

WATER AUTHORITY OF WESTERN NASSAU COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED MAY 31, 2015

(WITH INDEPENDENT AUDITORS' REPORT THEREON)



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Water Authority of Western Nassau County

New York

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SECTION A: INTRODUCTORY SECTION



Water Authority

of Western Nassau County

LETTER OF TRANSMITTAL

August 30, 2015

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, 2015. 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 27-43, 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 fulfill that requirement for the fiscal year ended May 31, 2015. 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 unmodified ("clean") opinion on the financial statements of the Water Authority of Western Nassau County, for the year ended May 31, 2015. The independent auditors' report is located at the front of the financial section of this report, pages 25 to 26.

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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 24.
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 79.
3. The *Statistical Section (Section C)* contains comprehensive statistical data on the Water Authority's financial trends, revenue capacity, debt capacity, demographic and economic environment and operating information, for the past ten years. The Water Authority's Statistical Section can be found on pages 81 through 117.
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 119 and 120.

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.

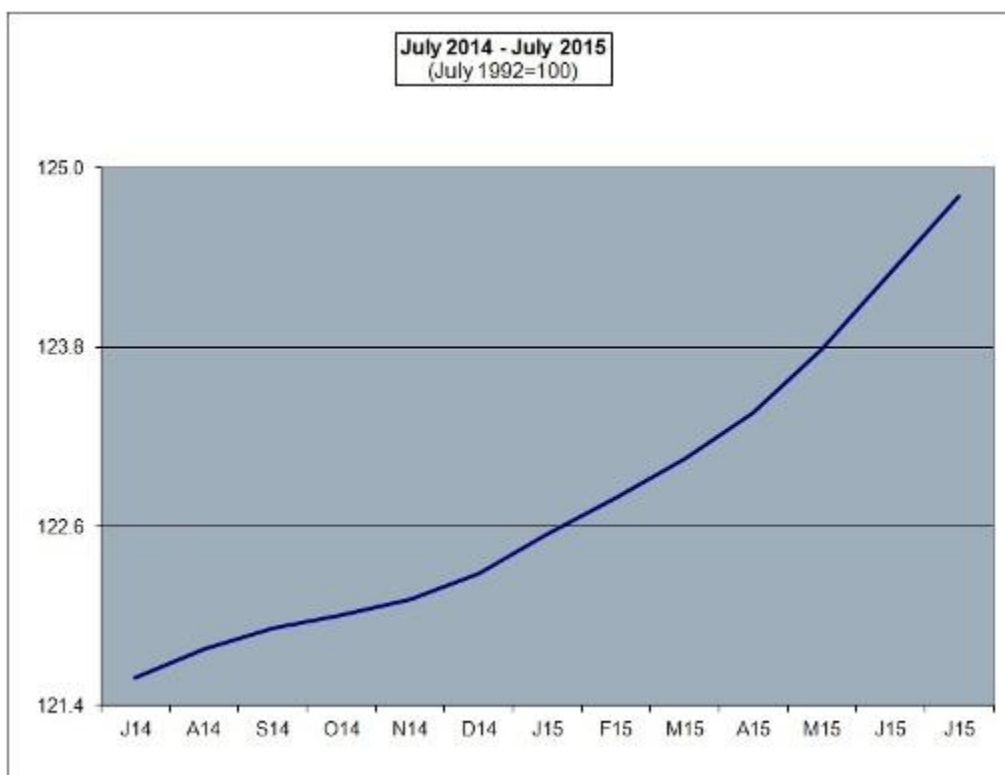
The Water Authority is not required to pay taxes, special ad valorem levies or special assessments upon the real property owned by it or any filing, recording or transfer fees or taxes in relation to instruments filed, recorded or transferred by or on its behalf. The Water Authority may pay, or enter 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 2015, the New York State Department of Labor's Index of Coincident Economic Indicators (ICEI) for New York State increased at an annual rate of 5.0%. This follows an annual rate of increase of 5.1% in June 2015. Over the past year, the ICEI has increased by 2.6%.



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 fourth quarter of 2014, Nassau County had average weekly wages of \$1,121 which placed it as the 182nd-Highest among the 3,244 counties nationwide. Nassau County ranked the 36th-highest among all of the US counties, with respect to the size of its total wage level. Nassau County no longer accounts for the majority of jobs on Long Island, but it continues to account for over 50% of wages earned. The total quarterly wages in Nassau County was \$7,842 million, as compared to \$7,756 million in Suffolk County. The same economic sectors are dominant in both Nassau and Suffolk counties and average salaries in almost all industries is higher in Nassau compared to Suffolk. In fact, in the fourth quarter of 2014, average weekly salary in Suffolk was \$1,100.

The preliminary estimates of Nassau County annual employment and wage information, for 2014, are shown in the table, presented in this and following page:

INDUSTRY TITLE	REPORTING UNITS	AVERAGE EMPLOYMENT	TOTAL WAGES	AVERAGE WAGES
Total, All Industries	52,661	604,644	\$34,103,394,230	\$56,402
Total, All Private	51,941	526,810	28,398,497,637	53,907
Agriculture, Forestry, Fishing & Hunting	33	175	6,132,266	35,042
Mining, Quarrying, and Oil and Gas Extraction	3	2	168,000	84,000
Utilities	38	3,637	385,314,444	105,943
Construction	4,288	28,547	1,987,712,886	69,629
Manufacturing	1,113	17,786	1,229,431,031	69,124
Wholesale Trade	3,391	27,321	2,202,922,895	80,631
Retail Trade	5,943	79,782	2,639,166,747	33,080

INDUSTRY TITLE	REPORTING UNITS	AVERAGE EMPLOYMENT	TOTAL WAGES	AVERAGE WAGES
Information	535	11,871	\$1,156,819,452	\$97,449
Finance and Insurance	2,749	31,255	2,724,756,991	87,178
Real Estate and Rental and Leasing	2,515	10,322	645,484,261	62,535
Professional, Scientific, and Technical Services	6,873	37,739	2,816,194,206	74,623
Management of Companies and Enterprises	259	6,604	635,766,435	96,270
Administrative & Waste Management	3,038	30,122	1,288,844,574	42,787
Educational Services	683	19,860	860,948,909	43,351
Health Care and Social Assistance	5,755	115,364	6,562,861,631	56,888
Arts, Entertainment, & Recreation	801	11,907	437,825,161	36,770
Accommodation and Food Services	3,347	47,179	995,370,134	21,098
Other Services (except Public Administration)	5,803	28,918	914,275,445	31,616
Total, All Government	720	77,834	5,704,896,593	73,296
Unclassified	3,611	3,231	134,684,918	41,685

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

The average employment for all industries was 604,644, in 2014. Five major industries which included health care and social assistance, government, finance and insurance, professional, scientific, and technical and retail trade accounted for 60% of total wages and 57% 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 13% of employment, respectively.

From 2013 to 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	
	2013 TO 2014		2013 TO 2014	
	NUMBER	PERCENTAGE	AMOUNT	PERCENTAGE
Total, all industries	8,342	1.4%	\$1,315	2.4%
Total, all private	7,641	1.5%	1,328	2.5%
Health care and social assistance	1,350	1.2%	1,665	3.0%
Retail trade	1,052	1.3%	1,058	3.3%
Professional, scientific, and technical	1,134	3.1%	1,821	2.5%
Finance and insurance	185	0.6%	3,208	3.8%
Total, all government	701	0.9%	1,331	1.8%

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

The increase in the average number of persons employed in the Healthcare and social assistance, retail trade and professional, scientific and technical industries accounted for 42% of the total increase of 8,342. The Finance and insurance and retail trade had the highest rise in wages of 3.8% and 3.3%, respectively.

According to Moody's Analytics, Nassau's Gross County Product (GCP) grew 0.7% in the fourth quarter of 2014 and 0.8% in the first quarter of 2015. Much of the positive economic growth may be attributed to the strong housing market, consumer confidence, job and wage growth.

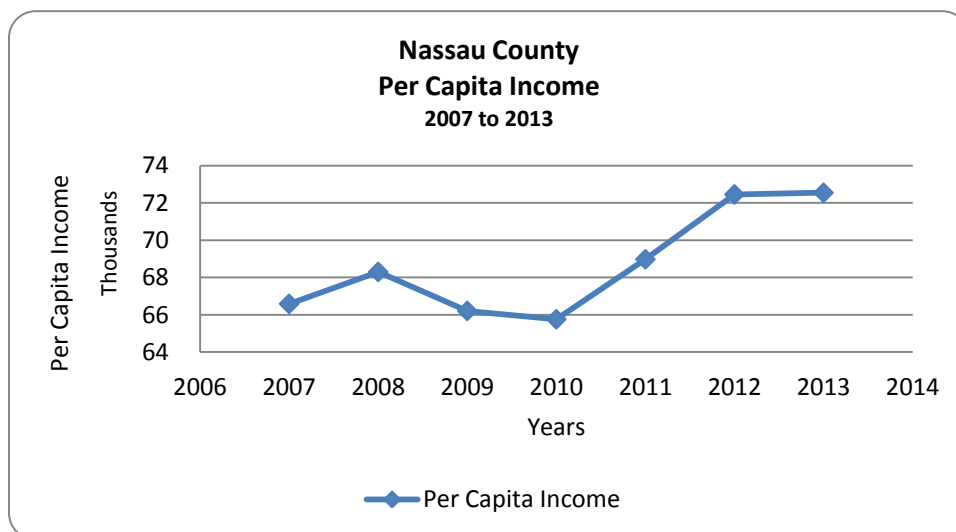
Personal and Household Income in Nassau County

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. The Nassau County median income was \$97,690 as compared to the State of New York median income of \$58,003, over the period 2009 to 2013. Nassau County's median household income ranked 12th-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% in 2011, significantly lower than the 14.9% across the remainder of New York State. Among the 822 counties in the nation, for which the U.S. Census Bureau measured the poverty in 2011, Nassau County ranked 774th.

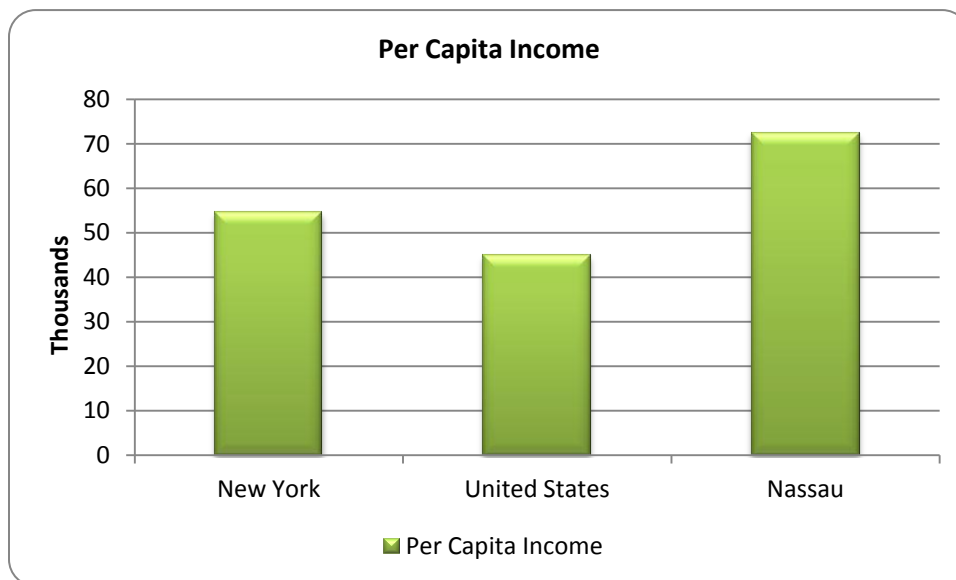
Per Capita income is often used as an indicator of consumers' purchasing power and of the economic well-being of the residents of an area. The US Department of Commerce, Bureau of Economic Analysis data shows that the seasonally unadjusted per capita and total personal incomes in Nassau County had decreased in 2009 by 3.2%, 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 \$3,218 (4.9%) and continued to rise by 3,481 (5.0%) in 2012 and \$89 (0.1%) in 2013.

Year	Population	Personal Income	
		Per Capita (Dollars)	Total (In millions)
2013	1,352,146	72,549	98,096
2012	1,348,283	72,460	97,697
2011	1,345,260	68,979	92,795
2010	1,341,048	65,761	88,189
2009	1,332,088	66,210	88,198
2008	1,325,129	68,303	90,510
2007	1,322,048	66,584	88,027

Source: US Department of Commerce, Bureau of Economic Analysis



As shown in the table in previous page, in 2013, Nassau County had a per capita personal income (PCPI) of \$72,549. This PCPI ranked third in the state and was 133% of the state average of \$54,462 and 162% of the national average of \$44,765. The 2013 PCPI reflected an increase of 2.4% from 2011. The 2011-2012 New York State PCPI change was 2.6% and the national PCPI change was 3.4%. In 2013, in the United States, personal income had increased in 2,695 counties, decreased in 390 counties, and had remained unchanged in 28 counties, according to estimates released by the U.S. Bureau of Economic Analysis. On average, personal income had increased by 2.0% in 2013 in the metropolitan portion of the United States and 2.1% in the nonmetropolitan portion.



Employment Conditions in Nassau County

During the year ended June 30, 2015, the size of Nassau labor force increased by 4,400 and the number of employed by 6,500. Although, all Nassau County's Villages and towns experienced increases in the number of labor force and employment, the largest increases were in towns of Hempstead and Oyster Bay. Nassau County no longer has the majority of professional and business services jobs on Long Island, but 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.

For the period from June 2014 to June 2015, the levels of labor force and employment and the unemployment rate for Nassau, Suffolk, New York City and New York State are presented in the table on the following page:

NASSAU COUNTY, SUFFOLK COUNTY, NEW YORK CITY AND NEW YORK STATE
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
JUNE 2015 AND JUNE 2014

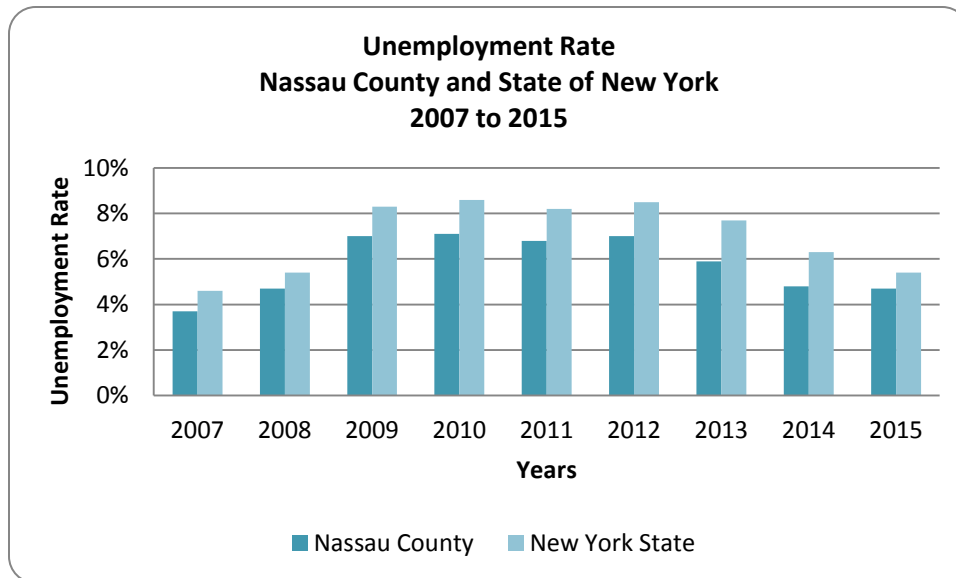
	JUNE 2015			JUNE 2014		
	LABOR FORCE	EMPLOYED	UNEMPLOYMENT RATE (%)	LABOR FORCE	EMPLOYED	UNEMPLOYMENT RATE (%)
Nassau-Suffolk	1,491,700	1,424,700	4.50	1,482,900	1,410,300	4.90
Nassau County	704,800	674,100	4.30	700,400	667,600	4.70
Freeport Village	22,800	21,700	5.00	22,700	21,500	5.50
Glen Cove City	14,100	13,500	4.20	14,000	13,400	4.30
Hempstead Town	402,300	384,000	4.50	399,900	380,300	4.90
Hempstead Village	27,700	26,300	5.30	27,700	26,000	6.00
Long Beach City	19,900	19,000	4.30	19,800	18,900	4.70
North Hempstead Town	113,300	108,800	4.00	112,600	107,700	4.30
Oyster Bay Town	155,200	148,800	4.10	154,000	147,400	4.30
Rockville Centre Village	12,200	11,700	4.20	12,100	11,600	4.50
Valley Stream Village	19,800	18,900	4.80	19,700	18,700	5.20
Suffolk County	786,900	750,600	4.60	782,500	742,700	5.10
New York City	4,199,300	3,959,300	5.70	4,114,400	3,818,300	7.20
New York State	9,747,400	9,234,100	5.30	9,641,600	9,044,600	6.20

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

The reduction in unemployment rates in Nassau County compared favorably with Suffolk County, New York City and State of New York. For the period 2007 to 2015, the unemployment rates for Nassau County and the State of New York were as follows:

UNEMPLOYMENT RATES		
Year	Nassau County	State of New York
2015 (July)	4.7%	5.4%
2014	4.8%	6.3%
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%

Source: NYS Department of Labor



In July 2015, Nassau County with an unemployment rate of 4.7% ranked the fourth with the lowest rate among 62 New York State Counties.

Consumer Prices in the New York Region

Consumer price rises in the New York Region have historically been somewhat different from 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 2007 to 2015 are presented in the following table:

Year	NY-NJ- CT-PA	USA
2015 (a)	0.4%	0.8%
2014	1.3%	1.6%
2013	1.7%	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%

(a) Seven months ended July 31, 2015

Source: The United States Department of Labor, Bureau of Labor statistics

Since 2009, the prices, in general, have been rising at decreasing rates. In July 2015, prices in the New York-Northern New Jersey-Long Island area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), over the year, was down 0.1%. Since February, the 12-month percent change has remained relatively flat, within a range of -0.1% to 0.1%. The index for all items less food and energy increased 1.4%. Over the year, the food index increased 1.0%. At-home food rose by 0.1%, while away-from-home food prices increased 2.1%. For the year ended July 2015, the energy index fell 17.0%;

gasoline prices decreased 25.3%, and household energy prices declined 9.7%. Within household energy, natural gas prices were down 14.6%, and electricity prices were down 3.2%. From July 2014 to July 2015, the index for all items less food and energy increased 1.4%. A 2.5% advance in shelter prices was due in part to a 2.9% rise in residential rent. Apparel prices increased 1.6%, and medical care prices rose 1.2%.

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 increased by \$17,500 (4.1%) in 2014 as compared to \$7,500 (6.0%) from 2012 to 2013, but as it is shown in the in the following table, the number of sales declined by 1,564 (18%):

	<u>Sales</u>	<u>Median Price</u>
2014	6,549	\$440,000
2013	11,176	422,500
2012	8,905	415,000
2011	7,597	430,000

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

Fair market monthly rentals in Long Island for 2015, estimated by the U.S. Department of Housing and Urban Development ("HUD"), were \$1,100 a month for a studio apartment, \$1,395 for one bedroom, \$1,718 for two bedroom, \$2,234 for three bedroom and \$2,572 for a four bedroom apartment per month for 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.

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
2014	640	2	4	1	4	10	257	653	905
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

(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

SYSTEM FACILITIES AND WATER SUPPLY

The Water Authority operations are conducted from its headquarters building at 1580 Union Turnpike, New Hyde Park. Operations staff maintains 24-hour coverage of the Water System facilities through a Supervisory Control and Data Acquisition (SCADA) system that is connected to all of the Authority's year round well stations and other facilities. The SCADA system monitors system pressures, well flow rates, storage tank levels and plant alarms, and controls well and booster pumps and motor operated valves. The ability to monitor and automatically control well and booster pumps throughout the distribution system allows for greater operational flexibility.

Description of Existing Facilities

The Water System is comprised of the following existing types of facilities: supply, storage, treatment, pumping, transmission and distribution, and interconnection. Each System element has been designed and equipped for redundancy to assure reliable operations under a wide variety of contingency events.

Water Supply. The Authority draws groundwater for treatment and distribution from the Lloyd, Magothy and Upper Glacial aquifers. Access to multiple aquifers allows the Authority to modify its water sources.

The Authority operates 15 well stations, with 24 individual wells (seven of which are currently out of service), located throughout the Service Area. Nine of the stations are automated and can be monitored and controlled through the SCADA system located at the Authority's offices in New Hyde Park, New York. Five of the well stations have strategically placed emergency power supplies.

Treatment Facilities. The Authority treats water at well stations to comply with applicable drinking water standards prior to distribution. Chlorination and pH adjustment are provided at all wells. Zinc metaphosphate is added for iron removal at two wells and zinc orthophosphate is added to the remaining wells to control corrosion. Air stripping towers and a Granular Activated Carbon ("GAC") unit are used to remove volatile organic compounds ("VOCs") from some wells. Iron treatment facilities are in service at two stations to remove high levels of iron and manganese. Wells are tested daily for chlorine residual, pH, and orthophosphate. Biweekly testing is taken for lead and copper water quality parameters. Monthly testing is done for VOCs and bacteria at locations with VOC facilities. Quarterly testing is performed for principal organic compounds and bacteria at stations without VOC facilities. All wells are tested annually for nitrates, perchlorate and inorganic compounds. Quarterly testing is performed for the disinfection by-products rule. Every eighteen months tests are taken for synthetic organic compounds and pesticides.

A number of Authority wells experience low levels of VOCs, including industrial solvents trichloroethene ("TCE") and tetrachloroethene ("PCE"). Levels remain below minimum contaminant levels established by the Nassau County Department of Health. Where these compounds have been detected, the Authority analyzes samples on a monthly basis. Eleven of the Authority's wells located at five various stations are equipped with air stripping towers to remove VOCs. One well is currently being equipped with a GAC unit to remove VOCs. The Authority continues to monitor and evaluate the feasibility of VOC treatment at other well stations.

All of the Authority's wells currently comply with all applicable drinking water standards.

Storage Facilities. Storage tanks help satisfy peak demands beyond pump capacity and to assure an adequate supply of water during emergencies. At seven well stations, the Authority maintains steel or concrete water storage tanks of varying capacities. The tanks are located in both high and low pressure zones for system redundancy. Total storage capacity is 11.9 million gallons.

Transmission and Distribution Facilities. The existing water distribution system is comprised of approximately 1,238,000 linear feet of 2 to 16 inch diameter water mains and piping, valves and appurtenances. The majority (90%) of the water mains are of unlined cast iron, with the remainder being mostly cement lined ductile iron pipe. The mains are located below public streets or under private property pursuant to easements.

Portions of the original distribution system are unlined cast iron pipe over 90 years old. In addition, approximately 800 linear feet is comprised of 4-inch or smaller diameter cast and wrought iron pipe. The Authority's practice is to remove and replace, when identified, those mains that do not comply with current best practices, including unlined cast iron pipe and 4-inch or smaller diameter pipe.

There are 2,432 fire hydrants in the Authority's service area.

Interconnection Facilities. The Water System is connected to adjacent public water supplies at eleven Nassau County locations. The Water System interconnects with the Garden City Park Water District at two metered locations, one of which permits two-way flow and one which flows only to the Garden City Park system. There are four metered, two-way flow interconnections with the Franklin Square Water District, two metered two-way flow interconnections with the Long Island American Water Company, one unmetered two-way flow interconnection with the Manhasset/Lakeville Water District and two metered two-way flow interconnections with the Village of Garden City. There are also 12 interconnections between the Water System and the NYC Department of Environmental Protection system.

The Water System operates independently of adjacent systems. The Authority strives to provide a high level of service to its customers and to fully maintain Water System assets. Authority programs include a flushing program performed twice annually to clear sediment from older, undersized distribution mains; valve, hydrant and interconnection maintenance; a water conservation program; equipment preventive maintenance schedules; summer time grounds keeping and maintenance programs; cross training among Authority staff to improve emergency response; and hydrant painting. The Authority routinely evaluates the cost-effective use of outside service contractors for certain of these programs.

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.

The Water Authority's procurement policy, disposition of property Policy and the code of ethics, adopted by the Board of Directors, are presented in its website.

MAJOR ACCOMPLISHMENTS

Operational Efficiencies

The Water Authority completed its nineteenth full year of operation on May 31, 2015. Beginning its twentieth year of operation, the Water Authority has continued its practice of searching for operational efficiencies to control operation and maintenance expenses, supplying clean and reliable water and providing excellent service to its customers.

The Water Authority has instituted an aggressive program to encourage customers' payments for past due accounts by using a direct phone call to the customer with the delinquency just prior to sending crews out to shut off the service due to non payment. This policy helps the Water Authority 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 ENDED MAY 31, 2013 TO 2015	
Fiscal Year	Amount
2015	\$ 18,707
2014	18,086
2013	11,260
2012	15,508
2011	15,342
2010	18,763
2009	17,553
2008	17,595
2007	11,948

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 New York State Department of Environmental Conservation (“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. 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 first recorded violation is assigned a written warning; the second, third, fourth and fifth and any further violation is assessed a \$50, \$75, \$150 and \$300 service charge, respectively. 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

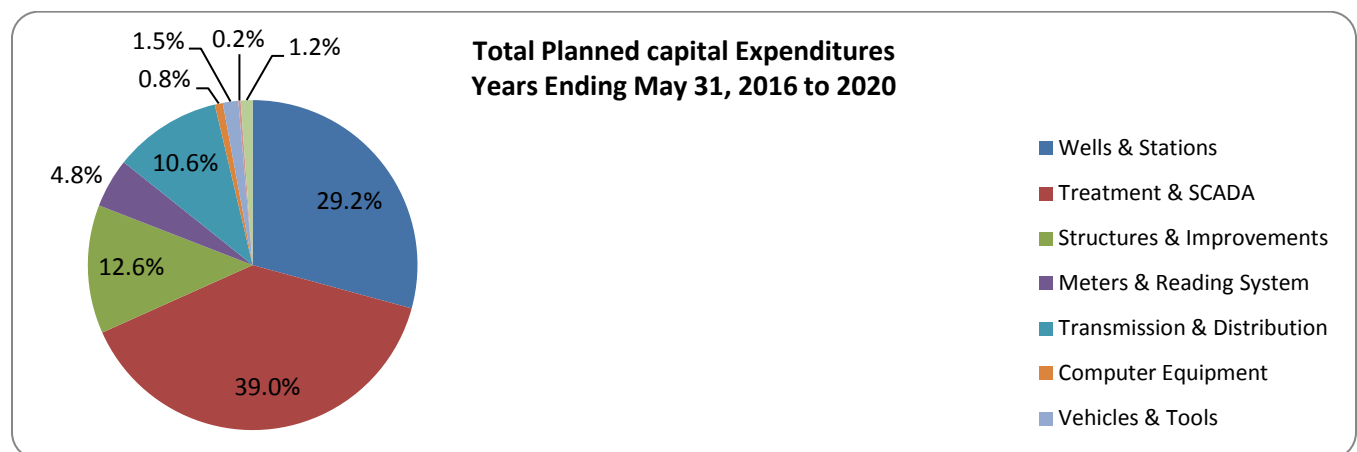
Capital projects have continued to require a large share of the Water Authority’s budget, staff time and focus. The Water Authority has implemented a comprehensive capital improvement program with the goal of improving the water system’s aging infrastructure through increased system capacity and dependability.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

	2015-2016	2016-17	2017-2018	2018-2019	2019-2020	Total
Wells & Stations	\$518,500	\$3,184,103	\$10,330,635	\$2,287,256	\$ -	\$16,320,494
Treatment & SCADA	3,147,033	12,270,078	6,196,014	-	185,250	21,798,375
Structures & Improvements	-	1,610,600	4,522,558	907,442	-	7,040,600
Meters & Reading System	529,310	517,450	533,100	549,200	565,700	2,694,760
Transmission & Distribution	1,155,600	1,085,700	1,113,500	1,297,525	1,255,800	5,908,125
Computer Equipment	67,370	111,470	121,580	100,285	38,430	439,135
Vehicles & Tools	373,515	178,025	128,270	52,125	114,350	846,285
Contingency	25,000	25,000	25,000	25,000	25,000	125,000
Subtotal Construction	5,816,328	18,982,426	2,2,970,657	5,218,833	2,184,530	55,172,774
Operations Center Building	650,000	-	-	-	-	650,000
Total	\$6,466,328	\$18,982,426	\$22,970,657	\$5,218,833	\$2,184,530	\$55,822,774



The Water Authority plans on investing the approximate amounts shown in the previous page each year in future capital projects. The planned projects to be addressed over the ensuing five year 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's average annual capital expenditure was approximately \$8 million, over the most recent five year period. Included in those costs were Headquarters Project, two iron removal facilities, radio read and meter replacement program, compliance with New York State Department of Health

regulations, increased level of capital main, service and hydrant replacement programs, other projects for well screen replacements, station repair, technology improvements, security system at all sites, vehicle , tools and work equipment replacements, meter and booster upgrades. The majority of capital replacement program expenditures was funded from the Series 2010 A and Series 2010 B bond proceeds.

The Water Authority completed the construction of its new headquarters located at 1580 Union Turnpike, New Hyde Park, New York. 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 approximately \$400,000 per year by eliminating the rental cost, property taxes and maintenance costs previously incurred at its prior headquarters in Floral Park.

Both Iron Removal Plant Projects have been completed and put into operation. Annually over 675 million gallons of water is treated and supplied to the customers in those distribution areas.

Planned Improvements

In 2015, The water Authority issued \$54.2 million water system revenue bonds, series 2015A, to undertake major capital improvements, in the forthcoming years. The Water Authority's well stations are equipped with a variety of equipment that requires regular replacement and upgrading, various pumps, motors, controls, parts inventory, telemetry and monitoring equipment will be upgraded or replaced. The Water Authority plans to make various structural improvements at the well stations. Included in the planned projects are the installation of VOC treatment facilities and asset upgrades to treat four wells at Station 15 located at western portion of territory. Subsequent to those upgrades, large capital project upgrades will be addressed at two primary Well Stations (44 and 57) to assure the continued delivery of water.

The Water Authority also plans to replace or install new hydrants and street valves throughout the service area and acquire other capital items including computer related systems, security system upgrades for all sites, copiers and network equipment.

The Water Authority has instituted a maintenance and rehabilitation program for its seven water storage facilities. This periodic rehabilitation of tank interiors and exteriors improves not only the tank's appearance but also extends the service life of the tank and prevents corrosion, thereby helping to maintain high water quality.

The Water Authority has begun the rehabilitation of its elevated water storage Tank No. 19, located in New Hyde Park. This project includes physical changes necessary to comply with current Department of Health standards, 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 work is being performed by JPI Painting Inc., the Water Authority's contractor.

Special rotary compressors will be used to minimize noise and complete containment of the tank will keep any dust or debris generated by this work within the boundaries of the work site. On weekdays, work will be performed between the hours of 8:00 a.m. and 5:00 p.m., and no work is scheduled to be performed on weekends unless it becomes necessary due to adverse weather conditions during the week.

The paint that will be used is approved for use on water storage tanks by the New York State Department of Health. 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 November 2015.

Additional information on capital assets are provided in the Management's Discussion and Analysis pages 34 to 38, and the Note 4 to financial statements, pages 65 and 66 .

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 \$41.51, 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 were as follows:

AVERAGE ANNUAL WATER BILL				
Date	Residential	Commercial	Minimum	Per Hydrant
5/31/2015	402	1,638	155	936
5/31/2014	378	1,582	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 103,600 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 103,600 gallons per year with rates charged by several other Long Island water suppliers, as of April 8, 2015, all of whom rely solely on groundwater:

COMPARISON OF AVERAGE QUARTERLY WATER BILLS – LONG ISLAND	
Water Supplier	Bill
New York American - East	\$538
New York American - West	665
Suffolk County Water Authority	268
Water Authority of Great Neck North	545
Water Authority of Western Nassau County	404

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 an 8.41% increase in water rates effective June 1, 2015. The increase is to cover debt service costs and support the Water Authority's capital improvement program.

WATER AUTHORITY OF WESTERN NASSAU COUNTY RATE SCHEDULE – JUNE 1, 2015

Minimum charge up to 9,000 gal./quarter	\$41.51
Block 1 charge (9,000 – 96,000 gal./quarter)	\$3.993/1,000 gal.
Block 2 charge (greater than 105,000 gal./quarter)	\$2.739/1,000 gal.
Public fire hydrants	\$936 per year
Private Sprinkler Rates - Fire Protection Service (Quarterly)	
1" Meter	\$14.61
1 ½" Meter	\$22.45
2" Meter	\$33.65
2 ½" Meter	\$39.38
3" Meter	\$58.43
4" Meter	\$105.65
6" Meter	\$215.86
8" Meter	\$431.63
10" Meter	\$593.00

The public water hydrant rate has remained unchanged at \$936, pending the completion of an ongoing comprehensive rate study.

Debt Management

At May 31, 2015, bonds totaling \$112.5 million were outstanding, of which \$73.6 million was issued on April 22, 2015. 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 is liable for the bonds. 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.

Fitch Ratings assigned an 'AA-' and Moody's Rating an A1 rate to the Water Authority's \$54.2 million water system revenue bonds, series 2015A and 19.4 million water system revenue refunding bonds, series 2015B. In addition, Fitch affirmed the AA- rating: for \$64.5 million in outstanding water system series 2010A and 2010B Bonds. The rating outlook was determined as stable based on several factors including: satisfactory financial profile, affordable water rates, manageable capital program, ample treatment capacity and stable service area,

Under requirements stipulated in the 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, 2015, the balances of Rate Stabilization and Bond Reserve Funds were \$1.07 million and \$9.0 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, 2015. 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 25 to 26. 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 119 and 120.

SEC REQUIREMENT

Securities and Exchange Commission (SEC) Rule 15c2-12 requires dealers, when underwriting certain types of municipal securities, to ensure that the governmental unit issuing the bonds enters into an agreement to provide certain important information to the Municipal Securities Rulemaking Board ("MSRB") about the securities on an ongoing basis. This information generally reflects the financial health or operating condition of the state or local government as it changes over time, or the occurrence of specific events that can have an impact on key features of the bonds.

The continuing disclosure agreements for new issues, normally require providing Annual Financial Information and the Event Information. Annual Financial Information comprises of operating data and the audited financial statements. The Events Information includes items such as: principal and interest payment delinquencies, non-payment related defaults, unscheduled draws on debt service reserves reflecting financial difficulties, adverse tax opinions or events affecting the tax-exempt status of the security, bond calls and tender offers, defeasances, rating changes and bankruptcy, insolvency or receivership.

The events, listed in the rule, should 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, 2015.

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, 2014. This was the sixth 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

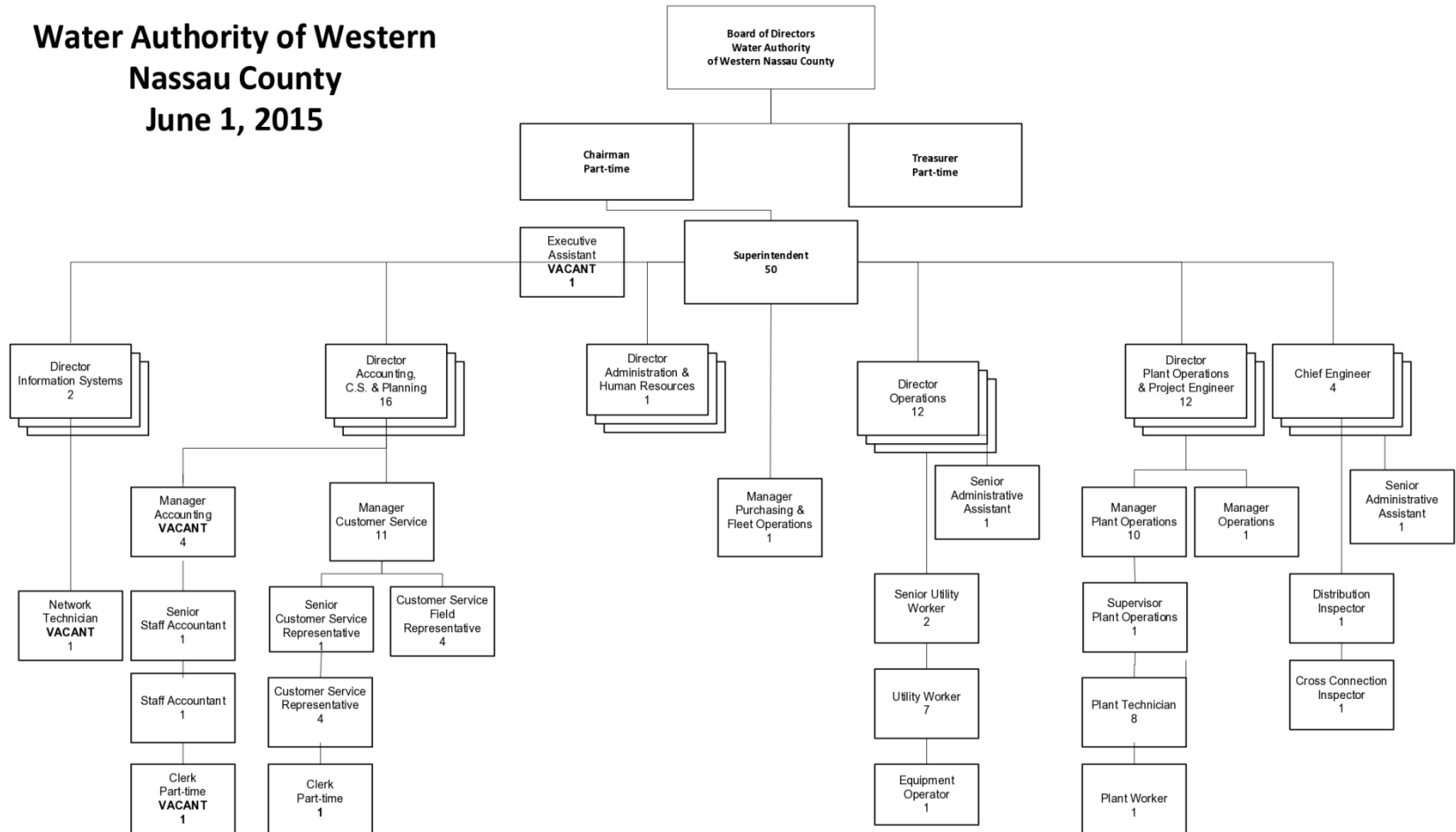
**Water Authority of Western
Nassau County, New York**

For its Comprehensive Annual Financial Report
for the Fiscal Year Ended

May 31, 2014

Executive Director/CEO

Water Authority of Western Nassau County June 1, 2015



**COMPREHENSIVE ANNUAL REPORT
FISCAL YEAR ENDED MAY 31, 2015**

BOARD OF DIRECTORS/VOTES

		Voting Percentage
George Bakich	Town of Hempstead	26.2%
Cherie Zacker	Town of Hempstead	26.2%
Dominick Longobardi	Village of South 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%
Greg Ifill	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
New Hyde 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, 2015 and 2014 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 Water Authority of Western Nassau County, as of May 31, 2015 and 2014 and the respective changes in financial position and, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

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 43 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, 2015, 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.



Garden City, New York
August 30, 2015

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 (this section); 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 WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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, 2015 and 2014. 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, 2015 were \$149.4 million and exceeded liabilities in the amount of \$19.9 million (i.e. net position). Of the total net position, \$1.5 million was unrestricted. Total assets increased by \$60.2 million (67.5%) between May 31, 2014 and 2015. Net position increased by \$1.8 million (9.8%) over the same period last year and the economic and financial position of the Water Authority improved.
- Operating revenues were approximately \$15.2 million, showing an increase of \$1.1 million (7.8%), as compared to \$0.4 million (3.1%) in the previous year. The increased revenues from residential water sales of \$0.7 million (6.7%) and commercial and fire protection revenues of \$0.4 million (10.6%) were related to increased consumption of water and a 7.0% increase in water rates.
- Total operating expenses increased by approximately \$0.2 million, from \$10.6 million to \$10.8 million for the fiscal years ended May 31, 2014 and 2015. The 1.5% increase in operating expenses was due to higher maintenance and depreciation expenses. Operations expenses decreased by \$0.4 million (4.4%) from \$7.2 million to \$6.8 million for the fiscal years ended May 31, 2014 and 2015, respectively, primarily from decreases in costs of central operations office and information systems expenses. Maintenance expenses increased by \$0.2 million (11.4%) from \$1.9 million to \$2.1 million for the fiscal years ended May 31, 2014 and 2015.
- Operating income for the fiscal years ended May 31, 2015 and 2014 were \$4.4 and \$3.5 million. The increase in operating income of \$0.9 million (27.1%) is primarily the result of rise in operating revenues of \$1.1 million. As a result of this change, the ratio of operating income to total revenues increased from 24.6% to 29.0%, from the fiscal year ended May 31, 2014 to 2015.
- The Water Authority's long-term bonded debt, including the current portion and premium, increased by \$ 56.2 million (85.4%) during the fiscal year ended May 31, 2015, from \$65.9 million at May 31, 2014 to \$122.1 million at May 31, 2015. The change was principally the net result of the defeasance of the \$25.2 million outstanding balance of Series 2005 Bonds, repayment of \$0.3 million of Series 2010 B Bonds and the issuance of \$73.6 million of Series 2015A and 2015B Bonds at \$9.4 million premium. Debt service coverage was 1.53, 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:

CONDENSED STATEMENT OF NET POSITION (BALANCE SHEETS)

	May 31,			2014 to 2015 Increase (Decrease)		2013 to 2014 Increase (Decrease)	
	2015	2014	2013	Amount	%	Amount	%
Current assets	\$ 7,468,584	\$ 6,989,314	\$ 7,485,682	\$ 479,270	6.9	\$ (496,368)	(6.6)
Noncurrent assets							
Other noncurrent assets	71,997,296	14,121,304	19,077,012	57,875,992	409.8	(4,955,708)	(26.0)
Capital assets	69,888,539	68,063,563	63,873,372	1,824,976	2.7	4,190,191	6.6
Total assets	149,354,419	89,174,181	90,436,066	60,180,238	67.5	(1,261,885)	(1.4)
Deferred charge on refunding	32,006	1,132,345	1,201,753	(1,100,339)	97.2	(69,408)	(5.8)
Total deferred outflows	32,006	1,132,345	1,201,753	(1,100,339)	97.2	(69,408)	(5.8)
Current liabilities	5,483,462	4,031,915	6,113,333	1,451,547	36.0	(2,081,418)	(34.0)
Noncurrent liabilities	4,365,249	3,969,402	3,573,609	395,847	10.0	395,793	11.1
Long-term debt—bonds, net	119,683,201	64,215,818	65,924,806	55,467,383	86.4	(1,708,988)	(2.6)
Total liabilities	129,531,912	72,217,135	75,611,748	57,314,777	79.4	(3,394,613)	(4.5)
Net position							
Invested in capital,	17,286,185	15,436,386	14,543,793	1,849,799	12.0	892,593	6.1
Restricted for rate stabilization	1,070,000	570,000	560,000	500,000	87.7	10,000	1.8
Unrestricted	1,498,328	2,083,005	922,278	(584,677)	(28.1)	1,160,727	125.9
Total Net Position	\$ 19,854,513	\$ 18,089,391	\$ 16,026,071	\$ 1,765,122	9.8	\$ 2,063,320	12.9

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

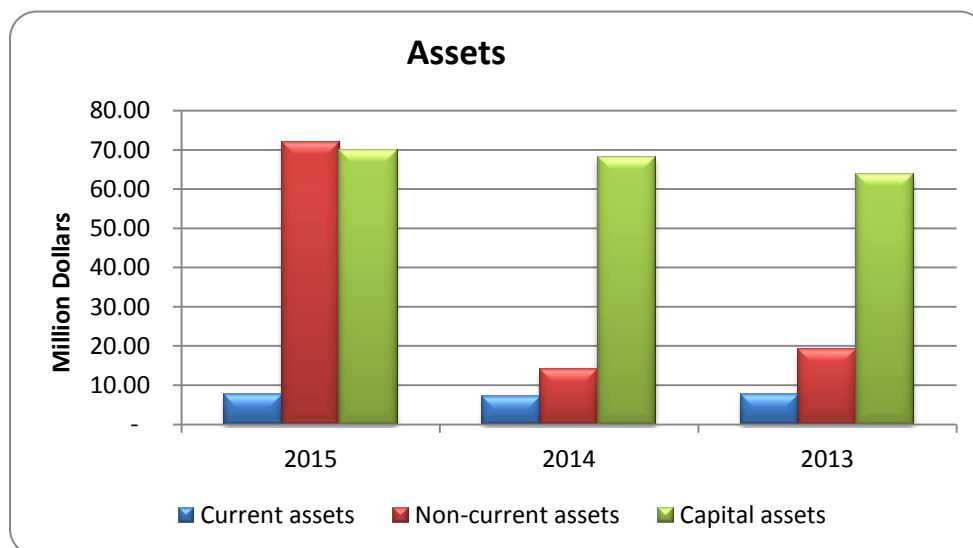
The table above and Chart 1 show that the amount of total assets increased by \$60,180,238 (67.5%) and total liabilities rose by \$57,315,000 (79.4%), from May 31, 2014 to May 31, 2015. The decrease in total assets and total liabilities were \$1,261,885 (1.4%) and \$3,394,613 (4.5%), respectively, during the prior year. During the year ended May 31, 2015, the Water Authority increased its gross capital assets by \$3,377,042 (4.1%) and capital assets, net of depreciation, by \$1,824,976 (2.7%). The non-current assets, which include the bond proceeds restricted for construction, increased by \$57,875,992 (409.8%). In the previous year, the principal components of changes in assets included the net additions to capital assets of \$4,190,191 (6.6%) and reduction in other non-current assets, restricted cash and investments, of \$4,955,708 (26.0%).

During the year ended May 31, 2015, the current assets and current liabilities increased by \$479,270 (6.9%) and \$1,451,547 (36.0%), respectively. The principal reason for the increase in current assets was \$546,712 increase in accounts receivable from metered customers and for municipal water hydrants. The current liabilities increased by \$1,451,547 (36.0%) as a net result of \$833,852 increase in accounts payable and accrued expenses and \$755,000 additional current maturity of long term debt as offset by \$211,914 decrease in deferred revenues and accrued interest. The net working capital of the Water Authority was \$1,985,122, on May 31, 2015 as compared to \$2,957,399 on previous fiscal year end.

During of the previous year the current assets and current liabilities had 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.

The primary reason for a decrease in total liabilities was the repayments of long-term bonds. The amount of bonds, including the current portion, was \$112,590,000 and \$64,515,000, on May 31, 2015 and 2014, respectively (Chart 2). The Water Authority defeased the Series 2005 Bonds, which had unpaid principal balance of \$23,885,000 in the beginning of the fiscal year, and made a principal payment of \$1,265,000 on Series 2010A Bonds. The total principal payments made during the fiscal year ended May 31, 2015 were \$1,640,000 as compared to \$1,595,000, in the previous year.

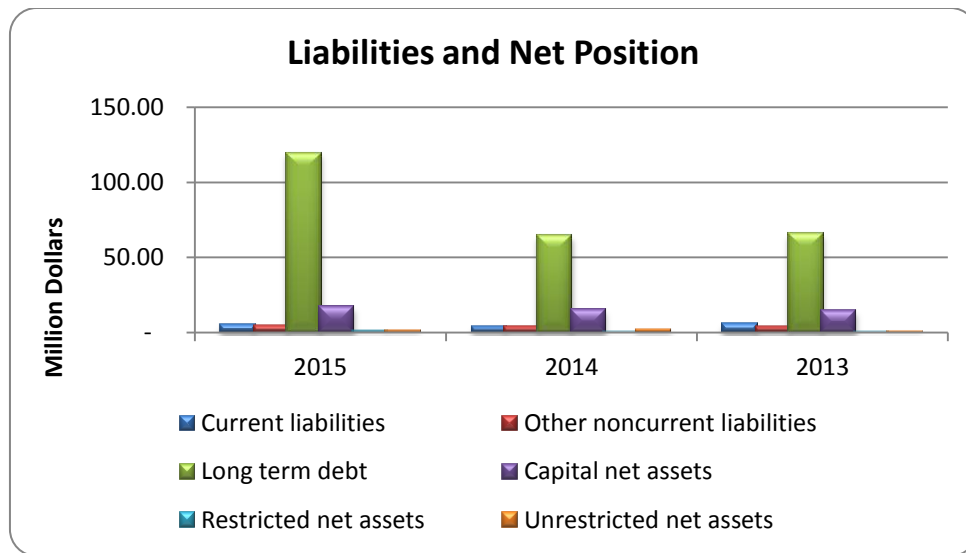
CHART 1



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

The net position of the Water Authority increased by \$1,765,122 (9.8%), during the fiscal year ended May 31, 2015, as compared to an increase of \$2,063,320 (12.9%), in the fiscal year ended May 31, 2014. The changes in net position reflect the excess of operating incomes of \$4,402,024 and \$3,462,974 over the non-operating expenses of \$2,636,902 and \$1,399,654, during the fiscal years ended May 31, 2015 and 2014, respectively. The increased interest expense in the current year is due to lower capitalized interest.

CHART 2



The unrestricted net position decreased by \$584,677 (28.1%), in the fiscal year ended May 31, 2015, as compared to an increase of \$1,160,727 (125.9%) in the previous year due to lower capitalized interest. The net position restricted for rate stabilization was increased by \$500,000 and \$10,000, during the current and previous fiscal years, respectively, to comply with the Bond covenants regarding maintaining Rate Stabilization restricted cash and cash equivalents. The net position invested in capital increased by \$1,849,799 (12.0%) and \$892,593 (6.1%) during the fiscal years ended May 31, 2015 and 2014, respectively.

OPERATING RESULTS

As of May 31, 2015, the Water Authority provided water to 26,411 residential customers, 1,385 commercial customers, 196 private fire customers and 2,432 municipal fire hydrants. The corresponding figures for May 31, 2014 were 26,430 residential customers, 1,359 commercial customers, 195 private fire customers and 2,432 municipal fire hydrants.

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

The Water Authority's condensed statements of revenues, expenses and changes in net position are as follows:

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

					2014 to 2015		2013 to 2014	
					Increase (Decrease)		Increase (Decrease)	
	2015	May 31, 2014	2013		Amount	%	Amount	%
Water sales:								
Residential	\$ 10,694,380	\$ 10,023,162	\$ 9,715,394	\$	671,218	6.7	\$ 307,768	3.2
Commercial, municipal and other	4,486,444	4,054,704	3,941,453		431,740	10.6	113,251	2.9
Total operating revenues	15,180,824	14,077,866	13,656,847		1,102,958	7.8	421,019	3.1
Operating expenses								
Operations	6,840,640	7,155,325	6,682,648		(314,685)	(4.4)	472,677	7.1
Maintenance	2,131,416	1,913,099	1,924,246		218,317	11.4	(11,147)	(0.6)
Depreciation	1,806,744	1,546,468	1,271,165		260,276	16.8	275,303	21.7
Total operating expenses	10,778,800	10,614,892	9,878,059		163,908	1.5	736,833	7.5
Operating income	4,402,024	3,462,974	3,778,788		939,050	27.1	(315,814)	-8.4
Non-operating revenue (expense)								
Interest income	302,646	74,188	122,817		228,458	307.9	(48,629)	(39.6)
Miscellaneous income	346,696	375,941	375,320		(29,245)	(7.8)	621	0.2
Interest on long-term debt	(3,261,740)	(1,825,291)	(2,226,107)		(1,436,449)	(78.7)	400,816	(18.0)
Other amortization, net	(24,504)	(24,492)	(24,000)		(12)	0.0	(492)	2.1
Net non-operating expenses	(2,636,902)	(1,399,654)	(1,751,970)		(1,237,248)	88.4	352,316	(20.1)
Change in total net Position	1,765,122	2,063,320	2,026,818		(298,198)	(14.5)	36,502	1.8
Net position, beginning	18,089,391	16,026,071	13,999,253		2,063,320	12.9	2,026,818	14.5
Net position, ending	\$ 19,854,513	\$ 18,089,391	\$ 16,026,071	\$	1,765,122	9.8	\$ 2,063,320	12.9

OPERATING REVENUES AND EXPENSES

The Water Authority provides water treatment and distribution to an estimated population of 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 and are not expected to undergo significant zoning changes.

The Water Authority's revenues increased by \$1,102,958 (7.8%), in fiscal year ended May 31, 2015, as compared to an increase of \$421,019 (3.1%), in the fiscal year ended May 31, 2014. The residential water sales revenue increased by \$671,218 (6.7%) and \$307,768 (3.2%) and commercial and fire protection water sales revenues rose by \$431,740 (10.6%) and \$113,251 (2.9%), during the current and previous years, respectively (Chart 3).

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

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

The increase in operating expenses during the current year was \$163,908 (1.5%), as compared to \$736,833 (7.5%) in the previous year (Chart 4). The current year increase in total operating expenses before depreciation was lower than the previous year increase because of the \$314,685 decrease in expenses of operations, which includes reduced costs of purchased power, central office operations and information system. The change in operations expenses of \$472,677 (7.1%), in the previous year was primarily the result of a rise in labor costs and benefits, along with an increase in the costs of power and chemicals. Maintenance expenses increased by \$218,317 (11.4%), during the year ended May 31, 2015, due to additional expenses for transmission and distribution. The maintenance expenses during the previous year had remained relatively unchanged. The depreciation expenses increased by \$260,276 (16.8%) and \$275,303 (21.7%), during the years ended May 31, 2015 and 2014, respectively, primarily because of the increase in treatment structures, services and meter equipment.

As a result of changes in operating revenues and expenses, the Water Authority's operating incomes were \$4,402,024 and \$3,462,974, during the years ended May 31, 2015 and 2014, respectively.

CHART 3

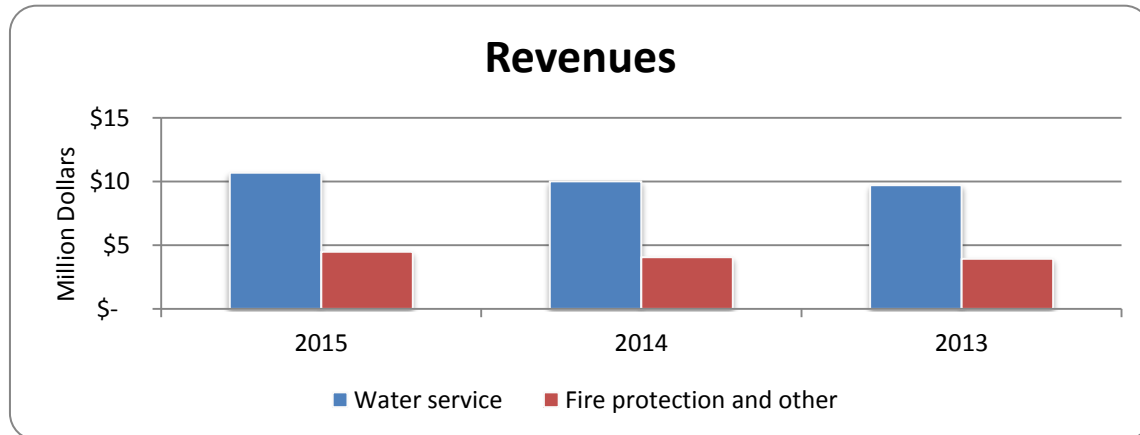
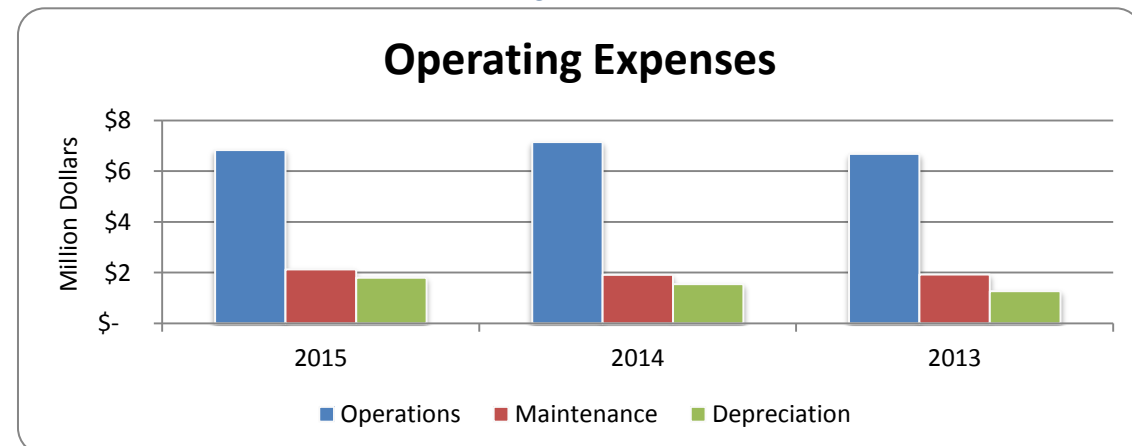


CHART 4



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

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenue includes interest earnings on investment assets and miscellaneous income. Interest incomes were \$302,646 and \$74,188, in the years ended May 31, 2015 and 2014 respectively. The increased interest income in current fiscal year reflects the additional interest earned on the proceeds of Series 2015 Bonds as offset by the provision of \$231,888 for federal arbitrage rebate. The primary reason for reduction in the interest income during the previous fiscal year was the expenditure of restricted funds held in cash equivalents and investment accounts for construction of capital assets.

Miscellaneous income was \$346,696 and \$375,941, in the year ended May 31, 2015 and 2014, respectively. This miscellaneous income involves the rental income realized from the lease of space atop water towers to cellular phone companies.

The gross amount of interest expenses, including amortization of bond premium and accruals, were \$2,840,081 and \$3,010,240, in the years ended May 31, 2015 and 2014, respectively. The amount of interest capitalized during the construction of capital assets were \$43,300 and \$1,184,950 and the net interest expenses were \$3,261,740 and \$1,825,291, in the fiscal years ended May 31, 2015 and 2014, respectively. The Water Authority has presented the interest expense, net of the capitalized portion, for the year ended May 31, 2015 and 2014. The decrease in current year capitalized plant primarily reflects successful completion of the Water Authority building and the iron removal water station projects in the previous year.

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 \$69,888,539 in capital assets, an increase of approximately \$1,824,976 (2.7%) from the prior year.

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

	2015	2014	2013
Land	\$ 167,708	\$ 167,708	\$ 167,708
Construction in progress	2,006,198	289,745	22,509,705
Wells and standpipes	2,705,764	2,725,027	2,705,737
Pumping and purification	21,217,955	21,065,839	11,234,460
Distribution system	39,470,121	38,332,125	36,782,613
Building, vehicles and	19,425,151	19,035,411	2,795,575
Total capital assets	<u>84,992,897</u>	<u>81,615,855</u>	<u>76,195,798</u>
Accumulated depreciation	<u>(15,104,358)</u>	<u>(13,552,292)</u>	<u>(12,322,426)</u>
Net capital assets	<u>\$ 69,888,539</u>	<u>\$ 68,063,563</u>	<u>\$ 63,873,372</u>

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

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

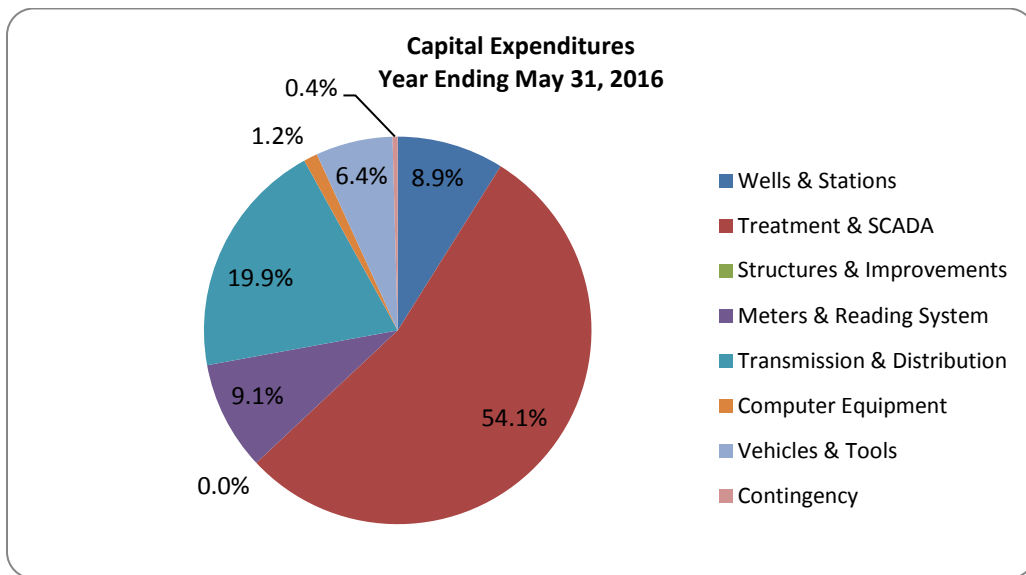
MAJOR INCREASES IN CAPITAL ASSETS

The new capital plan covers the anticipated projects for the fiscal years ending May 31, 2016 to 2020. The total plan amount is \$55,172,774 is financed by the balance of the 2010 Series A and the new 2015 Series A funds. 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, 2016 and five years ending May 31, 2020 are as follows:

PLANNED CAPITAL EXPENDITURES YEAR ENDING MAY 31, 2016 AND TOTAL FOR YEARS ENDING 2016 TO 2020 (UNAUDITED)

	Year Ending May 31, 2016	Total for Years Ending May 31, 2016 to 2020
Wells and stations	\$ 518,500	\$ 16,320,494
Treatment and SCADA	3,147,033	21,798,375
Structures and improvements	-	7,040,600
Meters and reading system	529,310	2,694,760
Transmission and distribution	1,155,600	5,908,125
Computer equipment	67,370	439,135
Vehicles and tools	373,515	846,285
Contingency	25,000	125,000
Total projected capital expenditures	\$ 5,816,328	\$ 55,172,774

CHART 5

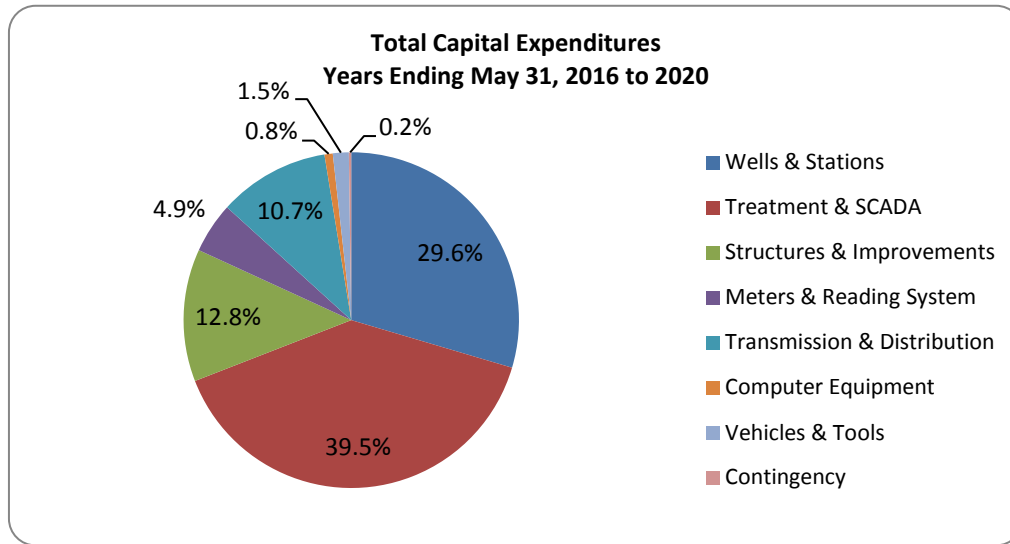


The major planned capital expenditures for the year ending May 31, 2016 include \$3.1 million (54.1%) for treatment and SCADA, \$1.2 million (19.9%) for transmission and distribution and \$0.5 million (8.9%)

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

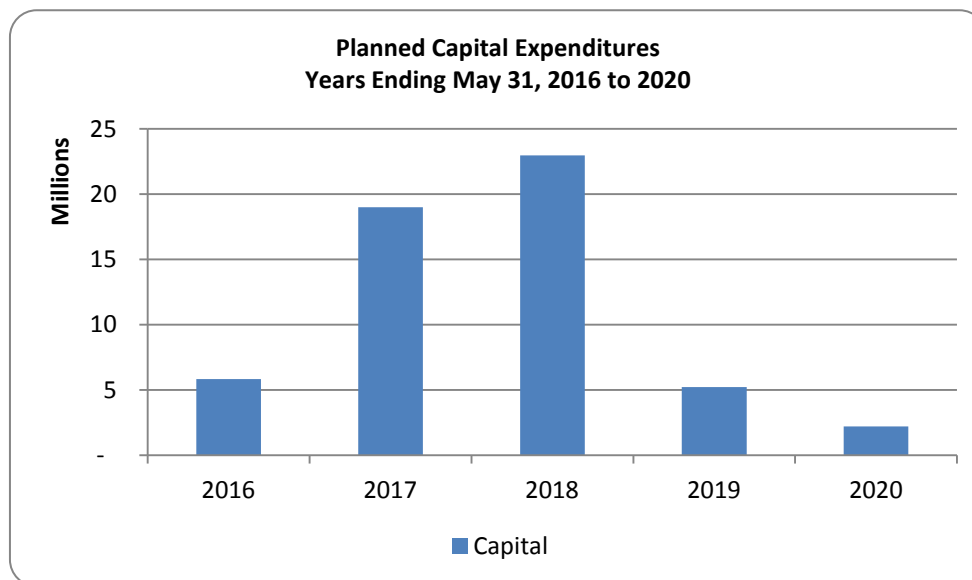
for wells and stations (Chart 5). The capital expenditures of \$5.8 million for the year ending May 31, 2016, represents 10.5% of total \$55.2 million planned capital expenditures, over the next five years.

CHART 6



Over the five years ending May 31, 2020, the expenditures for water treatment and SCADA will be \$21.8 million (39.5%), for wells and stations \$16.3 million (29.6%), for transmission and distribution \$5.9 million (10.7%) and for meter and reading systems \$2.7 million (4.9%) of the total \$55.2 million capital expenditures (Chart 6). The planned annual capital expenditures for the years ending May 31, 2016 to 2020 are shown in the Chart 7:

CHART 7



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

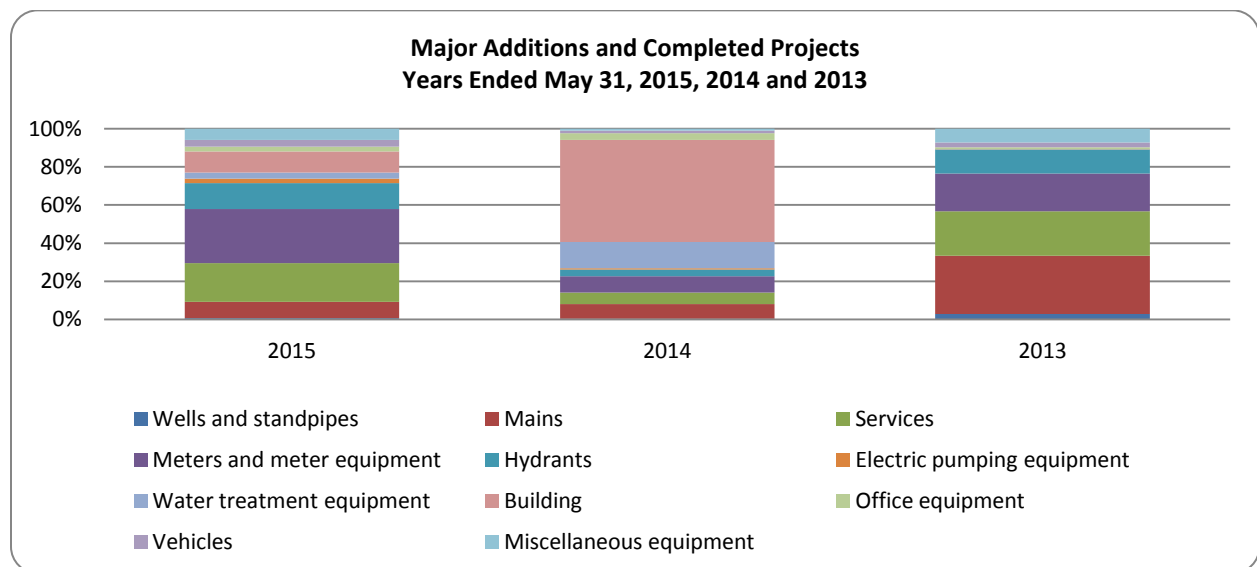
MAJOR ADDITIONS AND COMPLETED PROJECTS

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 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, 2015, 2014 and 2013 are presented in the following table and Chart 8:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Wells and Standpipes			
Wells and standpipes	\$ -	\$ 19,290	\$ 48,315
Distribution System			
Mains	164,493	531,361	533,633
Services	398,334	419,587	405,336
Meters and meter equipment	555,573	594,671	344,052
Hydrants	265,416	236,956	218,381
Pumping and Purification			
Electric pumping equipment	44,898	44,072	705
Water treatment equipment	107,218	947,979	2,843
Building and Vehicles			
Building	167,229	3,700,094	-
Office equipment	49,496	235,288	15,604
Vehicles	68,496	101,451	43,411
Miscellaneous equipment	115,012	63,390	126,062
Total additions	<u>\$ 1,936,165</u>	<u>\$ 6,894,139</u>	<u>\$ 1,738,342</u>

CHART 8



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

Over the past three years, the most important outlays for capital assets, other than the headquarters building and iron removal plants, related to the improvements of the distribution system. These expenditures were \$1,382,181, \$1,782,575 and \$1,501,402, during the years ended May 31, 2015, 2014 and 2013 respectively. The cost of installation of meters and radio transmitters for those meters were the most significant part of distribution system improvement costs, accounting for \$553,938 (40.1%) in the current year and \$594,671(33.4%) in the previous year. 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 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 in the year ended May 31. 2014.

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

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.

Moody's and Fitch Ratings affirmed the "A1" and 'AA-' rating of the Water Authority's Series 2015 Bonds.

REVENUE SERIES 2015 BONDS

During the year ended May 31, 2015, the Water Authority completed new financing to fund future construction plans and to refund the 2005 Series A and B Bonds. Water System Series 2015A Revenue (Construction) Bonds and Water System Series 2015B Revenue (Refunding) Bonds were issued on April 22, 2015. The 2015A Bonds consist of \$21,660,000 (4.563 % average interest) Serial Bonds, \$17,640,000

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

(5% interest) Term Bonds due April 1, 2040, \$10,000,000 (5 % interest) Term Bonds due April 1, 2045 and \$4,900,000 (4% interest) Term Bonds due April 1, 2045. The 2015B Bonds consist of \$19,400,000 (4.506% average interest) Serial Bonds. A portion of the proceeds of the Bonds, along with funds transferred from amounts on deposit in the debt service funds, debt service reserve funds were deposited as cash and held in an irrevocable trust (the "Escrow Fund"), and were used solely to refund the \$23,885,000 outstanding balance of the Series 2005 Bonds.

The net present value of the economic gain from refunding the 2005 Series A and B Bonds was \$4,023,167 (16.84% of refunded Bonds and deferred inflows from refunding gain was \$1,028,663.

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.

CASH AND INVESTMENTS

The total amounts of unrestricted and restricted cash, cash equivalents and investment in the US Treasury Securities were \$75,482,709, \$17,614,716 and \$22,708,240, on May 31, 2015, 2014 and 2013, respectively. The \$57,867,993 increase during the year ended May 31, 2015 was due to issuance of Series 2015 A Bonds and resulting increases in cash and cash equivalent in Bond Construction and Bond Reserve Funds of \$991,126 (22.8%) and \$2,560,714, respectively, the increase in Bond Construction Fund Investment of \$54,243,341 (5,709%) and \$72,812 in other cash accounts. The decrease of \$5,093,524 (22.4%) in cash and investment, during the previous year, was primarily the result of acquiring additional capital assets and paying debt service charges.

On May 31, 2015, the amount of restricted cash and cash equivalents held in the Construction Fund was \$5,329,147, in view of the planned capital expenditures of \$5,816,328 for the year ending May 31, 2016. The amount of cash, cash equivalents and investment in Bond reserve funds increased by \$2,560,714 (39.7%) and \$69,401 (1.0%), during the current and previous year.

On May 31, 2015, of the total cash and cash equivalents of \$20,929,398, the amount of \$3,916,529 (18.7%) was unrestricted and the amount of \$17,012,869 (81.3%) was restricted. On May 31, 2014, the total cash and cash equivalents of \$16,675,749, included \$4,059,739 (24.3%) of unrestricted and \$12,616,010 (75.7%) restricted cash and cash equivalents. Cash equivalents were invested in money

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

market accounts, Dreyfus Government Prime Cash Management Fund and short-term US Treasury bills. Dreyfus money market funds invest only in the securities of the US government or US government agencies and enterprises.

As of May 31, 2015 and 2014, the maturities of investment in the Water Authority's US treasury securities were as follows:

**Restricted Investments Held by Trustee
May 31, 2015**

Bond Construction Fund Maturity Date- on or before	Investment	Fair value	Percent	Average Term (Days)
5/31/2016	US Treasury Bonds	\$ 6,410,891	11.8%	258
5/31/2017	US Treasury Bonds	19,492,983	35.7%	576
5/31/2018	US Treasury Bonds	21,546,464	39.5%	895
5/31/2019	US Treasury Bonds	5,064,660	9.3%	1291
4/30/2020	US Treasury Bonds	2,038,313	3.7%	1641
		<u>\$ 54,553,311</u>	<u>100.0%</u>	<u>770</u>

On May 31, 2014, the total restricted investment of \$54,553,311 was composed of \$54,320,613 of investments at fair market value, plus \$232,698 accrued interest.

**Restricted Investments Held by Trustee
May 31, 2014**

Fund	Maturity Date	Investment	Fair Value	Percent	Term (Days)
Bond construction fund	6/30/2014	US Treasury Notes	\$ 309,970	33.0%	30
Bond reserve fund	2/15/2015	US Treasury Bonds	628,997	67.0%	260
			<u>\$ 938,967</u>	<u>100.0%</u>	

The total restricted investment of \$938,967 was composed of \$916,949 of investments at fair market value, plus \$22,018 accrued interest, on May 31, 2014.

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.

Debt Service Coverage:

During the year ended May 31, 2015, the Water Authority's utilized \$6.9 million net cash flows from operations, and \$0.1 million of cash to finance \$7.0 million expenditures for expanding and improving its capital assets and paying its debt service charges of \$4.5 million. The Water Authority's debt coverage ratio was as follows:

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

Cash Available and Debt Service Requirement	Amount
Operating income	\$ 4,402,024
Add: Depreciation and amortization	1,806,744
Interest and other income	649,342
Total cash available for coverage	6,858,110
Debt service requirements:	
Interest payments	2,840,080
Principal payments	1,640,000
Total debt service requirements	\$ 4,480,080
Coverage Ratio	1.53
Coverage requirement as per Water System Revenue Bonds, Series 2010 and 2005	1.20

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

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, 2015 plan, user fees and charges. Population Changes, unemployment rates in Nassau County and changes in the consumer price index for the New York – Northern New Jersey – Long Island area are among these factors .

Population changes

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 US Census Bureau estimates, in 2014, Nassau County's population was 1,358,627 and had increased by 1.4% from 1,339,710 in the previous year. The annual rate of increase was 1.1%, in 2013. The population breakdown by towns within Nassau County for 2010 and 2000 is as follows:

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

a. Source: 2010 United States Census

b. Source: 2000 United States Census

Changes in Employment

The unemployment rate in Nassau County has continued to be lower than the State of New York averages. The average unemployment rates in the County of Nassau decreased from 4.7% to 4.3% from May 2014 to May 2015. The unemployment rates for the State of New York and were 5.3% and 6.2% respectively in May 2014 and May 2015.

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

Changes in Prices

Over the year ended May 31, 2015, the Consumer Price Index for All Urban Consumer (CPI-U) was down 0.1 percent. In contrast, the index for all items less food and energy advanced 1.5 percent. The food index rose 2.2 percent. Prices for food at home increased 1.3 percent, and prices for food away from home advanced 3.5 percent. Over the year, the energy index dropped 19.0 percent, due primarily to lower prices for gasoline, which was down 27.0 percent. Among the household energy components, prices fell 18.2 percent for natural gas and 6.4 percent for electricity. From May 2014 to May 2015, the index for all items less food and energy advanced 1.5 percent. Prices for shelter increased 2.0 percent, with residential rent up 2.6 percent. Higher prices were also recorded for medical care (3.0 percent) and apparel (3.6 percent). In May, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) decreased 0.5 percent over the year.

Forecast of Revenues and Expenses

The Water Authority has prepared and published an operating plan and forecast of revenues, expenses and changes in net position, for the four years ending May 31, 2020. For the year ending May 31, 2016, the total operating revenues, operating expenses and operating income are estimated to be \$16.5, \$11.1 and \$5.4 million, respectively. Non-operating revenues and expenses are estimated to be \$1.0 and \$3.8 million, respectively. The increase in net position is estimated to be approximately \$2.6 million (12.6%). The forecasts for the year ending May 31, 2016 are based on 7.14% change in revenue requirement, 8.41% change in customer rate, average annual residential bill of \$436 and average annual commercial bill of \$1,775. For the year ending May 31, 2016, the forecasted revenues, expenses and changes in net position are as follows:

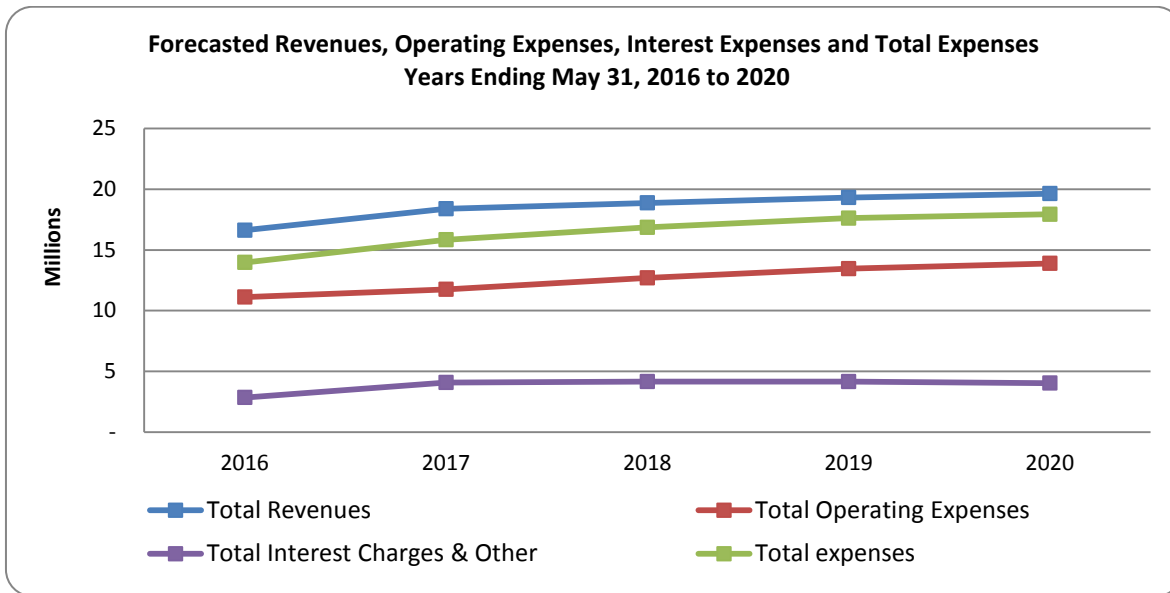
**Forecasted Revenues, Expenses and Changes in Net Position
Year Ending May 31, 2016
(Unaudited)**

	<u>Amount</u>
Operating Revenues	
Residential	\$ 11,683,800
Commercial	2,087,300
Fire hydrants	2,276,400
Private fire	130,100
Other revenue	68,700
Rate Stabilization Fund Contributions and Other	300,000
Total operating revenues	<u>16,546,300</u>
Operating Expenses	
Operation and maintenance	9,112,820
Depreciation	2,005,000
Total operating expenses	<u>11,117,820</u>
Total utility operating income	5,428,480
Non-operating revenues and expenses	
Interest on long-term debt, net	3,816,900
Interest and other income	(965,400)
Net non-operating expenses	<u>2,851,500</u>
Increase in net position	<u><u>\$ \$2,576,980</u></u>

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

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 Water Authority's forecasted operating plan includes annual customer rate increases of 9.70%, 5.56%, 2.35% and 1.70%, for the years ending May 31, 2017, 2018, 2019 and 2020 (Chart 9).

CHART 9



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

STATEMENTS OF NET POSITION

MAY 31,

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,916,529	\$ 4,059,739
Accounts receivable:		
Billed, net of \$25,000 allowance for doubtful accounts	1,224,755	678,043
Unbilled	1,850,000	1,810,000
Prepayments and other current assets	190,725	205,946
Materials and supplies, at weighted average cost	<u>286,575</u>	<u>235,586</u>
Total current assets	7,468,584	6,989,314
Noncurrent assets:		
Restricted cash and cash equivalents		
Rate stabilization fund	1,070,000	570,000
Bond construction fund	5,329,147	4,338,021
Bond reserve fund	9,005,871	6,445,157
Bond arbitrage rebate	205,500	-
Bond payment fund	324,404	232,945
Customer deposits	1,077,947	1,029,887
Restricted investments held by trustees		
Bond construction fund	54,553,311	309,970
Bond reserve fund	-	628,997
Capital assets		
Non-depreciable	2,173,906	457,453
Depreciable	67,714,633	67,606,110
Other assets		
Unamortized bond insurance costs	25,611	141,206
Other assets	<u>405,505</u>	<u>425,121</u>
Total noncurrent assets	<u>141,885,835</u>	<u>82,184,867</u>
Total assets	\$ 149,354,419	\$ 89,174,181
Deferred Outflows of Resources		
Deferred charges on refinancing	\$ <u>32,006</u>	\$ <u>1,132,345</u>
Total deferred outflow of resources	\$ 32,006	\$ 1,132,345

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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY

STATEMENTS OF NET POSITION

MAY 31,

	2015	2014
Liabilities and Net position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,204,933	\$ 1,371,081
Unearned revenue	360,818	466,723
Accrued interest payable	271,896	377,905
Customer advance on construction	96,621	87,366
Water revenue bond payable	2,395,000	1,640,000
Due to employee retirement system	114,194	48,840
Accrued vacation and sick leave	40,000	40,000
	<hr/>	<hr/>
Total current liabilities	5,483,462	4,031,915
Noncurrent liabilities:		
Water revenue bonds payable	119,683,201	64,215,818
Customer deposits	1,137,911	1,089,817
Other post employment benefits	2,378,838	2,059,485
Accrued vacation and sick leave	848,500	820,100
	<hr/>	<hr/>
Total noncurrent liabilities	124,048,450	68,185,220
	<hr/>	<hr/>
Total liabilities	129,531,912	72,217,135
Net Position		
Net investment in capital assets	17,286,185	15,436,386
Restricted for rate stabilization	1,070,000	570,000
Unrestricted	1,498,328	2,083,005
	<hr/>	<hr/>
Total net position	\$ 19,854,513	\$ 18,089,391
	<hr/> <hr/>	<hr/> <hr/>

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 YEARS ENDED MAY 31,

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Residential	\$ 10,694,380	\$ 10,023,162
Commercial	2,007,228	1,749,134
Fire protection	2,396,619	2,239,254
Other water revenues	<u>82,597</u>	<u>66,316</u>
Total operating revenues	15,180,824	14,077,866
Operating expenses:		
Operations	6,840,640	7,155,325
Maintenance	2,131,416	1,913,099
Depreciation	<u>1,806,744</u>	<u>1,546,468</u>
Total operating expenses	<u>10,778,800</u>	<u>10,614,892</u>
Operating income	4,402,024	3,462,974
Non-operating revenues (expenses):		
Interest income	302,646	74,188
Miscellaneous income, net	346,696	375,941
Interest on long-term debt, net	(3,261,740)	(1,825,291)
Other amortization, net	<u>(24,504)</u>	<u>(24,492)</u>
Net non-operating expenses	<u>(2,636,902)</u>	<u>(1,399,654)</u>
Change in net position	1,765,122	2,063,320
Net position - beginning	<u>18,089,391</u>	<u>16,026,071</u>
Total net position - ending	<u>\$ 19,854,513</u>	<u>\$ 18,089,391</u>

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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Receipts from customers	\$ 14,594,112	\$ 14,366,009
Payments to suppliers for goods or services	(3,875,678)	(6,568,860)
Rental property revenues	346,696	375,941
Payments for employee services	<u>(4,170,450)</u>	<u>(4,173,365)</u>
Net cash provided by operating activities	6,894,680	3,999,725
Cash flows from capital and related financing activities:		
Proceeds of bonds	83,010,647	-
Repayment of water revenue bonds	(25,525,000)	(1,595,000)
Acquisition of capital assets	(3,588,419)	(5,749,663)
Interest paid on water revenue bonds	<u>(3,458,379)</u>	<u>(1,822,074)</u>
Net cash used by Capital and related financing activities	50,438,849	(9,166,737)
Cash flows from non-capital financing activities:		
Cash flows from investing activities:		
Decrease of fixed income securities	938,967	4,392,667
Additional investment in fixed income securities	(54,553,311)	-
Interest and dividends received	<u>534,464</u>	<u>74,187</u>
Net cash provided by investing activities	<u>(53,079,880)</u>	<u>4,466,854</u>
Net increase (decrease) in cash and cash equivalents	4,253,649	(700,158)
Cash and equivalents, beginning of year	<u>16,675,749</u>	<u>17,375,907</u>
Cash and equivalents, end of year	\$ <u>20,929,398</u>	\$ <u>16,675,749</u>

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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 4,402,024	\$ 3,462,974
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,806,744	1,546,468
Rental Income	346,696	375,941
Changes in operating assets and liabilities:		
Accounts receivable	(546,712)	(142,857)
Accrued unbilled revenue	(40,000)	431,000
Prepaid items and other assets	15,221	(68,418)
Inventory of materials and supplies	(50,989)	18,369
Other assets	4,367	88,314
Accounts payable and accrued expenses	602,033	(1,930,079)
Deferred revenues	(105,905)	(102,120)
Due to employee retirement system	65,354	(75,660)
Customer deposits	48,094	39,289
Other post employment benefits	319,353	324,504
Compensated absences	<u>28,400</u>	<u>32,000</u>
Net cash provided by operating activities	<u><u>\$ 6,894,680</u></u>	<u><u>\$ 3,999,725</u></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.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

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. 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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

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 WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

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:

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

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 were \$1,070,000 and \$570,000 as of May 31, 2015 and 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 2015 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 amounts in the Bond Construction Funds at May 31, 2015 and 2014 were \$59,882,458 and \$4,647,991, respectively.

Bond Reserve Funds – Under the Series 2015A and 2010 Resolutions, the Water Authority is required to deposit into the Reserve Accounts, the lesser of (i) 10% of the proceeds of the Series 2015A, Series 2010A and Series 2010B Bonds, (ii) the maximum principal and interest payments due on the Series 2015A, 2010A 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 2015A, Series 2010A and Series 2010B Bonds for the current and all future Fiscal Years.

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.

As of May 31, 2015 and 2014, the total amounts of Bond Reserve Funds were \$9,005,871 and \$7,074,154 respectively. 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 2015, 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. On May 31, 2015 and 2014, the amounts in the Bond Fund cash and cash equivalents were \$324,404 and \$232,945, respectively.

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.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

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, 2015 and 2014. 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.

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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 portions of \$43,300 and \$1,840,950, in the financial statements for the years ended May 31, 2015 and 2014, respectively.

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 \$460,496 and \$8,352, the amortization of bond premiums were \$67,212 and \$68,988, and the amortization of deferred refunding loss was \$71,676 and \$69,408, during the years ended May 31, 2015 and 2014, respectively.

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Unearned Revenues

The Unearned 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

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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 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 Water Authority 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.

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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 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

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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 Non-exchange Financial Guarantees. This Statement requires a government that extends a non-exchange 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.

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 provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The Water Authority has adopted this Statement and it is effective for fiscal year ending May 31, 2016.

In February 2015, GASB issued the Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach applied consistently, though a change may be appropriate in certain circumstances. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged. The Water Authority has adopted this Statement and it is effective for fiscal year ending May 31, 2017.

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In June 2015, GASB issued the Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. The Water Authority has adopted this Statement and it is effective for fiscal year ending May 31, 2017.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The provisions in Statement 74 are effective for financial statements for fiscal years beginning after June 15, 2016. The Water Authority has adopted this Statement and it is effective for fiscal year ending May 31, 2017.

In June 2015, GASB issued Statement No. 75, which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide: Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Water Authority has adopted this Statement and it is effective for fiscal year ending May 31, 2017.

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In June 2015, GASB issued [Statement No. 76](#), *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB.

The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of the new pronouncements are effective for reporting periods beginning after June 15, 2015.

In connection with Statement 76, the GASB also recently cleared *Implementation Guide No. 2015-1*, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued.

In August 2015 GASB issued Statement No. 77, *Tax Abatement Disclosures*, Statement 77 requires that governments disclose essential information about the tax abatement agreements they have entered into with businesses and other taxpayers. Specifically, the tax abatement disclosure requirements include: the purpose of the tax abatement program; the tax being abated; dollar amount of taxes abated; provisions for recapturing abated taxes; the types of commitments made by tax abatement recipients; and other commitments made by a government in tax abatement agreements, such as to build infrastructure assets. The guidance addresses tax abatements resulting from agreements entered into by the reporting government, as well as those initiated by other governments that reduce the reporting government's tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Water Authority has adopted this Statement and it is effective for fiscal year ending May 31, 2017.

NOTE 3 –CASH, CASH EQUIVALENTS AND INVESTMENTS

As of May 31, 2015 and 2014, the carrying amount petty cash, cash and cash equivalents and investment in cash equivalent and other investment consisted of the following:

	2015	2014
Petty cash	\$ 700	\$ 700
Cash and cash equivalents	20,929,398	16,675,049
Investments	54,553,311	938,967
Total	\$ <u>75,483,409</u>	\$ <u>17,614,716</u>

As of May 31, 2015 and 2014, the carrying amount of deposits, cash and cash equivalents were as follows:

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	<u>2015</u>	<u>2014</u>
Unrestricted		
Deposit in banks	\$ 1,808,473	\$ 1,951,684
Money Market Funds	2,107,356	2,107,355
Petty cash	700	700
Total unrestricted cash and cash equivalents	<u>3,916,529</u>	<u>4,059,739</u>
Restricted		
Bank Deposit	2,147,947	262,798
Money Market Funds and US Treasury Bills	<u>14,864,922</u>	<u>12,353,212</u>
Total restricted cash and cash equivalents	<u>17,012,869</u>	<u>12,616,010</u>
 Total cash and cash equivalents	 <u>\$ 20,929,398</u>	 <u>\$ 16,675,749</u>

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

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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, 2015 and 2014, the Water Authority's investment, including the investment in cash equivalents was as follows.

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	May 31, 2015			May 31, 2014		
	S&P-AAAm	Moody's-	US	S&P-AAAm	Moody's-	US Treasury
	Fair Value	Aaa-mf	Treasury	Fair Value	Aaa-mf	Securities
	NAIC-Class 1	NAIC-Class 1	Securities	NAIC-Class 1	NAIC-Class 1	Securities
Dreyfus Government Prime Cash Management Fund	\$16,152,279	\$16,152,279	\$ -	\$10,448,729	\$10,448,729	\$ -
US Treasury Bills	819,996		819,996	2,411,952	-	2,411,952
US Treasury Notes	-			309,969	-	309,969
US Treasury Bonds	54,320,613		54,320,613	628,997	-	628,997
Total	<u>\$71,292,888</u>	<u>\$16,152,279</u>	<u>\$55,140,609</u>	<u>\$13,799,647</u>	<u>\$10,448,729</u>	<u>\$3,350,918</u>

At May 31, 2015, 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 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, 2015 and 2014, the maturity dates of the Water Authority's investment securities were as follows:

May 31, 2015

	Fair Value	12 Months or Less	13 to 21 Months
Dreyfus Government Prime Cash Management Fund	\$ 16,152,279	\$ 16,152,279	\$ -
US Treasury Bills	819,996	819,996	-
US Treasury Bonds	54,320,613	6,382,273	47,938,340
Total	<u>\$ 71,292,888</u>	<u>\$ 23,354,548</u>	<u>\$ 47,983,340</u>

May 31, 2014

	Fair Value	3 Months or Less	Less than 12 Months
Dreyfus Government Prime Cash Management	\$ 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>

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The Weighted Average Maturity of Dreyfus Government Prime Cash Management has been very short, less than 60 days. The yields from money market funds may vary, although they have not 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

The Changes in the cost of capital assets and accumulated depreciation during the years ended May 31, 2015 and 2014 were as follows:

Year Ended May 31, 2015	2014	Increase	Decrease	2015
Capital assets not subject to depreciation:				
Land and land rights	\$ 167,708	\$	\$	\$ 167,708
Construction in progress	289,745	3,771,365	(2,054,912)	2,006,198
Total capital assets not being depreciated	457,453	3,771,365	(2,054,912)	2,173,906
Capital assets being depreciated:				
Wells and standpipes	2,725,027		(19,263)	2,705,764
Pumping and purification	21,065,839	152,116		21,217,955
Distribution system	38,332,125	1,383,816	(245,820)	39,470,121
Building, vehicles and equipment	19,035,411	400,233	(10,493)	19,425,151
Total capital assets being depreciated	81,158,402	1,936,165	(275,576)	82,818,991
Less accumulated depreciation:				
Wells and standpipes	(1,111,610)	(65,014)		(1,176,624)
Pumping and purification	(4,739,758)	(493,679)		(5,233,437)
Distribution system	(5,129,167)	(799,774)	244,185	(5,684,756)
Building, vehicles and equipment	(2,571,757)	(448,277)	10,493	(3,009,541)
Total accumulated depreciation	(13,552,292)	(1,806,744)	254,678	(15,104,358)
Total net capital assets being depreciated	67,606,110	129,421	(20,898)	67,714,633
Total net capital assets	\$ 68,063,563	\$ 3,900,786	\$ (2,075,810)	\$ 69,888,539

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<u>Year Ended May 31, 2014.</u>	<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	22,509,705	7,007,944	(29,227,904)	289,745
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	2,795,575	16,359,976	(120,140)	19,035,411
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	(2,263,112)	(397,186)	88,541	(2,571,757)
Total accumulated depreciation	(12,322,426)	(1,546,467)	316,601	(13,552,292)
Total net capital assets being depreciated	41,195,959	26,446,753	(36,602)	67,606,110
Total net capital assets	\$ <u>63,873,372</u>	\$ <u>33,454,697</u>	\$ <u>(29,264,506)</u>	\$ <u>68,063,563</u>

As of May 31, 2015 and 2014, the amounts of capitalized interest included in construction in progress were \$43,300 and \$1,184,950, 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, in the year ended May 31, 2014.

NOTE 5 – REVENUE BONDS PAYABLE

The changes in Revenue Bonds Payable in the year ended May 31, 2015 and 2014 were as follows:

	<u>May 31, 2014</u>	<u>Decreases</u>	<u>Increases</u>	<u>May 31, 2015</u>
Water System Revenue Bonds payable	\$ 64,515,000	\$ (25,525,000)	\$ 73,600,000	\$ 112,590,000
Adjustment for deferred amounts:				
Unamortized premium	1,340,818	(1,263,264)	9,410,647	9,488,201
Total Revenue Bonds	65,855,818	\$ (26,788,264)	\$ 83,010,647	122,078,201
Due within one year	(1,640,000)			(2,395,000)
Noncurrent portion	\$ <u>64,215,818</u>			\$ <u>119,683,201</u>

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	May 31, 2013	Decreases	Increases	May 31, 2014
Water System Revenue Bonds payable	\$ 66,110,000	\$ (1,595,000)	\$ -	\$ 64,515,000
Adjustment for deferred amounts:				
Unamortized premium	1,409,806	(68,988)	-	1,340,818
Total Revenue Bonds	67,519,806	\$ (1,663,988)	-	65,855,818
Due within one year	(1,595,000)			(1,640,000)
Noncurrent portion	\$ 65,924,806			\$ 64,215,818

SERIES 2005 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, to finance the cost of acquisition and construction of improvements to the Water System and pay certain costs of issuance relating to the Series 2005 Bonds.

The interest on the refunding bonds ranged 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 were removed from the financial statements.

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.

SERIES 2010 REVENUE BONDS PAYABLE

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

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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 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.

SERIES 2015 REVENUE BONDS PAYABLE

On April 22, 2015 the Water Authority issued the \$54,200,000 Water System Revenue Bonds Series 2015A and \$19,400,000 Water Revenue Refunding Series 2015B. The Series 2015A proceeds are used to finance the cost of construction of improvements to water system, to fund a portion of reserve account and to pay certain issuance costs. The proceeds of Series 2015B Bond together with Series 2005 Bond Debt Reserve Fund balances were applied to refund the \$23,885,000 outstanding balance of the Series 2005 Bonds, to pay \$666,789 of interest and fund a portion of reserve account and to pay certain issuance costs. The sources and uses of the Series 2015 Bonds are as follows:

Sources:	<u>Total</u>
Bond Proceeds:	
Par Amount	\$ 73,600,000
Net Premium	9,410,647
Released Bond Funds	<u>3,715,130</u>
Total sources	<u>\$ 86,725,777</u>
Uses:	
Escrow Fund	\$ 24,551,790
Construction Fund	55,822,774
Reserve account, Series 2015	4,780,500
Deposit to Capitalized Interest Account Series 2015	1,128,088
Costs of Issuance	<u>442,625</u>
Total Uses	<u>\$ 86,725,777</u>

Series 2005A and 2005B Bonds are considered to be defeased and the liability for those bonds were removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$1,028,663. 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

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old and new debt service payments) of \$4,023,167. The economic gain represents 16.84% of the outstanding balance of the refunded bonds.

The Series 2015 Bonds are subject to redemption at the option of the Water Authority on or after April 1, 2025, in whole or in part, at a price of par, plus accrued interest.

The Series 2015A Bonds maturing on April 1, 2040 (\$17,640,000), April 1, 2045 (\$10,000,00 at 4% interest) and April 1, 2045 (\$4,900,000 at 5% interest) are subject to mandatory redemption, at a price equal 100% of the principal plus accrued interest, over 5 year periods, commencing on 2036, 2041 and 2041, respectively.

The average life and duration of the Series 2015 Bonds are 17.84 and 12.19, respectively. The average annual debt service is \$4,530,667 and the maximum annual debt service is \$4,780,500. The yield of the component bonds range from 0.31% to 3.79%, depending on the term of the bonds.

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

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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.

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.

OUTSTANDING REVENUE BONDS PAYABLE

The outstanding Water System Revenue Bonds at May 31, 2015 consist of the following:

<u>Water System Revenue Bonds</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Average Rate</u>	<u>Original Principal</u>	<u>Outstanding Principal</u>
Series 2010:					
Series A Bond					
Uninsured Serial Bond	2011-2012	2-3%	2.64%	\$ 785,000	\$ -
Serial Bond	2013-2020	3-4%	3.80%	6,140,000	5,025,000
Total Series A Bonds				6,925,000	5,025,000
Series B Bond					
Term Bond	2025	6.01%	6.01%	6,090,000	6,090,000
Term Bond	2030	6.45%	6.45%	7,420,000	7,420,000
Term Bond	2040	6.70%	6.70%	20,455,000	20,455,000
Total Series B				33,965,000	33,965,000
Total Series 2010 Bonds				40,890,000	38,990,000

<u>Water System Revenue Bonds (Continued)</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Average Rate</u>	<u>Original Principal</u>	<u>Outstanding Principal</u>
Series 2015:					
Serial Bonds - Refunding (2015B)	2035	3%-5%	4.51%	\$ 19,400,000	\$ 19,400,000
Serial Bonds - New Money (2015A)	2035	4%-5%	4.56%	21,660,000	21,660,000
Term Bond 2040 - New Money (2015A)	2040	5%	5.00%	17,640,000	17,640,000
Term Bond 2045 - New Money (2015A)	2045	5%	5.00%	10,000,000	10,000,000
Term Bond 2045 - New Money (2015A)	2045	4%	4.00%	4,900,000	4,900,000
Total Series 2015A				54,200,000	54,200,000
Total Series 2015				73,600,000	73,600,000
Total				\$ 114,490,000	\$ 112,590,000

FUTURE DEBT SERVICE REQUIREMENTS

At May 31, 2015, debt service requirements to maturity for the Bond Series 2010 and 2015 were as follows:

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SERIES 2010A BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 935,000	\$ 193,913	\$ 1,128,913
2017	965,000	161,188	1,126,188
2018	1,000,000	125,000	1,125,000
2019	1,040,000	85,000	1,125,000
2020	<u>1,085,000</u>	<u>43,400</u>	<u>1,128,400</u>
Total	\$ <u>5,025,000</u>	\$ <u>608,501</u>	\$ <u>5,633,501</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>
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		2,215,180	(775,313)	1,439,867	2,215,180	1,439,867
2021-2025	6,090,000	10,372,781	(3,630,473)	6,742,308	16,462,781	12,832,308
2026-2030	7,420,000	8,329,114	(2,915,190)	5,413,924	15,749,114	12,833,924
2031-2035	9,140,000	5,680,438	(1,988,153)	3,692,285	14,820,438	12,832,285
2036-2040	<u>11,315,000</u>	<u>2,338,984</u>	<u>(818,644)</u>	<u>1,520,340</u>	<u>13,653,984</u>	<u>12,835,340</u>
Total	\$ <u>33,965,000</u>	\$ <u>37,797,217</u>	\$ <u>(13,229,025)</u>	\$ <u>24,568,192</u>	\$ <u>71,762,217</u>	\$ <u>58,533,192</u>

SERIES 2015A BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 210,000	\$ 2,405,170	\$ 2,615,170
2017	70,000	2,547,863	2,617,863
2018	70,000	2,545,763	2,615,763
2019	75,000	2,543,663	2,618,663
2020	80,000	2,541,413	2,621,413
2021-2025	445,000	12,669,563	13,114,563
2026-2030	8,240,000	12,069,613	20,309,613
2031-2035	12,470,000	9,685,238	22,155,238
2036-2040	17,640,000	6,214,250	23,854,250
2041-2045	<u>14,900,000</u>	<u>2,143,000</u>	<u>17,043,000</u>
Total	\$ <u>54,200,000</u>	\$ <u>55,365,536</u>	\$ <u>109,565,536</u>

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SERIES 2015B BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,250,000	\$ 859,018	\$ 2,109,018
2017	1,245,000	862,231	2,107,231
2018	1,310,000	799,981	2,109,981
2019	1,375,000	734,481	2,109,481
2020	1,440,000	665,731	2,105,731
2021-2025	8,365,000	2,172,656	10,537,656
2026-2030	2,945,000	446,706	3,391,706
2031-2035	1,470,000	149,369	1,619,369
Total	\$ <u>19,400,000</u>	\$ <u>6,690,173</u>	\$ <u>26,090,173</u>

NOTE 6 – OTHER LONG-TERM LIABILITIES

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

	<u>May 31, 2014</u>	<u>Addition</u>	<u>Reduction</u>	<u>May 31, 2015</u>	<u>Due in 1- year</u>	<u>Noncurrent Liability</u>
Accrued vacation and sick leave	\$860,000	\$68,500	\$(40,000)	\$888,500	\$40,000	\$848,500

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

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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:

Year	Contribution
2015	\$748,116
2014	724,700
2013	696,900

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, 2015 had net OPEB obligation of \$2,378,838.

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, 2015 and 2014 the liabilities for accrued vacation were \$346,100 and \$335,000 and for the sick leave were \$542,400 and \$525,000, respectively.

NOTE 8 – NET POSITION

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

	<u>2015</u>	<u>2014</u>
Net investment in capital assets:		
Capital assets, net of accumulated depreciation	\$ 69,888,539	\$ 68,063,563
Less: related debt		
Revenue bonds payable	(112,590,000)	(64,515,000)
Bond premium	(9,488,201)	(1,340,818)
Net loss on defeasance of Bonds	32,006	1,132,345
Unspent debt proceeds in construction and reserve funds	69,418,230	11,955,090
Bond issue costs	<u>25,611</u>	<u>141,206</u>
Total net investment in capital assets	17,286,185	15,436,386
Restricted for Rate Stabilization and Customer Deposits:		
Restricted cash and equivalents	2,147,947	1,599,887
Less: customer deposits	<u>(1,077,947)</u>	<u>(1,029,887)</u>
Total restricted for capital activity, rate stabilization and debt service	1,070,000	570,000
Unrestricted	<u>1,498,328</u>	<u>2,083,005</u>
Total net assets	<u>\$ 19,854,513</u>	<u>\$ 18,089,391</u>

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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:

Participants	Number	Average Age
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

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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 2015 and 2014 were as follows:

Annual OPEB Cost and Net OPEB Obligation

Fiscal year ending May 31,	2015	2014
Annual required contribution (ARC)	\$ 395,940	\$ 387,517
Interest on NOO at 4.5%	92,677	78,074
Adjustment to ARC (NOO)	(121,004)	(101,938)
Annual OPEB cost (AOC)	367,613	363,653
Less: amount contributed	(48,260)	(39,149)
Change in net OPEB obligation	319,353	324,504
Net OPEB obligation (NOO), beginning balance	2,059,485	1,734,981
Net OPEB obligation, ending balance	\$ <u>2,378,838</u>	\$ <u>2,059,485</u>

The actual contribution of \$48,260 is the sum of the \$72,664 medical premiums, the \$456 life premium and the \$3,014 implicit subsidy paid by the Water Authority less net retiree contributions of \$27,874.

For the seven years ended May 31, 2015, the Water Authority's schedule of required and actual annual contributions is presented below:

Year	Annual		
Ended	Required	Actual	Percentage
May 31,	Contribution	Contribution	Contributed
2015	\$395,940	\$48,260	12%
2014	387,517	39,149	10%
2013	379,457	33,551	9%

The Water Authority's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the eight years ended May 31, 2015 were as follows:

Fiscal	Annual OPEB	Annual OPEB Contribution	Net OPEB
Year Ended	Cost	Amount	Obligation
		Percentage	
May 31, 2015	\$ 367,613	\$ 48,260	13%
May 31, 2014	363,653	39,149	11%
May 31, 2013	360,085	33,551	9%

The funding status

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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

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%

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

Annual Medical Premium:

	<u>2013</u>	<u>2012</u>
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):

<u>Age</u>	<u>Relative Claims Cost</u>
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 WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

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, 2015 and 2014, the Water Authority has not identified any pollution remediation obligations and therefore no liability has been recorded on the Statement of Net Position.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

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>Amount</u>
Year ending May 31, 2016	<u>\$ 264,100</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 8.4% increase in water rates effective on June 1, 2015 and 7.0% on June 1, 2014.

NOTE 14 – SUBSEQUENT EVENTS

The Water Authority evaluated subsequent events from May 31, 2015 through August 30, 2015, the date on which the financial statements were available to be issued, and determined that there were no material subsequent events.

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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>	81
Revenue Capacity <i>These schedules contain information to help the reader assess the Water Authority's most significant revenue source – water sales.</i>	89
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>	95
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>	101
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>	107

SECTION C: STATISTICAL SECTION

Financial Trends



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

ASSETS	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Current assets										
Cash and cash equivalents	\$3,916,529	\$4,059,739	\$4,318,014	\$ 3,730,917	\$ 2,411,292	\$ 2,798,391	\$ 3,131,838	\$ 298,547	\$ 443,578	\$ 364,783
Accounts receivable, net	1,224,755	678,043	535,186	405,653	414,560	466,695	392,124	329,033	330,053	274,054
Unbilled	1,850,000	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
Due from litigation settlement		-	-	-	-	-	-	2,362,677	-	-
Materials and supplies	190,725	205,946	253,955	218,512	224,152	247,821	267,422	284,845	135,440	246,162
Prepayments & other current assets	286,575	235,586	137,527	205,510	212,774	150,335	138,522	199,973	277,377	271,499
Total current assets	7,468,584	6,989,314	7,485,682	6,510,592	5,059,778	5,303,242	5,380,906	4,737,075	2,526,448	2,534,498
Restricted cash & cash Equivalents										
Customer deposits	1,077,947	1,029,887	990,612	949,312	911,551	881,758	848,853	812,514	767,341	663,754
Rate stabilization fund	1,070,000	570,000	560,000	560,000	460,000	445,000	445,000	500,000	590,579	1,311,900
Bond construction and Reserve Fund	14,335,018	10,783,178	11,272,406	11,752,270	15,756,126	3,080,296	-	-	-	-
Bond interest and Payment Fund	529,904	232,945	234,875	234,874	237,995	3,113	-	270,404	237,241	217,195
Total Restricted cash and cash equivalents	17,012,869	12,616,010	13,057,893	13,496,456	17,365,672	4,410,167	1,293,853	1,582,918	1,595,161	2,192,849
Restricted investments										
Construction fund	54,553,311	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
Bond payment fund	-	-	-	-	-	-	280,735	-	-	-
Total restricted investments	54,553,311	938,967	5,331,634	14,808,100	19,919,490	36,231,311	2,860,560	5,001,185	6,240,399	7,749,795
Other assets										
Property, plant and equipment, net	69,888,539	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
Deferred charges and receivables	431,116	566,327	687,485	675,114	703,897	658,191	739,471	780,281	1,155,703	764,863
Total other assets	70,319,655	68,629,890	64,560,857	53,108,730	45,504,504	40,894,703	36,557,741	32,930,931	31,850,488	30,135,774
Total assets	\$149,354,419	\$89,174,181	\$90,436,066	\$87,923,878	\$87,849,444	\$86,839,423	\$46,093,060	\$44,252,109	\$42,212,496	\$42,612,916
Deferred outflows										
Loss of refunding	\$32,006	\$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
Total deferred outflows	\$32,006	\$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

Source: Accounting Department

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

LIABILITIES AND NET ASSETS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Current liabilities										
Accounts payable and accrued expenses	\$2,301,554	\$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
Unearned revenue	360,818	466,723	568,843	662,014	769,251	858,985	817,387	819,887	834,656	853,149
Accrued interest payable	271,896	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	2,395,000	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
Due to employees' retirement system	114,194	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	40,000	37,005	33,580	33,180	29,642
Total current liabilities	5,483,462	4,031,915	6,113,333	4,418,285	4,862,059	4,712,170	4,755,420	3,074,762	3,071,025	3,076,191
Non-current liabilities										
Water revenue bonds payable	119,683,201	64,215,818	65,924,806	67,578,373	69,189,683	70,755,330	31,335,554	32,456,057	33,544,860	34,557,145
Customer deposits payable	1,137,911	1,089,817	1,050,528	1,009,232	972,116	942,205	957,889	997,825	767,341	667,996
Post employment benefits payable	2,378,838	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	848,500	820,100	788,100	778,900	771,900	950,600	703,095	638,020	630,420	563,197
Total non-current liabilities	124,048,450	68,185,220	69,498,415	70,774,952	72,086,654	73,593,682	33,743,648	34,631,702	35,384,021	36,098,602
Total liabilities	129,531,912	72,217,135	75,611,748	75,193,237	76,948,713	78,305,852	38,499,068	37,706,464	38,455,046	39,174,793
Net position										
Net Investment in capital assets	17,286,185	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
Restricted	1,070,000	570,000	560,000	560,000	460,000	445,000	445,000	500,000	590,579	1,311,900
Unrestricted	1,498,328	2,083,005	922,278	1,913,779	252,908	642,493	1,016,914	2,245,629	(1,002,090)	(1,268,937)
Total net assets	\$19,854,513	\$18,089,391	\$16,026,071	\$13,999,253	\$12,233,937	\$9,929,384	\$9,050,430	\$8,061,010	\$5,329,756	\$5,018,929

Sources: Accounting Department

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

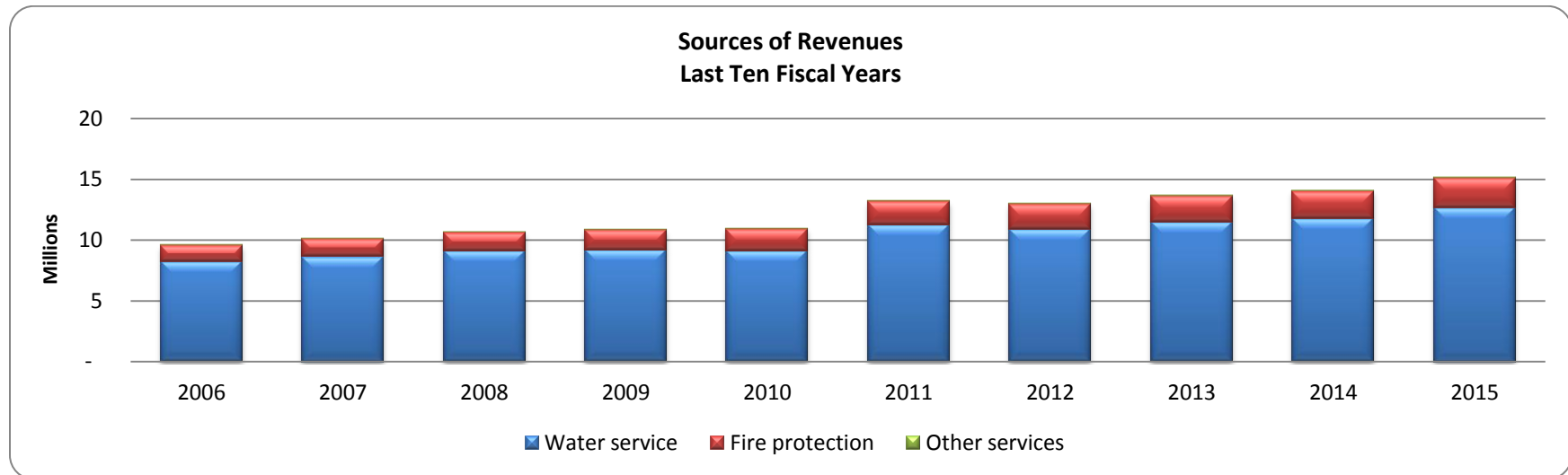
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Water service	\$12,701,608	\$11,772,296	\$11,475,847	\$10,909,705	\$11,217,605	\$9,133,347	\$9,182,718	\$9,093,383	\$8,630,742	\$8,216,000
Fire protection	2,396,619	2,239,254	2,109,979	2,019,112	1,920,169	1,786,241	1,648,961	1,524,886	1,425,535	1,323,000
Other	82,597	66,316	71,021	59,650	63,305	52,994	50,270	53,273	50,633	50,000
Total operating revenues	15,180,824	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
Operating expenses:										
Operations	6,840,640	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
Maintenance	2,131,416	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
Operating expenses before depreciation	8,972,056	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
Depreciation	1,806,744	1,546,468	1,271,165	1,168,265	1,051,110	953,313	847,340	814,527	526,998	859,000
Total operating expenses	10,778,800	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
Operating income	4,402,024	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
Non-operating revenue (expense):										
Interest income	302,646	74,188	122,817	247,852	536,218	247,009	154,080	293,519	445,150	386,000
Miscellaneous income	346,696	375,941	375,320	357,310	349,509	346,336	241,664	224,046	242,132	213,000
Federal grant	-	-	-	-	-	-	-	-	-	-
Interest on long term debt	(3,261,740)	(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)
Other amortization, net	(24,504)	(24,492)	(24,000)	(34,528)	(45,320)	(501,643)	(37,617)	(37,173)	(26,385)	(393,460)
Total non-operating expenses	(2,636,902)	(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)
Income before extraordinary items	1,765,122	2,063,320	2,026,818	1,765,316	2,293,087	664,576	928,285	959,154	1,060,827	(122,460)
Extraordinary item - litigation settlement	-	-	-	-	11,466	214,378	116,135	2,362,677	-	-
Change in net position	1,765,122	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)
Less: board approved customer subsidies	-	-	-	-	-	-	(55,000)	(590,577)	(750,000)	(500,000)
Net change in total net position	1,765,122	2,063,320	2,026,818	1,765,316	2,304,553	878,954	989,420	2,731,254	310,827	(622,460)
Net position beginning	18,089,391	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
Net position ending	\$19,854,513	\$18,089,391	\$16,026,071	\$13,999,253	\$12,233,937	\$9,929,384	\$9,050,430	\$8,061,010	\$5,329,756	\$5,018,929

Source: Accounting Department

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Water service	\$12,701,608	\$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
Fire protection	2,396,619	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
Other services	82,597	66,316	71,021	59,650	63,305	52,994	50,270	53,273	50,633	50,000
Total	\$15,180,824	\$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

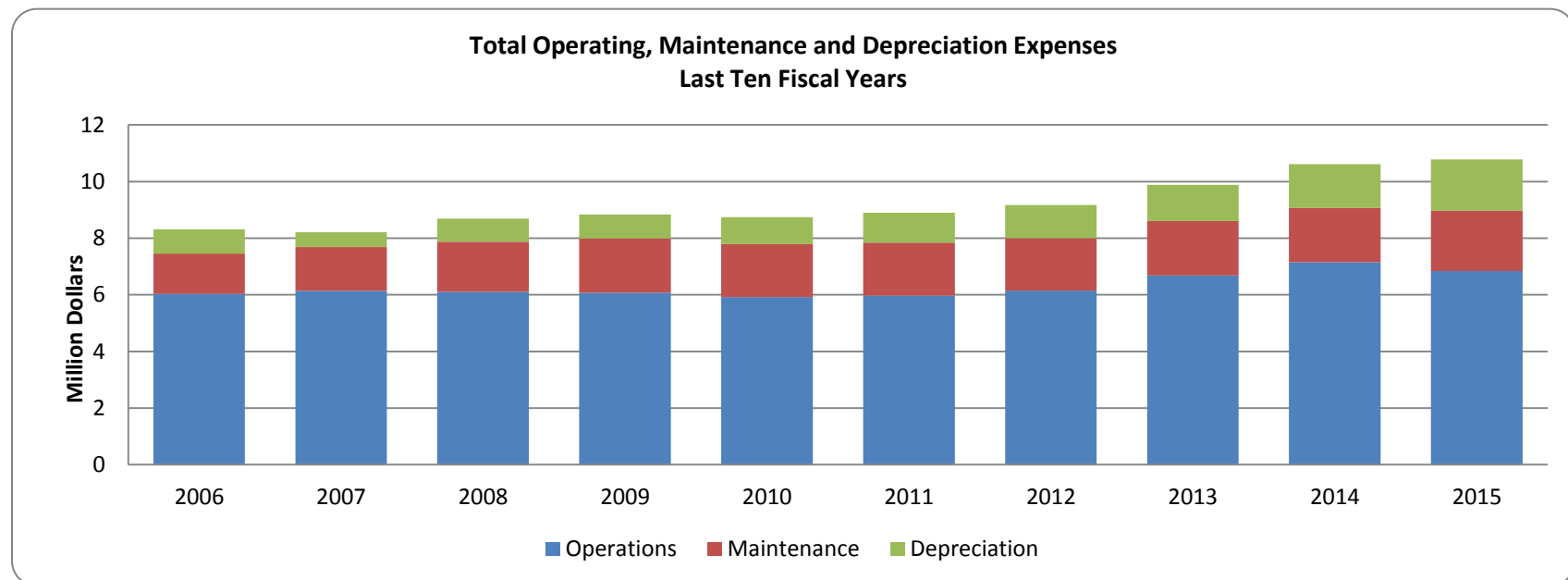
Source: Accounting Department



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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operations	\$ 6,840,640	\$ 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
Maintenance	2,131,416	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
Depreciation	<u>1,806,744</u>	<u>1,546,468</u>	<u>1,271,165</u>	<u>1,168,265</u>	<u>1,051,110</u>	<u>953,313</u>	<u>847,340</u>	<u>814,527</u>	<u>526,998</u>	<u>859,000</u>
Total operating expenses	<u>\$ 10,778,800</u>	<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>

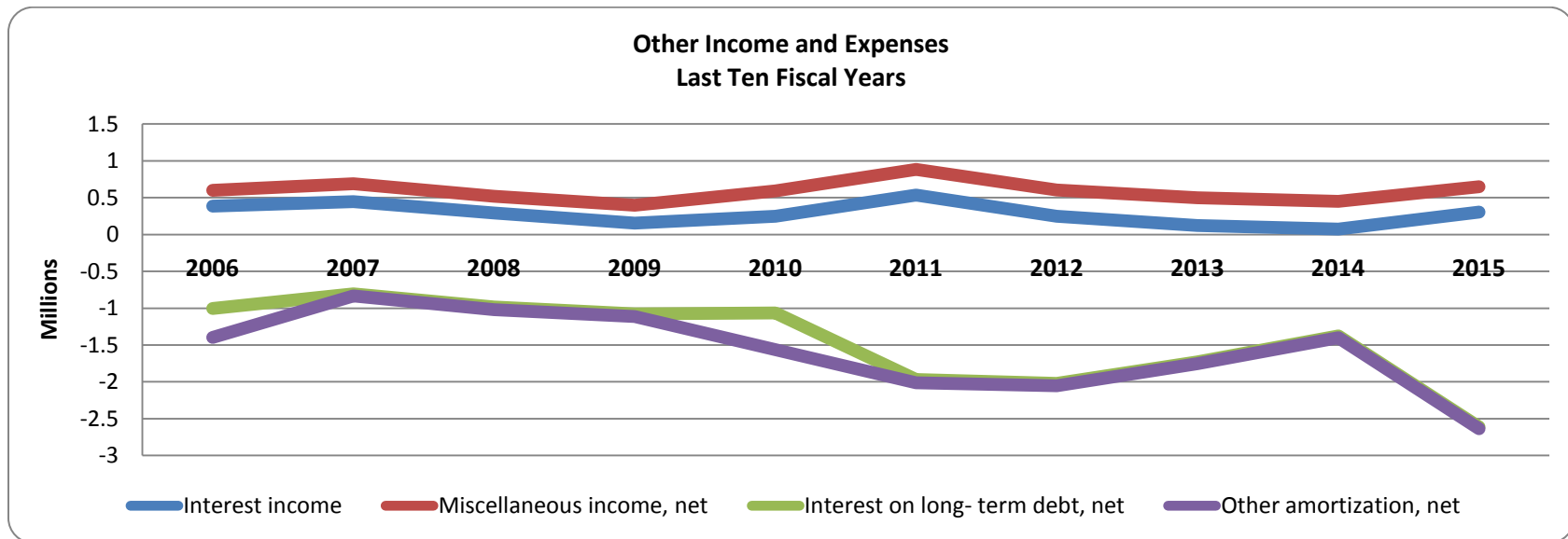
Source: Accounting Department



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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Interest income	\$302,646	\$74,188	\$122,817	\$247,852	\$536,218	\$247,009	\$154,080	\$293,519	\$445,150	\$386,000
Miscellaneous income, net	346,696	375,941	375,320	357,310	349,509	346,336	241,664	224,046	242,132	213,000
Interest on long- term debt, net	(3,261,740)	(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)
Other amortization, net	(24,504)	(24,492)	(24,000)	(34,528)	(45,320)	(501,643)	(37,617)	(37,173)	(26,385)	(393,460)
Total non-operating expenses	<u>\$(2,636,902)</u>	<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>

Source: Accounting Department

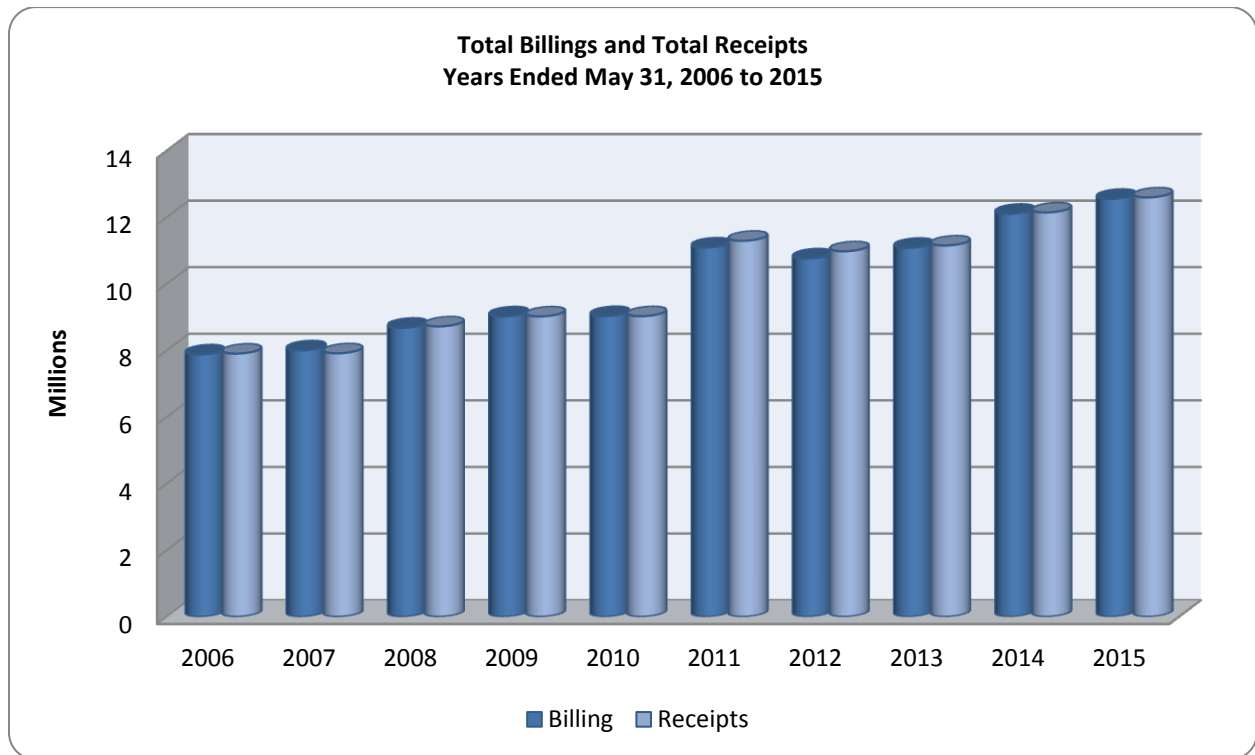


**WATER AUTHORITY OF WESTERN NASSAU COUNTY
HISTORICAL COLLECTION RATES
LAST TEN FISCAL YEARS**

Fiscal Year	Total Billing	Total Receipts	Percent Collected
2015	\$ 12,553,753	\$ 12,595,730	100.33%
2014	12,105,576	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%

Excludes fire hydrants billings and receipts

Source: Accounting Department



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SECTION C: STATISTICAL SECTION

Revenue Capacity

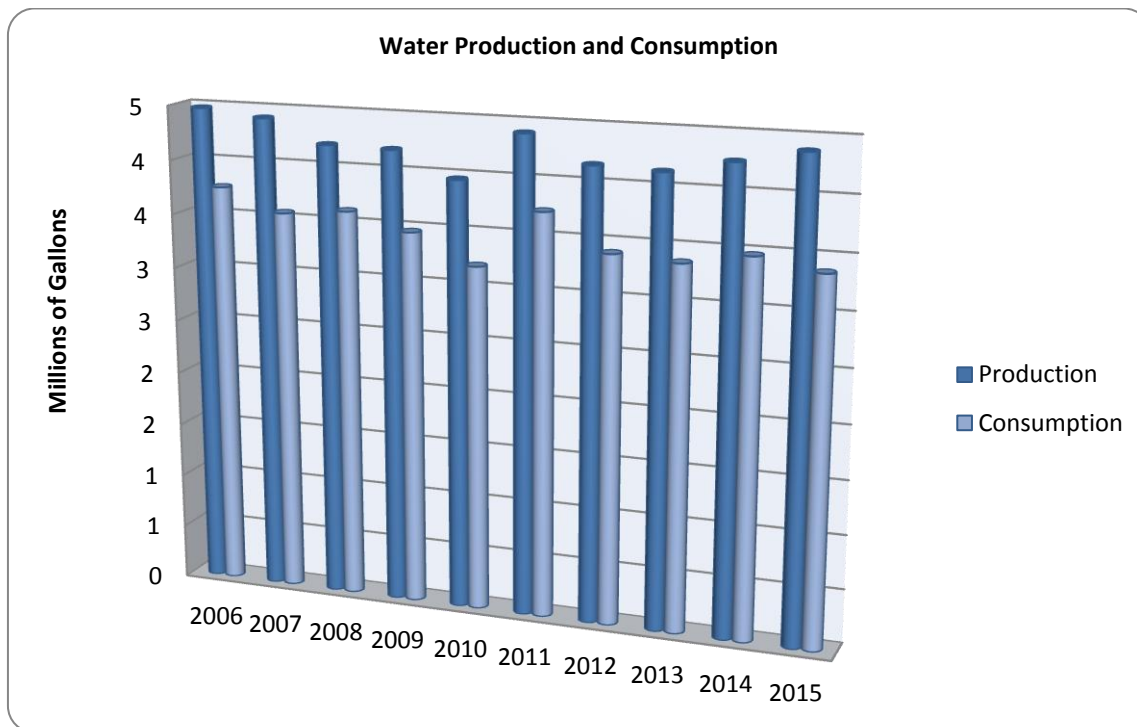


WATER AUTHORITY OF WESTERN NASSAU COUNTY
WATER PRODUCED AND CONSUMED (in thousands gallons)
LAST TEN FISCAL YEARS

Fiscal Year	Water Produced	Water Consumed	Unbilled Potable Water	Percent Unbilled (a)	Average Quarterly Charge		Average Annual Charge
					Minimum Charge	Per Customer Consumption Charge	
2015	4,378,000	3,367,000	1,011,000	23.1%	\$38.29	\$73.48	\$447.07
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

(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.

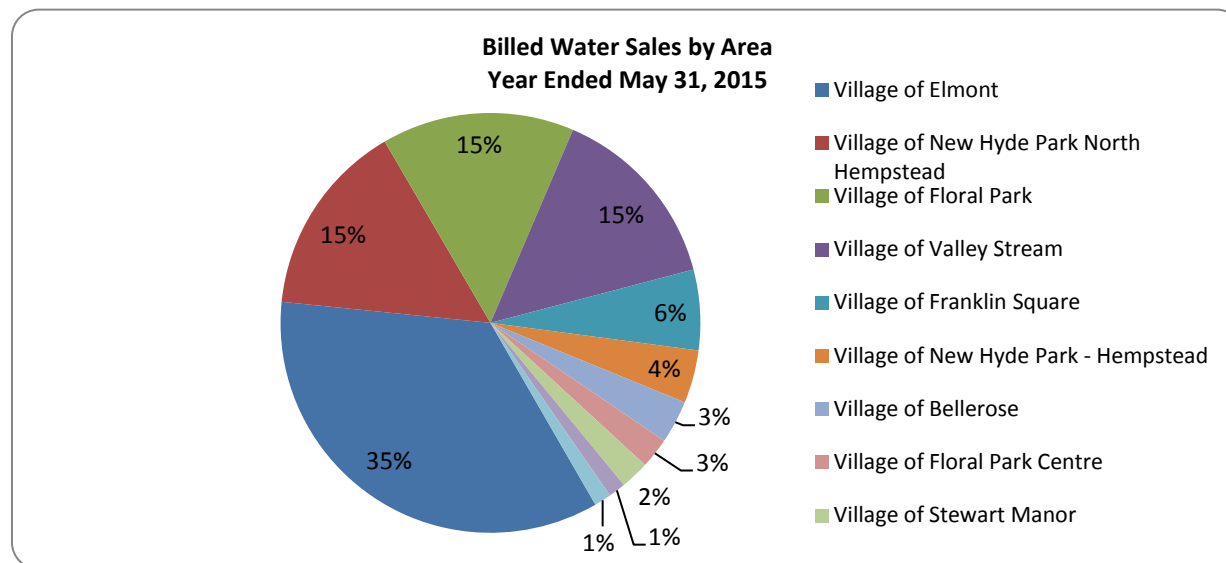
Source: Accounting Department



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

Service Area	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Village of Elmont	\$4,384,296	\$ 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
Village of Floral Park	1,861,490	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
Village of South Floral Park	165,273	154,414	145,064	133,361	138,094	112,003	115,846	108,645	98,652	96,279
Village of New Hyde Park - Hempstead	511,696	497,942	469,049	460,808	460,322	387,656	385,664	362,963	336,153	328,590
Village of Stewart Manor	277,859	274,910	247,190	231,316	243,989	63,460	66,497	64,141	56,037	56,283
Village of Garden City	164,393	168,303	148,798	139,437	143,302	243,090	245,857	241,365	219,263	216,560
Village of Valley Stream	1,817,399	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
Village of Bellerose	415,129	398,272	365,199	352,349	352,404	289,162	280,430	270,390	255,670	250,980
Village of Floral Park Centre	293,575	294,433	269,043	256,324	256,414	214,414	214,929	208,803	196,315	189,810
Village of New Hyde Park North Hempstead	1,885,243	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
Village of Franklin Square	777,401	731,246	655,150	653,947	655,964	539,956	537,830	531,195	472,852	470,927
Total	\$12,553,754	\$ 12,105,577	\$ 11,082,651	\$ 10,764,804	\$ 11,092,105	\$ 9,031,708	\$ 9,023,097	\$ 8,681,132	\$ 8,002,112	\$ 7,880,406

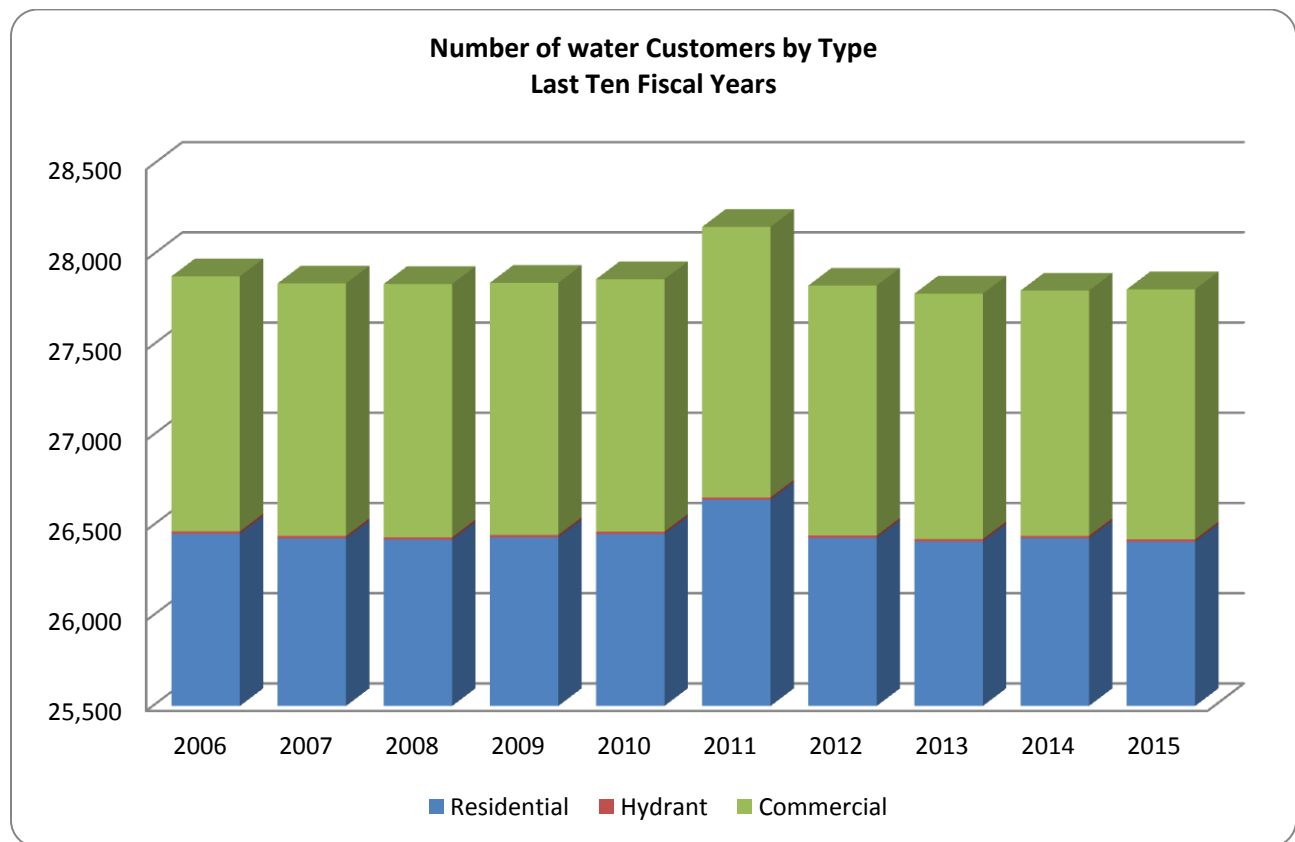
source: Accounting Department (Excludes fire hydrant billing; Customers rezoned in 2011)



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

Fiscal Year	Residential Customers	Public Fire Hydrant Customers	Commercial Customers	Total Customers
2015	26,430	13	1,385	27,828
2014	26,430	13	1,359	27,802
2013	26,412	13	1,360	27,785
2012	26,432	13	1,385	27,830
2011	26,453	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

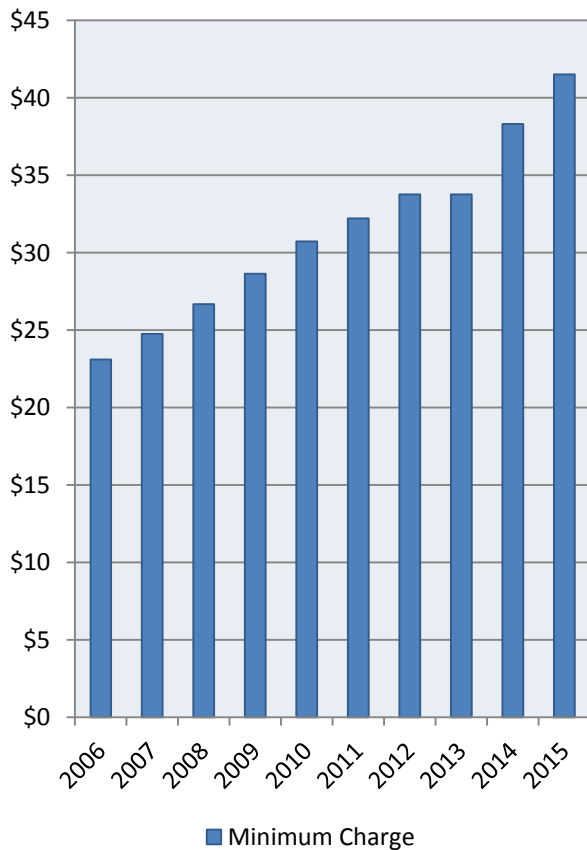
Source: Accounting Department



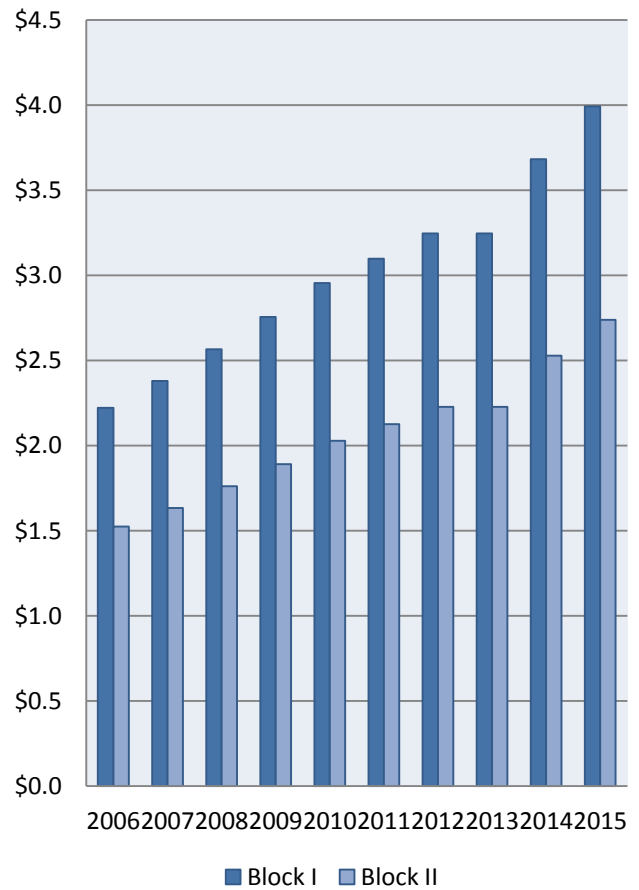
WATER AUTHORITY OF WESTERN NASSAU COUNTY
QUARTERLY BILLED WATER RATES
LAST TEN FISCAL YEARS

Year	Water Rates Minimum	Per 1,000 Gallons		Public Hydrant	Private Fire
		Block I	Block II		
2015	\$41.51	\$3.993	\$2.739	936.00	Varies
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

**Minimum Charge Include 9,000 Gallon
Last Ten Fiscal Years**



**QUARTERLY BILLED WATER RATES
LAST TEN FISCAL YEARS**



WATER AUTHORITY OF WESTERN NASSAU COUNTY
ANNUAL BILLINGS OF TEN LARGEST CUSTOMERS
TEN YEARS ENDED MAY 31,

Customer Name	2015			2014		2013		2012		2011	
	Rank	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
NY Racing Association	1	\$484,418	3.86%	\$413,824	3.42%	\$411,911	3.71%	\$436,303	4.09%	\$576,146	5.24%
Valley Park Owners Co	2	74,009	0.59%	65,713	0.54%	59,974	0.54%	59,042	0.55%	55,647	0.51%
Franklin Hospital Medical Center	3	62,679	0.50%	58,106	0.48%	57,711	0.52%	55,821	0.52%	57,834	0.53%
Village Of Floral Park	4	38,677	0.31%	40,298	0.33%	45,559	0.41%	38,397	0.36%	35,662	0.32%
Flower View Gardens	5	36,703	0.29%	31,825	0.26%	29,974	0.27%	27,026	0.25%	27,483	0.25%
Broadval LLC/Dutchcon LLC	6	33,936	0.27%	25,210	0.21%	22,141	0.20%	14,536	0.14%	8,704	0.08%
Central High School District 2	7	30,499	0.24%	36,672	0.30%	31,130	0.28%	27,127	0.25%	28,792	0.26%
Town Of Hempstead Housing Authority	8	20,019	0.16%	19,087	0.16%	13,328	0.12%	12,834	0.12%	13,537	0.12%
Elmont School District	9	19,854	0.16%	17,477	0.14%	16,007	0.14%	15,971	0.15%	26,389	0.24%
YS Franklin Inc.	10	17,514	0.14%	16,629	0.14%	13,875	0.13%	13,058	0.12%	13,673	0.12%

Customer Name	2010		2009		2008		2007		2006	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Bill
NY Racing Association	\$344,764	3.86%	\$368,435	4.12%	\$385,766	4.48%	\$269,440	3.47%	\$315,210	4.00%
Valley Park Owners Co	47,262	0.53%	46,886	0.52%	44,519	0.52%	34,507	0.44%	44,447	0.56%
Franklin Hospital Medical Center	61,944	0.69%	51,691	0.58%	44,653	0.52%	34,128	0.44%	50,082	0.63%
Village Of Floral Park	30,774	0.34%	25,660	0.29%	24,729	0.29%	17,773	0.23%	21,176	0.27%
Flower View Gardens	22,649	0.25%	23,170	0.26%	20,437	0.24%	16,986	0.22%	21,487	0.27%
Broadval LLC/Dutchcon LLC	2,831	0.03%	-	-	-	-	-	-	-	-
Central High School District 2	14,793	0.17%	21,601	0.24%	27,078	0.31%	17,841	0.23%	29,712	0.38%
Town Of Hempstead Housing Authority	15,649	0.18%	12,291	0.14%	11,577	0.13%	8,633	0.11%	11,674	0.15%
Elmont School District	16,925	0.19%	23,010	0.26%	22,351	0.26%	13,579	0.17%	21,216	0.27%
YS Franklin Inc.	13,590	0.15%	5,233	0.06%	-	-	-	-	-	-

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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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	33,065
Premium on Series 2005	-	1,258	1,317	1,375	1,430	1,484	1,536	1,586	1,635	1,642
Subtotal Series 2005 and premium	-	26,408	27,692	28,930	30,125	31,284	32,406	33,496	34,550	34,707
Water Revenue Bonds Series 2010										
Serial Bonds A 2.00% - 4.00%, due through 2020	5,025	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	33,965	-	-	-	-
Subtotal Series 2010	38,990	39,365	39,735	40,105	40,470	40,890	-	-	-	-
Premium on series 2010	78	83	93	94	100	-	-	-	-	-
Subtotal Series 2010 and premium	39,068	39,448	39,828	40,199	40,570	40,890				
Water Revenue Bonds Series 2015										
Serial & Term Bonds A 4.00% - 5.00%, due through 2045	54,200									
Serial Bonds B 3.00% - 5.00%, due through 2035	19,400	-	-	-	-	-	-	-	-	-
Subtotal Series 2015	73,600	-	-	-	-	-	-	-	-	-
Premium on series 2015	9,411	-	-	-	-	-	-	-	-	-
Subtotal Series 2015 and premium	83,011	-	-	-	-	-	-	-	-	-
Total long-term debt and premium	\$122,079	\$65,856	\$67,520	\$69,129	\$70,695	\$72,174	\$32,406	\$33,496	\$34,550	\$34,707
Percentage Series 2005	-	40%	41%	42%	43%	43%	100%	100%	100%	100%
Percentage Series 2010	32%	60%	59%	58%	57%	57%	0%	0%	0%	0%
Percentage Series 2015	68%	-	-	-	-	-	-	-	-	-
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, 2015

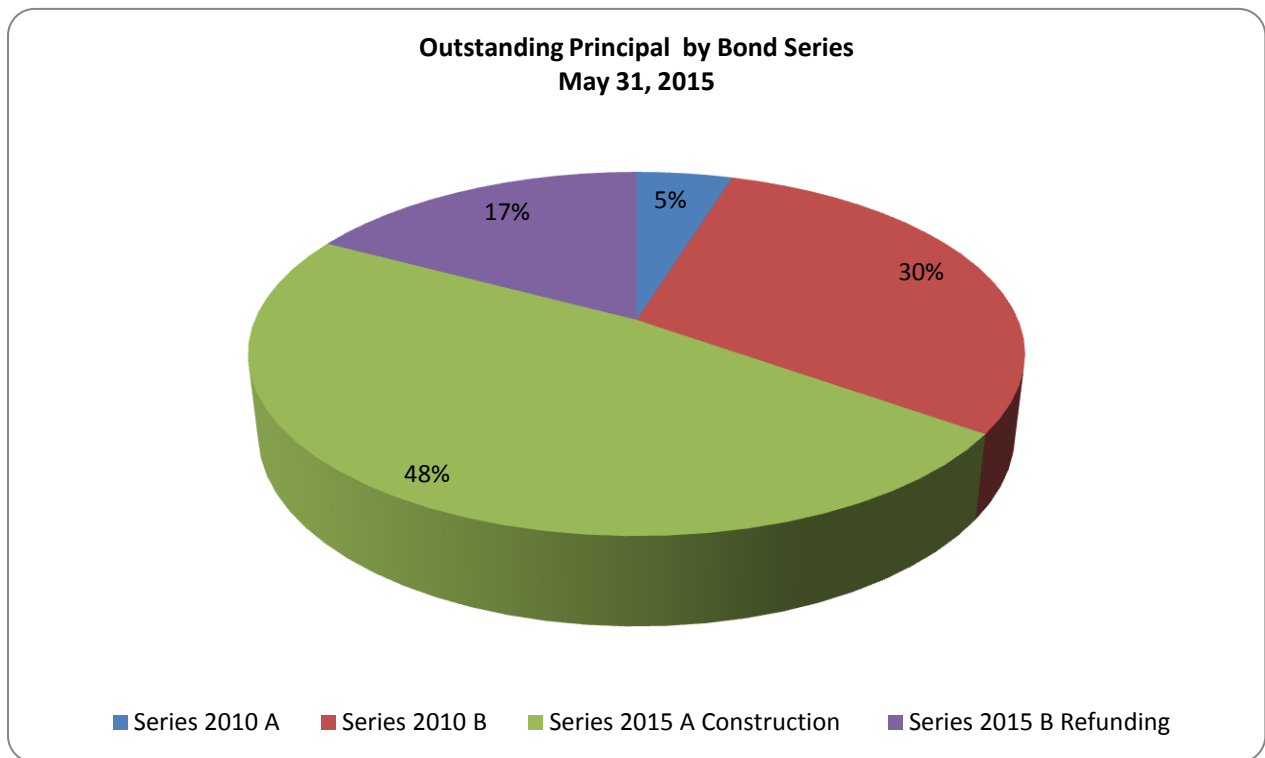
Year	Series 2010 A	Series 2010 B	Series 2015 A	Series 2015 B	Total
2016	\$ 935,000	\$ -	\$ 210,000	\$ 1,250,000	\$ 2,255,000
2017	965,000	-	70,000	1,245,000	2,350,000
2018	1,000,000	-	70,000	1,310,000	2,455,000
2019	1,040,000	-	75,000	1,375,000	2,565,000
2020	1,085,000	-	80,000	1,440,000	2,685,000
2021	-	1,125,000	80,000	1,515,000	2,805,000
2022	-	1,170,000	85,000	1,590,000	2,935,000
2023	-	1,215,000	90,000	1,670,000	3,070,000
2024	-	1,265,000	95,000	1,750,000	3,210,000
2025	-	1,315,000	95,000	1,840,000	3,360,000
2026	-	1,365,000	105,000	1,930,000	3,510,000
2027	-	1,420,000	1,895,000	245,000	1,890,000
2028	-	1,480,000	1,990,000	250,000	1,970,000
2029	-	1,545,000	2,095,000	255,000	2,060,000
2030	-	1,610,000	2,155,000	265,000	2,150,000
2031	-	1,675,000	2,270,000	275,000	2,245,000
2032	-	1,750,000	2,380,000	285,000	2,350,000
2033	-	1,825,000	2,505,000	295,000	2,455,000
2034	-	1,905,000	2,585,000	305,000	2,565,000
2035	-	1,985,000	2,730,000	310,000	2,675,000
2036	-	2,075,000	3,185,000	-	2,075,000
2037	-	2,165,000	3,345,000	-	2,165,000
2038	-	2,260,000	3,520,000	-	2,260,000
2039	-	2,355,000	3,700,000	-	2,355,000
2040	-	2,460,000	3,890,000	-	2,460,000
2041	-	-	2,710,000	-	-
2042	-	-	2,840,000	-	-
2043	-	-	2,975,000	-	-
2044	-	-	3,115,000	-	-
2045	-	-	3,260,000	-	-
Total	\$ 5,025,000	\$ 33,965,000	\$ 54,200,000	\$ 19,400,000	\$ 62,875,000

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY
OUTSTANDING PRINCIPAL BY BOND SERIES
MAY 31, 2015**

Series	Amount
Series 2010 A	\$ 5,400,000
Series 2010 B	33,965,000
Series 2015 A Construction	54,200,000
Series 2015 B Refunding	19,400,000
	<u>\$112,965,000</u>

Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY

SCHEDULE OF DEBT SERVICE

MAY 31, 2015

Year	<u>Series 2010 A</u>		<u>Series 2010 B</u>		<u>Build America Bond Subsidy</u>	<u>Series 2015A Construction</u>		<u>Series 2015 B Refunding</u>		Total
	Redemption	Interest	Redemption	Interest	2010 B	Redemption	Interest	Redemption	Interest	
2016	\$935,000	\$193,913	\$ -	\$ 2,215,180	\$(775,313)	\$210,000	\$2,405,170	\$1,250,000	\$859,018	\$7,292,968
2017	965,000	161,187	-	2,215,180	(775,313)	70,000	2,547,863	1,245,000	862,231	7,291,148
2018	1,000,000	125,000	-	2,215,180	(775,313)	70,000	2,545,763	1,310,000	799,981	7,290,611
2019	1,040,000	85,000	-	2,215,180	(775,313)	75,000	2,543,663	1,375,000	734,481	7,293,011
2020	1,085,000	43,400	-	2,215,180	(775,313)	80,000	2,541,413	1,440,000	665,731	7,295,411
2021	-	-	1,125,000	2,215,180	(775,313)	80,000	2,539,013	1,515,000	593,731	7,292,611
2022	-	-	1,170,000	2,147,601	(751,660)	85,000	2,536,613	1,590,000	517,981	7,295,535
2023	-	-	1,215,000	2,077,319	(727,062)	90,000	2,534,063	1,670,000	438,481	7,297,801
2024	-	-	1,265,000	2,004,334	(701,517)	95,000	2,531,362	1,750,000	354,981	7,299,160
2025	-	-	1,315,000	1,928,346	(674,921)	95,000	2,528,512	1,840,000	267,482	7,299,419
2026	-	-	1,365,000	1,849,354	(647,274)	105,000	2,525,663	1,930,000	175,481	7,303,224
2027	-	-	1,420,000	1,761,298	(616,454)	1,895,000	2,522,513	245,000	78,981	7,306,338
2028	-	-	1,480,000	1,669,693	(584,393)	1,990,000	2,427,763	250,000	71,631	7,304,694
2029	-	-	1,545,000	1,574,219	(550,976)	2,095,000	2,328,262	255,000	64,131	7,310,636
2030	-	-	1,610,000	1,474,551	(516,093)	2,155,000	2,265,412	265,000	56,482	7,310,352
2031	-	-	1,675,000	1,370,690	(479,741)	2,270,000	2,157,662	275,000	48,200	7,316,811
2032	-	-	1,750,000	1,258,448	(440,457)	2,380,000	2,044,163	285,000	39,606	7,316,760
2033	-	-	1,825,000	1,141,180	(399,413)	2,505,000	1,925,163	295,000	30,344	7,322,274
2034	-	-	1,905,000	1,018,887	(356,610)	2,585,000	1,843,750	305,000	20,756	7,321,783
2035	-	-	1,985,000	891,233	(311,932)	2,730,000	1,714,500	310,000	10,463	7,329,264
2036	-	-	2,075,000	758,218	(265,376)	3,185,000	1,578,000			7,330,842
2037	-	-	2,165,000	619,172	(216,710)	3,345,000	1,418,750			7,331,212
2038	-	-	2,260,000	474,096	(165,934)	3,520,000	1,251,500			7,339,662
2039	-	-	2,355,000	322,653	(112,928)	3,700,000	1,075,500			7,340,225
2040	-	-	2,460,000	164,845	(57,696)	3,890,000	890,500			7,347,649
2041	-	-	-	-	-	2,710,000	696,000			3,406,000
2042	-	-	-	-	-	2,840,000	567,600			3,407,600
2043	-	-	-	-	-	2,975,000	434,000			3,409,000
2044	-	-	-	-	-	3,115,000	295,000			3,410,000
2045	-	-	-	-	-	3,260,000	150,400			3,410,400
Total	\$5,025,000	\$608,500	\$33,965,000	\$37,797,217	\$(13,229,025)	\$54,200,000	\$55,365,536	\$19,400,000	\$6,690,173	\$199,822,401

Source: Accounting Department

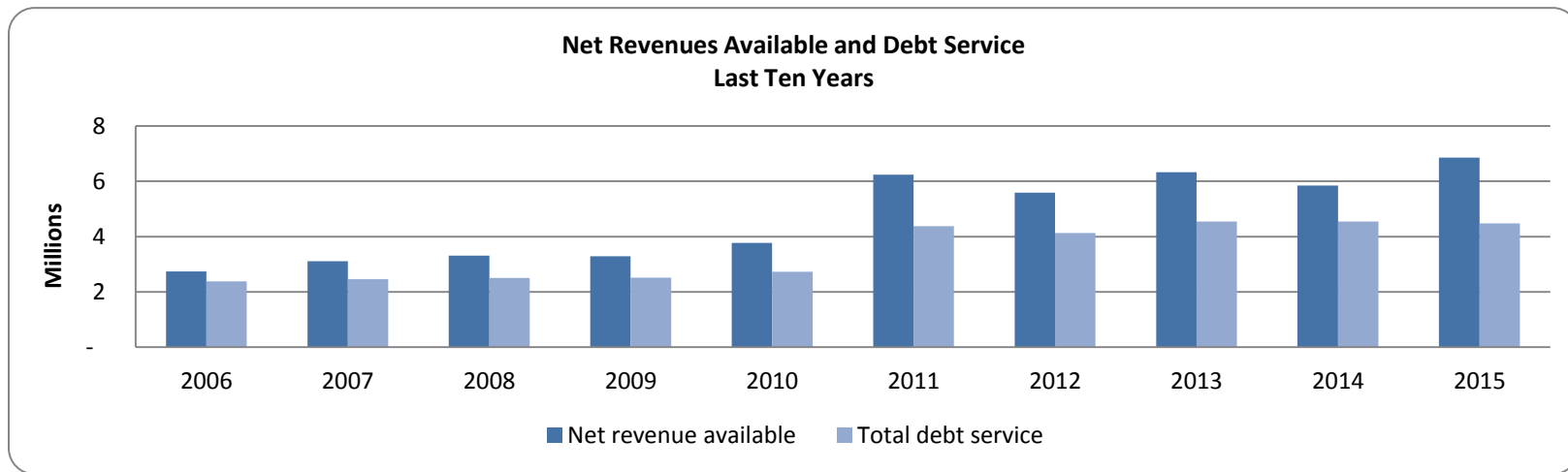
WATER AUTHORITY OF WESTERN NASSAU COUNTY

DEBT SERVICE COVERAGE

LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total operating revenues	\$15,180,824	\$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
Total operating expenses	10,778,800	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
Operating income	4,402,024	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
Interest & other income	649,342	450,129	1,281,037	605,162	885,727	593,345	395,744	517,565	687,282	599,000
Add: Depreciation & amortization	1,806,744	1,936,732	1,271,165	1,168,265	1,051,110	953,313	847,340	814,527	526,998	859,000
Net revenue available	6,858,110	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
Interest expense	2,840,080	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
Principal repayment	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
Total debt service requirement	\$4,480,080	\$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
Debt coverage ratio	1.53	1.29	1.39	1.35	1.43	1.38	1.33	1.56	1.57	1.36

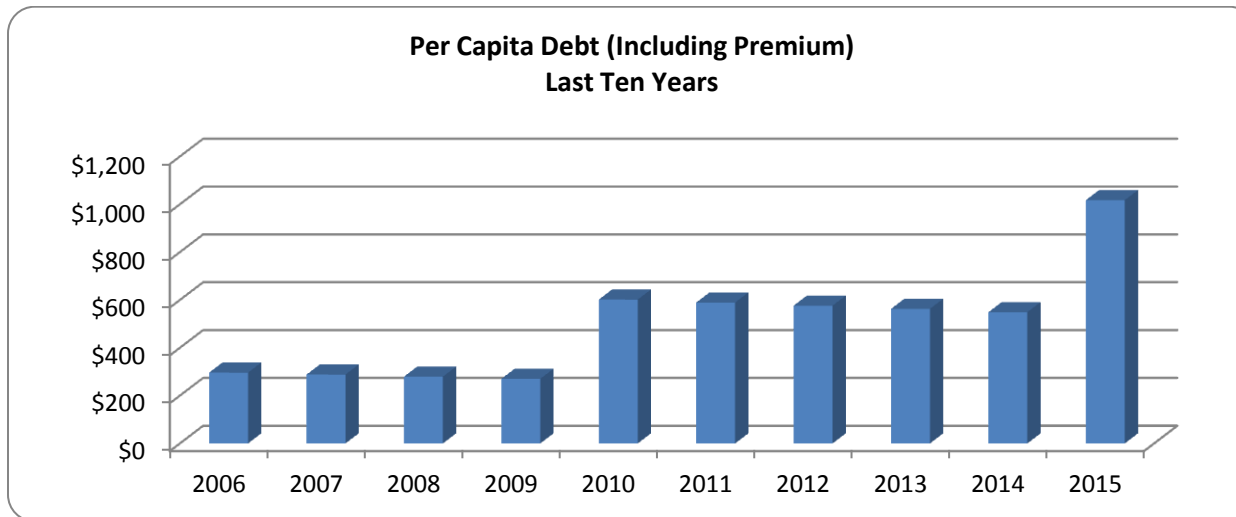
Source: Accounting Department



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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total outstanding indebtedness	\$112,590,000	\$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
Unamortized premium on revenue bonds	9,488,201	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
Total outstanding debt & unamortized premium	\$122,078,201	\$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
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)	\$1,017.32	\$548.80	\$562.67	\$576.07	\$589.12	\$601.45	\$270.05	\$279.13	\$287.92	\$295.98

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**

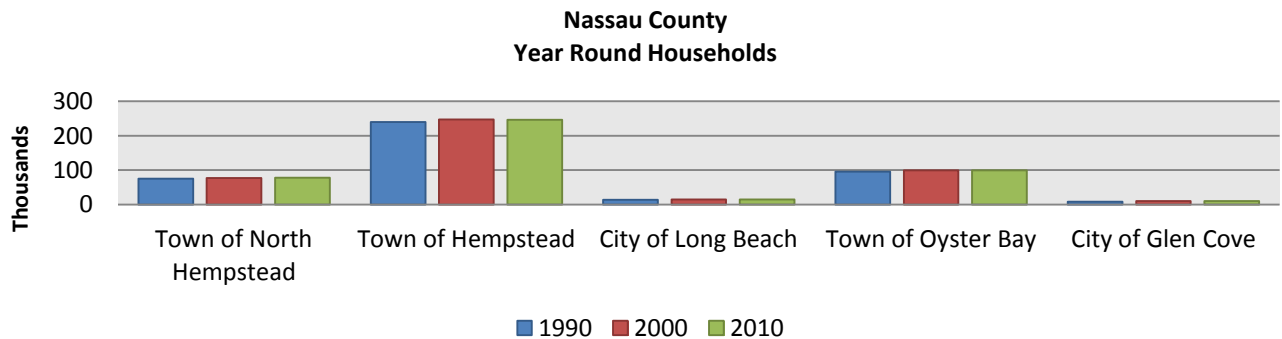
	2010 Census	2000 Census	1990 Census
Nassau County			
Town of North Hempstead	78,084	76,628	74,587
Town of Hempstead	246,456	246,828	239,234
City of Long Beach	14,809	14,923	13,592
Town of Oyster Bay	99,419	99,208	95,566
City of Glen Cove	9,764	9,461	8,466
Total Nassau	448,532	447,048	431,445
Suffolk County			
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
Total Suffolk	499,918	469,027	424,699
Nassau-Suffolk Total	948,450	916,075	856,144
Queens County			
Rockaway Peninsula	39,513	36,081	34,005

Sources: US Census and 2011 LIPA Populations Survey

Notes:

Census 2000 total excludes 339 unclassified households for Nassau County.

Census 1990 total excludes 70 unclassified households for Nassau County.



WATER AUTHORITY OF WESTERN NASSAU COUNTY
SUMMARY OF LONG ISLAND POPULATION ESTIMATES
2003-2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003
NASSAU COUNTY									
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
TOTAL NASSAU COUNTY	1,337,556	1,363,242	1,360,127	1,355,729	1,354,534	1,351,660	1,348,357	1,344,932	1,342,680
SUFFOLK COUNTY									
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
TOTAL SUFFOLK COUNTY	1,492,450	1,515,943	1,511,391	1,508,602	1,504,947	1,495,697	1,483,396	1,467,425	1,455,555
TOTAL NASSAU & SUFFOLK	2,830,006	2,879,185	2,871,518	2,864,331	2,859,481	2,847,357	2,831,753	2,812,357	2,798,235
QUEENS COUNTY, NYC									
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**

Service Area	Population Estimate 2011	Population 2010	Housing Units Occupied 2010	Median Age 2010
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
Total (a)	169,141	169,456	54,969	

(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.

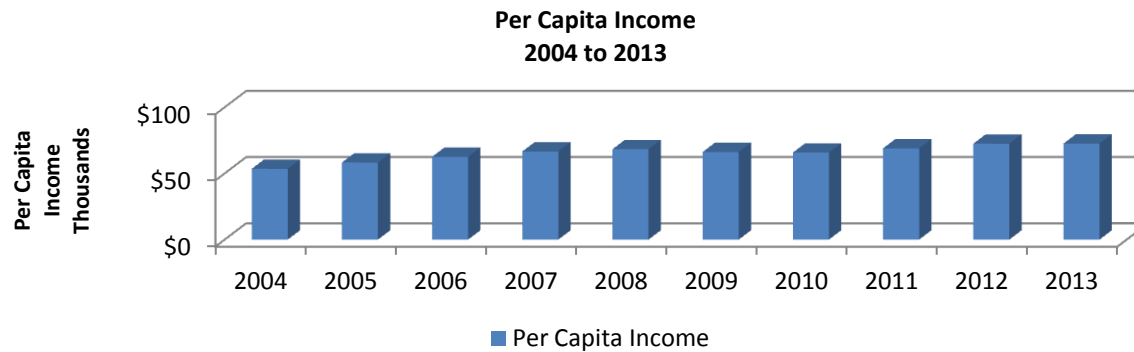
WATER AUTHORITY OF WESTERN NASSAU COUNTY
NASSAU COUNTY POPULATION, TOTAL PERSONAL INCOME, PER CAPITA PERSONAL INCOME
AND UNEMPLOYMENT RATE
2004-2013

Year	Total Personal Income (a)	Population (a)	Per Capita Income	Unemployment Rate (b)
2013	\$98,311,077	1,355,099	\$72,549	5.9%
2012	97,887,881	1,350,923	72,460	7.1%
2011	92,904,849	1,346,857	68,979	6.7%
2010	88,218,382	1,341,500	65,761	7.1%
2009	89,901,328	1,357,821	66,210	6.9%
2008	92,453,438	1,353,578	68,303	4.7%
2007	90,092,214	1,353,061	66,584	3.6%
2006	84,566,467	1,351,809	62,558	3.7%
2005	78,927,743	1,355,355	58,234	4.1%
2004	72,577,318	1,356,839	53,490	4.5%

Sources:

(a) United States Department of Commerce, Bureau of Economic Analysis. Data for 2014 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
2014 AND TEN YEARS AGO

Industry Title	2014				2005			
	Reporting Units	Average Employment	Total Wages	Average Wages	Reporting Units	Average Employment	Total Wages	Average Wages
Total, all industries	52,661	604,644	34,103,394	56,402	50,716	594,557	27,347,915	45,997
Total, all private	51,941	526,810	28,398,498	53,907	50,069	511,980	22,745,132	44,426
Agriculture, forestry & fishing	33	175	6,132	35,042	36	210	7,462	35,533
Utilities	38	3,637	385,314	105,943	24	2,862	248,280	86,750
Construction	4,288	28,547	1,987,713	69,629	4,208	27,121	1,430,062	52,729
Manufacturing	1,113	17,786	1,229,431	69,124	1,352	27,449	1,472,507	53,645
Wholesale trade	3,391	27,321	2,202,923	80,631	3,722	28,930	1,831,292	63,301
Retail trade	5,943	79,782	2,639,167	33,080	6,158	82,514	2,347,797	28,453
Transportation & warehousing	1,164	15,187	773,817	50,953	1,121	14,305	625,287	43,711
Information	535	11,871	1,156,819	97,449	653	14,200	1,067,625	75,185
Finance and insurance	2,749	31,255	2,724,757	87,178	3,032	39,826	2,783,111	69,882
Real estate, rental & leasing	2,515	10,322	645,484	62,535	2,339	10,560	593,741	56,225
Professional, scientific & technical	6,873	37,739	2,816,194	74,623	6,547	35,738	2,089,400	58,464
Management of companies	259	6,604	635,766	96,270	200	7,090	579,293	81,706
Administrative support	3,038	30,122	1,288,845	42,787	2,756	31,731	1,087,739	34,280
Educational services	683	19,860	860,949	43,351	531	18,869	587,322	31,126
Health care and social assistance	5,755	115,364	6,562,862	56,888	5,150	91,054	4,027,809	44,235
Arts, entertainment & recreation	801	11,907	437,825	36,770	788	11,390	433,716	38,079
Accommodation and food services	3,347	47,179	995,370	21,098	2,871	38,616	704,386	18,241
Other services	5,803	28,918	914,275	31,616	5,403	26,161	716,866	27,402
Total, All Government	720	77,834	5,704,897	73,296	647	82,577	4,602,783	55,739
Unclassified	3,611	3,231	134,685	41,685	3,177	3,352	111,080	33,139

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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SECTION C: STATISTICAL SECTION

Operating Information



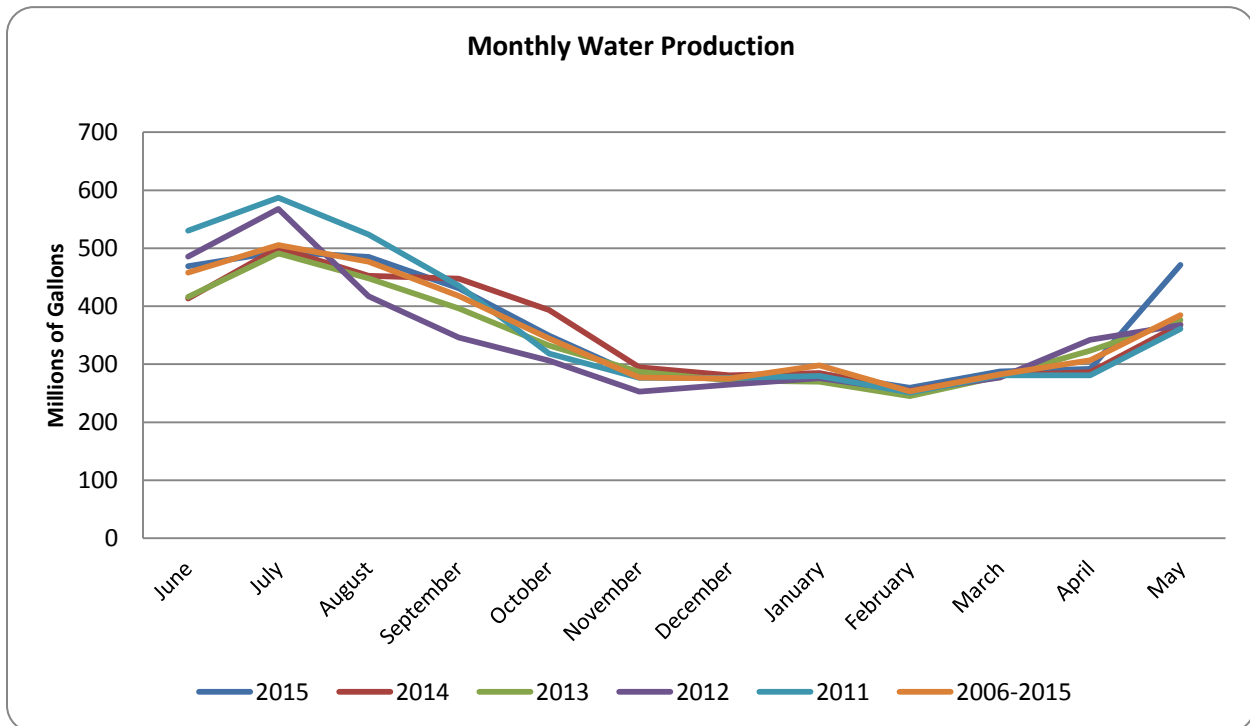
WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATISTICAL SUMMARY AND FLASH REPORT
LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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	47	49	51	50	51	52	52	52	51	47
Billed consumption (million gallons)	3,367	3,470	3,401	3,401	3,728	3,199	3,463	3,611	3,555	3,756
Average daily consumption (million gallons)	9.23	9.51	9.31	9.31	10.21	8.77	9.49	11.89	9.74	10.29
Average daily peak consumption (million gallons)	19.25	20.18	22.1	22.1	24.3	17.4	21.7	19.2	21.5	22.3
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	\$69,888,539	\$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
Rate stabilization cash and cash equivalent	1,070,000	570,000	560,000	560,000	460,000	445,000	445,000	500,000	590,579	1,311,900
Total long-term debt	112,590,000	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
Rate increases	8.41%	7.0%	6.02%	4.8%	4.8%	7.2%	7.4%	7.8%	7.1%	7.6%
Operating revenues	\$15,180,824	\$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
Operating expenses	10,778,800	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
Operating income	4,402,024	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
Debt service	4,480,080	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
Depreciation and other amortization	1,806,744	1,936,732	1,310,273	1,202,793	1,096,432	1,454,956	884,957	851,700	553,383	1,252,460
Net increase (decrease) in net position	1,765,122	2,063,320	2,026,818	1,765,317	2,304,551	878,954	989,420	2,731,254	310,827	(622,460)
<u>Source:</u> Accounting Department										

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

						Ten-Years Average
	2015	2014	2013	2012	2011	2006-2015
June	468,927,660	413,476,668	415,920,744	485,796,408	530,074,626	457,826,106
July	494,058,606	500,476,506	490,898,166	567,544,986	587,082,498	505,665,152
August	485,088,174	452,281,272	447,850,242	417,422,346	523,472,016	476,750,422
September	431,253,348	447,688,476	396,395,910	345,894,732	435,190,170	417,950,405
October	349,110,516	393,596,754	332,347,356	306,189,468	318,336,300	344,536,081
November	279,347,682	294,783,900	287,086,254	252,733,512	276,471,864	277,327,775
December	276,014,592	280,999,356	271,980,438	265,064,268	276,722,700	275,511,809
January	283,432,278	284,563,734	270,144,930	276,207,689	279,585,492	297,933,965
February	259,273,926	254,241,018	245,128,584	254,568,474	251,174,940	253,146,591
March	287,733,204	280,909,686	279,318,678	277,330,218	280,983,342	282,408,812
April	292,221,828	286,489,632	323,435,292	342,281,604	280,777,374	306,884,137
May	471,478,446	368,398,014	376,549,128	367,582,458	360,986,082	384,626,189
	<u>4,377,940,260</u>	<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>4,280,567,444</u>

Source: Accounting Department

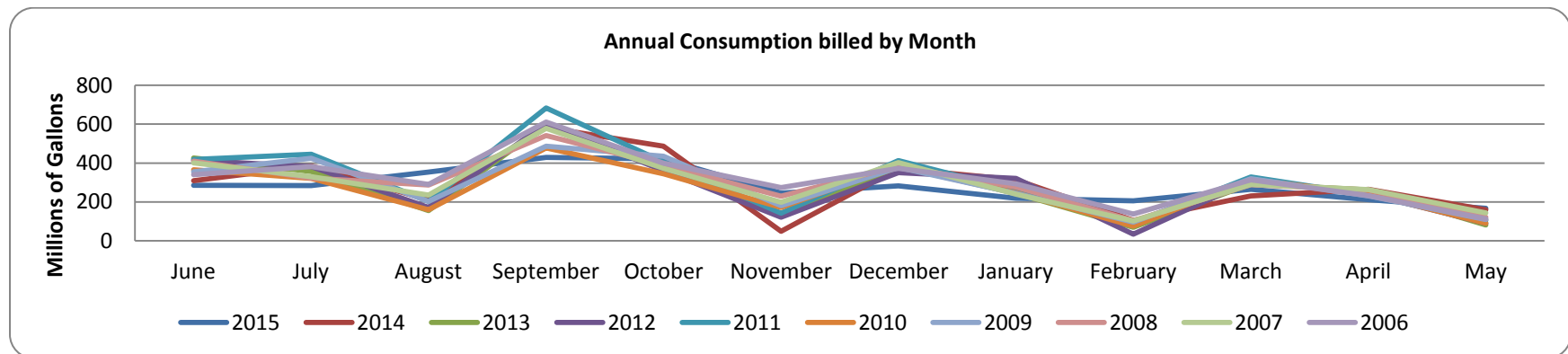


**WATER AUTHORITY OF WESTERN NASSAU COUNTY
ANNUAL CONSUMPTION BILLED BY MONTH (GALLONS)
LAST TEN FISCAL YEARS**

Month	2015	2014*	2013	2012	2011	2010	2009	2008	2007	2006
June	285,524,250	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
July	283,273,500	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
August	353,835,750	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
September	428,210,250	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
October	422,100,000	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
November	245,076,750	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
December	282,745,500	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
January	218,567,250	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
February	204,788,250	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
March	265,101,750	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
April	211,508,250	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
May	166,416,000	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
Total	3,367,147,500	3,470,256,750	3,362,965,529	3,400,741,500	3,728,427,750	3,199,635,750	3,463,107,750	3,611,352,000	3,555,072,000	3,756,357,750

* In fiscal year 2014 the Water Authority adjusted its billing schedule.

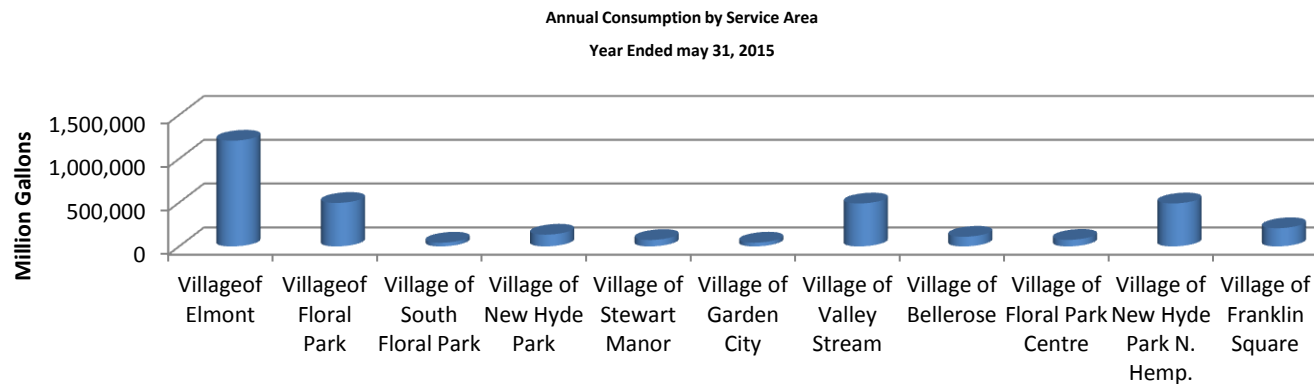
Source: Accounting Department



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

Service Area	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Village of Elmont	1,206,584	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
Village of Floral Park	496,190	522,931	501,113	502,937	543,707	474,230	514,696	536,653	517,624	554,716
Village of South Floral Park	42,360	42,291	42,278	40,872	45,186	38,409	43,372	43,545	42,118	43,846
Village of New Hyde Park	133,865	139,271	140,057	136,763	144,898	129,122	139,825	142,259	141,410	148,883
Village of Stewart Manor	72,930	77,449	73,814	72,030	81,342	22,705	26,025	27,264	25,339	27,421
Village of Garden City	42,822	46,995	43,924	42,935	46,775	85,090	92,795	98,123	95,626	101,421
Village of Valley Stream	490,068	498,735	472,111	468,658	502,992	443,548	475,214	485,133	466,234	536,360
Village of Bellerose	110,240	112,558	108,968	109,921	115,688	100,603	104,524	108,801	110,886	116,851
Village of Floral Park Centre	74,438	80,408	77,501	76,892	80,853	72,382	78,381	82,313	83,044	85,664
Village of New Hyde Park N. Hemp.	490,290	511,231	497,118	502,727	545,851	469,862	513,266	533,633	529,311	559,721
Village of Franklin Square	207,361	208,609	197,603	204,390	217,229	189,841	204,678	220,282	208,097	221,244
Total	3,367,148	3,470,257	3,362,966	3,400,742	3,728,428	3,199,784	3,463,397	3,611,352	3,555,131	3,756,358

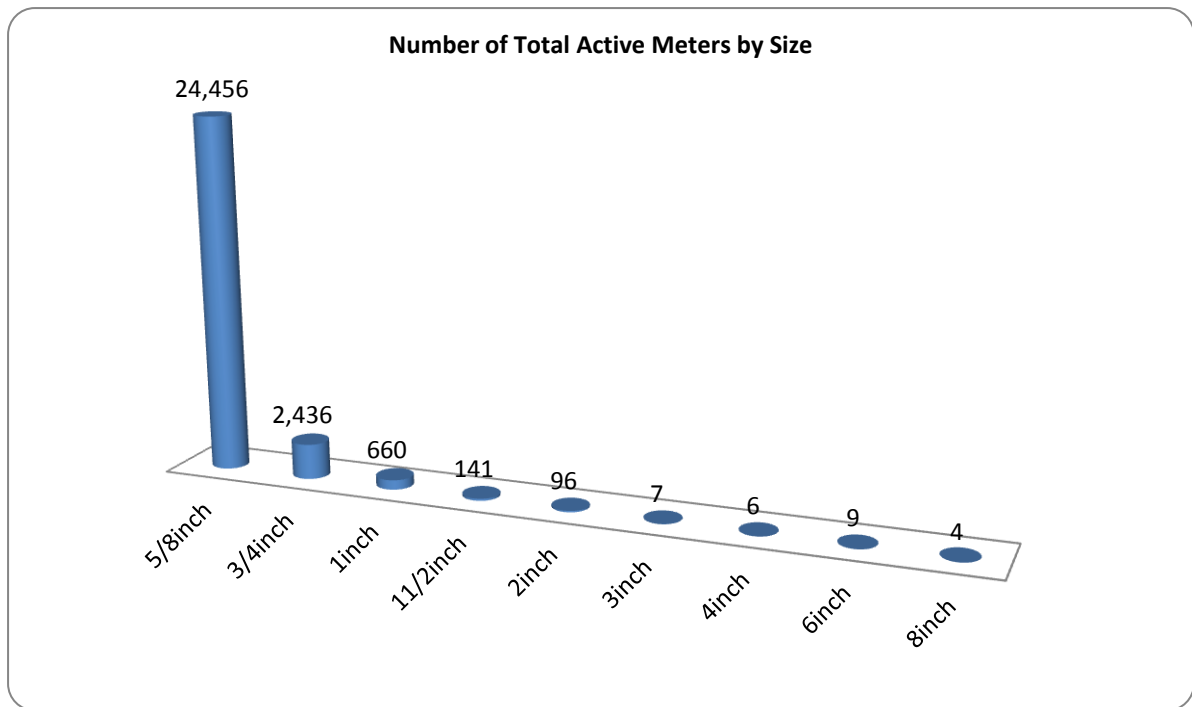
(a) Includes consumption for Fire Sprinkler Customers
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
ACTIVE METERS BY SIZE
MAY 31, 2015

Size	Total	Residential	Commercial	Municipal	LargeUsers
5/8inch	24,456	23,912	528	16	-
3/4inch	2,436	2,061	353	21	1
1inch	660	456	181	18	5
1 1/2inch	141	1	128	10	2
2inch	96	-	68	24	4
3inch	7	-	3	4	-
4inch	6	-	2	3	1
6inch	9	-	5	-	4
8inch	4	-	-	-	4
Total	27,815	26,430	1,268	96	21

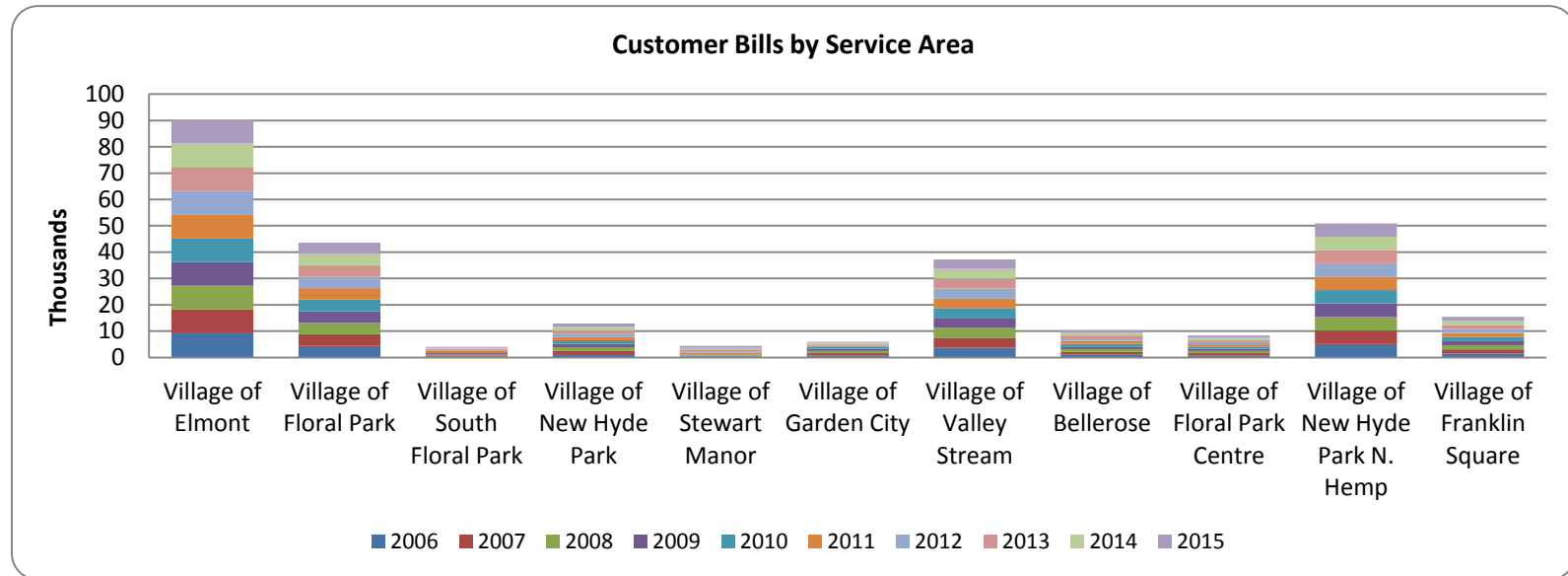
Source: Accounting Department



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

Service Area	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Village of Elmont	8,926	8,928	8,940	8,971	9,022	9,048	9,025	9,061	9,115	9,124
Village of Floral Park	4,308	4,315	4,317	4,328	4,341	4,384	4,380	4,383	4,406	4,398
Village of South Floral Park	407	407	405	400	404	404	406	408	409	413
Village of New Hyde Park	1,290	1,284	1,288	1,268	1,265	1,313	1,314	1,309	1,308	1,295
Village of Stewart Manor	664	662	664	661	657	205	205	205	206	206
Village of Garden City	356	356	358	357	359	816	824	825	823	821
Village of Valley Stream	3,695	3,699	3,704	3,717	3,732	3,731	3,725	3,738	3,759	3,777
Village of Bellerose	1,026	1,025	1,029	1,028	1,031	1,039	1,038	1,038	1,050	1,043
Village of Floral Park Centre	830	825	828	825	829	826	832	837	839	841
Village of New Hyde Park N. Hemp	5,057	5,049	5,056	5,067	5,066	5,111	5,118	5,124	5,154	5,152
Village of Franklin Square	1,521	1,523	1,524	1,531	1,534	1,545	1,542	1,546	1,559	1,559
Total	28,080	28,073	28,113	28,153	28,240	28,422	28,409	28,474	28,628	28,629

Source: Accounting Department

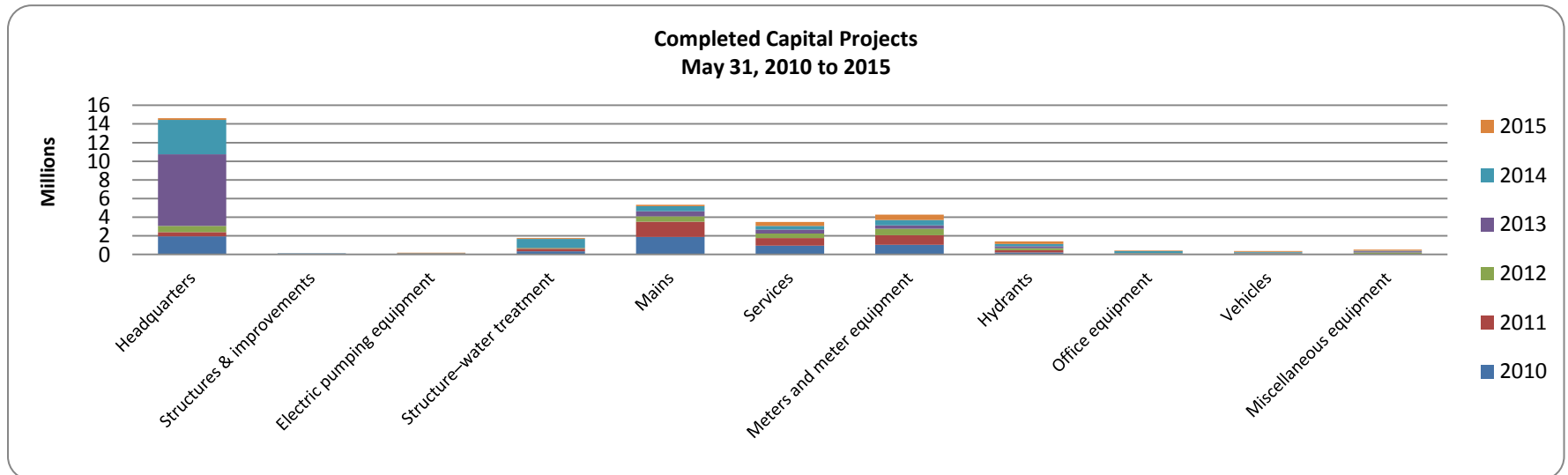


WATER AUTHORITY OF WESTERN NASSAU COUNTY
COMPLETED CAPITAL PROJECTS
LAST SIX FISCAL YEARS

Description	2015	2014	2013	2012	2011	2010
Headquarters	\$ 167,229	\$ 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	44,898	44,072	705	45,655	54,560	4,120
Structure–water treatment	107,218	947,979	2,843	106,720	267,427	347,877
Mains	164,493	531,361	533,633	581,324	1,632,282	1,895,264
Services	398,334	419,587	405,336	483,645	821,815	949,382
Meters and meter equipment	555,573	594,671	344,052	703,616	1,037,351	1,035,500
Hydrants	265,416	236,956	218,381	206,745	243,462	234,412
Office equipment	49,496	235,288	15,620	113,063	7,084	18,305
Vehicles	68,496	101,451	43,411	146,640	-	2,039
Miscellaneous equipment	115,012	63,390	126,062	207,079	6,681	795
Total additions	\$ 1,936,165	\$ 6,894,139	\$ 9,403,742	\$ 3,257,420	\$ 4,573,730	\$ 6,438,313

Data available for 2010 to 2015

Source: Accounting Department



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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Administration						
Chairman (P/T)	1	1	1	1	1	1
Executive Director	1	1	1	1	1	1
Treasurer (P/T)	1	1	1	1	1	1
Personnel Director	1	1	1	1	1	1
Customer Service	7	8	8	7	8	8
Meter Reading/Repairs	4	3	4	5	5	5
Information Technology	1	1	2	2	2	2
Accounting/Billing	3	3	3	3	3	3
Support Staff	<u>2</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal Administration	21	22	23	23	24	24
System Maintenance						
Water system maintenance	1	1	1	1	1	1
Inspectors	2	2	2	2	2	2
Water distribution	12	13	14	13	13	14
Water treatment	10	10	9	9	9	9
Maintenance Support	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal Maintenance	<u>26</u>	<u>27</u>	<u>28</u>	<u>27</u>	<u>27</u>	<u>28</u>
Total Employees	<u><u>47</u></u>	<u><u>49</u></u>	<u><u>51</u></u>	<u><u>50</u></u>	<u><u>51</u></u>	<u><u>52</u></u>

Data available for 2010 to 2014

Source: Accounting Department

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Water Supply</u>										
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	6	5	5	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
<u>Treatment</u>										
Treatment facilities	9	9	9	9	7	7	5	5	5	5
<u>Storage</u>										
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
<u>Transmission and Distribution</u>										
Water mains (2 to 16 inches diameter), Thousand linear feet	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,230	1,230
Fire Hydrants	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432
<u>Interconnections</u>										
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, 2015

Well Station	Pressure Zone	Well No.	Storage Tank (Millions Gallons)	Treatment Type	Emergency Power
Bryant Ave. W. of North 5 th 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 th 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	1,2,3,6	Yes
Swale Rd. East of Park Lane South, Franklin Square	Low	30,30-1	0.60	1,2,3,6	
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 nd Ave. and South 6 th 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
- 6) Iron removal plant

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF INSURANCE IN FORCE
FOR FISCAL YEAR ENDED MAY 31, 2015

TYPE	PREMIUM	TERM	COVERAGE	COVERAGE LIMITS	DEDUCTIBLE
Property and Liability Protection					
General Liability					
St. Paul Travelers Insurance Co.	\$ 82,804	3/1/15-3/1/16	General Aggregate	\$2,000,000	
		3/1/15-3/1/16	Products	2,000,000	
		3/1/15-3/1/16	Terrorism	2,000,000	
		3/1/15-3/1/16	Boiler & Machinery	2,000,000	
		3/1/15-3/1/16	Personal Injury	1,000,000	
		3/1/15-3/1/16	Advertising Injury	1,000,000	
		3/1/15-3/1/16	Premises Damage	1,000,000	
		n/a	Medical Expense	Excluded	
		n/a	Sewer Back-up	Excluded	
		3/1/15-3/1/16	Failure to Supply	1,000,000	
Boiler & Machinery					
St. Paul Travelers Insurance Co.	\$ 5,200	3/1/15-3/1/16			
Inland Marine					
		3/1/15-3/1/16			
St. Paul Travelers Insurance Co.	\$ 10,003	3/1/15-3/1/16	Equipment Floater	Replacement cost	\$25,000
		3/1/15-3/1/16	Unscheduled Limit	\$112,000	2,500
Property					
		3/1/15-3/1/16			
St. Paul Travelers Insurance Co.	\$ 79,005	3/1/15-3/1/16	Blanket basis	\$31,934,956	
Casualty					
Automobile					
St. Paul Travelers Insurance Co.	\$ 41,436	3/1/15-3/1/16	Liability	\$1,000,000	
		3/1/15-3/1/16	PIP Deductible	Included	
		3/1/15-3/1/16	Additional PIP	175,000	
		3/1/15-3/1/16	Uninsured Motorist	1,000,000	
		3/1/15-3/1/16	Under insured Motorist	1,000,000	
		3/1/15-3/1/16	Physical Damage	Per vehicle schedule	
Excess Catastrophe					
(Umbrella)	\$ 27,858	3/1/15-3/1/16	Liability, each	\$10,000,000	
St. Paul Travelers Insurance Co.		3/1/15-3/1/16	Liability, aggregate	10,000,000	
		3/1/15-3/1/16	Retained Limit	10,000	
Crum and Foster	\$ 51,100	3/1/15-3/1/16	Liability, each	25,000,000	
		3/1/15-3/1/16	Liability, aggregate	25,000,000	
Travelers	\$ 10,000	3/1/15-3/1/16	Liability, each	5,000,000	
		3/1/15-3/1/16	Liability, aggregate	5,000,000	
Employee Protection					
Public Officials' Liability					
Scottsdale Indemnity Co,	\$ 25,135	3/1/15-3/1/16	Public Officials	\$10,000,000	\$15,000
			Employment Practices Liability	10,000,000	15,000
Crime					
Utica Mutual Insurance Co.	\$ 4,056	3/1/15-3/1/16	Forgery/Alteration	\$1,000,000	\$10,000
		3/1/15-3/1/16	Computer Fraud	1,000,000	10,000
Employee Benefit Plans Liability					
St. Paul Travelers Insurance Co.	\$ 192	3/1/15-3/1/16	Wrongful Act, each	\$1,000,000	\$1,000
		3/1/15-3/1/16	Wrongful Act, aggregate	1,000,000	1,000

Source: Accounting Department

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SECTION D: COMPLIANCE SECTION



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

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

We have audited, 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, 2015, 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, 2015.

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, 2015