 31, 2019, the expenditures for treatment and SCADA will be \$13.5 million (38.1%), for wells and stations \$7.8 million (21.8%), for transmission and distribution \$5.2 million (14.6%) and for meter and reading systems \$2.5 million (7%) of the total \$36 million capital expenditures (Chart 6). The planned annual capital expenditures for the years ending May 31, 2015 to 2019 are shown in the Chart 7:

**CHART 7**



**MAJOR ADDITIONS AND COMPLETED PROJECTS**

The Water Authority completed the construction and moved its headquarters to the new building located at 1580 Union Turnpike, New Hyde Park, New York. The new building is constructed on an owned, active well station and has enabled the Water Authority to eliminate over \$400,000 of lease cost, property taxes and maintenance charges which were annually incurred on its previously

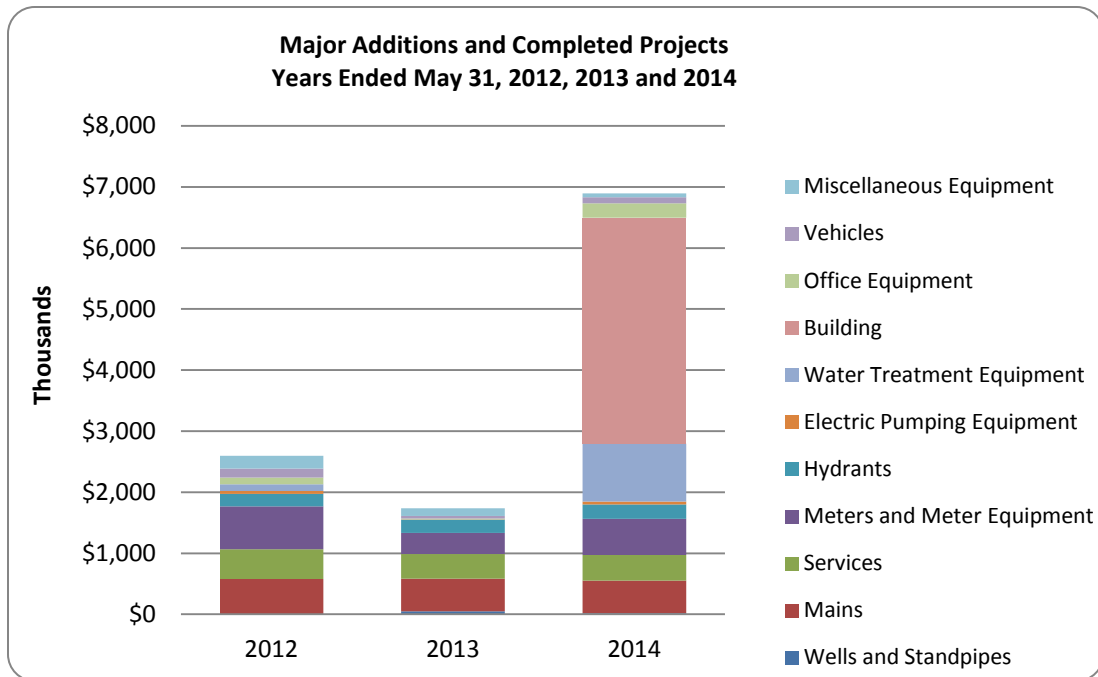
**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
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headquarters. The Water Authority also completed two Iron Removal Plants in Elmont and Franklin Square.

The major additions of completed projects put into service to the capital assets in the fiscal years ended May 31, 2014, 2013 and 2012 are presented in the following table and Chart 8:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Wells and Standpipes</b>			
Wells and standpipes	\$ 19,290	\$ 48,315	\$ -
<b>Distribution System</b>			
Mains	531,361	533,633	581,324
Services	419,587	405,336	483,645
Meters and meter equipment	594,671	344,052	703,616
Hydrants	236,956	218,381	206,745
<b>Pumping and Purification</b>			
Electric pumping equipment	44,072	705	45,655
Water treatment equipment	947,979	2,843	106,720
<b>Building and Vehicles</b>			
Building	3,700,094	-	-
Office equipment	235,288	15,604	113,063
Vehicles	101,451	43,411	146,640
Miscellaneous equipment	63,390	126,062	207,079
Total additions	\$ <u>6,894,139</u>	\$ <u>1,738,342</u>	\$ <u>2,594,487</u>

**CHART 8**



The major cost outlays with respect to capital assets relate to improvements in the Water Authority's water distribution system. The Water Authority spent \$531,361 for the completed construction and placement of water mains during the fiscal year ended May 31, 2014 compared to \$533,633 for the

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

same period ended May 31, 2013. The Water Authority spent \$594,671 related to the installation of meters and radio transmitters for those meters during the fiscal year ended May 31, 2014 compared to \$344,052 for the same period ended May 31, 2013. The completion costs of the operations headquarter and two Iron removal plants were \$3,700,094 and \$947,979, respectively.

**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  
OUTSTANDING PRINCIPALS  
May 31, 2014**

<b>Bond</b>		<b>Amount</b>
Serial Bonds 3.00% - 5.00%, due through 2026	\$	19,985,000
Term Bonds 5.00%, due 2030		2,015,000
Term Bonds 5.00%, due 2035		3,150,000
Total Series 2005	\$	<u>25,150,000</u>



**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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:

**WATER REVENUE BONDS, SERIES 2010  
SOURCES AND USES OF FUNDS**

	Series 2010A Amount	Series 2010B Amount	Total
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
Bond insurance cost	35,294	-	35,294
Costs of issuance	69,720	394,068	463,788
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  
OUTSTANDING PRINCIPALS  
MAY 31, 2014**

Bond	Amount
Water Revenue Bonds Series 2010	
Serial Bonds A 2.00% - 4.00%, due through 2020	\$ 5,400,000
Term Bonds B 6.00% - 6.70%, due through 2040 *	33,965,000
Total Series 2010	<u>\$ 39,365,000</u>

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

## **THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS**

The amounts of principal and interest paid were \$1,595,000 and \$2,945,386 respectively, during the fiscal year ended May 31, 2014, as compared to principal and interest payments of \$1,550,000 and \$2,997,786, respectively, in the prior year.

The Water Authority plans to go out for new financing to fund future construction plans. The increases in the net position of the Water Authority are expected to improve the current leverage. On February 5, 2014, Fitch Ratings affirmed the 'AA-' rating of the Water Authority's Series 2005, 2010A and 2010B (taxable Build America Bonds). Fitch noted that the rating outlook is stable; outstanding parity bonds are secured by a first lien on net revenues of the water authority and affordable user charges provide ample flexibility to sufficiently offset the authority's somewhat below-average financial metrics. The authority's demonstrated willingness and ability to set rates independent of outside regulation is a key credit consideration.

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.

### **Reclassifications and Restatement of Bond Issuance Costs and Refunding Loss**

In the year ended May 31, 2013, the Water Authority opted for the early adoption of the Government Accounting Standards Board's Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and accordingly restated all previous financial statements presented. For the Series 2005 Bonds, the bond issuance costs of \$363,319 was reclassified as expense and the prepaid bond insurance costs of \$149,459 was reported as an asset in the statement of net position, as of May 31, 2006. Also, For the Series 2010A and Series 2010B Bonds, bond issuance costs of \$463,787 was reclassified as expense and the prepaid insurance costs of \$35,294 was reported as an asset in the statement of net position, as of May 31, 2011. Prepaid insurance costs are recognized as an expense in a systematic manner over the duration of the related bonds.

According to Government Accounting Standards Board Statement No. 65, the net loss on refunding related to the issuance of Series 2005 Bonds was reclassified and reported as a deferred outflow of resources in the statements of all periods presented. It is also recognized as a component of interest expense in a systematic manner over the shorter remaining life of the Bonds.

Certain reclassifications were also made to the fiscal year ended 2013 financial statements to conform to the fiscal 2014 presentation.

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

During the year ended May 31, 2014, the Water Authority's utilized \$4.0 million net cash flows from operations, \$4.5 million non-capital financing and \$0.7 million of cash to finance \$9.2 million expenditures for expanding and improving its capital assets and paying its debt service charges of \$4.5 million.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Water Authority's debt coverage ratio was as follows:

<b>Cash Available and Debt Service Requirement</b>	<b>Amount</b>
Operating income	\$ 3,462,974
Add:	
Depreciation and amortization	1,936,732
Interest and other income	<u>450,129</u>
Total cash available for coverage	5,849,835
Debt service requirements:	
Interest payments	2,945,386
Principal payments	<u>1,595,000</u>
Total debt service requirements	\$ <u>4,540,386</u>
Coverage Ratio	1.3
Coverage requirement as per Water System Revenue Bonds, Series 2010 and 2005	1.2

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 \$17,614,716 and \$22,708,240, on May 31, 2014 and 2013, respectively. The decrease of \$5,093,524 (22.4%) in cash and investment was primarily the result of acquiring additional capital assets and paying debt service charges. The acquisition of new capital assets is reflected in the decrease of \$4,951,296 (51.6%) and \$10,062,027 (52.1%), in Bond Construction Fund cash, cash equivalents, on May 31, 2014 and 2013, respectively. To raise the availability of funds for construction, the Water Authority increased the proportion of the Construction Funds held in cash and equivalents, from 49%, on May 31, 2012 to 60%, on May 31, 2013 and 93%, on May 31, 2014.

The amount of cash, cash equivalents and investment in Bond reserve funds increased by \$69,401 (1.0%), from \$7,004,753 on May 31, 2013 to \$7,074,154 on May 31, 2014. The increase in Bond reserve funds was \$105,697 (1.5%), in the previous year.

On May 31, 2014, the cash and cash equivalents of \$16,675,749, included \$4,059,738 (24.3%) of unrestricted and \$12,616,011 (75.7%) restricted amounts. Cash equivalents included \$10,448,729 invested in Dreyfus Government Prime Cash Management 557 Fund and \$2,411,952 of short-term the US Treasury bills. Dreyfus money market funds invest only in the securities of the US government or the US government agencies and enterprises. The amount of restricted investments was \$938,967, of which \$309,969 (33.0%) was invested in Treasury Notes and \$628,998 (67.0%) in the US Treasury Bonds. As of May 31, 2014, the maturities of investment in the Water Authority's US treasury securities were as follows:

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

<b>Restricted Investments Held by Trustee</b>					
<b>Fund</b>	<b>Investment</b>	<b>Maturity Date</b>	<b>Fair Value</b>	<b>Percent of Total</b>	<b>Term (Days)</b>
Bond construction fund	US Treasury Notes	6/30/2014	\$ 309,969	33%	30
Bond reserve fund	US Treasury Bonds	2/15/2015	628,998	67%	260
			<u>\$ 938,967</u>	<u>100%</u>	

The total restricted investment of \$938,967 was composed of \$916,949 of investments at fair market value, plus \$22,018 accrued interest.

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 and Bonds with maturities of less than one year. All deposits were with a major national bank and were insured by FDIC or collateralized over 102% by the securities held by the Bank of New York Mellon under a tri-party collateral agreement.

**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 ended May 31, 2014 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 2013 the US Census Bureau estimates, Nassau County's population was 1,352,146. That was a 1.3% increase from the 1,334,546 residents in 2000.

The population breakdown by towns within Nassau County for 2010 and 2000 is as follows:

<b>NASSAU COUNTY</b>	<b>2010 (a)</b>	<b>2000 (b)</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
<b>TOTAL NASSAU COUNTY</b>	<b>1,339,532</b>	<b>1,334,546</b>

- 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, 2014. The unemployment rate in Nassau County has continued to be lower than

## **THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS**

national and State of New York and New York City averages. The average unemployment rates in the County of Nassau decreased from 6% to 4.8% from May 2013 to May 2014. The unemployment rates for the City of New York, State of New York and United States as a whole were 7.7%, 6.4% and 6.3% respectively in May 2013 as compared to 8.3%, 7.6%, and 7.6% in May 2012.

Over the year ended May 31, 2014, the Consumer Price Index for All Urban Consumers (CPI-U) rose 1.9 percent, and the index for all items less food and energy increased 1.7 percent. The 12-month percentage increase in both indexes has been 2.0 percent or less since December 2013. Higher prices for shelter drove the 12-month change in both indexes.

Over the year, the food index increased 2.0 percent. The 12-month percentage change in prices for food at home was 2.6, compared to a 1.2-percent rise in prices for food away from home.

From May 2013 to May 2014, energy prices rose 3.9 percent, reflecting a 6.3-percent increase in electricity prices, tempered by a 1.8-percent decrease in natural gas prices. Gasoline prices, up 3.6 percent over the year, also contributed to the overall increase in energy prices. For the year ended May 2014, the index for all items less food and energy advanced 1.7%. Shelter prices increased 3.2%—owners' equivalent rent rose 3.2% and residential rent, 3.1%. Other expenditure increases included medical care (3.2%), other goods and services (1.2%), and education and communication (0.5%).

The Water Authority has prepared and published an operating plan for the year ending May 31, 2015 and forecast of revenues, expenses and changes in net position, for the four years ending May 31, 2019. For the year ending May 31, 2015, the total operating revenues, operating expenses and operating income are estimated to be \$15.2, \$10.5 and \$4.7 million, respectively. Non-operating revenues and expenses are estimated to be \$.5 and \$3.0 million, respectively. The increase in net position is estimated to be approximately \$2.1 million (12.1%). The amount of \$0.2 million of the revenues is planned to be added to the rate stabilization fund. The forecasts for the year ending May 31, 2015 are based on 5.5% change in revenue requirement, 7% change in customer rate, average annual residential bill of \$404 and average annual commercial bill of \$ \$1,785.

For the year ending May 31, 2015, the forecasted revenues, expenses and changes in net position are as follows:

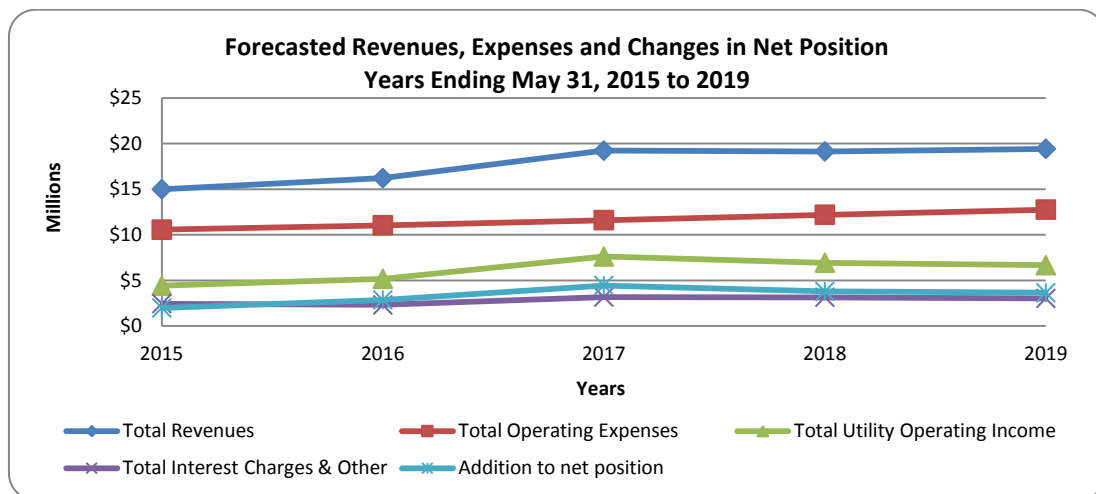
**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FORECASTED REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDING MAY 31, 2015**

	<u>Amount</u>
<b>Operating Revenues</b>	
Residential	\$10,813,400
Commercial	1,918,900
Fire hydrants	2,277,000
Private fire	118,100
Other revenue	71,000
Total operating revenues	15,198,400
<b>Operating Expenses</b>	
Operation and maintenance	9,109,740
Depreciation	1,448,000
Total operating expenses	10,557,740
Total utility operating income	4,640,660
<b>Non-operating revenues and expenses</b>	
Interest on long-term debt	2,939,600
Amortization expenses	36,600
Interest and other income	(530,100)
Net non-operating expenses	2,446,100
Increase in net position	\$2,194,560

In planning the future revenues the key considerations have been the forecast of water consumption and adjustment of the water rates to meet the debt service requirements, expected rises in capital and operating costs. The annual change in the customer rate, required to meet revenue plans are estimated to be 9%, 10%, 7% and 1%, for the years ending May 31, 2016, 2017, 2018 and 2019 (Chart 9). The average residential and commercial bill is estimated to rise by 30.6% to \$523 and \$2,330, respectively, in the year ending May 31, 2019.

**CHART 9**



## THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

### CONTACTING THE WATER AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, creditors and public with a general overview of the Water Authority's finances and to demonstrate 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 1580 Union Turnpike, New Hyde Park, NY 11040.



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## BASIC FINANCIAL STATEMENTS





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

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,059,739	\$ 4,318,014
Accounts receivable:		
Billed, net of \$25,000 allowance for doubtful accounts	678,043	535,186
Unbilled	1,810,000	2,241,000
Prepayments and other current assets	205,946	137,527
Materials and supplies, at weighted average cost	<u>235,586</u>	<u>253,955</u>
Total current assets	6,989,314	7,485,682
Noncurrent assets:		
Restricted cash and cash equivalents		
Rate stabilization fund	570,000	560,000
Bond construction fund	4,338,021	5,787,513
Bond reserve fund	6,445,157	5,484,893
Bond payment fund	232,945	234,875
Customer deposits	1,029,887	990,612
Restricted investments held by trustees		
Bond construction fund	309,970	3,811,774
Bond reserve fund	628,997	1,519,860
Capital assets		
Non-depreciable	457,453	22,757,373
Depreciable	67,606,110	41,115,999
Other assets		
Unamortized bond issue cost	141,206	149,558
Other assets	<u>425,121</u>	<u>537,927</u>
Total noncurrent assets	<u>82,184,867</u>	<u>82,950,384</u>
<b>Total assets</b>	\$ 89,174,181	\$ 90,436,066
<b>Deferred Outflows of Resources</b>		
Deferred charges on refinancing	<u>1,132,345</u>	<u>1,201,753</u>
Total deferred outflow of resources	1,132,345	1,201,753

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>2014</u>	<u>2013</u>
<b>Liabilities and Net position</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,371,081	\$ 3,301,160
Deferred revenue	466,723	568,843
Accrued interest payable	377,905	383,460
Customer advance on construction	87,366	100,370
Water revenue bond payable	1,640,000	1,595,000
Due to employee retirement system	48,840	124,500
Accrued vacation and sick leave	<u>40,000</u>	<u>40,000</u>
Total current liabilities	4,031,915	6,113,333
Noncurrent liabilities:		
Water revenue bonds payable	62,875,000	64,515,000
Unamortized premium on revenue bonds	1,340,818	1,409,806
Customer deposits	1,089,817	1,050,528
Other post employment benefits	2,059,485	1,734,981
Accrued vacation and sick leave	<u>820,100</u>	<u>788,100</u>
Total noncurrent liabilities	<u>68,185,220</u>	<u>69,498,415</u>
<b>Total liabilities</b>	72,217,135	75,611,748
<b>Net Position</b>		
Net investment in capital assets	15,436,386	14,543,793
Restricted for rate stabilization	570,000	560,000
Unrestricted	<u>2,083,005</u>	<u>922,278</u>
<b>Total net position</b>	<u>\$ 18,089,391</u>	<u>\$ 16,026,071</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,**

	<u>2014</u>	<u>2013</u>
<b>Operating revenues:</b>		
Residential	\$ 10,023,162	\$ 9,715,394
Commercial	1,749,134	1,760,453
Fire protection	2,239,254	2,109,979
Other water revenues	<u>66,316</u>	<u>71,021</u>
Total operating revenues	14,077,866	13,656,847
<b>Operating expenses:</b>		
Operations	7,155,325	6,682,648
Maintenance	1,913,099	1,924,246
Depreciation	<u>1,546,468</u>	<u>1,271,165</u>
Total operating expenses	<u>10,614,892</u>	<u>9,878,059</u>
<b>Operating income</b>	3,462,974	3,778,788
<b>Non-operating revenues (expenses):</b>		
Interest income	74,188	122,817
Miscellaneous income, net	375,941	375,320
Interest on long-term debt, net	(1,825,291)	(2,226,107)
Other amortization, net	<u>(24,492)</u>	<u>(24,000)</u>
Net non-operating expenses	<u>(1,399,654)</u>	<u>(1,751,970)</u>
<b>Change in net position</b>	2,063,320	2,026,818
Net position - beginning	<u>16,026,071</u>	<u>13,999,253</u>
<b>Total net position - ending</b>	<u>\$ 18,089,391</u>	<u>\$ 16,026,071</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,**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 14,366,009	\$ 13,236,314
Payments to suppliers for goods or services	(6,568,860)	(2,287,306)
Rental property revenues	375,941	375,320
Payments for employee services	<u>(4,173,365)</u>	<u>(4,218,072)</u>
Net cash provided by operating activities	3,999,725	7,106,256
<b>Cash flows from capital and related financing activities:</b>		
Repayment of water revenue bonds	(1,595,000)	(1,550,000)
Acquisition of capital assets	(5,749,663)	(12,790,718)
Interest paid on water revenue bonds	<u>(1,822,074)</u>	<u>(2,216,286)</u>
Net cash used by Capital and related financing activities	(9,166,737)	(16,557,004)
<b>Cash flows from non-capital financing activities:</b>		
<b>Cash flows from investing activities:</b>		
Decrease of fixed income securities	4,392,667	9,476,466
Interest and dividends received	<u>74,187</u>	<u>122,816</u>
Net cash provided by investing activities	<u>4,466,854</u>	<u>9,599,282</u>
Net increase (decrease) in cash and cash equivalents	(700,158)	148,534
Cash and equivalents, beginning of year	<u>17,375,907</u>	<u>17,227,373</u>
<b>Cash and equivalents, end of year</b>	<u><u>\$ 16,675,749</u></u>	<u><u>\$ 17,375,907</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,**

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 3,462,974	\$ 3,778,788
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,546,468	1,271,165
Rental Income	375,941	375,320
Changes in operating assets and liabilities:		
Accounts receivable	(142,857)	(129,533)
Accrued unbilled revenue	431,000	(291,000)
Prepaid expenses and other assets	(68,418)	67,983
Inventory of materials and supplies	18,369	(35,442)
Other assets	88,314	(43,186)
Accounts payable and accrued expenses	(1,930,079)	1,808,402
Deferred revenues	(102,120)	(93,171)
Due to employee retirement system	(75,660)	19,900
Customer deposits	39,289	41,296
Other post employment benefits	324,504	326,534
Compensated absences	<u>32,000</u>	<u>9,200</u>
<b>Net cash provided by operating activities</b>	<u>\$ 3,999,725</u>	<u>\$ 7,106,256</u>

Non-cash transactions: Write off of \$ 361,601 fully depreciated capital assets.

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

## **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 follows:

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 \$570,000 as of May 31, 2014.

*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, 2014 was \$4,647,991 of which \$4,338,021 was in cash and cash equivalents and the balance of \$309,970 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, 2014, the total amount of Bond Reserve Funds was \$7,074,154 of which \$6,445,157 (91.1%) was in cash and cash equivalents and \$628,997 (8.9%) was invested in fixed income US Treasury bonds. The Water Authority considers the expected changes in treasury yield curve in determining the optimal allocation of its debt reserve funds between cash and cash equivalents and investments.

*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, 2014, the amount in the Bond Fund cash and cash equivalents was \$232,945.

*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, 2014 and 2013. 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.

The interest expenses are shown net of the capitalized portion, in the financial statements for the years ended May 31, 2014 and 2013.

### *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 insurance on long-term debt and the loss on the early retirement of refunded debt is amortized in relation to principal repayment over the life of the issue.

The amortization of bond insurance costs were \$8,352 and \$6,816 and the bond premium were \$68,988 and \$58,567, during the years ended May 31, 2014 and 2013, 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.

### *Deferred Inflows of Resources/Deferred Outflows of Resources*

The GASB has issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. In compliance with GASB 63, the Statement of Net Assets has been renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The GASB has also issued Statement 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. The statement is effective for periods beginning after December 15, 2012, although the Water Authority has elected early implementation with the financial statements for the year ended May 31, 2013.

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has only one item that qualifies for reporting in this category – the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred over the shorter of the life of the refunded or refunding debt.

### *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*, and GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*

GASB Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Under GASB Statement No. 66, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement modifies the specific guidance on accounting for operating lease payments that vary from a straight-line basis, the difference between the initial investment and the principal amount of a purchased loan or group of loans, and servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate.

The provisions of Statements No. 65 and No. 66 are effective for periods beginning after December 15, 2012. The Water Authority chose the early adoption of the GASB Statements No. 65 and No. 66 and accordingly restated the prior period financial statements presented.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. For defined benefit pension plans, this Statement establishes standards of



financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented.

The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer is required to recognize a liability for its proportionate share of the net pension liability of the collective net pension liability, on a basis that is consistent with the manner in which contributions to the pension plan are determined. The employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

In the notes to financial statements, the employers should identify the discount rate; assumptions made in the measurement of their proportionate shares of net pension liabilities and disclose information about how their contributions to the pension plan are determined. Also, the employer should disclose as Required Supplementary Information (RSI) 10-year schedules containing (1) the net pension liability and certain related ratios and (2) if applicable, statutorily or contractually required contributions and related ratios. The Water Authority has adopted this Statement and it is effective for fiscal year ending May 31, 2016.

In January 2013, GASB issued Statement No. 69 Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations and require measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. The notes to the financial statements should disclose information about government combinations and disposals of operations to enable the reader to evaluate the nature and financial effects of those transactions. The provisions of Statement 69 are effective in financial reporting periods beginning after December 15, 2013. The adoption of this statement does not affect the financial statements of the Water Authority.

In April 2013 GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred.

The provisions of Statement No. 70 are effective for financial statements for reporting beginning after June 15, 2013. Earlier application is encouraged. The adoption of this statement does not affect the financial statements of the Water Authority.

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent To the Measurement Date—An Amendment of GASB Statement No. 68. This Statement amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred

outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The guidance amends GASB Statement No. 68 and is required to be applied simultaneously with the provisions of GASB Statement No. 68, which is effective for financial statements of the Water Authority for the year ending May 31, 2016.

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

As of May 31, 2014 and 2013, the carrying amount petty cash, cash and cash equivalents and investment in cash equivalent and other investment consisted of the following:

	<b>2014</b>	<b>2013</b>
Petty cash	\$ 700	\$ 700
Cash and cash equivalents	16,675,049	17,375,907
Investments	938,967	5,331,633
Total	\$ 17,614,716	\$ 22,708,240

As of May 31, 2014 and 2013, the carrying amount of deposits, cash and cash equivalents were as follows:

	<b>2014</b>	<b>2013</b>
<b>Unrestricted</b>		
Deposit in banks	\$ 1,951,684	\$ 2,209,959
Money Market Funds	2,107,355	2,107,355
Petty cash	700	700
Total unrestricted cash and cash equivalents	4,059,739	4,318,014
<b>Restricted</b>		
Bank Deposit	262,798	1,042,670
Money Market Funds and US Treasury Bills	12,353,212	12,015,223
Total restricted cash and cash equivalents	12,616,010	13,057,893
Total cash and cash equivalents	\$ 16,675,749	\$ 17,375,907

**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.

The Water Authority’s cash accounts are secured by the appropriate amount from the FDIC with all remaining amounts covered by fully pledged collateral securities, at over 102% of the amounts on deposit. All pledged collateral are classified in the highest category by being held by the Bank of New York Mellon under a tri-party collateral agreement in the Water Authority’s name. All time and savings deposits and demand deposits of the Water Authority are held in insured depository institution within the State of New York and are separately insured up to \$250,000.

## *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, 2014 and 2013, the Water Authority's investment, including the investment in cash equivalents was as follows.

	May 31, 2014			May 31, 2013		
	Fair Value	S&P-AAAm Moody's- Aaa-mf NAIC-Class 1	US Treasury Securities	Fair Value	S&P-AAAm Moody's- Aaa-mf NAIC-Class 1	US Treasury Securities
Dreyfus Government Prime Cash Management 557	\$10,448,729	\$10,448,729	-	\$7,680,440	\$7,680,440	-
Dreyfus Cash Management 566	-	-	-	337,856	337,856	-
US Treasury Bills	2,411,952	-	\$2,411,952	2,446,315	2,446,315	-
US Treasury Notes	309,969	-	309,969	5,070,163	314,057	\$4,756,106
US Treasury Bonds	628,997	-	628,997	261,471	-	261,471
Total	\$13,799,647	\$10,448,729	\$3,350,918	\$15,796,245	\$10,778,668	\$5,017,577

At May 31, 2014, all Water Authority funds were invested in credit risk free US Treasury Securities and 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. 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, 2014, the maturity dates of the Water Authority's investment securities were as follows:

	<u>Fair Value</u>	<u>3 Months or Less</u>	<u>Less than 12 Months</u>
Dreyfus Government Prime Cash Management 557	\$ 10,448,729	\$ 10,448,729	-
US Treasury Bills	2,411,952	2,411,952	-
US Treasury Notes	309,969	309,969	-
US Treasury Bonds	628,997	-	\$ 628,997
Total	\$ <u>13,799,647</u>	\$ <u>13,170,650</u>	\$ <u>628,997</u>

On May 31, 2013, the maturity dates of the Water Authority's investment securities were as follows:

	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>13 to 21 Months</u>
Dreyfus Government Prime Cash Management 557	\$ 7,680,440	\$ 7,680,440	\$ -
Dreyfus Cash Management 566	337,856	337,856	-
US Treasury Bills	2,446,315	2,446,315	-
US Treasury Notes	5,070,163	314,057	4,756,106
US Treasury Bonds	261,471	-	261,471
Total	\$ <u>15,796,245</u>	\$ <u>10,778,668</u>	\$ <u>5,017,577</u>

The Weighted Average Maturity of Dreyfus Government Prime Cash Management 557 has 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, 2014 and 2013, the cost and the accumulated depreciation of the property, plant and equipment were as follows:

	<u>2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>2014</u>
Capital assets not subject to depreciation:				
Land and land rights	\$ 167,708	\$ -	\$ -	\$ 167,708
Construction in progress	<u>22,509,705</u>	<u>7,007,944</u>	<u>(29,227,904)</u>	<u>289,745</u>
Total capital assets not being depreciated	22,677,413	7,007,944	(29,227,904)	457,453
Capital assets being depreciated:				
Wells and standpipes	2,705,737	19,290	-	2,725,027
Pumping and purification	11,234,460	9,831,379	-	21,065,839
Distribution system	36,782,613	1,782,575	(233,063)	38,332,125
Building, vehicles and equipment	<u>2,795,575</u>	<u>16,359,976</u>	<u>(120,140)</u>	<u>19,035,411</u>
Total capital assets being depreciated	53,518,385	27,993,220	(353,203)	81,158,402
Less accumulated depreciation:				
Wells and standpipes	(1,046,805)	(64,805)	-	(1,111,610)
Pumping and purification	(4,427,499)	(312,259)	-	(4,739,758)
Distribution system	(4,585,010)	(772,217)	228,060	(5,129,167)
Building, vehicles and equipment	<u>(2,263,112)</u>	<u>(397,186)</u>	<u>88,541</u>	<u>(2,571,757)</u>
Total accumulated depreciation	<u>(12,322,426)</u>	<u>(1,546,467)</u>	<u>316,601</u>	<u>(13,552,292)</u>
Total net capital assets being depreciated	<u>41,195,959</u>	<u>26,446,751</u>	<u>(36,602)</u>	<u>67,606,110</u>
Total net capital assets	<u>\$ 63,873,372</u>	<u>\$ 33,454,695</u>	<u>\$ (29,264,506)</u>	<u>\$ 68,063,563</u>

As of May 31, 2013 and 2012, the cost and the accumulated depreciation of the property, plant and equipment were as follows:

	<u>2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>2013</u>
Capital assets not subject to depreciation:				
Land and land rights	\$ 167,708	\$ -	\$ -	\$ 167,708
Construction in progress	<u>11,537,141</u>	<u>10,972,564</u>	<u>-</u>	<u>22,509,705</u>
Total capital assets not being depreciated	11,704,849	10,972,564	-	22,677,413
Capital assets in service being depreciated:				
Wells and standpipes	2,657,422	48,315	-	2,705,737
Pumping and purification	11,230,912	3,548	-	11,234,460
Distribution system	35,492,958	1,501,402	(211,748)	36,782,612
Building, vehicles and equipment	<u>2,645,900</u>	<u>185,093</u>	<u>(35,418)</u>	<u>2,795,575</u>
Total capital assets being depreciated	52,027,192	1,738,358	(247,166)	53,518,384
Less accumulated depreciation for:				
Wells and standpipes	(983,219)	(63,586)	-	(1,046,805)
Pumping and purification	(4,115,888)	(523,359)	211,748	(4,427,499)
Distribution system	(4,048,155)	(572,273)	35,418	(4,585,010)
Building, vehicles and equipment	<u>(2,151,163)</u>	<u>(111,948)</u>	<u>-</u>	<u>(2,263,111)</u>
Total accumulated depreciation	<u>(11,298,425)</u>	<u>(1,271,166)</u>	<u>247,166</u>	<u>(12,322,425)</u>
Total net capital assets being depreciated	<u>40,728,767</u>	<u>467,192</u>	<u>-</u>	<u>41,195,959</u>
Total net capital assets	<u>\$ 52,433,616</u>	<u>\$ 11,439,756</u>	<u>\$ -</u>	<u>\$ 63,873,372</u>

As of May 31, 2014 and 2013, the amounts of capitalized interest included in construction in progress were \$1,184,950 and \$781,500, respectively. The \$29,227,904 decrease in the cost of construction in progress was primarily due to the completion of the water treatment facility in Franklin Square and the operating headquarters building on New Hyde Park.

#### **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, 2014 is as follows:

	<b>May 31, 2013</b>	<b>Decreases</b>	<b>May 31, 2014</b>	<b>Due in One Year</b>	<b>Noncurrent Portion</b>
Water System Revenue Bonds payable	\$ 66,110,000	\$ (1,595,000)	\$ 64,515,000	\$ 1,640,000	\$ 62,875,000
Adjustment for deferred amounts:					
Unamortized premium on 2005 Series	1,316,964	(59,484)	1,257,480	-	1,257,480
Unamortized premium on Series 2010A	92,842	(9,504)	83,338	-	83,338
<b>Total Revenue Bonds</b>	<b>\$ 67,519,806</b>	<b>\$ (1,618,988)</b>	<b>\$ 65,855,818</b>	<b>\$ 1,640,000</b>	<b>\$ 64,215,818</b>

A summary of changes in Revenue Bonds Payable for the year ended May 31, 2013 is as follows:

	<b>May 31, 2012</b>	<b>Decreases</b>	<b>May 31, 2013</b>	<b>Due in one year</b>	<b>Noncurrent portion</b>
Water System Revenue Bonds payable	\$ 67,660,000	\$ (1,550,000)	\$ 66,110,000	\$ 1,595,000	\$ 64,515,000
Adjustment for deferred amounts:					
Unamortized premium on 2005 Series	1,374,564	(57,600)	1,316,964	-	1,316,964
Unamortized premium on Series 2010A	93,809	(967)	92,842	-	92,842
<b>Total Revenue Bonds</b>	<b>\$ 69,128,373</b>	<b>\$ (1,608,567)</b>	<b>\$ 67,519,806</b>	<b>\$ 1,595,000</b>	<b>\$ 65,924,806</b>

The outstanding Water System Revenue Bonds at May 31, 2014 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	\$19,985,000
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
<b>Total Series 2005</b>				<b>33,065,000</b>	<b>25,150,000</b>
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	5,400,000
<b>Total Series A Bonds</b>				<b>6,925,000</b>	<b>5,400,000</b>
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
<b>Total Series B</b>				<b>33,965,000</b>	<b>33,965,000</b>
<b>Total Series 2010 Bonds</b>				<b>40,890,000</b>	<b>39,365,000</b>
<b>Total</b>				<b>\$73,955,000</b>	<b>\$64,515,000</b>

At May 31, 2014, debt service requirements to maturity for the Bond Series 2010 and 2005 were as follows:

**SERIES 2005 BONDS**

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,265,000	\$ 1,244,850	\$ 2,509,850
2016	1,320,000	1,194,250	2,514,250
2017	1,385,000	1,128,250	2,513,250
2018	1,455,000	1,059,000	2,514,000
2019	1,525,000	986,250	2,511,250
2020-2024	8,845,000	3,708,750	12,553,750
2025-2029	5,665,000	1,536,500	7,201,500
2030-2034	3,000,000	637,500	3,637,500
2035	690,000	34,500	724,500
Total	\$ <u>25,150,000</u>	\$ <u>11,529,850</u>	\$ <u>36,679,850</u>

**SERIES 2010A BONDS**

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 375,000	\$ 205,162	\$ 580,162
2016	935,000	193,913	1,128,913
2017	965,000	161,187	1,126,187
2018	1,000,000	125,000	1,125,000
2019	1,040,000	85,000	1,125,000
2020	1,085,000	43,400	1,128,400
Total	\$ <u>5,400,000</u>	\$ <u>813,662</u>	\$ <u>6,213,662</u>

**SERIES 2010B BONDS**

<u>Date</u>	<u>Principal</u>	<u>Gross Interest</u>	<u>Subsidy</u>	<u>Net Interest</u>	<u>Total Gross</u>	<u>Total Net</u>
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		2,215,180	(775,313)	1,439,867	2,215,180	1,439,867
2018		2,215,180	(775,313)	1,439,867	2,215,180	1,439,867
2019		2,215,180	(775,313)	1,439,867	2,215,180	1,439,867
2020-2024	4,775,000	10,659,615	(3,730,865)	6,928,750	15,434,615	11,703,750
2025-2029	7,125,000	8,782,909	(3,074,018)	5,708,891	15,907,909	12,833,891
2030-2034	8,765,000	6,263,755	(2,192,314)	4,071,441	15,028,755	12,836,441
2035-2039	10,840,000	3,065,372	(1,072,880)	1,992,492	13,905,372	12,832,492
2040	2,460,000	164,845	(57,696)	107,149	2,624,845	2,567,149
Total	\$ <u>33,965,000</u>	\$ <u>40,012,396</u>	\$ <u>(14,004,338)</u>	\$ <u>26,008,058</u>	\$ <u>73,977,396</u>	\$ <u>59,973,058</u>

## NOTE 6 – OTHER LONG-TERM LIABILITIES

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

	<u>May 31, 2013</u>	<u>Addition</u>	<u>Reduction</u>	<u>May 31, 2014</u>	<u>Due in 1- year</u>	<u>Noncurrent Liability</u>
Accrued vacation and sick leave	\$828,100	\$71,900	\$(40,000)	\$860,000	\$40,000	\$820,000

## 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</u>
2014	\$724,700
2013	696,900
2012	595,700

### *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, 2014 had net OPEB obligation of \$2,059,485.

### *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, 2014 the liability for accrued vacation and sick days was \$335,000 and \$525,100, respectively.

## **NOTE 8 – NET POSITION**

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

	<b>2014</b>	<b>2013</b>
<b>Invested in capital assets net of related debt:</b>		
Capital assets, net of accumulated depreciation	\$ 68,063,562	\$ 63,873,372
Less: related debt		
Revenue bonds payable	(64,515,000)	(66,110,000)
Bond premium	(1,340,818)	(1,409,806)
Loss on defeasance of 1996 Bonds	1,132,345	1,201,753
Unspent debt proceeds in construction and reserve funds	11,955,091	16,838,915
Bond issue costs	141,206	149,559
Total invested in capital assets, net of related debt	15,436,386	14,543,793
<b>Restricted for Rate Stabilization and Customer Deposits:</b>		
Restricted cash and equivalents	1,599,887	1,550,612
Deductions:		
Customer deposits	(1,029,887)	(990,612)
Total restricted for capital activity and debt service	570,000	560,000
Unrestricted	2,083,005	922,278
<b>Total net assets</b>	<b>\$ 18,089,391</b>	<b>\$ 16,026,071</b>

## **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, 2013, the effective date of the annual OPEB valuation, is as follows:

<u>Participants</u>	<u>Number</u>	<u>Average Age</u>
Active employees	48	47
Retired employees	6	66
Total	54	

### *Funding Policy*

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

### *Annual Other Postemployment Benefit Cost*

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 2014 and 2013 were as follows:

*Annual OPEB Cost and Net OPEB Obligation*

<b>Fiscal year ending May 31,</b>		<b>2014</b>	<b>2013</b>
A	Annual required contribution (ARC)	\$ 387,517	\$ 379,457
B	Net OPEB obligation (NOO), beginning balance	1,734,981	1,408,447
C	Interest on NOO at 4.5%	78,074	63,380
D	Adjustment to ARC (NOO/17.02)	(101,938)	(82,752)
E	Annual OPEB cost (AOC)	363,653	360,085
F	Less: amount contributed	(39,149)	(33,551)
G	Change in net OPEB obligation	324,504	326,534
H	Net OPEB obligation, ending balance	\$ 2,059,485	\$ 1,734,981

The actual contribution of \$39,149 is the sum of the \$53,260 medical premiums, the \$371 life premium and the \$1,969 implicit subsidy paid by the Water Authority less net retiree contributions of \$16,451.

For the six years ended May 31, 2014, the Water Authority's schedule of required and actual annual contributions is presented below:

Year Ended May 31,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	387,517	39,149	10%
2013	379,457	33,551	9%
2012	306,512	35,162	11%
2011	245,214	24,801	10%
2010	239,128	30,415	13%
2009	233,305	18,570	8%

The Water Authority's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the seven years ended May 31, 2014 were as follows:

<b>Fiscal Year</b>	<b>Annual OPEB</b>	<b>Annual OPEB Contribution</b>		<b>Net OPEB</b>
	<b>Cost</b>	<b>Amount</b>	<b>Percentage</b>	<b>Obligation</b>
May 31, 2014	\$ 363,653	\$ 39,149	11%	\$ 2,059,485
May 31, 2013	360,085	33,551	9%	1,734,981
May 31, 2012	290,654	35,162	12%	1,408,447
May 31, 2011	232,209	24,801	11%	1,152,955
May 31, 2010	228,852	30,415	13%	945,547
May 31, 2009	225,880	18,570	8%	747,110
May 31, 2008	N/A	N/A	N/A	539,800

*The funding status*

As of June 1, 2012, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial Valuation Date June 1,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2012	\$ -	\$ 3,335,117	\$ 3,335,117	-	\$ 3,715,880	90%
2011	-	2,470,292	2,470,292	-	3,708,940	67%
2010	-	1,729,921	1,729,921	-	2,968,770	58%

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.

The actuarial assumptions used in the determination of costs and liabilities are as follows:

Interest: 4.5%

Mortality: RP2000 Combined Mortality Table (Generational)

Employee Turnover: Vaughn Ultimate Table multiplied by 0.5, Percentage of Employees Terminating prior to End of Year:

Age	Rate
25	6.80%
30	5.05%
35	3.95%
40	3.25%
45	2.75%
50	2.25%
55+	0.00%

Retirement Age: Percentage of Employees Retiring Prior to End of Year:

Age	Rate
62-64	9%
65-69	20%
70+	100%

Annual Medical Premium:

	2013	2012
Pre 65 - Employee Only	\$ 9,216	\$ 8,553
Pre 65 - Family	20,239	18,754
Post 65 – Employee Only	4,792	5,031
Post 65 – Two Person	11,709	11,391

Medical Claims Assumption: For the valuation, 50% of the 2012 Premium and 50% of the 2013 premium was used.

Marriage Rates at Retirement: assumed 50% of active females and 50% of active males will be married at retirement, and that husbands will be 3 years older than their wives.

Medical Trend: Starts at 9.0% in 2012, decreases by 1.0% per year down to 5.0% in 2016 and beyond.

Medicare Part B: 3% annual increases.

Claims Morbidity: assumed that actual claims will be distributed according to the following table (pre-65):

Age	Relative Claims Cost
55	\$11,005
60	13,134
64	15,484

Actuarial Methodologies

Actuarial Cost Method: Projected Unit Credit

The Normal Cost is derived for each active participant as the actuarial present value of the projected benefits that are attributed to expected service in the current plan year. The Normal Cost for plan benefits is the total of the individual Normal Costs for active participants.

The Accrued Liability is equal to the portion of the present value of future benefits that is allocated to years of service before the valuation date.

Amortization Method: 30 years, level dollar, open

Inflation rate 3%

The Unfunded Accrued Liability is amortized each year over a constant 30 year period, as a level dollar amount.

Asset Valuation Method: Market Value

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 – 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, 2014, the Water Authority has not identified any pollution remediation obligations and therefore no liability has been recorded on the Statement of Net Position.

#### **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>
2015	\$ 259,623
2016	269,518
Total	<u>\$ 528,141</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.

The Board approved 6.02% increase in water rates, effective on June 1, 2013 and 7%, on June 1, 2014. The Water Authority's forecasted operating plan includes annual increases of 9%, 10%, 7% and 1%, for the years ending may 31, 2016, 2017, 2018 and 2019.

#### **NOTE 14 – SUBSEQUENT EVENTS**

The Water Authority evaluated subsequent events from May 31, 2014 through August 30, 2014, 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>	79
Revenue Capacity <i>These schedules contain information to help the reader assess the Water Authority's most significant revenue source – water sales.</i>	87
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>	93
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>	99
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>	105



## SECTION C: STATISTICAL SECTION

### Financial Trends







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

<b>ASSETS</b>	<b>2014</b>	<b>2013</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>Current assets</b>										
Cash and cash equivalents	\$4,059,739	\$4,318,014	\$ 3,730,917	\$ 2,411,292	\$ 2,798,391	\$ 3,131,838	\$ 298,547	\$ 443,578	\$ 364,783	\$ 1,445,000
Accounts receivable, net	678,043	535,186	405,653	414,560	466,695	392,124	329,033	330,053	274,054	212,000
Unbilled	1,810,000	2,241,000	1,950,000	1,797,000	1,640,000	1,451,000	1,262,000	1,340,000	1,378,000	1,466,000
Due from litigation settlement	-	-	-	-	-	-	2,362,677	-	-	-
Materials and supplies	205,946	253,955	218,512	224,152	247,821	267,422	284,845	135,440	246,162	245,000
Prepayments & other current assets	235,586	137,527	205,510	212,774	150,335	138,522	199,973	277,377	271,499	223,000
<b>Total current assets</b>	<b>6,989,314</b>	<b>7,485,682</b>	<b>6,510,592</b>	<b>5,059,778</b>	<b>5,303,242</b>	<b>5,380,906</b>	<b>4,737,075</b>	<b>2,526,448</b>	<b>2,534,498</b>	<b>3,591,000</b>
<b>Restricted cash &amp; cash Equivalents</b>										
Customer deposits	1,029,887	990,612	949,312	911,551	881,758	848,853	812,514	767,341	663,754	600,000
Rate stabilization fund	570,000	560,000	560,000	460,000	445,000	445,000	500,000	590,579	1,311,900	1,757,000
Bond construction and Reserve Fund	10,783,178	11,272,406	11,752,270	15,756,126	3,080,296	-	-	-	-	-
Bond interest and Payment Fund	232,945	234,875	234,874	237,995	3,113	-	270,404	237,241	217,195	211,000
<b>Total Restricted cash and cash equivalents</b>	<b>12,616,010</b>	<b>13,057,893</b>	<b>13,496,456</b>	<b>17,365,672</b>	<b>4,410,167</b>	<b>1,293,853</b>	<b>1,582,918</b>	<b>1,595,161</b>	<b>2,192,849</b>	<b>2,568,000</b>
<b>Restricted investments</b>										
Construction fund	309,970	3,811,774	9,956,005	16,668,826	32,165,352	212,391	2,605,019	3,517,821	4,355,136	-
Bond reserve fund	628,997	1,519,860	4,852,095	3,250,664	4,065,959	2,367,434	2,396,166	2,722,578	3,394,659	2,426,000
Bond payment fund	-	-	-	-	-	280,735	-	-	-	-
<b>Total restricted investments</b>	<b>938,967</b>	<b>5,331,634</b>	<b>14,808,100</b>	<b>19,919,490</b>	<b>36,231,311</b>	<b>2,860,560</b>	<b>5,001,185</b>	<b>6,240,399</b>	<b>7,749,795</b>	<b>2,426,000</b>
<b>Other assets</b>										
Property, plant and equipment, net	68,063,563	63,873,372	52,433,616	44,800,607	40,236,512	35,818,270	32,150,650	30,694,785	29,370,911	28,386,000
Deferred charges and receivables	566,327	687,485	675,114	703,897	658,191	739,471	780,281	1,155,703	764,863	696,389
<b>Total other assets</b>	<b>68,629,890</b>	<b>64,560,857</b>	<b>53,108,730</b>	<b>45,504,504</b>	<b>40,894,703</b>	<b>36,557,741</b>	<b>32,930,931</b>	<b>31,850,488</b>	<b>30,135,774</b>	<b>29,082,389</b>
<b>Total assets</b>	<b>\$89,174,181</b>	<b>\$90,436,066</b>	<b>\$87,923,878</b>	<b>\$87,849,444</b>	<b>\$86,839,423</b>	<b>\$46,093,060</b>	<b>\$44,252,109</b>	<b>\$42,212,496</b>	<b>\$42,612,916</b>	<b>\$37,667,389</b>
<b>Deferred outflows</b>										
Loss of refunding	\$1,132,345	\$1,201,753	\$1,268,612	\$1,333,206	\$1,395,813	\$1,456,438	\$1,515,365	\$1,572,306	\$1,580,806	\$ -
<b>Total deferred outflows</b>	<b>\$1,132,345</b>	<b>\$1,201,753</b>	<b>\$1,268,612</b>	<b>\$1,333,206</b>	<b>\$1,395,813</b>	<b>\$1,456,438</b>	<b>\$1,515,365</b>	<b>\$1,572,306</b>	<b>\$1,580,806</b>	<b>\$ -</b>

Source: Accounting Department

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

**LIABILITIES AND NET ASSETS**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Current liabilities</b>										
Accounts payable and accrued expenses	\$1,458,447	\$3,401,530	\$1,672,924	\$2,005,436	\$1,884,050	\$2,668,135	\$ 1,010,814	\$ 1,019,496	\$ 996,202	\$ 1,599,000
Unearned revenue	466,723	568,843	662,014	769,251	858,985	817,387	819,887	834,656	853,149	853,000
Accrued interest payable	377,905	383,460	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	1,640,000	1,595,000	1,550,000	1,505,000	1,525,000	1,070,000	1,040,000	1,005,000	960,000	770,000
Due to employees' retirement system	48,840	124,500	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	40,000	40,000	37,005	33,580	33,180	29,642	-
<b>Total current liabilities</b>	<b>4,031,915</b>	<b>6,113,333</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>Non-current liabilities</b>										
Water revenue bonds payable	62,875,000	64,515,000	66,110,000	67,660,000	69,271,742	29,800,005	30,870,005	31,910,004	32,915,005	28,225,000
Unamortized premium on revenue bonds	1,340,818	1,409,806	1,468,373	1,529,683	1,483,588	1,535,549	1,586,052	1,634,856	1,642,140	(597,000)
Customer deposits payable	1,089,817	1,050,528	1,009,232	972,116	942,205	957,889	997,825	767,341	667,996	600,000
Post employment benefits payable	2,059,485	1,734,981	1,408,447	1,152,955	945,547	747,110	539,800	441,400	310,264	-
Accrued vacation and sick leave	820,100	788,100	778,900	771,900	950,600	703,095	638,020	630,420	563,197	576,000
<b>Total non-current liabilities</b>	<b>68,185,220</b>	<b>69,498,415</b>	<b>70,774,952</b>	<b>72,086,654</b>	<b>73,593,682</b>	<b>33,743,648</b>	<b>34,631,702</b>	<b>35,384,021</b>	<b>36,098,602</b>	<b>28,804,000</b>
<b>Total liabilities</b>	<b>72,217,135</b>	<b>75,611,748</b>	<b>75,193,237</b>	<b>76,948,713</b>	<b>78,305,852</b>	<b>38,499,068</b>	<b>37,706,464</b>	<b>38,455,046</b>	<b>39,174,793</b>	<b>32,026,000</b>
<b>Net position</b>										
Invested in capital assets, net	15,436,386	14,543,793	11,525,474	11,521,029	8,841,891	7,588,516	5,315,381	5,741,267	4,975,966	1,968,389
Restricted	570,000	560,000	560,000	460,000	445,000	445,000	500,000	590,579	1,311,900	4,183,000
Unrestricted	2,083,005	922,278	1,913,779	252,908	642,493	1,016,914	2,245,629	(1,002,090)	(1,268,937)	(510,000)
<b>Total net assets</b>	<b>\$18,089,391</b>	<b>\$16,026,071</b>	<b>\$13,999,253</b>	<b>\$12,233,937</b>	<b>\$9,929,384</b>	<b>\$9,050,430</b>	<b>\$8,061,010</b>	<b>\$5,329,756</b>	<b>\$5,018,929</b>	<b>\$5,641,389</b>

Sources: Accounting Department

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

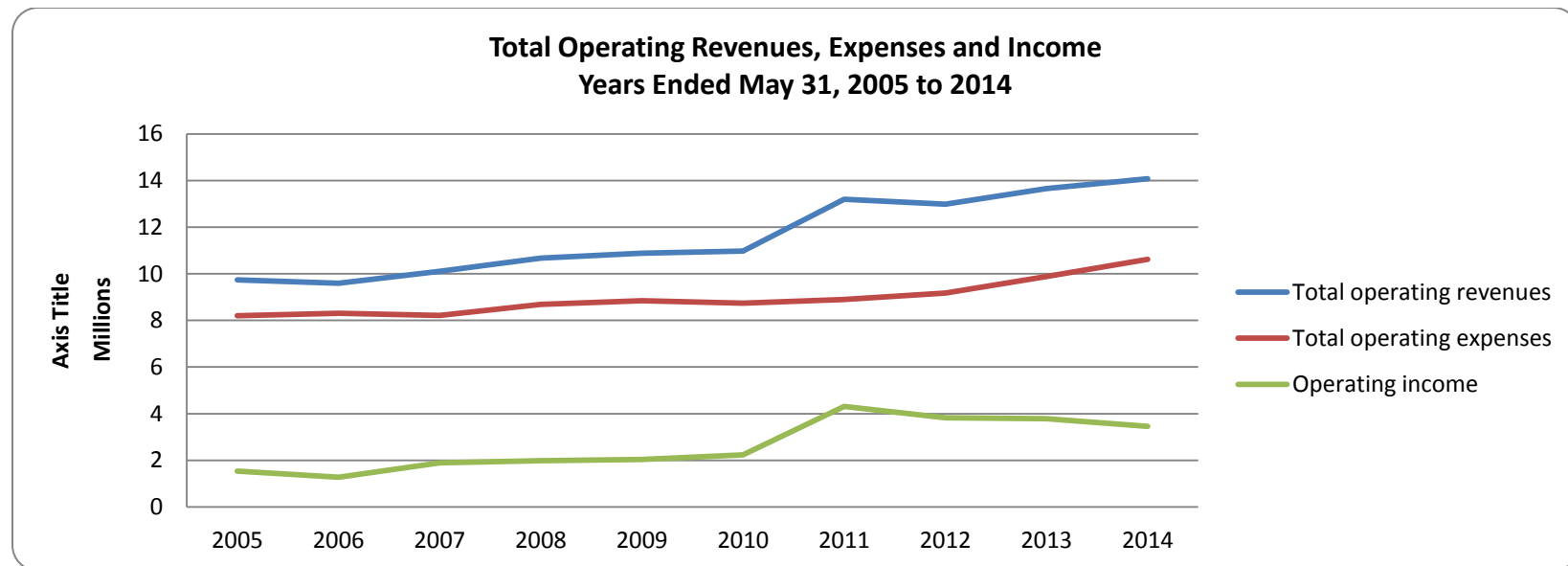
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues</b>										
Water service	\$11,772,296	\$11,475,847	\$10,909,705	\$11,217,605	\$9,133,347	\$9,182,718	\$9,093,383	\$8,630,742	\$8,216,000	\$8,428,000
Fire protection	2,239,254	2,109,979	2,019,112	1,920,169	1,786,241	1,648,961	1,524,886	1,425,535	1,323,000	1,274,000
Other	66,316	71,021	59,650	63,305	52,994	50,270	53,273	50,633	50,000	41,000
Total operating revenues	14,077,866	13,656,847	12,988,467	13,201,079	10,972,582	10,881,949	10,671,542	10,106,910	9,589,000	9,743,000
<b>Operating expenses:</b>										
Operations	7,155,325	6,682,648	6,154,917	5,972,061	5,920,498	6,076,842	6,108,059	6,141,007	6,031,000	5,729,000
Maintenance	1,913,099	1,924,246	1,845,803	1,871,302	1,869,872	1,915,638	1,767,985	1,546,139	1,423,000	1,646,000
Operating expenses before depreciation	9,068,424	8,606,894	8,000,720	7,843,363	7,790,370	7,992,480	7,876,044	7,687,146	7,454,000	7,375,000
Depreciation	1,546,468	1,271,165	1,168,265	1,051,110	953,313	847,340	814,527	526,998	859,000	824,000
Total operating expenses	10,614,892	9,878,059	9,168,985	8,894,473	8,743,683	8,839,820	8,690,571	8,214,144	8,313,000	8,199,000
Operating income	3,462,974	3,778,788	3,819,482	4,306,606	2,228,899	2,042,129	1,980,971	1,892,766	1,276,000	1,544,000
<b>Non-operating revenue (expense):</b>										
Interest income	74,188	122,817	247,852	536,218	247,009	154,080	293,519	445,150	386,000	234,000
Miscellaneous income	375,941	375,320	357,310	349,509	346,336	241,664	224,046	242,132	213,000	173,000
Federal grant	-	-	-	-	-	-	-	-	-	-
Interest on long term debt	(1,825,291)	(2,226,107)	(2,624,800)	(2,853,926)	(1,656,025)	(1,471,971)	(1,502,209)	(1,492,836)	(1,604,000)	(1,647,000)
Other amortization, net	(24,492)	(24,000)	(34,528)	(45,320)	(501,643)	(37,617)	(37,173)	(26,385)	(393,460)	(39,557)
Total non-operating expenses	(1,399,654)	(1,751,970)	(2,054,166)	(2,013,519)	(1,564,323)	(1,113,844)	(1,021,817)	(831,939)	(1,398,460)	(1,279,557)
Income before extraordinary items	2,063,320	2,026,818	1,765,316	2,293,087	664,576	928,285	959,154	1,060,827	(122,460)	264,443
Extraordinary item - litigation settlement	-	-	-	11,466	214,378	116,135	2,362,677	-	-	-
Change in net position	2,063,320	2,026,818	1,765,316	2,304,553	878,954	1,044,420	3,321,831	1,060,827	(122,460)	264,443
Less: board approved customer subsidies	-	-	-	-	-	(55,000)	(590,577)	(750,000)	(500,000)	(1,200,000)
Net change in total net position	2,063,320	2,026,818	1,765,316	2,304,553	878,954	989,420	2,731,254	310,827	(622,460)	(935,557)
Net position beginning	16,026,071	13,999,253	12,233,937	9,929,384	9,050,430	8,061,010	5,329,756	5,018,929	5,641,389	6,576,946
<b>Net position ending</b>	<b>\$18,089,391</b>	<b>\$16,026,071</b>	<b>\$13,999,253</b>	<b>\$12,233,937</b>	<b>\$9,929,384</b>	<b>\$9,050,430</b>	<b>\$8,061,010</b>	<b>\$5,329,756</b>	<b>\$5,018,929</b>	<b>\$5,641,389</b>

Source: Accounting Department

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Water service	\$11,772,296	\$11,475,847	\$10,909,705	\$11,217,605	\$9,133,347	\$9,182,718	\$9,093,383	\$8,630,742	\$8,216,000	\$8,428,000
Fire protection	2,239,254	2,109,979	2,019,112	1,920,169	1,786,241	1,648,961	1,524,886	1,425,535	1,323,000	1,274,000
Other services	66,316	71,022	59,650	63,305	52,994	50,270	53,273	50,633	50,000	41,000
<b>Total</b>	<b>\$14,077,866</b>	<b>\$13,656,848</b>	<b>\$12,988,467</b>	<b>\$13,201,079</b>	<b>\$10,972,582</b>	<b>\$10,881,949</b>	<b>\$10,671,542</b>	<b>\$10,106,910</b>	<b>\$9,589,000</b>	<b>\$9,743,000</b>

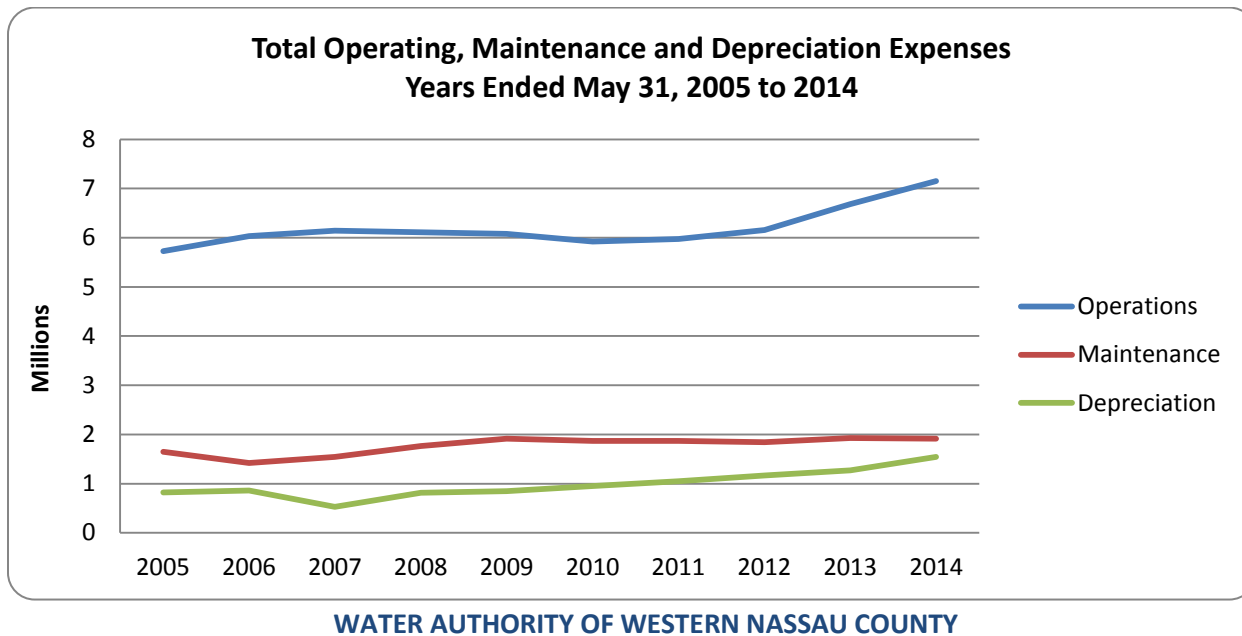
Source: Accounting Department



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

	<b>2014</b>	<b>2013</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>
Operations	\$ 7,155,325	\$ 6,682,648	\$ 6,154,917	\$ 5,972,061	\$ 5,920,498	\$ 6,076,842	\$ 6,108,059	\$ 6,141,007	\$ 6,031,000	\$ 5,729,000
Maintenance	1,913,099	1,924,246	1,845,803	1,871,302	1,869,872	1,915,638	1,767,985	1,546,139	1,423,000	1,646,000
Depreciation	1,546,468	1,271,165	1,168,265	1,051,110	953,313	847,340	814,527	526,998	859,000	824,000
Total operating expenses	<u>\$ 10,614,892</u>	<u>\$ 9,878,059</u>	<u>\$ 9,168,985</u>	<u>\$ 8,894,473</u>	<u>\$ 8,743,683</u>	<u>\$ 8,839,820</u>	<u>\$ 8,690,571</u>	<u>\$ 8,214,144</u>	<u>\$ 8,313,000</u>	<u>\$ 8,199,000</u>

Source: Accounting Department



# NON-OPERATING REVENUE AND EXPENSES

## Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Interest income	\$74,188	\$122,817	\$247,852	\$536,218	\$247,009	\$154,080	\$293,519	\$445,150	\$386,000	\$234,000
Miscellaneous income, net	375,941	375,320	357,310	349,509	346,336	241,664	224,046	242,132	213,000	173,000
Interest on long- term debt, net	(1,825,291)	(2,226,107)	(2,624,800)	(2,853,926)	(1,656,025)	(1,471,971)	(1,502,209)	(1,492,836)	(1,604,000)	(1,647,000)
Other amortization, net	(24,492)	(24,000)	(34,528)	(45,320)	(501,643)	(37,617)	(37,173)	(26,385)	(393,460)	(39,557)
Total non-operating expenses	<u>\$ (1,399,654)</u>	<u>\$ (1,751,970)</u>	<u>\$ (2,054,166)</u>	<u>\$ (2,013,519)</u>	<u>\$ (1,564,323)</u>	<u>\$ (1,113,844)</u>	<u>\$ (1,021,817)</u>	<u>\$ (831,939)</u>	<u>\$ (1,398,460)</u>	<u>\$ (1,279,557)</u>

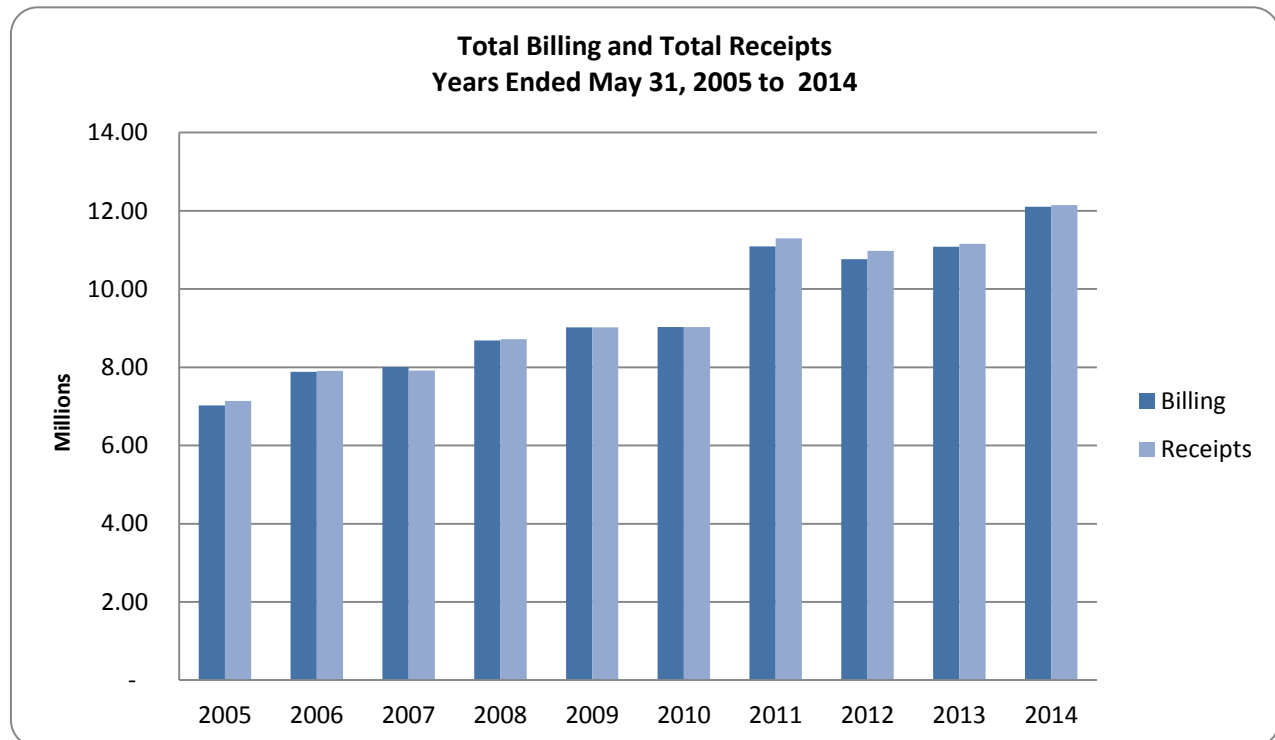
Source: Accounting Department

**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>
2014	\$ 12,105,577	\$ 12,144,396	100.32%
2013	11,082,651	11,152,059	100.63%
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	8,681,132	8,720,945	100.46%
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%

Excludes fire hydrants billings and receipts

Source: Accounting Department



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## SECTION C: STATISTICAL SECTION

### Revenue Capacity



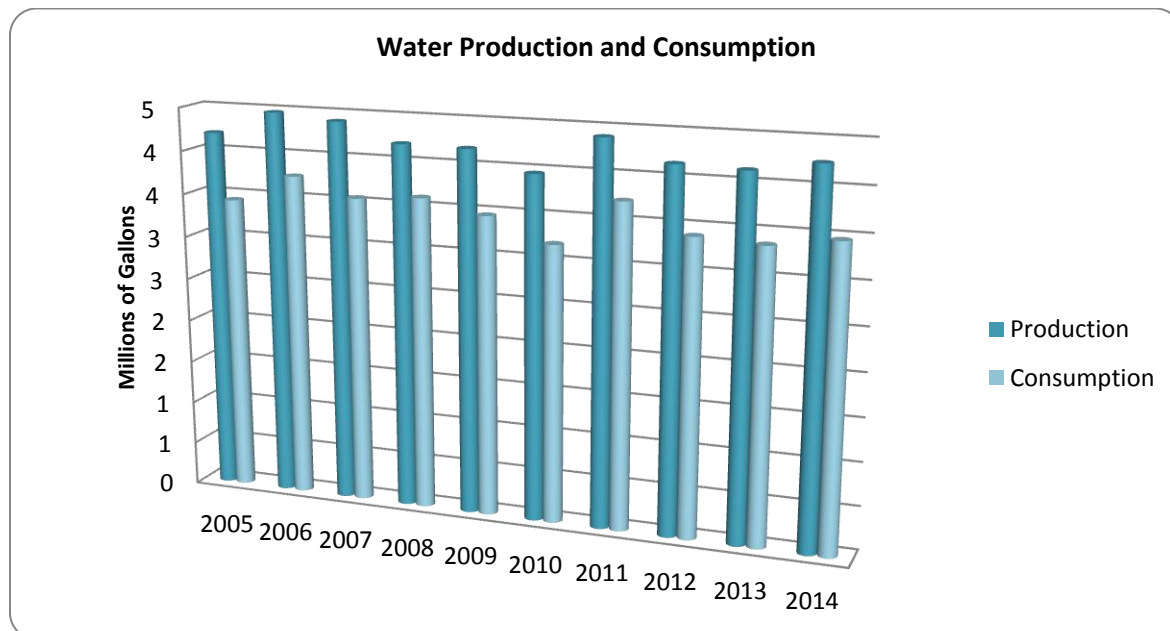


**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**WATER PRODUCED AND CONSUMED (in thousands gallons)**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Water Produced	Water Consumed	Unbilled Potable Water	Percent Unbilled (a)	Average Quarterly Charge		Average Annual Charge
					Per Customer Minimum Charge	Consumption Charge	
2014	4,258,000	3,470,000	788,000	18.5%	\$35.78	\$72.02	\$437.22
2013	4,137,000	3,363,000	774,000	18.7%	33.75	64.80	394.22
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

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

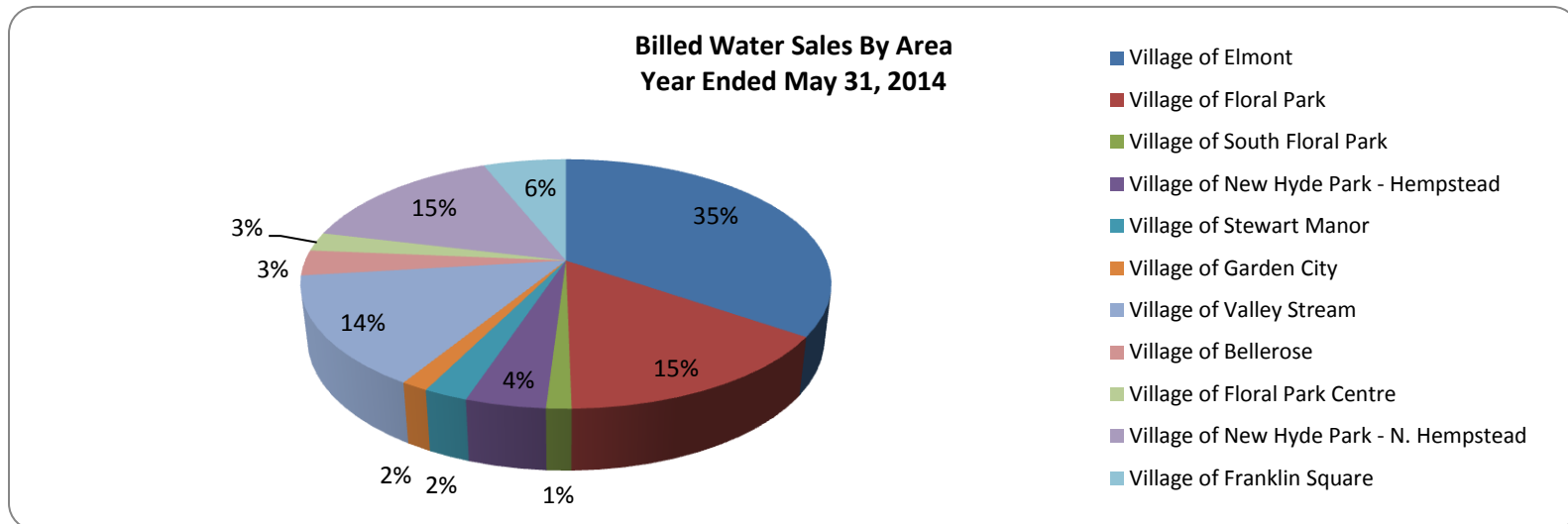
Source: Accounting Department



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

Service Area	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Village of Elmont	\$ 4,190,560	\$ 3,874,622	\$ 3,790,032	\$ 3,999,662	\$ 3,202,566	\$ 3,195,249	\$ 3,085,428	\$ 2,887,478	\$ 2,769,879	\$ 2,465,110
Village of Floral Park	1,828,007	1,658,847	1,603,562	1,639,218	1,346,999	1,346,646	1,296,389	1,178,700	1,167,955	1,044,945
Village of South Floral Park	154,414	145,064	133,361	138,094	112,003	115,846	108,645	98,652	96,279	89,012
Village of New Hyde Park - Hempstead	497,942	469,049	460,808	460,322	387,656	385,664	362,963	336,153	328,590	298,389
Village of Stewart Manor	274,910	247,190	231,316	243,989	63,460	66,497	64,141	56,037	56,283	48,907
Village of Garden City	168,303	148,798	139,437	143,302	243,090	245,857	241,365	219,263	216,560	188,288
Village of Valley Stream	1,731,468	1,551,599	1,480,146	1,501,441	1,242,830	1,236,732	1,174,800	1,061,076	1,115,344	973,481
Village of Bellerose	398,272	365,199	352,349	352,404	289,162	280,430	270,390	255,670	250,980	220,941
Village of Floral Park Centre	294,433	269,043	256,324	256,414	214,414	214,929	208,803	196,315	189,810	177,925
Village of New Hyde Park - N. Hempstead	1,836,022	1,698,090	1,663,522	1,701,295	1,389,572	1,397,417	1,337,013	1,239,916	1,217,799	1,112,782
Village of Franklin Square	731,246	655,150	653,947	655,964	539,956	537,830	531,195	472,852	470,927	400,414
<b>Total</b>	<b>\$ 12,105,577</b>	<b>\$ 11,082,651</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>

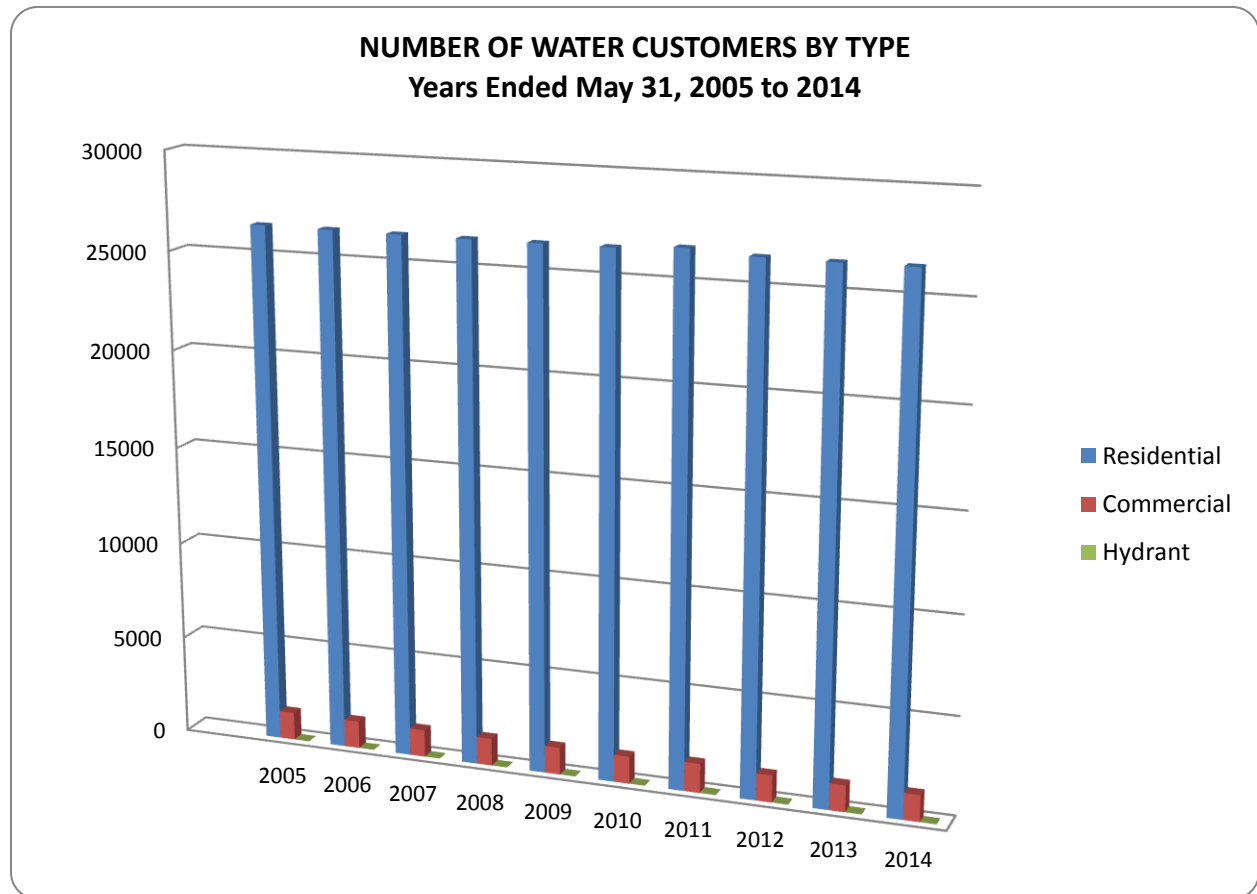
Source: Accounting Department (Excludes fire hydrant billing; Customers rezoned in 2011)



**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>
2014	26,430	13	1,359	27,792
2013	26,412	13	1,360	27,785
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

Source: Accounting Department

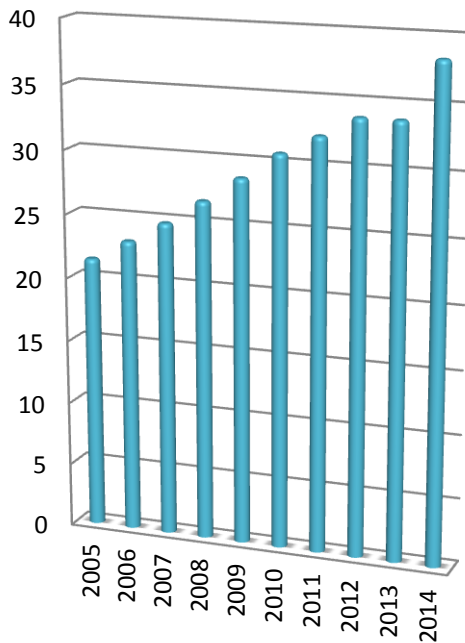


**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
QUARTERLY BILLED WATER RATES  
LAST TEN FISCAL YEARS**

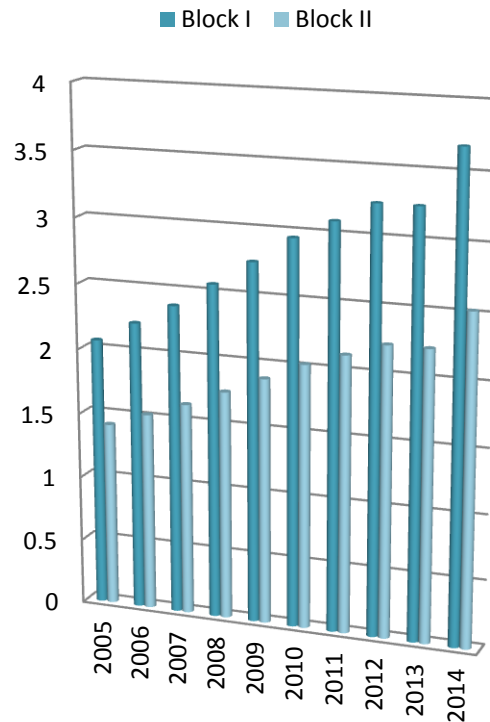
Year	Water Rates Minimum	Per 1,000 Gallons		Public Hydrant	Private Fire
		Block I	Block II		
2014	\$38.29	\$3.683	\$2.527	\$936.00	varies
2013	33.75	3.246	2.228	825.00	varies
2012	33.75	3.246	2.228	825.00	varies
2011	32.20	3.097	2.125	787.00	varies
2010	30.71	2.954	2.027	751.00	varies
2009	28.64	2.755	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

Source: Accounting Department

**Minimum Charge  
(Includes 9,000 Gallons)  
Years Ended May 31, 2005 to  
2014**



**Water Usage Rate per 1000 Gallons  
Years Ended May 31, 2005 to 2014**



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**TEN LARGEST CUSTOMERS**  
**YEARS ENDED MAY 31, 2013, 2012, 2011 and 2010**

Customer Name	Year Ended May 31, 2014				Year Ended May 31, 2013				Year Ended May 31, 2012			
	Billed Charges	Million Gallons Used	% of Annual Revenue	Usage Rank	Billed Charges	Million Gallons Used	% of Annual Revenue	Usage Rank	Billed Charges	Million Gallons Used	% of Annual Revenue	Usage Rank
New York Racing Association	\$413,824	173.9	3.42%	1	\$411,911	184.8	3.00%	1	\$436,302	205.6	4.00%	1
Valley Park Owners Company	65,713	23.7	0.54%	2	59,974	22.9	0.40%	2	59,042	23.6	0.54%	2
Franklin Hospital Medical Center	58,106	23.8	0.48%	3	57,711	24.9	0.40%	3	55,821	25.3	0.51%	3
Village of Floral Park	40,298	14.6	0.33%	4	45,559	17.9	0.30%	4	38,397	15.7	0.35%	4
Central School District 2	36,672	14.7	0.30%	5	31,130	13.1	0.20%	5	27,127	11.8	0.25%	5
Flower View Gardens	31,825	12.6	0.26%	6	29,974	12.6	0.20%	6	27,026	11.8	0.25%	6
Broadval LLC/Dutchcon LLC	25,210	10.0	0.21%	7	22,141	9.2	0.20%	7	14,536	6.1	0.13%	9
Town of North Hempstead	19,086	7.5	0.16%	8	17,853	7.6	0.10%	8	19,804	8.9	0.18%	7
Elmont School District	17,477	6.4	0.14%	9	16,007	6.1	0.10%	9	15,971	6.4	0.15%	8
YS Frankiln Inc.	16,629	6.9	0.14%	10	13,875	6.1	0.10%	10	13,058	6.0	0.12%	10
Customer Name	Year Ended May 31, 2011				Year Ended May 31, 2010							
	Billed Charges	Million Gallons Used	% of Annual Revenue	Usage Rank	Billed Charges	Million Gallons Used	% of Annual Revenue	Usage Rank				
New York Racing Association	\$576,146	284.5	4.36%	1	\$344,763	182.6	3.14%	1				
Valley Park Owners Company	55,647	23.4	0.42%	3	47,262	21.0	0.43%	3				
Franklin Hospital Medical Center	57,834	27.5	0.44%	2	61,944	31.7	0.56%	2				
Village of Floral Park	35,662	15.1	0.27%	4	30,774	14.0	0.28%	4				
Central School District 2	28,792	13.4	0.22%	5	14,793	7.0	0.13%	8				
Flower View Gardens	27,483	12.8	0.21%	6	22,649	11.2	0.21%	5				
Broadval LLC/Dutchcon LLC	-	-	-	-	-	-	-	-				
Town of North Hempstead	14,433	6.5	0.11%	8	7,850	3.5	0.09%	-				
Elmont School District	26,389	12.1	0.20%	7	16,925	8.0	0.15%	6				
YS Frankiln Inc.	13,673	6.6	0.10%	9	13,589	7.0	0.12%	9				
Town of Hempstead Housing	13,537	6.3	0.10%	10	15,649	7.9	0.14%	7				
U Correo	10,977	5.1	0.10%	-	10,849	5.4	0.10%	10				

Data are available for the years presented.

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**

**Water Revenue Bonds, Series 1996**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Serial Bonds 4.30% - 5.50%, due through 2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,280
Term Bonds, 5.50%, due 2016	-	-	-	-	-	-	-	-	-	5,875
Term Bonds 5.50%, due 2026	-	-	-	-	-	-	-	-	-	17,840
Subtotal Series 1996	-	-	-	-	-	-	-	-	-	28,995
Discount on Series 1996										(597)
Series 1996, net										28,398

**Water Revenue Bonds, Series 2005**

Serial Bonds 5.20%, due 2007	-	-	-	-	-	-	-	-	810	-
Serial Bonds 3.00% - 5.00%, due through 2026	19,985	21,210	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	2,015	2,015	-
Term Bonds 5.00%, due 2035	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	-
Subtotal Series 2005	25,150	26,375	27,555	28,695	29,800	30,870	31,910	32,915	33,875	-
Premium on Series 2005	1258	1317	1375	1430	1484	1536	1586	1635	1642	-
Subtotal Series 2005 and premium	26,408	27,692	28,930	30,125	31,284	32,406	33,496	34,550	35,517	-

**Water Revenue Bonds Series 2010**

Serial Bonds A 2.00% - 4.00%, due through 2020	5,400	5,770	6,140	6,505	6,925	-	-	-	-	-
Term Bonds B 6.00% - 6.70%, due through 2040	33,965	33,965	33,965	33,965	33,965	-	-	-	-	-
Subtotal Series 2010	39,365	39,735	40,105	40,470	40,890	-	-	-	-	-
Premium on series 2010	83	93	94	100	-	-	-	-	-	-
Subtotal Series 2010 and premium	39,448	39,828	40,199	40,570	40,890	-	-	-	-	-
Total debt outstanding, net	\$65,856	\$67,520	\$69,129	\$70,695	\$72,174	\$32,406	\$33,496	\$34,550	\$35,517	\$28,398

Percentage Series 1996	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
Percentage Series 2005	40%	41%	42%	43%	43%	100%	100%	100%	100%	0%
Percentage Series 2010	60%	59%	58%	57%	57%	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, 2014**

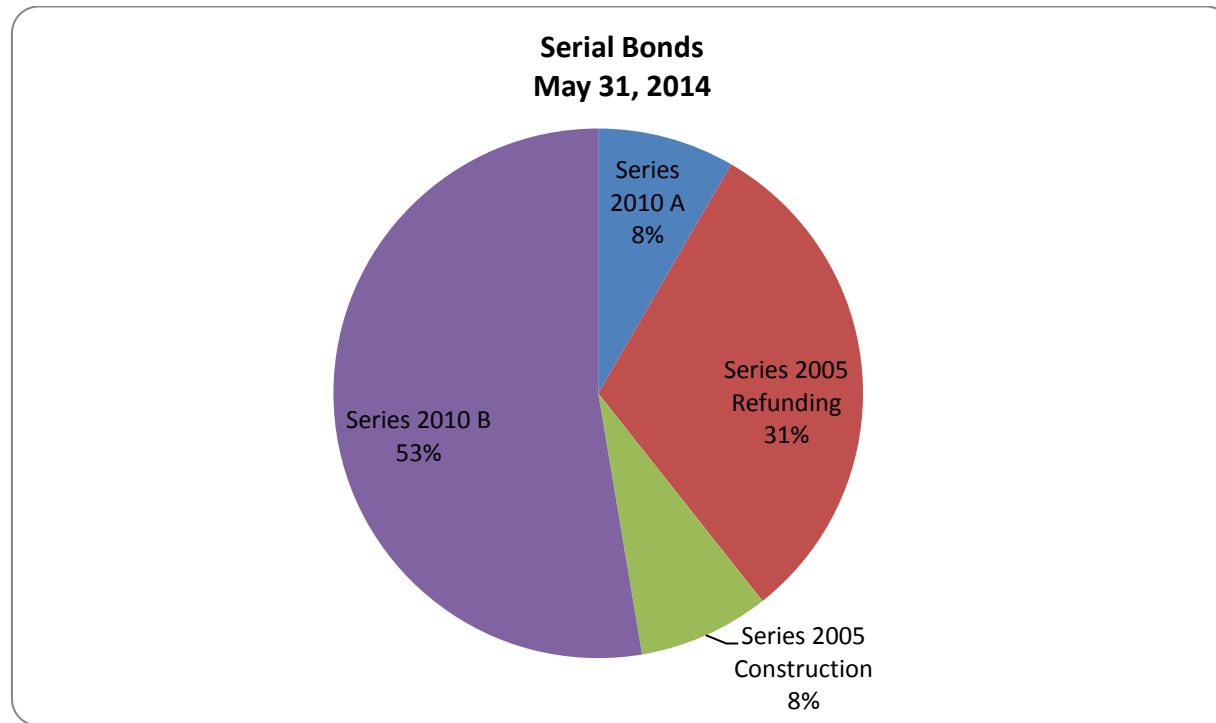
<b>Year</b>	<b>Series 2010 A</b>	<b>Series 2010 B</b>	<b>Series 2005 Refunding</b>	<b>Series 2005 Construction</b>	<b>Total</b>
2015	\$375,000	-	\$1,265,000	-	\$1,640,000
2016	935,000	-	1,320,000	-	2,255,000
2017	965,000	-	1,385,000	-	2,350,000
2018	1,000,000	-	1,455,000	-	2,455,000
2019	1,040,000	-	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>\$5,400,000</b>	<b>\$33,965,000</b>	<b>\$19,985,000</b>	<b>\$5,165,000</b>	<b>\$64,515,000</b>

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
OUTSTANDING PRINCIPAL BY BOND SERIES  
MAY 31, 2014**

<b>Series</b>	<b>Amount</b>
Series 2010 A	\$ 5,400,000
Series 2010 B	33,965,000
Series 2005 Refunding	19,985,000
Series 2005 Construction	5,165,000
Total	<u>\$ 64,515,000</u>

Source: Accounting Department



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**SCHEDULE OF DEBT SERVICE**

**May 31, 2014**

**Build America**

	<u>Series 2010 A</u>		<u>Series 2010 B</u>		<u>Bond Subsidy</u>	<u>Series 2005 Refunding</u>		<u>Series 2005 Construction</u>		
<u>Year</u>	<u>Redemption</u>	<u>Interest</u>	<u>Redemption</u>	<u>Interest</u>	<u>2010 B</u>	<u>Redemption</u>	<u>Interest</u>	<u>Redemption</u>	<u>Interest</u>	<u>Total</u>
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	(550,976)	-	-	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	(112,928)	-	-	-	-	2,564,724
2040	-	-	2,460,000	164,845	(57,696)	-	-	-	-	2,567,149
<b>Total</b>	<b>\$5,400,000</b>	<b>\$ 813,662</b>	<b>\$ 33,965,000</b>	<b>\$ 40,012,396</b>	<b>\$ (14,004,338)</b>	<b>\$ 19,985,000</b>	<b>\$7,055,600</b>	<b>\$ 5,165,000</b>	<b>\$ 4,474,250</b>	<b>\$ 102,866,569</b>

Source: Accounting Department

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

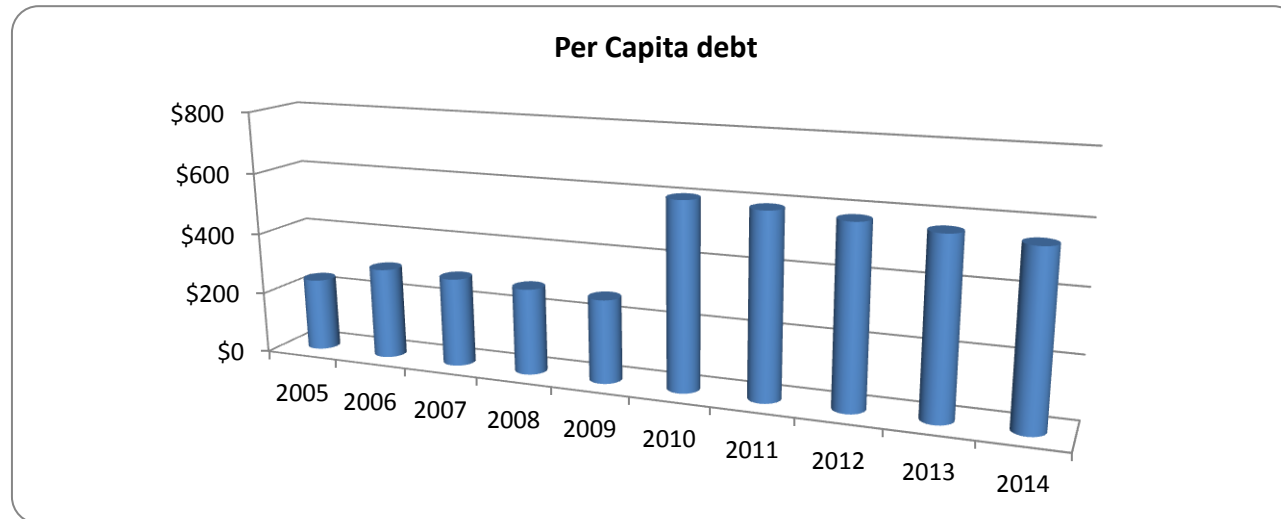
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Total operating revenues	\$14,077,866	\$13,656,848	\$12,988,467	\$13,201,079	\$10,972,582	\$10,881,949	\$10,671,542	\$10,106,910	\$9,589,000	\$9,743,000
Total operating expenses	10,614,892	9,878,059	9,168,985	8,894,473	8,743,683	8,839,820	8,690,571	8,214,144	8,313,000	8,199,000
Operating income	3,462,974	3,778,789	3,819,482	4,306,606	2,228,899	2,042,129	1,980,971	1,892,766	1,276,000	1,544,000
Interest and other income	450,129	1,281,037	605,162	885,727	593,345	395,744	517,565	687,282	599,000	407,000
Add: Depreciation and amortization	1,936,732	1,271,165	1,168,265	1,051,110	953,313	847,340	814,527	526,998	859,000	824,000
Net revenue available	5,849,835	6,330,991	5,592,909	6,243,443	3,775,557	3,285,213	3,313,063	3,107,046	2,734,000	2,775,000
Interest expense	2,945,386	2,992,499	2,624,800	2,853,926	1,656,025	1,471,971	1,502,209	1,492,836	1,604,000	1,647,000
Principal repayment	1,595,000	1,550,000	1,505,000	1,525,000	1,070,000	1,040,000	1,005,000	960,000	770,000	735,000
Total debt service requirement	\$ 4,540,386	\$4,542,499	\$4,129,800	\$4,378,926	\$2,726,025	\$2,511,971	\$2,507,209	\$2,452,836	\$2,374,000	\$2,382,000
Debt coverage ratio	\$1.29	\$1.39	1.35	1.43	1.38	1.33	1.56	1.57	1.36	1.67

Source: Accounting Department

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total outstanding indebtedness	\$64,515,000	\$66,110,000	\$67,660,000	\$69,165,000	\$70,690,000	\$30,870,000	\$31,910,000	\$32,915,000	\$33,875,000	\$28,995,000
Unamortized premium on revenue bonds	1,340,818	1,409,806	1,468,373	1,529,683	1,483,588	1,535,549	1,586,052	1,634,856	1,642,140	-597,000
Total outstanding debt and unamortized premium	\$65,855,818	\$67,519,806	\$69,128,373	\$70,694,683	\$72,173,588	\$32,405,549	\$33,496,052	\$34,549,856	\$35,517,140	\$28,398,000
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 ( including premium)	\$548.80	\$562.67	\$576.07	\$589.12	\$601.45	\$270.05	\$279.13	\$287.92	\$295.98	\$236.65

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	1,124	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>
<b>Queens County</b>			
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**  
**2003-2011**

	<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>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: Data available until 2011.

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

<b>Service Area</b>	<b>Population Estimate 2011</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 (a)</b>	<b>169,141</b>	<b>169,456</b>	<b>54,969</b>	

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

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

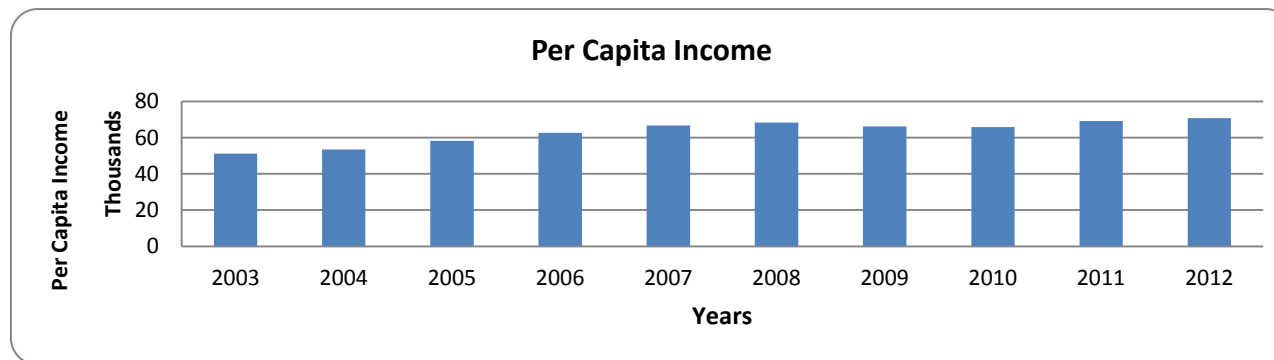
**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
NASSAU COUNTY POPULATION, TOTAL PERSONAL INCOME, PER CAPITA PERSONAL INCOME  
AND UNEMPLOYMENT RATE  
2003-2012**

<b>Year</b>	<b>Total Personal Income (a)</b>	<b>Population (a)</b>	<b>Per Capita Income</b>	<b>Unemployment Rate (b)</b>
2012	\$95,472,949	1,349,233	\$70,761	7.1%
2011	93,002,864	1,345,827	69,105	6.7%
2010	88,282,668	1,341,285	65,819	7.1%
2009	88,205,505	1,332,088	66,216	6.9%
2008	90,574,415	1,325,129	68,351	4.7%
2007	88,101,672	1,322,048	66,640	3.6%
2006	82,951,512	1,324,905	62,609	3.7%
2005	77,659,481	1,332,318	58,289	4.1%
2004	71,618,926	1,337,964	53,528	4.5%
2003	68,553,132	1,339,761	51,168	3.9%

Sources:

(a) United States Department of Commerce, Bureau of Economic Analysis. Data for 2013 are not available.

(b) NYS Department of Labor.



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**COUNTY OF NASSAU, NEW YORK – PRINCIPAL EMPLOYMENT AND WAGES BY SECTOR**  
**FIRST QUARTER 2014 AND TEN YEARS AGO**

Industry Title	2014				2005			
	Reporting Units	Average Employment	Total Wages In \$1,000	Average Wages	Reporting Units	Average Employment	Total Wages In \$1,000	Average Wages
Total, all industries	53,196	590,977	\$8,381,456	\$14,182	49,970	583,471	\$6,516,122	\$11,168
Total, all private	52,478	510,506	6,941,123	13,597	49,321	497,811	5,350,929	10,749
Agriculture, forestry & fishing	34	160	1,229	7,683	37	192	1,246	6,492
Utilities	37	3,572	88,665	24,822	26	2,847	73,328	25,756
Construction	4,322	25,769	420,230	16,308	4,165	24,824	300,285	12,097
Manufacturing	1,118	17,745	305,100	17,194	1,346	27,465	348,407	12,686
Wholesale trade	3,442	26,903	530,955	19,736	3,724	28,687	421,887	14,707
Retail trade	6,021	77,725	646,327	8,316	6,140	81,201	552,450	6,803
Transportation & warehousing	1,173	15,067	177,515	11,782	1,115	14,093	136,992	9,721
Information	546	12,091	376,091	31,105	651	14,173	287,422	20,280
Finance & insurance	2,783	31,158	789,588	25,341	2,995	39,854	708,329	17,773
Real estate, rental & leasing	2,513	9,896	153,877	15,549	2,298	10,191	138,769	13,617
Professional, scientific & Technical	6,962	37,072	660,083	17,805	6,460	34,994	458,725	13,109
Management of companies	258	6,656	174,543	26,223	195	6,908	184,563	26,717
Administrative & waste Mgmt	3,029	27,865	297,004	10,659	2,707	29,272	238,335	8,142
Educational services	682	19,940	205,231	10,292	520	18,938	138,338	7,305
Healthcare & social assistance	5,787	113,562	1,561,476	13,750	5,101	89,997	918,383	10,205
Arts, entertainment & recreation	809	9,604	87,424	9,103	781	8,982	95,328	10,613
Accommodation & food services	3,340	44,650	221,087	4,952	2,837	36,869	158,666	4,304
Other services	5,850	28,059	218,598	7,791	5,369	25,665	170,673	6,650
Total all government	718	80,471	1,440,333	17,899	649	85,660	1,165,193	13,603
Unclassified	3,769	3,012	26,059	8,652	2,852	2,658	18,759	7,058

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

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## SECTIONC: STATISTICALSECTION

### Operating Information





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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Estimated population served	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Employees head count	50	50	50	51	52	52	52	51	47	47
Billed consumption (million gallons)	3,470	3,401	3,401	3,728	3,199	3,463	3,611	3,555	3,756	3,434
Average daily consumption (million gallons)	9.51	9.31	9.31	10.21	8.77	9.49	11.89	9.74	10.29	9.41
Average daily peak consumption (million gallons)	20.18	22.1	22.1	24.3	17.4	21.7	19.2	21.5	22.3	23.4

**OPERATING INFORMATION**

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	2,432	2,432

**FINANCIAL INFORMATION**

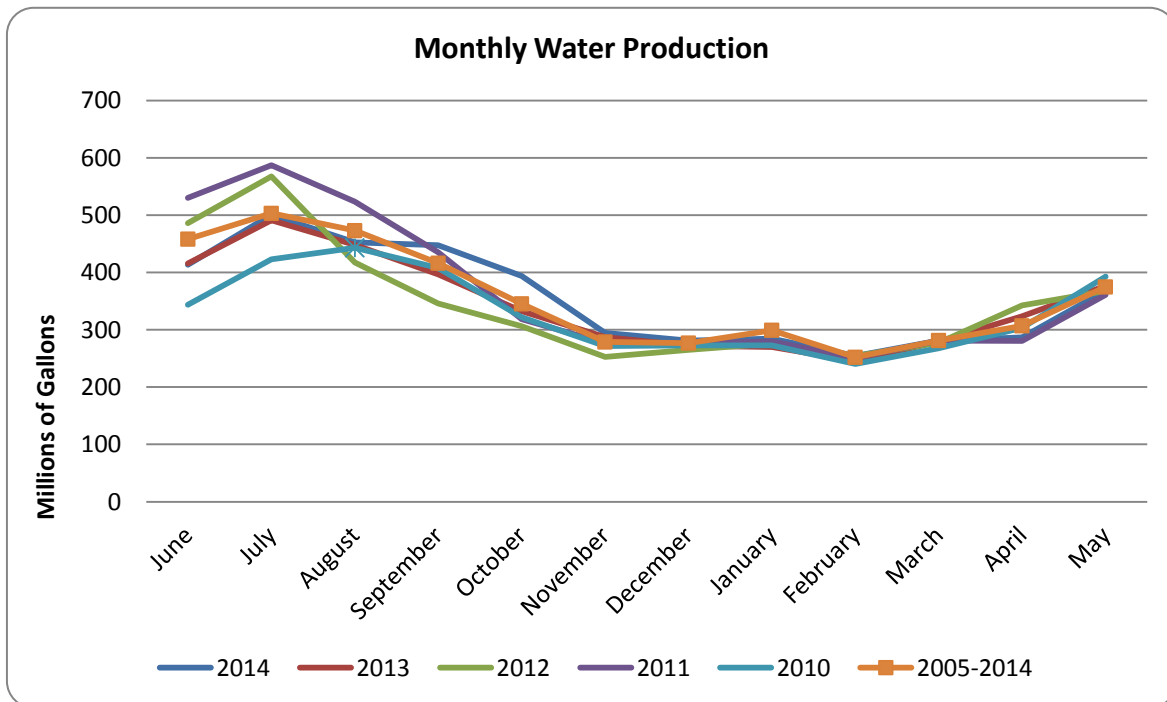
Net property, plant & equipment	\$68,063,563	\$63,874,772	\$52,433,616	\$44,800,607	\$40,236,512	\$35,818,270	\$32,150,650	\$30,694,785	\$29,370,911	\$8,386,000
Restricted assets	\$570,000	\$560,000	\$560,000	\$460,000	\$445,000	\$445,000	\$500,000	\$590,579	\$1,311,900	\$4,183,000
Total long-term debt	\$64,515,000	\$66,110,000	\$67,660,000	\$69,165,000	\$70,690,000	\$30,870,000	\$31,910,000	\$32,915,000	\$33,875,000	\$28,995,000
Rate increases	7.0%	6.02%	4.8%	4.8%	7.2%	7.4%	7.8%	7.1%	7.6%	3.8%
Operating revenues	\$14,077,866	\$13,656,848	\$12,988,468	\$13,201,079	\$10,972,582	\$10,881,949	\$10,671,542	\$10,106,910	\$9,589,000	\$9,743,000
Operating expenses	\$10,614,892	\$9,878,059	\$9,168,985	\$8,894,473	\$8,743,683	\$8,839,820	\$8,690,571	\$8,214,144	\$8,313,000	\$8,199,000
Operating income	\$3,462,974	\$3,778,789	\$3,819,483	\$4,306,606	\$2,228,899	\$2,042,129	\$1,980,971	\$1,892,766	\$1,276,000	\$1,544,000
Debt service	\$4,540,386	\$4,547,786	\$4,129,800	\$4,428,783	\$2,726,025	\$2,512,000	\$2,507,000	\$2,453,000	\$2,374,000	\$2,382,000
Depreciation and other amortization	\$1,936,732	\$1,310,273	\$1,202,793	\$1,096,432	\$1,454,956	\$884,957	\$851,700	\$553,383	\$1,252,460	\$863,557
Net increase (decrease) in net position	\$2,063,320	\$2,026,818	\$1,765,317	\$2,304,551	\$878,954	\$989,420	\$2,731,254	\$310,827	\$(622,460)	\$(935,557)

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**MONTHLY WATER PRODUCTION (GALLONS)**  
**LAST FIVE FISCAL YEARS AND**  
**LAST TEN FISCAL YEARS AVERAGE**

	Year Ended May 31,					Ten-Years Average
	2014	2013	2012	2011	2010	2005-2014
June	413,476,668	415,920,744	485,796,408	530,074,626	343,902,078	458,140,340
July	500,476,506	490,898,166	567,544,986	587,082,498	422,953,200	503,043,791
August	452,281,272	447,850,242	417,422,346	523,472,016	442,934,658	472,914,805
September	447,688,476	396,395,910	345,894,732	435,190,170	408,061,236	416,129,870
October	393,596,754	332,347,356	306,189,468	318,336,300	321,851,052	345,243,229
November	294,783,900	287,086,254	252,733,512	276,471,864	271,688,292	278,712,207
December	280,999,356	271,980,438	265,064,268	276,722,700	272,652,384	276,841,450
January	284,563,734	270,144,930	276,207,689	279,585,492	272,882,736	299,197,437
February	254,241,018	245,128,584	254,568,474	251,174,940	240,262,968	252,033,299
March	280,909,686	279,318,678	277,330,218	280,983,342	267,586,464	281,318,392
April	286,489,632	323,435,292	342,281,604	280,777,374	303,430,896	306,863,454
May	368,398,014	376,549,128	367,582,458	360,986,082	393,006,873	374,730,745
	<u>4,257,905,016</u>	<u>4,137,055,722</u>	<u>4,158,616,163</u>	<u>4,400,857,404</u>	<u>3,961,212,837</u>	<u>4,265,169,019</u>

Source: Accounting Department



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

<b>Month</b>	<b>2014</b>	<b>2013</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>
June	309,621,750	425,337,750	413,437,500	417,933,000	364,995,750	354,737,250	409,091,250	400,393,500	340,614,000	310,160,250
July	385,202,250	356,779,500	382,331,250	445,953,750	321,195,000	424,296,000	322,451,250	329,733,750	381,408,750	409,917,000
August	210,009,750	154,800,000	171,570,750	202,803,000	160,192,500	203,133,750	286,518,000	235,536,750	290,143,500	227,858,250
September	582,278,250	597,716,250	604,166,250	683,575,500	478,103,250	487,212,000	540,705,000	578,040,750	610,580,250	483,108,750
October	486,779,250	368,883,750	361,052,250	405,327,750	345,252,000	434,728,500	388,932,000	373,081,500	399,223,500	380,011,500
November	49,267,500	129,597,750	121,548,000	141,743,250	171,511,500	180,569,250	228,657,000	198,081,750	273,285,750	189,869,250
December	373,030,500	381,285,772	350,163,000	412,925,250	389,115,000	377,025,750	384,685,500	402,882,000	372,875,250	378,923,250
January	313,923,000	243,748,500	321,443,250	258,597,750	246,305,250	244,586,250	275,902,500	239,619,750	292,339,500	217,432,500
February	105,366,750	69,076,500	33,393,750	91,151,250	75,555,750	96,087,750	102,807,750	101,787,000	137,541,750	165,423,000
March	231,380,250	292,157,257	309,940,500	327,708,000	315,026,250	319,692,750	288,594,750	289,599,000	313,350,000	278,966,250
April	264,096,750	261,793,500	241,111,500	235,841,250	242,871,750	231,180,750	262,256,250	263,448,750	232,131,750	279,261,000
May	159,300,750	81,789,000	90,583,500	104,868,000	89,511,750	109,857,750	120,750,750	142,867,500	112,863,750	113,343,750
<b>Total</b>	<b>3,470,256,750</b>	<b>3,362,965,529</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>

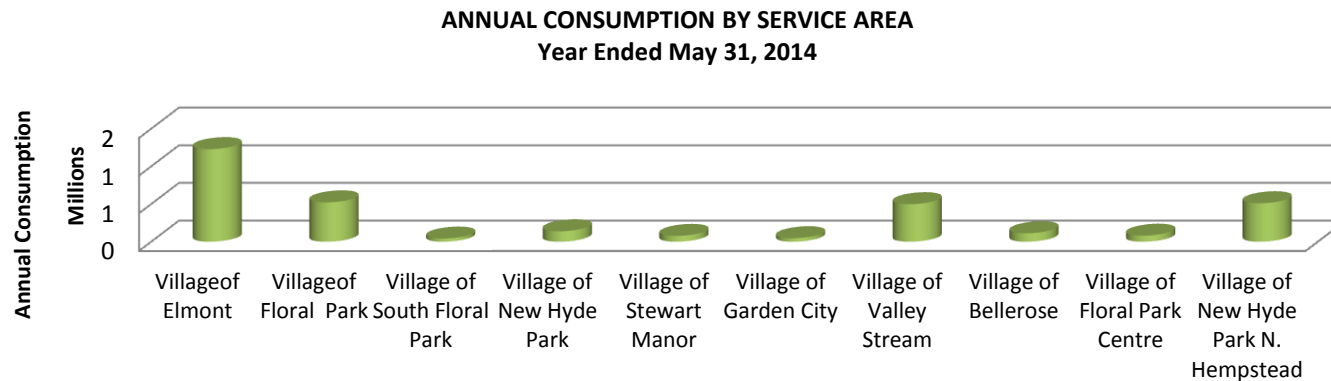
Source: Accounting Department

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

Service Area	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Village of Elmont	1,229,779	1,208,479	1,242,617	1,403,907	1,173,992	1,270,621	1,333,346	1,335,442	1,360,231	1,244,456
Village of Floral Park	522,931	501,113	502,937	543,707	474,230	514,696	536,653	517,624	554,716	509,719
Village of South Floral Park	42,291	42,278	40,872	45,186	38,409	43,372	43,545	42,118	43,846	41,810
Village of New Hyde Park	139,271	140,057	136,763	144,898	129,122	139,825	142,259	141,410	148,883	139,250
Village of Stewart Manor	77,449	73,814	72,030	81,342	22,705	26,025	27,264	25,339	27,421	24,211
Village of Garden City	46,995	43,924	42,935	46,775	85,090	92,795	98,123	95,626	101,421	90,168
Village of Valley Stream	498,735	472,111	468,658	502,992	443,548	475,214	485,133	466,234	536,360	481,296
Village of Bellerose	112,558	108,968	109,921	115,688	100,603	104,524	108,801	110,886	116,851	104,968
Village of Floral Park Centre	80,408	77,501	76,892	80,853	72,382	78,381	82,313	83,044	85,664	82,483
Village of New Hyde Park N. Hemp.	511,231	497,118	502,727	545,851	469,862	513,266	533,633	529,311	559,721	523,321
Village of Franklin Square	208,609	197,603	204,390	217,229	189,841	204,678	220,282	208,097	221,244	193,003
<b>Total</b>	<b>3,470,257</b>	<b>3,362,966</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>

(a) Includes consumption for Fire Sprinkler Customers

Source: Accounting Department



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**ACTIVE METERS BY SIZE**  
**MAY 31, 2014**

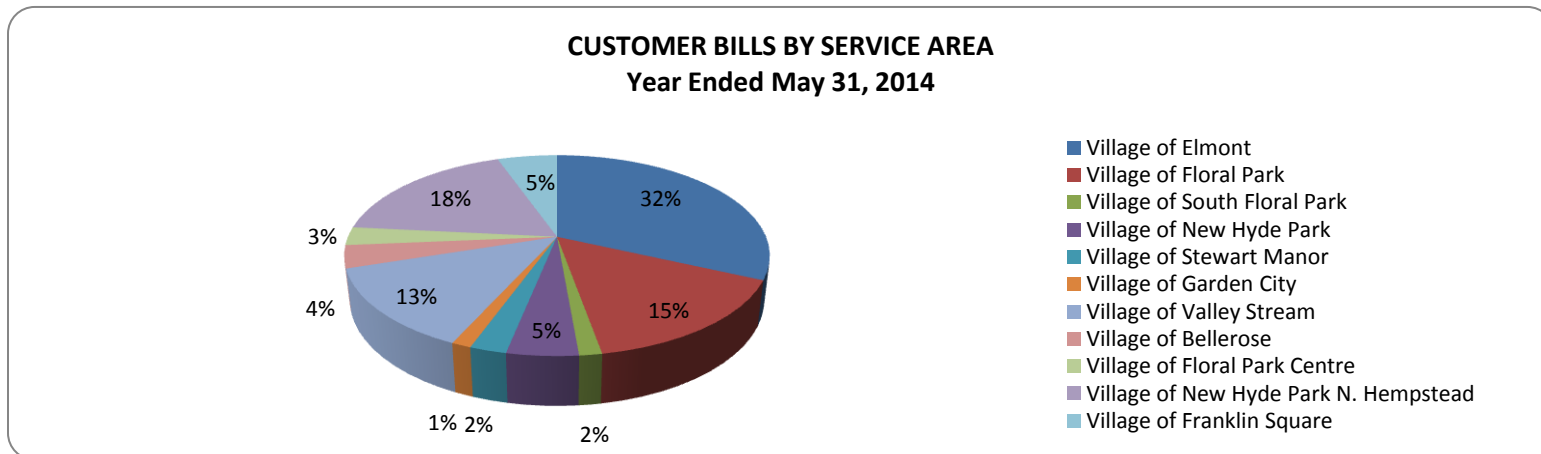
<b>Size</b>	<b>Total</b>	<b>Residential</b>	<b>Commercial</b>	<b>Municipal</b>	<b>LargeUsers</b>
5/8inch	24,517	24,011	493	13	-
3/4inch	2,381	2,008	348	23	2
1inch	612	410	181	17	4
1 1/2inch	136	-	125	9	2
2inch	106	1	74	26	5
3inch	8	-	3	5	-
4inch	10	-	6	3	1
6inch	13	-	9	-	4
8inch	6	-	-	-	6
<b>Total</b>	<b>27,789</b>	<b>26,430</b>	<b>1,239</b>	<b>96</b>	<b>24</b>

Source: Accounting Department

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

Service Area	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Village of Elmont	8,928	8,940	8,971	9,022	9,048	9,025	9,061	9,115	9,124	9,191
Village of Floral Park	4,315	4,317	4,328	4,341	4,384	4,380	4,383	4,406	4,398	4,370
Village of South Floral Park	407	405	400	404	404	406	408	409	413	410
Village of New Hyde Park	1,284	1,288	1,268	1,265	1,313	1,314	1,309	1,308	1,295	1,292
Village of Stewart Manor	662	664	661	657	205	205	205	206	206	206
Village of Garden City	356	358	357	359	816	824	825	823	821	821
Village of Valley Stream	3,699	3,704	3,717	3,732	3,731	3,725	3,738	3,759	3,777	3,771
Village of Bellerose	1,025	1,029	1,028	1,031	1,039	1,038	1,038	1,050	1,043	1,041
Village of Floral Park Centre	825	828	825	829	826	832	837	839	841	862
Village of New Hyde Park N. Hemp	5,049	5,056	5,067	5,066	5,111	5,118	5,124	5,154	5,152	5,165
Village of Franklin Square	1,523	1,524	1,531	1,534	1,545	1,542	1,546	1,559	1,559	1,528
<b>Total</b>	<b>28,073</b>	<b>28,113</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>

Source: Accounting Department





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

<b>Description</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Headquarters	\$3,700,094	\$7,665,384	\$662,933	\$473,030	\$1,939,587
Structures & improvements	19,290	48,315		30,038	11,032
Electric pumping equipment	44,072	705	45,655	54,560	4,120
Structure–water treatment	947,979	2,843	106,720	267,427	347,877
Equipment–water treatment					
Mains	531,361	533,633	581,324	1,632,282	1,895,264
Services	419,587	405,336	483,645	821,815	949,382
Meters and meter equipment	594,671	344,052	703,616	1,037,351	1,035,500
Hydrants	236,956	218,381	206,745	243,462	234,412
Office equipment	235,288	15,620	113,063	7,084	18,305
Vehicles	101,451	43,411	146,640	-	2,039
Miscellaneous equipment	63,390	126,062	207,079	6,681	795
Total additions	<u>\$6,894,139</u>	<u>\$9,403,742</u>	<u>\$3,257,420</u>	<u>\$4,573,730</u>	<u>\$6,438,313</u>

Data available for 2010 to 2014

Source: Accounting Department

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Administration</b>					
Chairman (P/T)	1	1	1	1	1
Executive Director	1	1	1	1	1
Treasurer (P/T)	1	1	1	1	1
Personnel Director	1	1	1	1	1
Customer Service	8	8	7	8	8
Meter Reading/Repairs	3	4	5	5	5
Information Technology	1	2	2	2	2
Accounting/Billing	3	3	3	3	3
Support Staff	3	2	2	2	2
Subtotal Administration	22	23	23	24	24
<b>System Maintenance</b>					
Water system maintenance	1	1	1	1	1
Inspectors	2	2	2	2	2
Water distribution	13	14	13	13	14
Water treatment	10	9	9	9	9
Maintenance Support	1	2	2	2	2
Subtotal Maintenance	27	28	27	27	28
Total Employees	<u>49</u>	<u>51</u>	<u>50</u>	<u>51</u>	<u>52</u>

Data available for 2010 to 2014

Source: Accounting Department

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

	<b>2014</b>	<b>2013</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><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	6	6	5	5	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	9	9	7	7	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 to 16 inches diameter), Thousand linear feet	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,230	1,230	1,229
Fire Hydrants	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432
<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, 2014**

<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 5 <sup>th</sup> Street, New Hyde Park	High	9		1,2	
Hempstead 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 4 <sup>th</sup> 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	
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 Southern 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,44	—	1,2,4	Yes
Makofske Ave. and Chelsea St. Elmont	Low	C	2.00	1,2,4	
2 <sup>nd</sup> Ave. and South 6 <sup>th</sup> St., New Hyde Park	High	57,57A	1.30	1,2,4	Yes

Treatment type 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

**WATE RAUTHORITY OF WESTERN NASSAU COUNTY**  
**SCHEDULE OF INSURANCE IN FORCE**  
**FOR FISCAL YEAR ENDED MAY 31, 2014**

TYPE	PREMIUM	TERM	COVERAGE	COVERAGE LIMITS	DEDUCTIBLE
<b>Property and Liability Protection</b>					
<b>General Liability</b>					
St. Paul Travelers Insurance Co.	\$80,689	3/1/14-3/1/15	General Aggregate	\$2,000,000	
		3/1/14-3/1/15	Products	2,000,000	
		3/1/14-3/1/15	Terrorism	2,000,000	
		3/1/14-3/1/15	Boiler & Machinery	2,000,000	
		3/1/14-3/1/15	Personal Injury	1,000,000	
		3/1/14-3/1/15	Advertising Injury	1,000,000	
		3/1/14-3/1/15	Premises Damage	1,000,000	
		n/a	Medical Expense	Excluded	
		n/a	Sewer Back-up	Excluded	
		3/1/14-3/1/15	Failure to Supply	1,000,000	
<b>Inland Marine</b>					
St. Paul Travelers Insurance Co.	\$10,047	3/1/14-3/1/15	Equipment Floater	Replacement cost	\$25,000
		3/1/14-3/1/15	Unscheduled Limit	\$112,000	2,500
Property		3/1/14-3/1/15			
St. Paul Travelers Insurance Co.	\$84,603	3/1/14-3/1/15	Blanket basis	\$31,934,956	
<b>Casualty</b>					
<b>Automobile</b>					
St. Paul Travelers Insurance Co.	\$43,580	3/1/14-3/1/15	Liability	\$1,000,000	
		3/1/14-3/1/15	PIP Deductible	Included	
		3/1/14-3/1/15	Additional PIP	175,000	
		3/1/14-3/1/15	Uninsured Motorist	1,000,000	
		3/1/14-3/1/15	Under insured Motorist	1,000,000	
		3/1/14-3/1/15	Physical Damage	Per vehicle schedule	
<b>Excess Catastrophe</b>					
(Umbrella)	\$26,020	3/1/14-3/1/15	Liability, each	\$10,000,000	
St. Paul Travelers Insurance Co.		3/1/14-3/1/15	Liability, aggregate	10,000,000	
		3/1/14-3/1/15	Retained Limit	10,000	
Crum and Foster	\$52,188	3/1/14-3/1/15	Liability, each	25,000,000	
		3/1/14-3/1/15	Liability, aggregate	25,000,000	
Travelers	\$10,000	3/1/14-3/1/15	Liability, each	5,000,000	
		3/1/14-3/1/15	Liability, aggregate	5,000,000	
<b>Employee Protection</b>					
<b>Public Officials' Liability</b>					
Scottsdale Indemnity Co,	\$25,013	3/1/14-3/1/14	Public Officials	\$10,000,000	\$15,000
			Employment Practices Liability	10,000,000	15,000
<b>Crime</b>					
Utica Mutual Insurance Co.	\$4,056	3/1/14-3/1/14	Forgery/Alteration	\$1,000,000	\$10,000
		3/1/14-3/1/14	Computer Fraud	1,000,000	10,000
<b>Employee Benefit Plans Liability</b>					
St. Paul Travelers Insurance Co.	\$215	3/1/14-3/1/14	Wrongful Act, each	\$1,000,000	\$1,000
		3/1/14-3/1/14	Wrongful Act, aggregate	1,000,000	1,000

Source: Accounting Department

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## SECTIOND: 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, in accordance with the 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, the financial statements of Water Authority of Western Nassau County, New York, as of and for the year ended May 31, 2014, and the related notes to the financial statements, which collectively comprise the Water Authority of Western Nassau County, New York's basic financial statements, and have issued our report thereon dated August 30, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Water Authority of Western Nassau County's, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority of Western Nassau County, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Authority of Western Nassau County, New York's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority of Western Nassau County, New York's financial statements are free from 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "TABRIZCHI & Co., CPA, P.C.".

Garden City, NY  
August 30, 2014