

**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED MAY 31, 2016  
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**



Prepared by:  
Allan M. Kolakowski  
Director of Finance, Accounting & Customer Service  
Water Authority of Western Nassau County, New York



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**FISCAL YEARS ENDED MAY 31, 2016 AND 2015**

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## SECTION A: INTRODUCTORY SECTION





# **Water Authority**

## **of Western Nassau County**

### **LETTER OF TRANSMITTAL**

August 30, 2016

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, 2016. 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 31-46, immediately following the report of the independent auditors.

### **INTRODUCTION**

#### **Management Representation**

New York State Public Authorities Law requires that every public authority publish, within 90 days of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended May 31, 2016. 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, 2016. The independent auditors' report is located at the front of the financial section of this report, pages 27 to 29.

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

## Organization of Report

The CAFR is presented in four sections as follows:

1. The *Introductory Section (Section A)* includes this transmittal letter, excerpts from the charter, organization chart, and the list of principal officials, and is intended to familiarize the reader with the organizational structure of the Water Authority and the nature and scope of the services provided. The Introductory Section can be found on pages 1 through 26.
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 82.
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 83 through 119.
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 121 and 122.

## 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 neither required to pay taxes, special ad valorem levies or special assessments upon the real property owned by it, nor is required to pay 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.

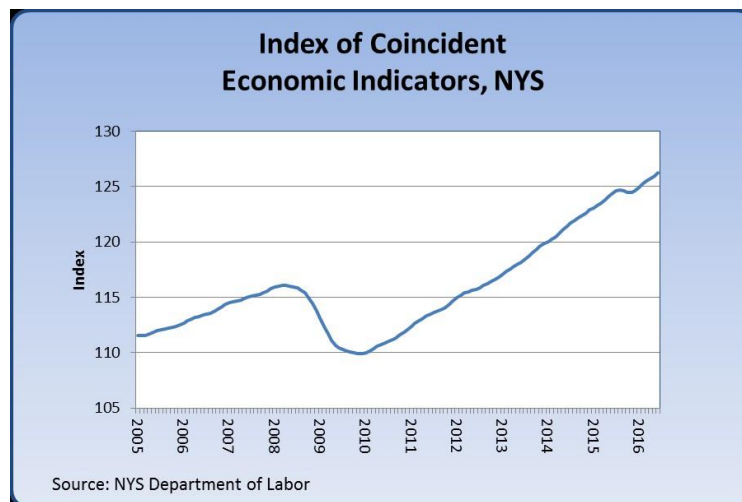
The mission of the Water Authority is as follows: *To satisfy customer expectations for high quality, reliable water service provided in a responsive and efficient manner at the lowest reasonable price.*



## LOCAL ECONOMIC CONDITIONS AND OUTLOOK

### Current Economic Conditions

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. The ICEI base value was set at 100, for July 1992.



The ICEI increased by 1.8 points (1.4%) from 124.4, in June 2015 to 126.2, in June 2016. In June 2015, ICEI had increased at an annual rate of 5.1%.

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.

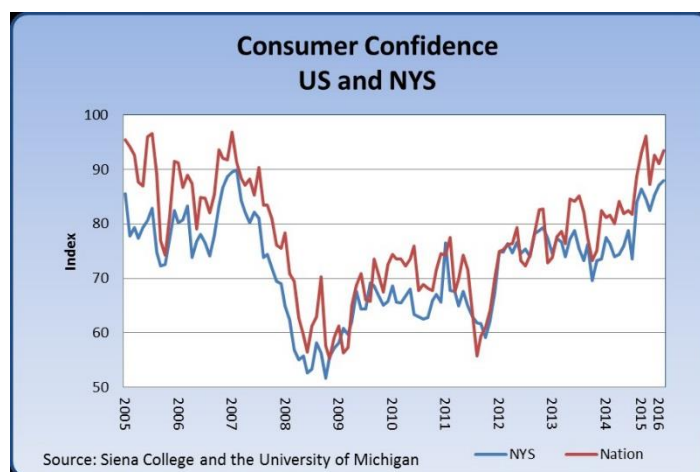
COMPARISON OF UNITED STATES AND NEW YORK STATE RECESSIONS					
Dates in U. S.	Length (months)	Dates in NYS (Peak Trough)	Length (months)	NYS Change in Jobs	
				Net (in 1000s)	Percent
Dec. 69-Nov. 70	11	Dec. 69-Nov. 71	23	(310.2)	-5.1%
Nov. 73-Mar. 75	16	Mar. 73-Sept. 75	30	(393.1)	-6.7%
Jan. 80-Jul. 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.

### Consumer Confidence

New York consumer confidence is measured in a monthly survey by the Siena Research Institute by random telephone calls to 805 New York State residents over the age of 18. This index allows a direct comparison to the University of Michigan's Consumer Sentiment index for the nation.



In the second quarter of 2016, Consumer Confidence Indices for NY and the US were 88.0 and 93.5, respectively, as compared to 84.6 and 96.1, respectively, in the second quarter of 2015. The annual increase in consumer confidence index for New York was 4% and for the US was 3%.

### Wages and Salaries in Nassau County

According to US Bureau of Labor Statistics, in first quarter of 2016, Nassau County had average weekly wages of \$1,084, which placed it as the 192<sup>nd</sup> highest among the 3,244 counties nationwide. Nassau County ranked the 40<sup>th</sup> highest among all of the US counties with respect to the size of its total wage level. Nassau County had 50% of the employment on Long Island, and 51% of wages earned. The total quarterly wages in Nassau County was \$7,428 million, as compared to \$7,006 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 the fourth quarter of 2016, average weekly salary in Suffolk was \$1,023.

The preliminary estimates of Nassau County annual employment and wage information, for 2015, are shown in the table, presented in this and following page:

<b>Industry Title</b>	<b>Reporting Units</b>	<b>Average Employment</b>	<b>Total Wages</b>	<b>Average Wages</b>
Total, all industries	53,105	612,870	\$35,887,180,694	\$58,556
Total, all private	52,381	534,779	30,038,122,540	56,169
Total, all government	724	78,091	5,849,058,154	74,901
Health care and social assistance	5,865	120,153	7,153,457,166	59,536
Professional and technical services	6,948	38,441	2,970,382,537	77,271
Retail trade	5,943	79,986	2,770,660,431	34,639
Finance and insurance	2,789	31,100	2,718,129,049	87,400
Wholesale trade	3,348	27,691	2,276,346,092	82,205
Construction	4,267	29,305	2,142,176,277	73,099
Administrative and waste services	3,300	30,499	1,380,368,223	45,259
Manufacturing	1,110	17,565	1,322,303,921	75,281
Information	523	10,989	1,156,826,441	105,271
Accommodation and food services	3,396	48,227	1,046,100,173	21,691
Other services, ex. Public admin	5,797	29,224	955,224,729	32,686
Educational services	703	20,230	888,853,490	43,937
Transportation and warehousing	1,150	15,261	814,416,079	53,366
Management of companies	262	6,674	718,528,827	107,661
Real estate and rental and leasing	2,520	10,369	664,629,637	64,098
Arts, entertainment, and recreation	819	11,848	468,733,463	39,562
Utilities	40	3,757	420,242,639	111,856
Unclassified	3,566	3,283	163,581,421	49,827
Agriculture, forestry, fishing	35	172	6,730,305	39,130

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

In 2015, the annual average employment for all industries was 612,870 as compared to 604,644, in 2014. In 2015, 534,779 (87.3%) of employees worked in private sector 78,091 (12.7%) in government. The private sector accounted for \$30,038 million (83.7%) and government for \$5,849 (16.3%) of the \$35,887 million total wages paid. The average salaries for the private sector employees was \$56,169 as compared to \$74,901 for governmental workers. The healthcare and professional and technical services formed the largest private sectors with 19.9% and 8.3% of wages and 19.6% and 6.2% of employment, respectively.

From 2014 to 2015, the changes in average annual employment and wages for major industries are presented in the following Table:

Industry Title	INDUSTRIAL SECTORS			
	Average Employment Change		Average Wages Change	
	2014 to 2015		2014 to 2015	
	Number	Percent	Amount	Percent
Total, all industries	8,161	1.3%	2,131	3.8%
Total, all private	7,903	1.5%	2,253	4.2%
Total, all government	258	0.3%	1,496	2.0%
Health care and social assistance	4,771	4.1%	2,641	4.6%
Professional and technical services	671	1.8%	2,600	3.5%
Retail trade	212	0.3%	1,563	4.7%
Finance and insurance	(153)	-0.5%	209	0.2%
Wholesale trade	371	1.4%	1,566	1.9%
Construction	749	2.6%	3,466	5.0%
Administrative and waste services	413	1.4%	2,415	5.6%
Manufacturing	(227)	-1.3%	6,160	8.9%
Information	(917)	-7.7%	8,088	8.3%
Accommodation and food services	1,049	2.2%	590	2.8%
Other services, ex. Public admin	312	1.1%	1,054	3.3%
Educational services	366	1.8%	599	1.4%
Transportation and warehousing	77	0.5%	2,400	4.7%
Management of companies	70	1.1%	11,406	11.8%
Real estate, rental and leasing	53	0.5%	1,524	2.4%
Arts, entertainment and recreation	(63)	-0.5%	2,789	7.6%
Utilities	120	3.3%	5,910	5.6%
Unclassified	34	1.0%	8,181	19.6%
Agriculture, forestry & fishing	(5)	-2.8%	3,535	9.9%

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

In 2015, the average employment in all industries increased by 8,161 (1.3%) and the average wages rose by \$2,131 (3.8%). The increased employment in private sector was 7,903 of which 4770 (60.4%) was in healthcare and social assistance and 1,048 (13.3%) in accommodation and food services. Information and manufacturing experienced largest decrease in employment of 918 (7.7%) and 228 (1.3%), respectively.

### Personal and Household Income in Nassau County

According to the 2010-2014 survey of the US Census Bureau, the Nassau County median household income was \$98,401 as compared to the State of New York median income of \$58,687 and national median income of \$58,482. The per capita income in the Nassau County was \$42,949, or 130.8%, of the New York State per capita income of \$32,829 and 150.4% of the national per capita income of \$28,555. The percentage of persons in poverty in the Nassau County was 6.7%, as compared to 15.4% in New York State and 13.5% nationally.

Personal income statistics provide a framework for analyzing current economic conditions. They are used in estimating the demand for the Water Authority services and to determine whether the service area has

sufficient income to enable the Water Authority to undertake and support major capital improvement projects.

Personal income is the sum of wages and salaries, supplements to wages and salaries, proprietors' income, personal interest income, and personal current transfer receipts, less contributions for government social insurance, plus the adjustment for residence. Personal income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars.

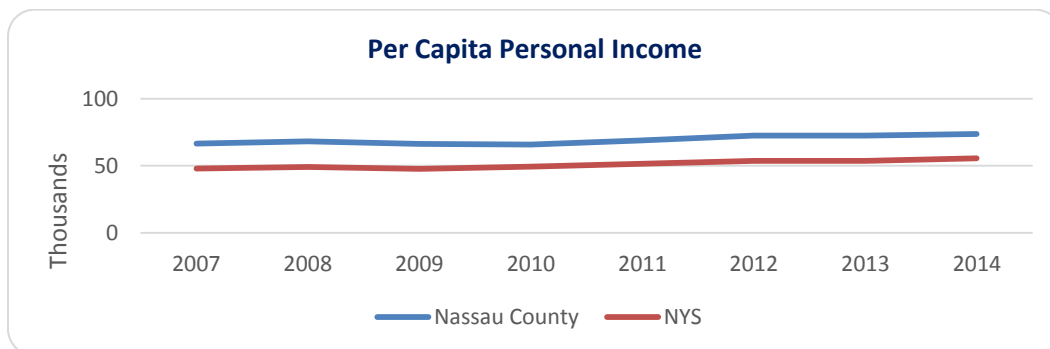
According to the 2014 estimates of the Bureau of Economic Analysis (BEA), Nassau County had a personal income of \$100,019,324, which ranked it the third in New York State and accounted for 9.1% of the State total personal income.

Per capita personal income is calculated as the total personal income of the residents of a given area divided by the resident population of the area. In 2014, Nassau County had a per capita personal income (PCPI) of \$73,618. This PCPI ranked third in New York State, was 132% of the State average of \$55,611 and 160% the national average, \$46,049. The 2014 PCPI reflected an increase of 4.2% from 2013 as compared to 3.7% for the State of New York and 3.6% nationally.

For the period 2007 to 2014, the Nassau County per capita and total personal income are shown in the following table:

Year	Nassau County			
	Population	Total Personal Income (In millions)	Per Capita Personal Income	
			Nassau County	New York State
2014	1,358,627	\$100,019	73,618	55,611
2013	1,352,146	98,096	72,549	53,606
2012	1,348,283	97,697	72,460	53,571
2011	1,345,260	92,795	68,979	51,598
2010	1,341,048	88,189	65,761	49,283
2009	1,332,088	88,198	66,210	47,655
2008	1,325,129	90,510	68,303	49,032
2007	1,322,048	88,027	66,584	47,780

Source: US Department of Commerce, Bureau of Economic Analysis



## Employment Conditions in Nassau County

During the year ended June 30, 2016, the size of Nassau labor force increased by 9,800 (0.7%) and the number of employed by 20,100 (1.4%). Although, all Nassau County's Villages and Towns experienced increases in the number of labor force and employment, the largest increases were in the Towns of Hempstead and Oyster Bay. For the period from June 2015 to June 2016, 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 following table:

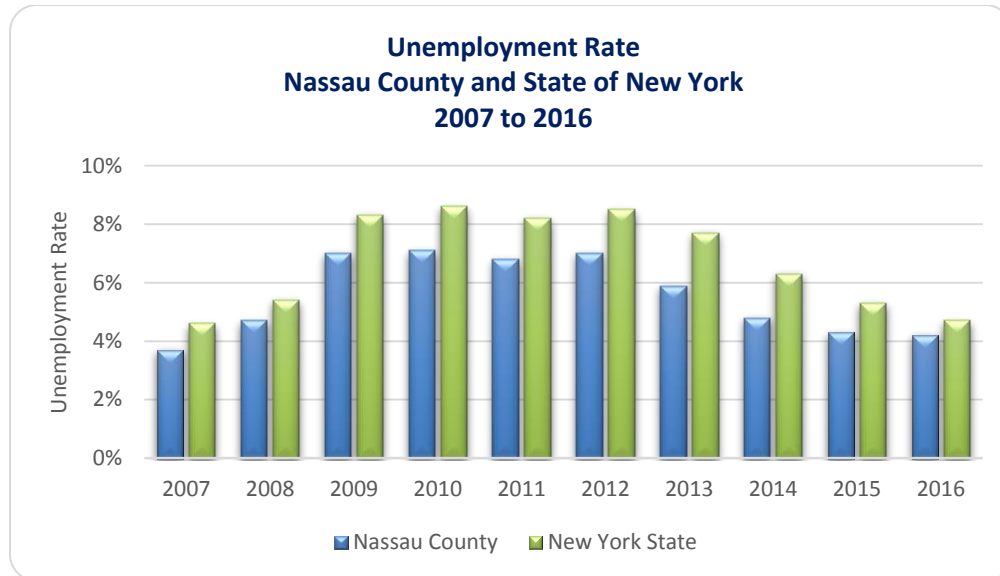
### NASSAU COUNTY, SUFFOLK COUNTY, NEW YORK CITY AND NEW YORK STATE LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE JUNE 2016 AND JUNE 2015

	JUNE 2016			JUNE 2015		
	LABOR FORCE	EMPLOYED	UNEMPLOYMENT RATE (%)	LABOR FORCE	EMPLOYED	UNEMPLOYMENT RATE (%)
<b>Nassau-Suffolk</b>	1,501,500	1,444,800	3.8	1,491,700	1,424,700	4.50
<b>Nassau County</b>	710,300	684,400	3.6	704,800	674,100	4.30
Freeport Village	23,000	22,000	4.3	22,800	21,700	5.00
Glen Cove City	14,200	13,700	3.4	14,100	13,500	4.20
Hempstead Town	405,100	389,800	3.8	402,300	384,000	4.50
Hempstead Village	27,900	26,600	4.7	27,700	26,300	5.30
Long Beach City	20,000	19,300	3.3	19,900	19,000	4.30
North Hempstead Town	114,300	110,400	3.4	113,300	108,800	4.00
Oyster Bay Town	156,700	151,300	3.5	155,200	148,800	4.10
Rockville Centre Village	12,300	11,900	3.7	12,200	11,700	4.20
Valley Stream Village	19,900	19,100	3.9	19,800	18,900	4.80
<b>Suffolk County</b>	791,200	760,300	3.9	786,900	750,600	4.60
<b>New York City</b>	4,137,800	3,928,500	5.1	4,199,300	3,959,300	5.70
<b>New York State</b>	9,684,600	9,245,500	4.5	9,747,400	9,234,100	5.30

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

The unemployment rates in Nassau County compared favorably with Suffolk County, New York City and State of New York. For the period December 2007 to 2016, the unemployment rates for Nassau County and the State of New York were as follows:

Year	UNEMPLOYMENT RATES	
	Nassau County	New York State
2016	4.2%	4.7%
2015	4.3%	5.3%
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%



The impact of 2008-2009 recession on increased unemployment in the State of New York and Nassau County continued until 2012, at which time the unemployment rate was at 8.5 and 7%, respectively. Since then, the rate of unemployment has substantially decreased. In July 2016, Nassau and Putnam Counties in N.Y. had the lowest unemployment rate in the New York-Newark-Jersey City, N.Y.-N.J.-Pa. Metropolitan Statistical Area at 4.0 percent, according to the U.S. Bureau of Labor Statistics (the BLS). The BLS noted that 14 of the 25 counties that make up the metropolitan area had lower jobless rates than the U.S. average of 5.1 percent and 11 had higher rates. Bronx County, N.Y. had the highest rate (7.7 percent).

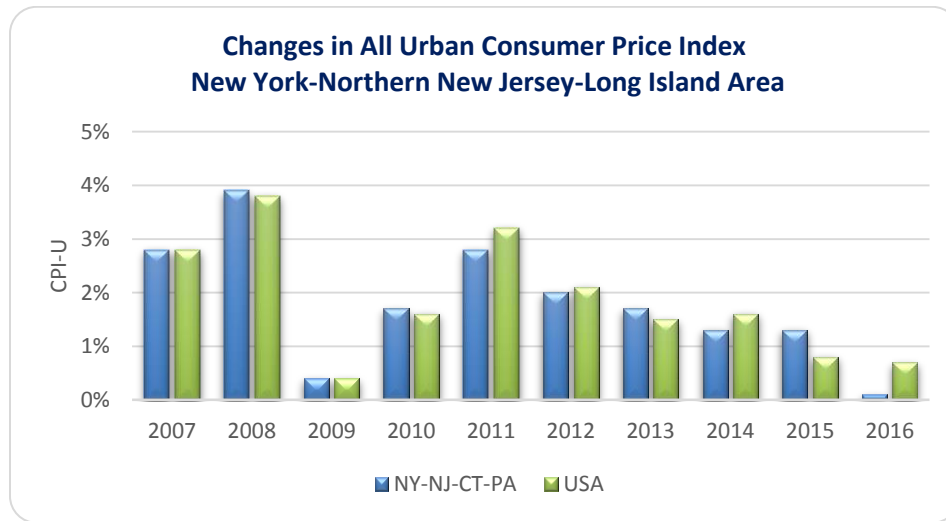
### Consumer Prices in the New York Region

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 average rates on increase in CPI-U for the period 2007 to 2016 are presented in the following table:

Year	NY-NJ- CT-PA	USA
2016 (a)	0.1%	0.7%
2015	1.3%	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, 2016

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



Prices in the New York-Northern New Jersey-Long Island area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), rose for the sixth consecutive month, up 0.3 percent in June 2016, the BLS reported. The energy index recorded its fourth consecutive increase, a rise of 4.2 percent.

Over the year, the food index rose 0.4 percent, reflecting a 3.2-percent increase for away-from-home food prices which was largely offset by a 1.6-percent decline in at-home food prices.

From June 2015 to June 2016, energy prices decreased by 10.2 percent. Gasoline prices fell 16.0 percent. Household energy prices were down 6.0 percent, with lower charges for electricity (-4.9 percent) and for natural gas (-1.1 percent).

For the year ended in June 2016, the index for all items less food and energy increased 2.0 percent. Shelter prices rose 3.1 percent, reflecting a 3.6-percent increase in residential rent and a 2.9-percent rise in owners' equivalent rent. Medical care prices increased by 5.1 percent, and prices for other goods and services rose 2.7 percent. No other category recorded an increase exceeding 2.0 percent.

### Real Estate and Housing in Nassau County

The number of sales and median sales prices of houses in Nassau County are presented in the following Table:

	Sales	Median Price
2015	4,509	\$445,000
2014	10,876	435,000
2013	11,196	422,500
2012	8,905	415,000
2011	7,597	430,000

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



The median sale price of homes in Nassau County increased by \$10,000 (2.3%) in 2015 as compared to \$13,000 (3.0%) increase in the previous year. The number of sales declined by 6,367 (57.0%) in 2015 and 320 (3.2%) in 2014.

Fair market monthly rentals in Long Island for 2016, estimated by the U.S. Department of Housing and Urban Development (“HUD”), were \$1,003 for a studio apartment, \$1,324 for one bedroom, \$1,608 for two-bedrooms, \$2,089 for three-bedrooms and \$2,350 for a four-bedroom apartment. The fair market rentals decreased by 6.5% for two and three bedroom units and over 8.6% for studio and four bedroom units. The fair market monthly rental for one bedroom apartments was down by 5.1%.

According to the US Census Bureau, the most recent housing construction in Nassau County 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.

The housing permits issued in the Nassau County, over the last ten calendar years are presented in the following table.

HOUSING STARTS – PERMITS ISSUED – LAST 9 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
2015	608	2	4	-	-	20	474	630	1,086
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 6 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 twentieth full year of operation on May 31, 2016. During this year, 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 placing 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 service 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 WRITE-OFFS**  
**FISCAL YEARS ENDED MAY 31, 2007 TO 2016**

<b>Fiscal Year</b>	<b>Amount</b>
2016	\$ 25,188
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, including recurring automatic payment via customer checking accounts and 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**

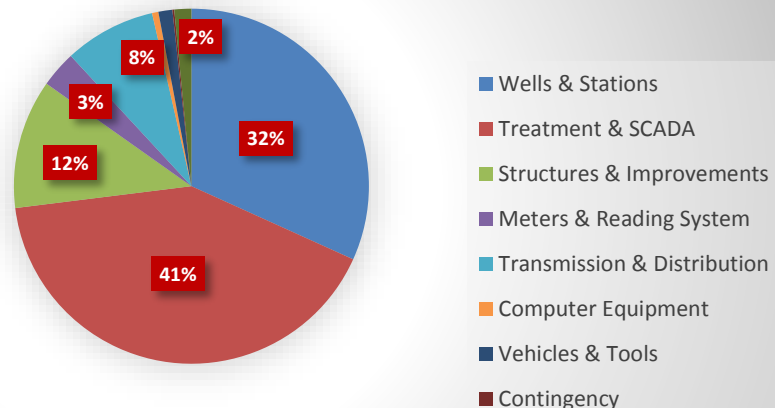
Capital projects have continued to require a large share of the Water Authority's budget, staff time and focus. The Water Authority has implemented a comprehensive capital improvement program with the goal of improving the water system's aging infrastructure through increased system capacity and dependability.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

For the fiscal years ending May 31, 2017 to 2021, the Capital Improvement Plan is summarized in the following table:

<b>Construction</b>	<b>5 Year Capital Plan</b>					<b>TOTAL</b>
	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	
Wells & Stations	970,470	4,174,512	8,564,537	6,728,265	3,215,534	23,653,318
Treatment & SCADA	9,902,443	15,013,300	100,000	2,460,646	3,262,832	30,739,221
Structures & Improvements	2,174,000	-	1,160,600	3,225,300	2,204,700	8,764,600
Meters & Reading System	555,200	457,380	470,960	484,940	499,360	2,467,840
Transmission & Distribution	1,401,500	1,093,830	1,124,400	1,311,290	1,270,860	6,201,880
Computer Equipment	61,725	120,825	135,535	37,685	72,475	428,245
Vehicles & Tools	336,450	163,450	169,700	126,250	152,150	948,000
Contingency	25,000	25,000	25,000	25,000	25,000	125,000
Subtotal Construction	15,426,788	21,048,297	11,750,732	14,399,376	10,702,911	73,328,104
Operations Center Building	1,150,000	-	-	-	-	1,150,000
Total	16,576,788	21,048,297	11,750,732	14,399,376	10,702,911	74,478,104

**Capital Plan**  
**Five years Ending May 31, 2021**



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.

The Water Authority completed the rehabilitation of its elevated water storage Tank No. 19, located in New Hyde Park. The 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 project included 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 were completed, the interior and exterior surfaces of the tank were painted. The paint that was used is approved for use on water storage tanks by the New York State Department of Health.

Also, completed was a comprehensive water rate study conducted by D&B Engineers and Architects, P.C., the company retained by the Water Authority to perform the study. The broad objective of the study was to develop a rate structure based on meter size and usage to adequately fund all water operations, capital and debt service costs while promoting water conservation. The study also included a review of miscellaneous rate charges including such items as frozen meters, no-access fees, turn-on/off charges, etc. The Water Authority plans on holding an open public session prior to taking action on the rate study findings.

The Water Authority's other completed projects are:

- The installation of radio transmitters on residential accounts;
- Design of new VOC removal facilities for Well Nos. 15A, 15B, 15C, 15D and 15E in Elmont;
- Engineering report for design and construction of an Iron Removal Plant at Well 25A in Elmont;
- Installation of 2,000 feet of 8-inch water main, 5 new hydrants and the replacement of 12 water services in Hook Creek Blvd. south of Sobro Avenue in N. Valley Stream to separate our system from the NYC system;
- Department of Health sanitary survey projects including VOC Safeties, Well Station Blow-offs, VOC Tower Hoods, and Safety Curtains for Chemicals;
- Well pump at Well Nos. 44A in Elmont and 16A in New Hyde Park;
- Service and hydrant replacements;
- Computer upgrades and replacements;
- Meter replacements; and
- Vehicle and large equipment replacements.

## **Planned Improvements**

The Water Authority's capital improvements expenditures will substantially increase over the next five years. The planned average annual capital improvement cost is \$15 million and the total planned expenditure is \$75 million dollars, for the next five years.

The Water Authority's planned improvements for the year ending May 31, 2017 include:

- Installation of approximately 2,600 feet of a new 12-inch transmission water main on Cellar Avenue from Station No. 40 on Soma Street to Hillside Avenue in New Hyde Park, including the installation of 3 fire hydrants;
- Construction of a new storage areas at Well Station No. 44 in Elmont;
- Completion of the design of new VOC removal facilities for Well Nos. 15A, 15B, 15C and 15E in Elmont;
- Construction of the above VOC facilities;
- Rehabilitation of Tank No. 5 (a 4.75-million-gallon ground water storage tank) in Elmont;
- Design of a new Iron Removal Plant for Well No. 25A in North Valley Stream;
- Well pump replacements;
- Service and hydrant replacements;
- Computer upgrades and replacements;
- Meter replacements;
- Vehicle and large equipment replacements.
- Design of a new Iron Removal Plant for Well No. 25A in North Valley Stream;
- Well pump bowl replacements

Additional information on capital assets are provided in the Management's Discussion and Analysis pages 38 to 41, and the Note 4 to financial statements, pages 64 and 65.

## **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 \$44.38, 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
5/31/2016	\$440	\$1,832	\$166	\$936
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

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.

In its May 23, 2016 public rate meeting, the Board of Directors of the Water Authority approved an overall 9.4% increase in water rates. Residential customers will receive a 4.1% increase, while commercial customers will receive an increase based on the size of their meter. Public fire hydrant rates will remain unchanged from the current annual charge of \$936.

The 9.4% increase in rates is a result of the Water Authority's increased costs related to debt service costs required to fund the Water Authority's capital plan which includes critical projects related to wellhead treatment or iron removal.

The Board of Directors and Water Authority staff completed its review of the comprehensive rate study conducted by D&B Engineers and Architects, P.C. (D&B). D&B was hired to independently assess and evaluate the Water Authority's existing water rate structure as distributed to its four customer classes while ensuring adequate funding of all water operations as well as all capital and debt service costs.

**Quarterly Rate Schedule**  
**June 1, 2016**

**Residential**

Minimum charge up to 9,000 gal./quarter	\$44.38
Block 1 charge (9,000 – 96,000 gal./quarter)	\$4.060/1,000 gal.
Block 2 charge (greater than 144,000 gal./quarter)	\$4.160/1,000 gal.
Public fire hydrants	\$936 per year

**Fire Protection Service**

2" Meter	\$43.98
2 ½" Meter	\$51.47
3" Meter	\$76.37
4" Meter	\$138.08
6" Meter	\$282.13
8" Meter	\$564.14

**Commercial**

	Minimum Usage Gallons	Minimum Charge	Block 1 Usage Up To Gallons	Block 2 Usage Above Gallons
5/8" Meter	9,000	\$44.38	144,000	144,000
3/4" Meter	13,500	66.57	144,000	144,000
1" Meter	22,500	110.95	144,000	144,000
1.5" Meter	45,000	221.90	144,000	144,000
2" Meter	72,000	355.03	144,000	144,000
3" Meter	144,000	710.06	225,000	225,000
4" Meter	225,000	1,109.48	450,000	450,000
6" Meter	450,000	2,218.95	720,000	720,000
8" Meter	720,000	3,550.32	1,035,000	1,035,000

The quarterly bill for the minimum use customer will increase from \$41.51 to \$44.38. Average annual residential charges (based on average usage of 104,600 gallons per year) will increase from \$440 to \$456. The average annual commercial charges (based on average usage of 482,300 gallons per year) will increase from \$1,878 to \$2,117.

The public water hydrant quarterly rate has remained unchanged at \$234.

**Debt Management**

At May 31, 2016 bonds totaling \$110.2 million were outstanding. The Bonds are limited obligations of the Water Authority and are not a debt of the State of New York or of Nassau County or of any municipality therein and none of the State of New York, Nassau County or any municipality therein 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, issued in previous year. In addition, Fitch affirmed the AA- rating: for \$64.5 million in outstanding water system Series 2010A and 2010B Bonds, in the year ended May 31, 2015. 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.

Additional information on long-term debt is included in Management Discussion and Analysis, pages 41 and 42, and note 5 to the financial statements, pages 65 to 70.

### **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 Astoria, New York has conducted an annual audit of the Water Authority's financial statements for the year ended May 31, 2016. 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 27 to 29. 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 121 and 122.

## 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 Event 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 15c2-12 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, 2016.

## 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, 2015. 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 of the Water Authority. I wish to thank all of the Water Authority Departments for their assistance in providing the data necessary to prepare this report. I would also like to express my appreciation to 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

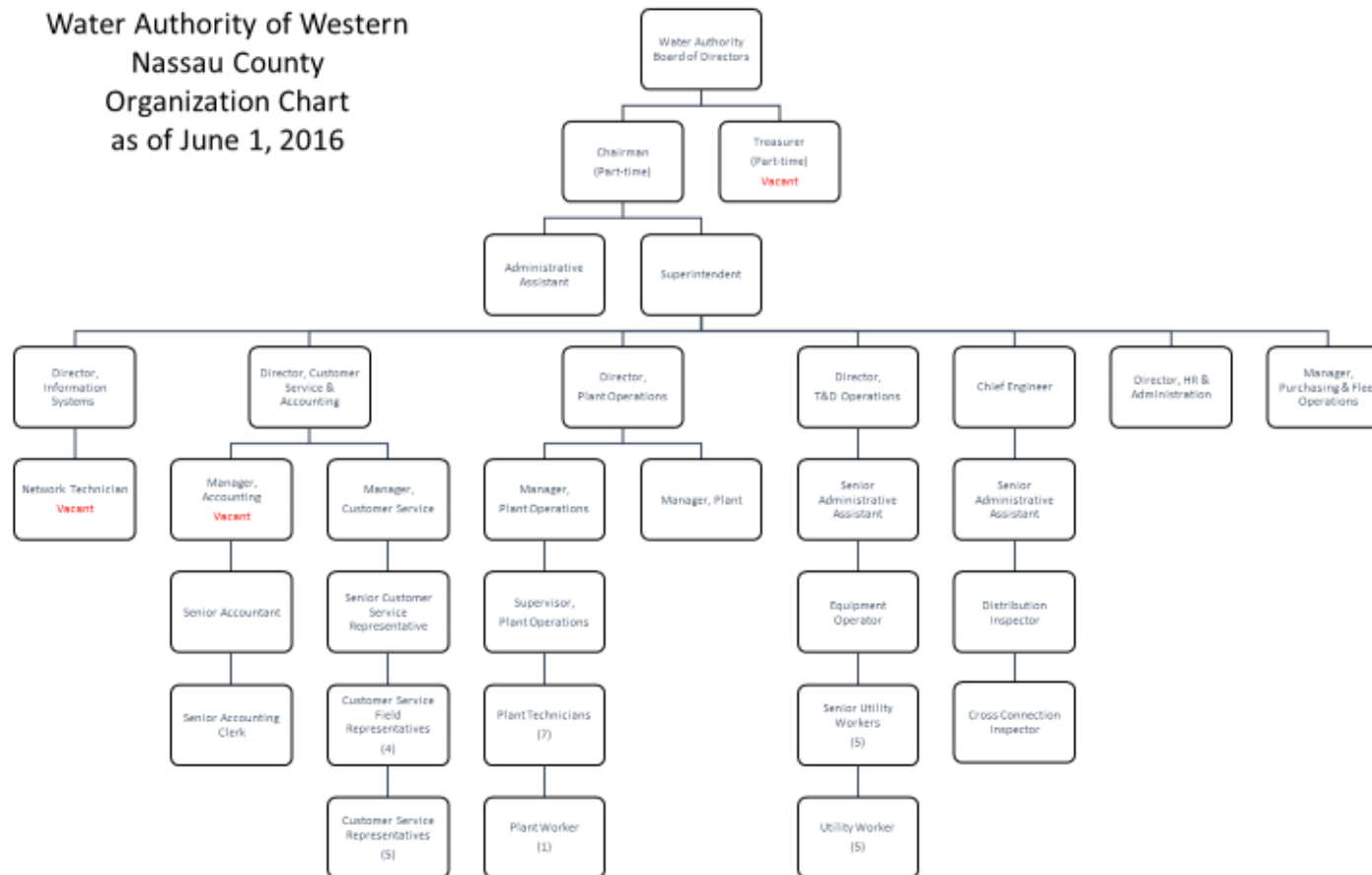
**Water Authority of Western  
Nassau County, New York**

For its Comprehensive Annual Financial Report  
for the Fiscal Year Ended

**May 31, 2015**

Executive Director/CEO

Water Authority of Western  
Nassau County  
Organization Chart  
as of June 1, 2016



**COMPREHENSIVE ANNUAL REPORT  
FISCAL YEAR ENDED MAY 31, 2016**

**BOARD OF DIRECTORS/VOTES**

John E. Ryan Chairman

		<b>Voting Percentage</b>
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%
John Ardito	Village of Garden City	1.3%
Total		<u>100.0%</u>

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## 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, 2016 and 2015 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, 2016 and 2015 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.

## EMPHASISE OF A MATTER

As discussed in Note 2 to the financial statements, in the year ended May 31, 2016, the Water Authority of Western Nassau County adopted Governmental Accounting Standards Board (“GASB”) Statements No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement 27* and Statement 71, *pension Transition for Contributions made Subsequent to Measurement Date - an Amendment of GASB Statement No. 68*. As a result of adopting this standard, the Water Authority of Western Nassau County has elected to restate its May 31, 2015 financial statements to reflect the adoption of this standard. Our opinion is not modified with respect to this matter.

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

### *Other Information*

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

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

#### OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 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.

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

Garden City, New York  
August 30, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS







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

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three sections: Management's Discussion and Analysis (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, 2016 and May 31, 2015. 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, 2016 were \$148.6 million, deferred outflows were \$0.8 million and exceeded liabilities by \$22.0 million (i.e. net position). Of the total net position, \$72 thousand was unrestricted. Total assets decreased by \$769 thousand (0.5%) between May 31, 2015 and 2016. Net position increased by \$1.9 million (9.6%) over the same period last year and the economic and financial position of the Water Authority improved.
- Operating revenues were approximately \$16.9 million, showing an increase of \$1.7 million (11.4%), as compared to \$1.1 million (7.8%) rise in the previous year. The increased revenues from residential water sales of \$1.5 million (13.6%) and commercial and fire protection revenues of \$0.3 million (6.1%) were related to 4.2% increased pumpage and 8.4% increase in water rates.
- Total operating expenses decreased by approximately \$0.2 million (1.5%), from \$10.8 million to \$10.6 million for the fiscal years ended May 31, 2015 and 2016. The decrease in operating expenses was net result of decrease in operations and maintenance expenses as offset by increase in depreciation expenses. Operations expenses decreased by \$0.3 million (4.4%) from \$6.8 million to \$6.5 million for the fiscal years ended May 31, 2015 and 2016, respectively, primarily from decreases in costs of power purchased and customer accounting expenses. In the current year, maintenance expenses decreased by \$0.05 million (2.1%), from \$2.1 million in the previous year.
- Operating income for the fiscal years ended May 31, 2016 and 2015 were \$6.3 and \$4.4 million. The increase in operating income of \$1.9 million (42.8%) is primarily the result of rise in operating revenues of \$1.7 million (11.4%). As a result of this change, the ratio of operating income to total revenues increased from 29.0% to 37.0%, from the fiscal year ended May 31, 2015 to 2016.
- The Water Authority's long-term bonded debt, including the current portion and premium, decreased by \$2.7 million (2.2%) in the current year. The long-term debt had 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

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

coverages were 1.45 and 1.53, on May 31, 2016 and 2015, meeting the amount required by the Bond covenants.

**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:

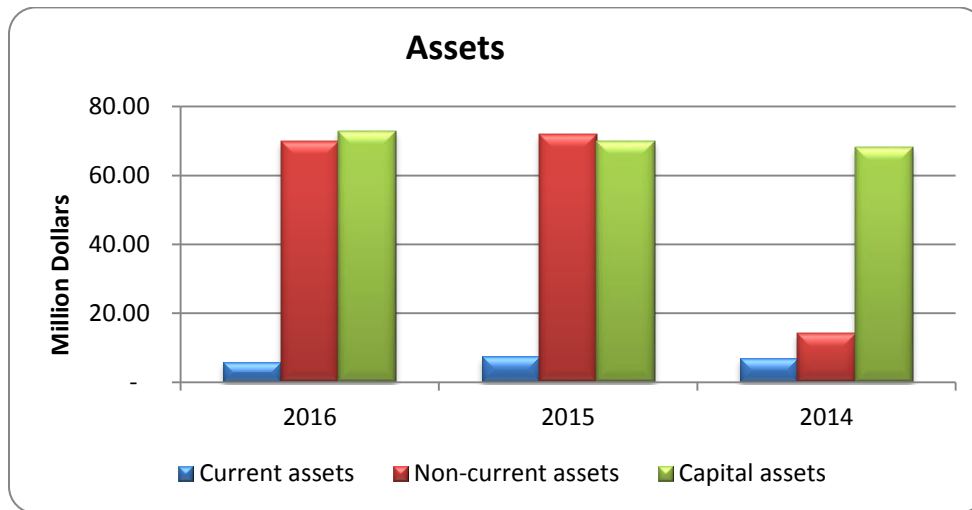
**CONDENSED STATEMENT OF NET POSITION (BALANCE SHEETS)**

	May 31,			2015 to 2016		2014 to 2015	
				Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	Amount	%	Amount	%
Current assets	\$ 5,873,845	\$ 7,468,584	\$ 6,989,314	\$ (1,594,739)	(21.4)	\$ 479,270	6.9
Noncurrent assets							
Other noncurrent assets	69,823,436	71,997,296	14,121,304	(2,173,860)	(3.0)	57,875,992	409.8
Capital assets	72,887,677	69,888,539	68,063,563	2,999,138	4.3	1,824,976	2.7
Total assets	148,584,958	149,354,419	89,174,181	(769,461)	(0.5)	60,180,238	67.5
Deferred outflows	838,353	780,122	1,132,345	58,231	7.5	(352,223)	(31.1)
Current liabilities	5,127,665	5,369,268	4,031,915	(241,603)	4.5	1,337,353	33.2
Noncurrent liabilities	5,248,728	4,994,934	3,969,402	253,794	5.1	1,025,523	25.8
Long-term debt—bonds, net	117,030,506	119,683,201	64,215,818	(2,652,695)	(2.2)	55,467,383	86.4
Total liabilities	127,406,899	130,047,403	72,217,135	(2,640,504)	(2.0)	57,830,268	80.1
Net position							
Invested in capital,	20,874,337	17,286,185	15,436,386	3,588,152	20.8	1,849,799	12.0
Restricted for rate							
stabilization	1,070,000	1,070,000	570,000	-	-	500,000	87.7
Unrestricted	72,075	1,730,953	2,083,005	(1,658,878)	(95.8)	(352,052)	(16.9)
Total Net Position	\$ 22,016,412	\$ 20,087,138	\$ 18,089,391	\$ 1,929,274	9.6	\$ 1,997,747	11.0

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

The table above and Chart 1 show that the total assets decreased by \$769,461 (0.5%) and the total liabilities decreased by \$2,640,504 (2.0%), in the current year. The total assets had increased by \$60,180,238 (67.5%) and total liabilities rose by \$57,830,268 (80.1%), from May 31, 2014 to May 31, 2015. During the year ended May 31, 2016, the Water Authority increased its gross capital assets by \$4,993,785 (6.0%) and capital assets, net of depreciation, by \$2,999,138 (4.3%). The non-current assets, which include the bond proceeds restricted for construction, decreased by \$2,173,860 (3.0%). During the year ended May 31, 2015, the Water Authority had 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 had increased by \$57,875,992 (409.8%).

**CHART 1**



During the year ended May 31, 2016, the current assets and current liabilities decreased by \$1,594,739 (21.4%) and \$241,604 (4.5%), respectively. The principal reason for the decrease in current assets was the reduction of \$1,442,311 (36.8%) in unrestricted cash and \$163,022 (5.3%) in billed and unbilled accounts receivable. The current liabilities decrease is a net result of \$660,338 (29.9%) decrease in accounts payable and accrued expenses and \$115,000 (4.8%) decrease in current maturity of long-term debt. The net working capital of the Water Authority was \$746,180, on May 31, 2015 as compared to \$2,099,316 on previous fiscal year end.

During the previous year, the current assets and current liabilities increased by \$479,270 (6.9%) and \$1,337,353 (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 \$1,337,533 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 \$2,099,316, on May 31, 2015 as compared to \$2,957,399 on previous fiscal year end.

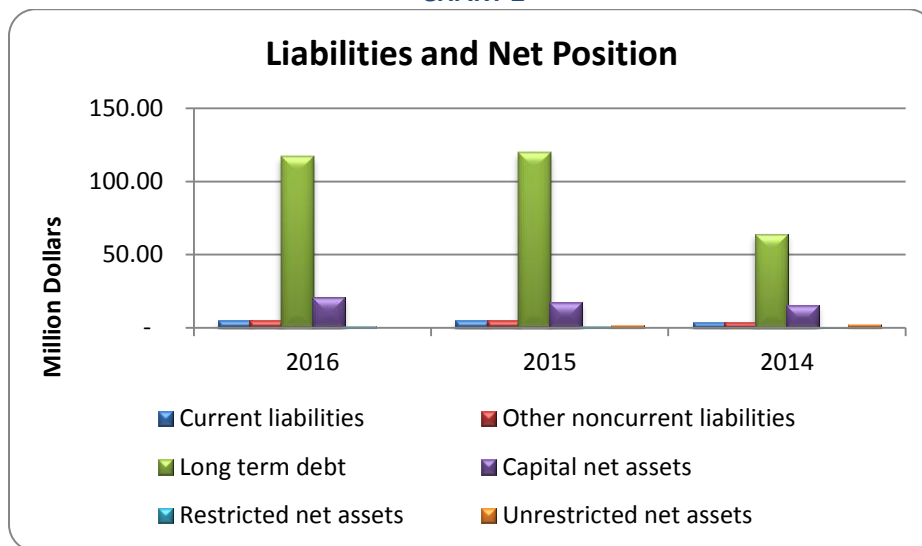
The long-term debt including premium decreased by \$2,767,695 (2.3%), from \$122,078,201, in the year ended May 31, 2015, to \$119,310,506 in the year ended May 31, 2016. The primary reason for a decrease in total liabilities was the repayments of long-term bonds. The amount of bonds, including the current portion, was \$110,195,000 and \$112,590,000, on May 31, 2016 and 2015, respectively (Chart 2). During

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

the previous year, 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 years ended May 31, 2016 and 2015 were \$2,395,000 and \$1,640,000 respectively.

The net position of the Water Authority increased by \$1,929,274(9.6%) in the current year, as compared to an increase of net position, adjusted for GASB Statements 68 and 71 implementations, by \$1,997,747(11.0%), during the previous year. The changes in net position reflect the excess of operating incomes of \$6,288,115 and \$4,402,024 over the non-operating expenses of \$4,358,841 and \$2,636,902, during the fiscal years ended May 31, 2016 and 2015, respectively. The increased interest expense in the current year is due to increase in bonds payable issued in the year ended May 31, 2015.

CHART 2



In the current year, the unrestricted net position decreased by 1,658,878 (95.8%), as compared to a decrease of \$352,052 (16.9%), in the fiscal year ended May 31, 2015. The net position restricted for rate stabilization remained the same, to comply with the Bond covenants regarding maintaining Rate Stabilization restricted cash and cash equivalents. The net position invested in capital increased by \$3,588,152 (20.8%) and \$1,849,799 (12.0%) during the fiscal years ended May 31, 2016 and 2015, respectively.

### OPERATING RESULTS

As of May 31, 2016, the Water Authority provided water to 26,363 residential customers, 1,366 commercial customers, 197 private fire customers and 2,432 municipal fire hydrants. The corresponding figures for May 31, 2015 were 26,430 residential customers, 1,385 commercial customers, 196 private fire customers and 2,432 municipal fire hydrants.

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

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

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

	2015 to 2016					2014 to 2015	
	May 31,			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	Amount	%	Amount	%
<b>Water sales:</b>							
Residential	\$ 12,143,943	\$ 10,694,380	\$ 10,023,162	\$ 1,449,563	13.6	\$ 671,218	6.7
Commercial, municipal and other	4,761,144	4,486,444	4,054,704	274,700	6.1	431,740	10.6
Total operating revenues	16,905,087	15,180,824	14,077,866	1,724,263	11.4	1,102,958	7.8
<b>Operating expenses</b>							
Operations	6,541,974	6,840,640	7,155,325	(298,666)	(4.4)	(314,685)	(4.4)
Maintenance	2,086,055	2,131,416	1,913,099	(45,361)	(2.1)	218,317	11.4
Depreciation	1,988,943	1,806,744	1,546,468	182,199	10.1	260,276	16.8
Total operating expenses	10,616,972	10,778,800	10,614,892	(161,828)	(1.5)	163,908	1.5
Operating income	6,288,115	4,402,024	3,462,974	1,886,091	42.8	939,050	27.1
<b>Non-operating revenue (expense)</b>							
Interest income	379,001	302,646	74,188	76,355	25.2	228,458	307.9
Miscellaneous income	332,936	346,696	375,941	(13,760)	(4.0)	(29,245)	(7.8)
Interest on long-term debt	(5,046,242)	(3,261,740)	(1,825,291)	(1,784,502)	(54.7)	(1,436,449)	(78.7)
Other amortization, net	(24,536)	(24,504)	(24,492)	(32)	(0.1)	(12)	0.0
Net non-operating expenses	(4,358,841)	(2,636,902)	(1,399,654)	(1,721,939)	65.3	(1,237,248)	88.4
Change in total net Position	1,929,274	1,765,122	2,063,320	164,152	9.3	(298,198)	(14.5)
GASB Statement Nos 68 and 71 implementation	-	232,625	-	(232,625)	-	232,625	-
Net position, beginning	20,087,138	18,089,391	16,026,071	1,997,747	11.0	2,063,320	12.9
Net position, ending	\$ 22,016,412	\$ 20,087,138	\$ 18,089,391	\$ 1,929,274	9.6	\$ 1,997,747	11.0

**OPERATING REVENUES AND EXPENSES**

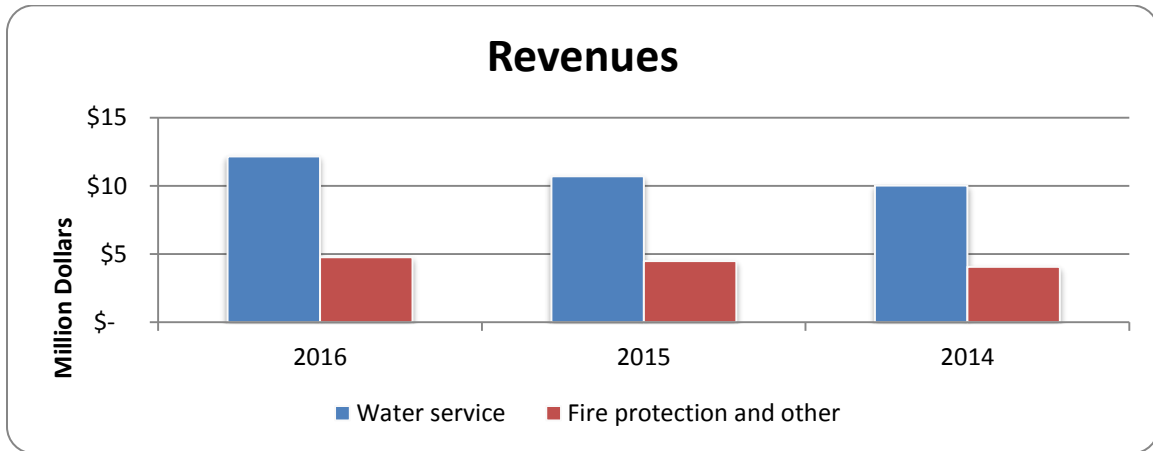
The Water Authority provides water treatment and distribution to an estimated population of 120,000, approximately equal to 10% of Nassau County's total population. The Authority's customer base is diverse with no significant customer concentration. It benefits economically from its proximity to New 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 \$1,724,263 (11.4%), in fiscal year ended May 31, 2016, as compared to an increase of \$1,102,958 (7.8%), in the fiscal year ended May 31, 2015. The residential water sales revenue increased by \$1,449,563 (13.6%) and \$671,218 (6.7%) and commercial and fire protection water sales revenues rose by \$274,700 (6.1%) and \$431,740 (10.6%), during the current and previous years, respectively (Chart 3).

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

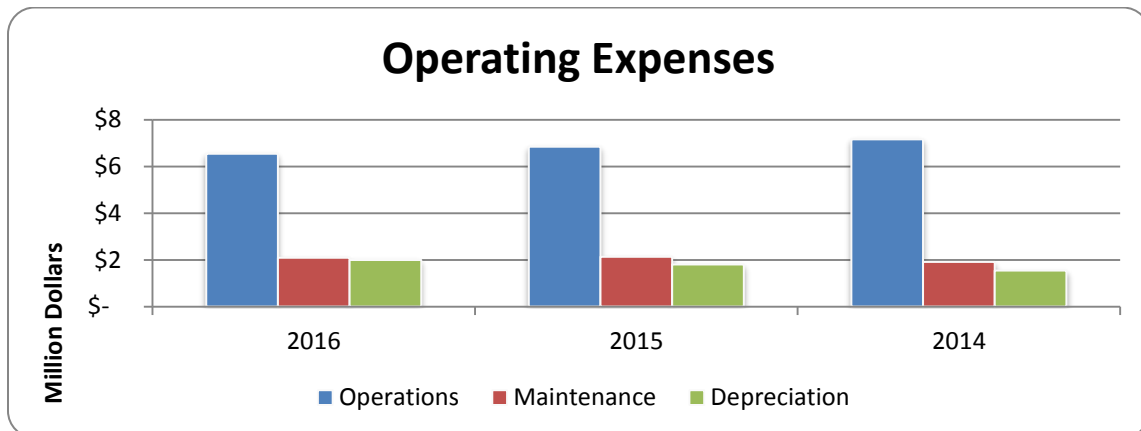
The Lloyd, Magothy and Upper Glacial aquifers provide the Water Authority with a high-quality water supply that requires minimal treatment. Storage facilities along with existing well fields provide ample pumping capacity (46 million gallons per day [mgd]) in relation to actual demand. The water system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

CHART 3



The decrease in operating expenses during the current year was \$161,828 (1.5%), as compared to an increase of \$163,908 (1.5%), in the previous year (Chart 4). The current year decrease was due to a reduction of \$298,666 (4.4%) in operations expenses and \$45,361 (2.1%) in maintenance expenses. The depreciation expense increased by \$182,199 (10.1%) because of increased capital assets. In the previous year, the operations expenses had decreased by \$314,685 (4.4%). The decrease in operations expense in the current and previous year reflect the lower cost of purchased power in both years and the costs of customer accounting and central office expenses, respectively. Maintenance expenses, which remained relatively unchanged in the current year, had increased by \$218,317 (11.4%), during the year ended May 31, 2015, due to additional expenses for transmission and distribution. The depreciation expenses had increased by \$260,276 (16.8%), during the years ended May 31, 2015, because of the increase capital assets.

CHART 4



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

As a result of changes in operating revenues and expenses, the Water Authority's operating incomes were \$6,288,115 and \$4,402,024, during the years ended May 31, 2016 and 2015, respectively.

### NON-OPERATING REVENUES AND EXPENSES

Non-operating revenue includes interest earnings on investment assets and miscellaneous income. Interest incomes were \$379,001 and \$302,646, in the years ended May 31, 2016 and 2015 respectively. The interest income is mainly earned on the unexpended proceeds of Series 2015 Bonds. The interest income in previous year was offset by the provision of \$231,888 for federal arbitrage rebate.

Miscellaneous income was \$332,936 and \$346,696, in the year ended May 31, 2016 and 2015, respectively. This miscellaneous income involves the rental income realized from the lease of space atop water towers to cellular phone companies.

The gross amounts of interest expenses were \$5,517,471 and \$2,840,081, in the years ended May 31, 2016 and 2015, respectively. The amount of interest capitalized during the construction of capital assets were \$104,900 and \$43,300 and the net interest expenses were \$5,046,242 and \$3,261,740, in the fiscal years ended May 31, 2016 and 2015, respectively. The Water Authority has presented the interest expense, net of the capitalized portion, for the year ended May 31, 2016 and May 31, 2015.

### 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 \$72,887,677 in net capital assets, showing an increase of \$2,999,138 (4.3%) from the prior year. The increase in net capital assets in prior year was \$1,824,976 (2.7%).

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

	2016	2015	2014
Land	\$ 167,708	\$ 167,708	\$ 167,708
Construction in progress	2,080,762	2,006,198	289,745
Wells and standpipes	5,350,037	2,705,764	2,725,027
Pumping and purification	21,739,020	21,217,955	21,065,839
Distribution system	40,644,775	39,470,121	38,332,125
Building, vehicles and equipment	19,708,008	19,425,151	19,035,411
Total capital assets	89,690,310	84,992,897	81,615,855
Accumulated depreciation	(16,802,633)	(15,104,358)	(13,552,292)
Net capital assets	\$ 72,887,677	\$ 69,888,539	\$ 68,063,563

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

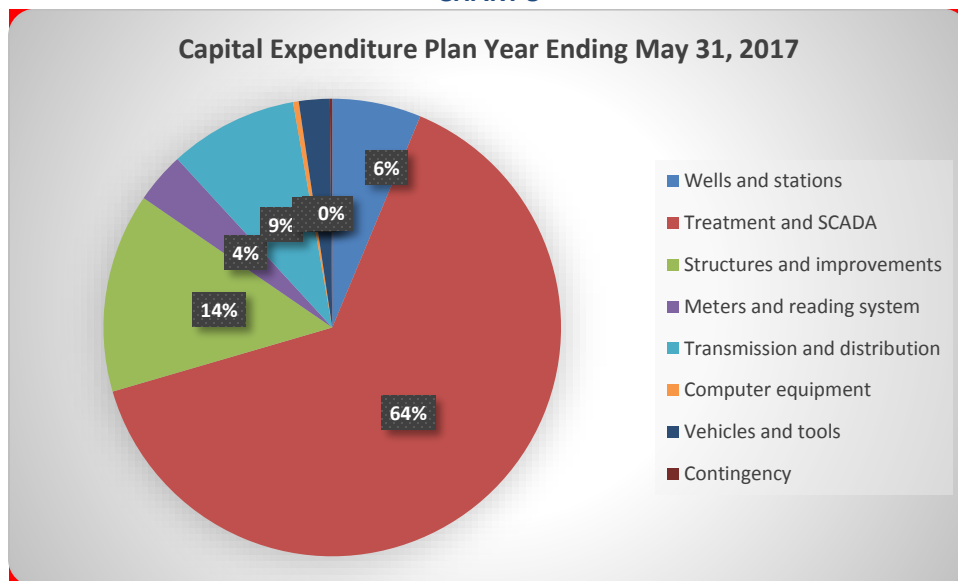
## MAJOR INCREASES IN CAPITAL ASSETS

The new capital plan covers the anticipated projects for the fiscal years ending May 31, 2017 to 2021. The total plan amount is \$73,328,104 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, 2017 and five years ending May 31, 2021 are as follows:

### PLANNED CAPITAL EXPENDITURES YEAR ENDING MAY 31, 2017 AND TOTAL FOR YEARS ENDING 2017 TO 2021 (UNAUDITED)

	Year Ending May 31, 2017	2017 to 2021
Wells and stations	\$ 970,470	\$ 23,653,318
Treatment and SCADA	9,902,443	30,739,221
Structures and improvements	2,174,000	8,764,600
Meters and reading system	555,200	2,467,840
Transmission and distribution	1,401,500	6,201,880
Computer equipment	61,725	428,245
Vehicles and tools	336,450	948,000
Contingency	25,000	125,000
Total projected capital expenditures	\$ 15,426,788	\$ 73,328,104

CHART 5

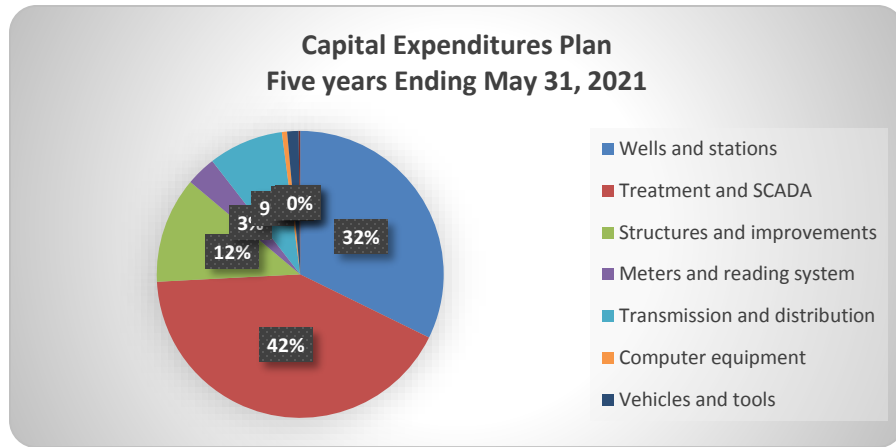


The major planned capital expenditures for the year ending May 31, 2017 include \$9.9 million (64.2%) for treatment and SCADA, \$2.2 million (14.1%) for structures and improvements and 1.4 million (9.1%) for transmission and distribution and \$1.0 million (6.3%) for wells and stations (Chart 5). The capital

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

expenditures of \$15.4 million for the year ending May 31, 2017, represents 28.0% of total \$73.2 million planned capital expenditures, over the next five years.

**CHART 6**



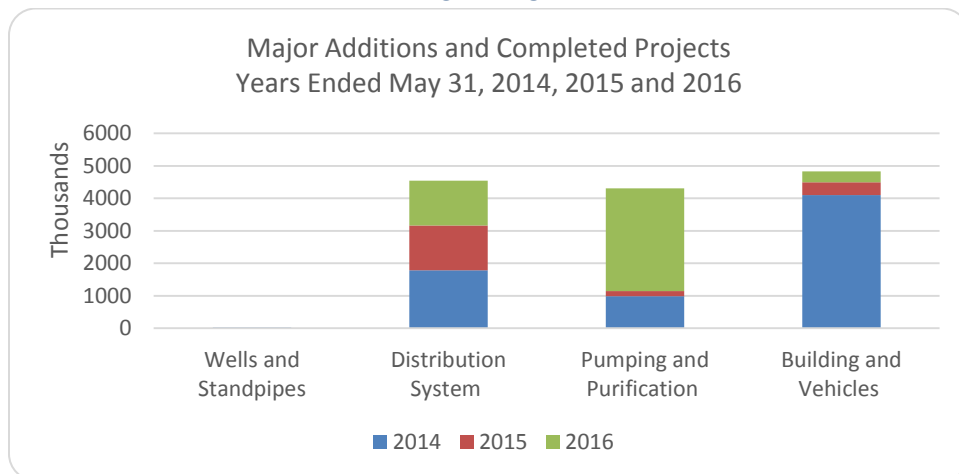
Over the five years ending May 31, 2021, the expenditures for water treatment and SCADA will be \$30.7 million (41.9%), for treatment and SCADA, \$23.7 (32.3%) for wells and stations, \$8.8 million (12.0%), for structures and improvements and \$6.2 million (8.5%) for transmission and distribution (Chart 6).

### 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 and an elevated storage tank in New Hyde Park,

The major additions of completed projects put into service to the capital assets in the fiscal years ended May 31, 2016, 2015 and 2014 are presented in the following table and Chart 8:

**CHART 8**



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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Wells and Standpipes</b>			
Wells and standpipes	\$ -	\$ -	\$ 19,290
<b>Distribution System</b>			
Mains	290,893	164,493	531,361
Services	380,295	398,334	419,587
Meters and meter equipment	509,061	555,573	594,671
Hydrants	199,062	265,416	236,956
<b>Pumping and Purification</b>			
Electric pumping equipment	169,745	44,898	44,072
Water treatment equipment	2,995,594	107,218	947,979
<b>Building and Vehicles</b>			
Building	20,815	167,229	3,700,094
Office equipment	191,452	49,496	235,288
Vehicles	101,720	68,496	101,451
Miscellaneous equipment	14,134	115,012	63,390
Total additions	<u>\$ 4,872,771</u>	<u>\$ 1,936,165</u>	<u>\$ 6,894,139</u>

In the year ended May 31, 2016, of the total expenditures of \$4.9 million, the expenditures for improving pumping and purification system was \$3.2 million (65.0%), for distribution system was \$1.4 million (28.3%) and for building and vehicles was \$0.3 million. The total expenditures in the years ended May 31, 2015 and May 31, 2014 were \$1.9 million and \$6.9 million. The expenditures for distribution system were \$1.4 million (71.5%) and \$1.8 million (25.9%), for pumping and purification \$0.2 million (7.9%) and \$1.0 million (14.4%) and for building and vehicles \$0.4 million (20.7%) and \$4.1 million (59.5%) of the total expenditures, for the years ended May 31, 2015 and 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 WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 (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. In addition, 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 \$71,911,655, \$75,482,709 and \$17,614,716, on May 31, 2016, 2015 and 2014, respectively. In the year ended May 31, 2016, the reduction of \$3,571,054 (47.3%) in cash and investment of was mainly the result of increase in capital assets. The \$57,867,993 increase during the year ended May

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

31, 2015 was due to issuance of Series 2015A 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.

On May 31, 2016, the amount of restricted cash and cash equivalents held in the Construction Fund was \$9,297,458, in view of the planned capital expenditures of \$15,426,788 for the year ending May 31, 2017. The amount of cash, cash equivalents in Bond reserve Funds was \$9,008,572.

On May 31, 2016, of the total cash and cash equivalents of \$24,135,040 the amount of \$2,474,218 (10.3%) was unrestricted and the amount of \$21,660,822 (89.7%) was restricted. On May 31, 2015, the total cash and cash equivalents of \$20,929,398, included \$3,916,529 (18.7%) of unrestricted and \$17,012,869 (81.3%) restricted cash and cash equivalents. In the years ended May 31, 2016 and 2015, cash equivalents were invested in money market accounts, Dreyfus Government Securities 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, 2016, and 2015, the maturities of investment in the Water Authority's US treasury securities were as follows:

**Restricted Investments Held by Trustee  
May 31, 2016**

<b>Bond Construction Fund Maturity Date- on or before</b>	<b>Investment</b>	<b>Fair value</b>	<b>Percent</b>	<b>Average Term (Days)</b>
5/31/2017	US Treasury Bonds	19,153,443	40.19%	197
5/31/2018	US Treasury Bonds	21,399,215	44.91%	548
5/31/2019	US Treasury Bonds	5,043,812	10.58%	928
4/30/2020	US Treasury Bonds	2,055,569	4.31%	1,278
		<u>\$ 47,652,039</u>	<u>100.0%</u>	<u>730</u>

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

<b>Bond Construction Fund Maturity Date- on or before</b>	<b>Investment</b>	<b>Fair value</b>	<b>Percent</b>	<b>Average Term (Days)</b>
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>

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

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

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, 2016, the Water Authority's utilized \$8.5 million net cash flows from operations, and \$6.9 million of cash from investing to finance \$12.2 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:

<u>Cash Available and Debt Service Requirement</u>	<u>Amount</u>
Operating income	\$ 6,288,116
Add: Depreciation and amortization	1,988,943
Interest and other income	<u>711,937</u>
Total cash available for coverage	8,988,996
Debt service requirements:	
Interest payments	3,824,539
Principal payments	<u>2,395,000</u>
Total debt service requirements	\$ <u>6,219,539</u>
Coverage Ratio	1.45
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, 2017 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.

### 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 4.6% to 4.4% from May 2014 to May 2015 and to 3.5% in May 2016. The county with an unemployment rate of 4.0% ranked the fifth lowest among 61 counties of the State of New York. The unemployment rates for the State of New York and were 4.2% 5.3% and 6.2% and respectively in May 2016, 2015 and 2014, respectively.

### 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

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

rate of increase was 1.1%, in 2013. The population breakdown by towns within Nassau County for 2010 and 2000 is as follows:

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

a. Source: 2010 United States Census

b. Source: 2000 United States Census

### **Changes in Prices**

According to the United States Department of Labor, Bureau of Labor Statistics, prices in New York-Northern New Jersey-Long Island area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), decreased by 0.1 percent in July after six consecutive months of increases, according to the U.S. Bureau of Labor Statistics. The decline primarily to lower prices for energy. Over the year, the CPI-U had increased 1.0 percent. The index for all items less food and energy increased 2.0 percent. Higher prices for shelter drove the 12-month change in both indexes.

Over the year, the food index rose 0.5 percent, as a 3.5-percent increase for away-from-home food prices was moderated by a 1.6-percent decline in at-home food prices. From July 2015 to July 2016, energy prices fell 9.8 percent. Gasoline prices dropped 18.3 percent and household energy prices declined 3.5 percent. Within the household energy category, electricity prices fell 2.6 percent, but natural gas prices rose 2.3 percent. For the year ended in July 2016, the index for all items less food and energy increased by 2.0 percent. Shelter prices rose 3.1 percent, reflecting a 3.5-percent increase in residential rent and a 2.9-percent rise in owners' equivalent rent. Medical care prices advanced 6.1 percent, and prices for other goods and services rose 3.0 percent.

### **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, 2017, the total operating revenues, operating expenses and operating income are estimated to be \$18.4, \$11.1 and \$7.3 million, respectively. Non-operating expenses and revenues are estimated to be \$5.1 and \$1.1 million, respectively, resulting in net nonoperating expense of \$4.0 million. The increase in net position is estimated to be approximately \$3.2 million. The forecasts for the year ending May 31, 2017 are based on 10.4% change in revenue requirement, 9.4% change in customer rate, average annual residential bill of \$464 and average annual commercial bill of \$2,289. For the year ending May 31, 2017, the forecasted revenues, expenses and changes in net position are as follows:

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

**Forecasted Revenues, Expenses and Changes in Net Position  
Year Ending May 31, 2017  
(Unaudited)**

	<u>Amount</u>
<b>Operating Revenues</b>	
Residential	\$ 12,228,490
Commercial	3,126,470
Fire hydrants	2,276,400
Private fire	171,140
Other revenue	74,500
Rate Stabilization Fund Contributions and Other	500,000
Total operating revenues	<u>18,377,000</u>
<b>Operating Expenses</b>	
Operation and maintenance	9,137,980
Depreciation	1,980,000
Total operating expenses	<u>11,117,980</u>
Total utility operating income	7,259,020
<b>Non-operating revenues and expenses</b>	
Interest on long-term debt, net	5,061,800
Amortization of debt expense	(344,100)
Interest and other income	(673,200)
Net non-operating expenses	<u>4,044,500</u>
Increase in net position	<u><u>\$ \$3,214,520</u></u>

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 9.40%, 3.30%, 2.57% and 2.43%, for the years ending May 31, 2017, 2018, 2019 and 2020.

**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.



## BASIC FINANCIAL STATEMENTS





**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY**

**STATEMENTS OF NET POSITION**

**MAY 31,**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,474,218	\$ 3,916,529
Accounts receivable:		
Billed, net of \$25,000 allowance for doubtful accounts	731,733	1,224,755
Unbilled	2,180,000	1,850,000
Prepayments and other current assets	181,774	190,725
Materials and supplies, at weighted average cost	<u>306,120</u>	<u>286,575</u>
 Total current assets	 5,873,845	 7,468,584
 Noncurrent assets:		
Restricted cash and cash equivalents		
Rate stabilization fund	1,070,000	1,070,000
Bond construction fund	9,297,458	5,329,147
Bond reserve fund	9,008,572	9,005,871
Bond arbitrage rebate		205,500
Bond payment fund	1,163,269	324,404
Customer deposits	1,121,523	1,077,947
Restricted investments held by trustees		
Bond construction fund	47,776,615	54,553,311
Bond reserve fund		-
Capital assets		
Non-depreciable	2,294,620	2,173,906
Depreciable	70,593,057	67,714,633
Other assets		
Unamortized bond issue cost – prepaid insurance	20,846	25,611
Other assets	<u>365,153</u>	<u>405,505</u>
 Total noncurrent assets	 <u>142,711,113</u>	 <u>141,885,835</u>
 <b>Total assets</b>	 148,584,958	 149,354,419
 <b>Deferred Outflows of Resources</b>		
Post measurement date contributions	688,041	748,116
Changes in retirement system assumptions	119,907	-
Deferred charges on refinancing	<u>30,405</u>	<u>32,006</u>
 Total deferred outflow of resources	 838,353	 780,122

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,**

	<b>2016</b>	<b>2015</b>
<b>Liabilities and Net position</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,544,595	\$ 2,204,933
Unearned revenue	271,307	360,818
Accrued interest payable	836,740	271,896
Customer advance on construction	155,023	96,621
Water revenue bond payable	2,280,000	2,395,000
Accrued vacation and sick leave	<u>40,000</u>	<u>40,000</u>
Total current liabilities	5,127,665	5,369,268
Noncurrent liabilities:		
Water revenue bonds payable (net of premium)	117,030,506	119,683,201
Customer deposits	1,181,447	1,137,911
Due to employee retirement system	470,745	629,685
Other post-employment benefits	2,738,036	2,378,838
Accrued vacation and sick leave	<u>858,500</u>	<u>848,500</u>
Total noncurrent liabilities	<u>122,279,234</u>	<u>124,678,135</u>
<b>Total liabilities</b>	127,406,899	130,047,403
<b>Net Position</b>		
Net investment in capital assets	20,874,337	17,286,185
Restricted for rate stabilization	1,070,000	1,070,000
Unrestricted	<u>72,075</u>	<u>1,730,953</u>
<b>Total net position</b>	\$ <u><u>22,016,412</u></u>	\$ <u><u>20,087,138</u></u>

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

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

	<u>2016</u>	<u>2015</u>
<b>Operating revenues:</b>		
Residential	\$ 12,143,943	\$ 10,694,380
Commercial	2,263,284	2,007,228
Fire protection	2,405,433	2,396,619
Other water revenues	<u>92,427</u>	<u>82,597</u>
Total operating revenues	16,905,087	15,180,824
<b>Operating expenses:</b>		
Operations	6,541,974	6,840,640
Maintenance	2,086,055	2,131,416
Depreciation	<u>1,988,943</u>	<u>1,806,744</u>
Total operating expenses	<u>10,616,972</u>	<u>10,778,800</u>
<b>Operating income</b>	6,288,115	4,402,024
<b>Non-operating revenues (expenses):</b>		
Interest income	379,001	302,646
Miscellaneous income, net	332,936	346,696
Interest on long-term debt, net	(5,046,242)	(3,261,740)
Other amortization, net	<u>(24,536)</u>	<u>(24,504)</u>
Net non-operating expenses	<u>(4,358,841)</u>	<u>(2,636,902)</u>
<b>Change in net position</b>	1,929,274	1,765,122
GASB Statement Nos. 68 & 71 implementation	-	232,625
Net position - beginning	<u>20,087,138</u>	<u>18,089,391</u>
<b>Total net position - ending</b>	<u>\$ 22,016,412</u>	<u>\$ 20,087,138</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>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 17,068,109	\$ 14,594,112
Payments to suppliers for goods or services	797,481	(3,875,678)
Rental property revenues	(5,189,564)	346,696
Payments for employee services	<u>(3,698,909)</u>	<u>(4,170,450)</u>
Net cash provided by operating activities	8,977,117	6,894,680
<b>Cash flows from capital and related financing activities:</b>		
Proceeds of bonds	-	83,010,647
Repayment of water revenue bonds	(2,395,000)	(25,525,000)
Acquisition of capital assets	(5,452,628)	(3,588,419)
Interest paid on water revenue bonds	<u>(4,847,726)</u>	<u>(3,458,379)</u>
Net cash used by Capital and related financing activities	(12,695,354)	50,438,849
<b>Cash flows from non-capital financing activities:</b>		
<b>Cash flows from investing activities:</b>		
Decrease of fixed income securities	6,776,696	938,967
Arbitrage rebate	(231,818)	
Additional investment in fixed income securities	-	(54,553,311)
Interest and dividends received	<u>379,001</u>	<u>534,464</u>
Net cash provided by investing activities	<u>6,923,879</u>	<u>(53,079,880)</u>
Net increase (decrease) in cash and cash equivalents	3,205,642	4,253,649
Cash and equivalents, beginning of year	<u>20,929,398</u>	<u>16,675,749</u>
<b>Cash and equivalents, end of year</b>	<u><u>\$ 24,135,040</u></u>	<u><u>\$ 20,929,398</u></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><b>2016</b></u>	<u><b>2015</b></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 6,288,115	\$ 4,402,024
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,988,944	1,806,744
Rental Income	332,936	346,696
Changes in operating assets and liabilities:		
Accounts receivable	493,022	(546,712)
Accrued unbilled revenue	(330,000)	(40,000)
Prepaid items and other assets	8,951	15,221
Inventory of materials and supplies	(19,545)	(50,989)
Other assets	74,218	4,367
Accounts payable and accrued expenses	36,025	602,033
Unearned revenues	(89,511)	(105,905)
Net Pension liability	(158,940)	580,845
Deferred outflows	(59,832)	(748,116)
GASB Statements Nos. 68 and 71 implementation		232,625
Customer deposits	43,536	48,094
Other post-employment benefits	359,198	319,353
Compensated absences	<u>10,000</u>	<u>28,400</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 8,977,117</u></u>	<u><u>\$ 6,894,680</u></u>

Non-cash transactions: The fully depreciated capital assets of \$290,667 were written off.

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

## **NOTE 1 – ORGANIZATION**

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

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

The Water Authority is governed by a Board of Directors consisting of nine members. 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 activities of the Water Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. The flow of



economic resources refers to the reporting of all the net position available to the Water Authority for the purposes of providing related water services. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) and associated activities are reported and equity is reported as net position.

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

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

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

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

The Statement of Net Position requires the classification of net position into three components as follows:

1. *Net investment in capital assets*— This component of net position consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets. Deferred outflows of resources and deferred inflow of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the period, the portion of the debt or deferred inflow of

resources attributable to unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

2. *Restricted* – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets. Generally, a liability relates to the restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted asset reported. This component of net position consists of restrictions placed on net position as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net position* – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### *Cash and Cash Equivalents*

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

Under the Bonds Covenants, the Water Authority maintains its cash and cash equivalents in the Water Revenue Fund, General Fund and Operating Fund. The Water Authority pays into the Water Revenue Fund all of the revenues and all other moneys required to be paid into the fund other than the revenues and other amounts expressly required or permitted to be credited to, or deposited in, any other fund account. Cash in the General Fund may be used for any lawful purpose of the Water Authority. All reasonable and necessary operations and maintenance expenses are paid from the Operating Fund.

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

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

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

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

The amount of Rate Stabilization Fund cash and cash equivalents was \$1,070,000 as of May 31, 2016 and May 31, 2015.

*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, 2016 and May 31, 2015 were \$57,074,073 and \$59,882,458, 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, 2016, and May 31, 2015, the total amounts of Bond Reserve Funds were \$9,008,572 and \$9,005,871, 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, 2016 and May 31, 2015, the amounts in the Bond Fund cash and cash equivalents were \$1,163,269 and \$324,404, 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.

#### *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 is used to estimate accrued unbilled revenues.

#### *Accounts Receivable*

Accounts receivable is net of an allowance for doubtful accounts of \$25,000 at May 31, 2016 and May 31, 2015. The allowance is estimated based on trends in historical collection rates and write-offs.

#### *Prepaid Expenses*

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

### *Materials and Supplies*

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

### *Capital Assets*

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

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

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

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

### *Capitalization of Interest during Construction*

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

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

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

The amount of interest cost capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings that are externally restricted as specified in the preceding paragraph shall be the interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of

the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use. The interest cost and interest earned on any portion of the proceeds of the tax-exempt borrowings that are not designated for the acquisition of specified qualifying assets and servicing the related debt are excluded.

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

The interest expenses are shown net of the capitalized portions of \$104,900 and \$43,300, in the financial statements for the years ended May 31, 2016 and May 31, 2015, 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 amortizations of bond premiums were \$372,694 and \$67,212 and the amortization of deferred refunding loss was \$53,033 and \$71,676 during the years ended May 31, 2016 and May 31, 2015, respectively. The amortization of Series 2005 refunding loss was 51,433, in the year ended May 31, 2016.

### *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 of 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.

In June 2015, Government Accounting Standards Board (GASB) issued the Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees. This Statement requires the liability of employers to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The Statement requires governments to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. 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. This Statement is effective for fiscal years beginning after June 15, 2017. The Water authority is evaluating the effects of adopting this statement on its financial statements.

#### *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.

#### *Net Pension Obligation and Deferred Outflows - Restatement*

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.

The adoption of GASB Statement Nos. 68 and 71 resulted in the restatement of the Authority's fiscal year ended May 31, 2015 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68. Net position as of May 31, 2015 was increased by \$232,625 to \$20,087,138 reflecting the cumulative retrospective effect of the adoption of GASB Statement No. 68. Net pension liability of \$629,685, reduced accrued liability of \$114,194 to employee Retirement System and deferred inflows of resources of resources of \$748,116, respectively, were reported at May 31, 2015. The Water Authority recognized aggregate pension expense of \$439,292 for the fiscal year ended May 31, 2015 and net position as of May 31, 2016 was increased by \$337,203 as a result of the adoption of GASB Statement No. 68. Refer to Note 7 for more information regarding the Water Authority's pension plan.

### *Revenue Recognition*

Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings. Billings for water service are generally rendered on a quarterly basis except for one consumer, which is billed monthly due to the requirements of a legal settlement. The Water Authority's Board of Directors has the power to set rates and charges, which are sufficient to meet its obligations, independently 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.

### *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.

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

As of May 31, 2016, and 2015, the carrying amount petty cash, cash and cash equivalents and investment in cash equivalent and other investment consisted of the following:

	<b>2016</b>	<b>2015</b>
Petty cash	\$ 700	\$ 700
Cash and cash equivalents	24,134,340	20,928,698
Investments	47,776,615	54,553,311
Total	<u>\$ 71,911,655</u>	<u>\$ 75,482,709</u>

As of May 31, 2016, and 2015, the carrying amount of deposits, cash and cash equivalents were as follows:

	<b>2016</b>	<b>2015</b>
<b>Unrestricted</b>		
Deposit in banks	\$ 2,468,436	\$ 1,808,473
Money Market Funds	5,082	2,107,356
Petty cash	700	700
Total unrestricted cash and cash equivalents	<u>2,474,218</u>	<u>3,916,529</u>
<b>Restricted</b>		
Bank Deposit	1,684,310	2,147,947
Money Market Funds and cash equivalents	19,976,512	14,864,922
Total restricted cash and cash equivalents	<u>21,660,822</u>	<u>17,012,869</u>
Total cash and cash equivalents	<u>\$ 24,134,340</u>	<u>\$ 20,929,398</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 is classified in the highest category by being held by the Bank of New York Mellon under a tri-party collateral agreement in the Water Authority’s name. All time and savings deposits and demand deposits of the Water Authority are held in insured depository institution within the State of New York and are separately insured up to \$250,000.

### *Investments*

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

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

or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's and either S&P or Fitch.

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

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

In addition, there is the risk of loss attributed to the magnitude of the Water Authority's investment in a single issuer. Given the relative safety of those investment instruments that the Water Authority can purchase, the policies of the Water Authority do not place a limit on the amount that may be invested in any one issuer. As of May 31, 2016, and May 31, 2015, the Water Authority's investment, including the investment in cash equivalents was as follows.

	May 31, 2016			May 31, 2015		
		S&P-AAAm Moody's- Aaa-mf NAIC-Class 1	US Treasury Securities		S&P-AAAm Moody's- Aaa-mf NAIC-Class 1	US Treasury Securities
	Fair Value			Fair Value		
Dreyfus Government Securities Funds	\$17,784,989	\$17,784,989	\$ -	\$16,152,279	\$16,152,279	\$ -
US Treasury Bills	-	-	-	819,996	-	819,996
US Treasury Bonds	\$47,652,038	-	\$47,652,038	54,320,613	-	54,320,613
Total	\$65,437,027	\$17,784,989	\$47,652,038	\$71,292,888	\$16,152,279	\$55,140,609

At May 31, 2016 and 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 Securities 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, 2016 and May 31, 2015, the maturity dates of the Water Authority's investment securities were as follows:

**May 31, 2016**

	<b>Fair Value</b>	<b>12 Months or Less</b>	<b>13 to 21 Months</b>
Dreyfus Government Securities Funds	\$ 17,784,989	\$ 17,784,989	\$ -
US Treasury Bonds	47,652,038	19,153,443	28,498,595
Total	<u>\$ 65,437,027</u>	<u>\$ 36,938,432</u>	<u>\$ 28,498,595</u>

**May 31, 2015**

	<b>Fair Value</b>	<b>12 Months or Less</b>	<b>13 to 21 Months</b>
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>\$ 47,938,340</u>

The Weighted Average Maturity of Dreyfus Government Securities 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 Bank of New York Mellon as the trustee and custodian holds the Water Authority's investments.

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

The Changes in the cost of capital assets and accumulated depreciation during the years ended May 31, 2016 and May 31, 2015 were as follows:

Year Ended May 31, 2016	2015	Increase	Decrease	2016
Capital assets not subject to depreciation:				
Land and land rights	\$ 167,708	\$ -	\$ -	\$ 167,708
Construction in progress	2,006,198	4,993,785	(4,919,221)	2,080,762
Total capital assets not being depreciated	2,173,906	4,993,785	(4,919,221)	2,248,470
Capital assets being depreciated:				
Wells and standpipes	2,705,764	2,644,273	-	5,350,037
Pumping and purification	21,217,955	521,065	-	21,739,020
Distribution system	39,470,121	1,425,462	(250,808)	40,644,775
Building, vehicles and equipment	19,425,151	328,120	(45,263)	19,708,008
Total capital assets being depreciated	82,818,991	4,918,920	(296,071)	87,441,840
Less accumulated depreciation:				
Wells and standpipes	(1,176,624)	(64,795)	-	(1,241,419)
Pumping and purification	(5,233,437)	(518,250)	-	(5,751,687)
Distribution system	(5,684,756)	(823,462)	245,668	(6,262,550)
Building, vehicles and equipment	(3,009,541)	(582,438)	45,002	(3,546,977)
Total accumulated depreciation	(15,104,358)	(1,988,945)	290,670	(16,802,633)
Total net capital assets being depreciated	67,714,633	2,929,975	(5,401)	70,639,207
Total net capital assets	\$ 69,888,539	\$ 7,923,760	\$ (4,924,622)	\$ 72,887,677

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

As of May 31, 2016, and May 31, 2015, the amounts of capitalized interest included in construction in progress were \$104,900 and \$43,300, respectively.

## NOTE 5 – REVENUE BONDS PAYABLE

The changes in Revenue Bonds Payable in the year ended May 31, 2016 and May 31, 2015 were as follows:

	<u>May 31, 2015</u>	<u>Decreases</u>	<u>Increases</u>	<u>May 31, 2016</u>
Water System Revenue Bonds payable	\$ 112,590,000	\$ (2,395,000)	\$	\$ 110,195,000
Adjustment for deferred amounts:				
Unamortized premium	9,488,201	(372,695)	-	9,115,506
Total Revenue Bonds	122,078,201	<u>(2,767,695)</u>	<u>-</u>	119,310,506
Due within one year	<u>(2,395,000)</u>			<u>(2,280,000)</u>
Noncurrent portion	<u>\$ 119,683,201</u>			<u>\$ 117,030,506</u>

	<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	<u>(26,788,264)</u>	<u>83,010,647</u>	122,078,201
Due within one year	<u>(1,640,000)</u>			<u>(2,395,000)</u>
Noncurrent portion	<u>\$ 64,215,818</u>			<u>\$ 119,683,201</u>

## 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 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 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:

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

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 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 ranges 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 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, 2016 consist of the following:

Water System Revenue Bonds	Maturity Date	Interest Rate	Average Rate	Original Principal	Outstanding Principal
<b>Series 2010:</b>					
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	4,090,000
Total Series A Bonds				6,925,000	4,090,000
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	38,055,000
<b>Series 2015:</b>					
Serial Bonds - Refunding (2015B)	2035	3%-5%	4.51%	\$ 19,400,000	\$ 18,150,000
Serial Bonds - New Money (2015A)	2035	4%-5%	4.56%	21,660,000	21,450,000
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	53,990,000
Total Series 2015				73,600,000	72,140,000
Total				\$ 114,490,000	\$ 110,195,000

#### FUTURE DEBT SERVICE REQUIREMENTS

At May 31, 2016, debt service requirements to maturity for the Bond Series 2010 and 2015 were as follows:



**SERIES 2010A BONDS**

Date	Principal	Interest	Total
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	1,085,000	43,400	1,128,400
Total	\$ 4,090,000	\$ 414,588	\$ 4,504,588

**SERIES 2010B BONDS**

Date	Principal	Gross Interest	Subsidy	Net Interest	Total Gross	Total Net
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	11,315,000	2,338,984	(818,644)	1,520,340	13,653,984	12,835,340
Total	\$ 33,965,000	\$ 35,582,037	\$ (12,453,712)	\$ 23,128,325	\$ 69,547,037	\$ 57,093,325

**SERIES 2015A BONDS**

Date	Principal	Interest	Total
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	14,900,000	2,143,000	17,043,000
Total	\$ 53,990,000	\$ 52,960,366	\$ 106,950,366

**SERIES 2015B BONDS**

Date	Principal	Interest	Total
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	\$ 18,150,000	\$ 5,831,155	\$ 23,981,155

## NOTE 6 – OTHER LONG-TERM LIABILITIES

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

	May 31, 2015	Addition	Reduction	May 31, 2016	Due in 1- year	Noncurrent Liability
Accrued vacation and sick leave	\$888,500	\$50,000	\$(40,000)	\$898,500	\$40,000	\$858,500

## NOTE 7 – EMPLOYEE BENEFITS

### Retirement Plan Description

The Water Authority participates in the New York State and Local Employees' Retirement System (ERS) which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System.

The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Water Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance.

The System is included in the State's financial report as a pension trust fund. That report may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

### Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

#### *Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more

years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months. Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

#### *Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

#### *Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits. Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

#### *Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

### *Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

### *Ordinary Death Benefits*

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

### *Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

### **Contributions**

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

<b>Year Ended May 31,</b>	<b>Contribution</b>
2016	\$688,041
2015	748,116
2014	724,700

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At May 31, 2016, the Water Authority's reported a liability of \$470,745 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Authority's proportion of the net pension liability was based on a projection of the Water Authority's long-

term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At May 31, 2016, the Water Authority's proportion was 0.0139346%.

For the year ended May 31, 2016, the Water Authority recognized pension expense of \$439,292. At May 31, 2016, the Water Authority's reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>
Changes in assumptions	119,907
Authority contributions subsequent to the measurement date	<u>688,041</u>
Total deferred outflows of resources	\$ <u>807,948</u>

The \$688,041 reported as deferred outflows of resources related to pensions resulting from the Water Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended May 31,</u>	<u>Amount</u>
2017	\$29,977
2018	29,977
2019	29,977
2020	29,977

**Actuarial Assumptions.** The total pension liability for the March 31, 2015 and March 31, 2014 measurement dates were determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.7%
Salary scale	4.9%, indexed by service
Investment rate of return, including inflation expense	7.5% compounded annually, net of investment
Cost of living adjustments	1.4% annually
Decrement	Developed from the Plan's 2010 experience study period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 and 2014 are summarized as follows:

Asset Class	Asset Allocation	Long-term Expected Rate of Return
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-indexed bonds	2.00%	4.00%
	<u>100.00%</u>	

**Discount-Rate.** The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current rates and contributions from employers will be made at the statutorily required rates, actuarially. Based upon the assumptions, the State Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of the net pension liability to the discount rate assumption.* The following presents the Water Authority's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5%, as well as what the Water Authority's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	Discount Rate		
	6.50%	7.50%	8.50%
Employer's proportionate share of the net pension liability/(asset)	\$3,137,718	\$470,745	\$ (1,780,842)

### Collective Net Position Liability of Participating Employers and Actuarial Information

The components of the net pension liability of the employers as of March 31, 2015 and 2014 were as follows:

	2015	2014
Employers' total pension liability	\$164,591,504	\$158,792,223
Plan net position	<u>(161,213,259)</u>	<u>(154,273,363)</u>
Employers' net pension liability	<u>3,378,245</u>	<u>4,518,860</u>
Fiduciary net position as a percentage of total pension liability	97.90%	97.20%

### 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, 2016 and May 31, 2015, 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>2016</u>	<u>2015</u>
<b>Invested in capital assets net of related debt:</b>		
Capital assets, net of accumulated depreciation	\$ 72,887,677	\$ 69,888,539
Less: related debt		
Revenue bonds payable	(110,195,000)	(112,590,000)
Bond premium	(9,115,506)	(9,488,201)
Deferred outflows	30,406	32,006
Unspent debt proceeds in construction and reserve funds	67,245,914	69,418,230
Bond issue costs	<u>20,846</u>	<u>25,611</u>
Total invested in capital assets, net of related debt	20,874,337	17,286,185
<b>Restricted for Rate Stabilization and Customer Deposits:</b>		
Restricted cash and equivalents	2,191,523	2,147,947
Less: customer deposits	<u>(1,121,447)</u>	<u>(1,077,947)</u>
Total restricted for capital activity, rate stabilization and debt service	1,070,000	1,070,000
GASB 68 and 71 implementations	-	232,625
Unrestricted	<u>72,075</u>	<u>1,498,328</u>
<b>Total net assets</b>	<u>\$ 22,016,412</u>	<u>\$ 20,087,138</u>

### **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 June 1, 2012 and June 1, 2015, and the effective date of the annual OPEB valuation, are as follows:

	June 1, 2012		June 1, 2015	
	Number	Average Age	Number	Average Age
Participants				
Active employees	48	47	44	48
Retired employees	6	66	7	68
Total	54		51	

#### *Funding Policy*

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

#### *Annual Other Postemployment Benefit Cost*

The Water Authority's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and Net OPEB obligation for fiscal year 2016 and 2015 were as follows:



*Annual OPEB Cost and Net OPEB Obligation*

<b>Fiscal year ending May 31,</b>	<b>2016</b>	<b>2015</b>
Annual required contribution (ARC)	\$ 454,002	\$ 395,940
Interest on NOO at 4.5%	95,154	92,677
Adjustment to ARC (NOO)	<u>(132,305)</u>	<u>(121,004)</u>
Annual OPEB cost (AOC)	416,851	367,613
Less: amount contributed	<u>(57,653)</u>	<u>(48,260)</u>
Change in net OPEB obligation	359,198	319,353
Net OPEB obligation (NOO), beginning balance	<u>2,378,838</u>	<u>2,059,485</u>
Net OPEB obligation, ending balance	<u>\$ 2,738,036</u>	<u>\$ 2,378,838</u>

The actual contribution of \$57,653 is the sum of the following:

	<b>Contributions</b>
Medical premium paid	\$ 75,582
Part B premium paid	11,329
Life premium paid	529
Implicit subsidy	7,206
Retiree contributions	<u>(36,993)</u>
Actual contribution	<u>\$ 57,653</u>

For the three years ended May 31, 2016, the Water Authority's schedule of required and actual annual contributions is presented below:

Year Ended May 31,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$454,002	\$57,653	13%
2015	395,940	48,260	12%
2014	387,517	39,149	10%

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, 2016 were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Annual OPEB Contribution Amount</b>	<b>Percentage</b>	<b>Net OPEB Obligation</b>
May 31, 2016	\$ 416,851	\$ 57,663	14%	\$ 2,738,036
May 31, 2015	367,613	48,260	13%	2,378,838
May 31, 2014	363,653	39,149	11%	2,059,485

### *The funding status*

As of June 1, 2015, the most recent actuarial valuation date, the funded status of the Plan was as follows:

<b>Actuarial Valuation Date June 1,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2015	\$ -	\$ 4,408,394	\$ 4,408,394	-	\$ 3,924,590	112%
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.

For the fifteen fiscal years beginning June 1, the projected benefit payments of the Water Authority are presented in the following Table:

<b>Fiscal Year Beginning June 1,</b>	<b>Projected Benefit Payments</b>		
	<b>Active Employees</b>	<b>Retired Employees</b>	<b>Total</b>
2015	\$2,900	\$61,000	\$63,900
2016	8,800	66,700	75,500
2017	22,200	72,700	94,900
2018	29,800	79,600	109,400
2019	44,200	75,100	119,300
2020	63,600	80,500	144,100
2021	87,500	75,400	162,900
2022	109,400	79,300	188,700
2023	121,200	69,500	190,700
2024	144,800	72,000	216,800
2025	154,700	61,800	216,500
2026	170,600	62,600	233,200
2027	197,300	63,300	260,600
2028	225,400	63,800	289,200
2029	244,700	64,100	308,800

### *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:

4.0% (previously 4.5%)

Mortality

RP-2000 Mortality Table is used with separate male and female rates, with no collar adjustment, separate table for non-annuitants and annuitants, projected to the valuation date with Scale BB. (Previously, RP-2000 Mortality table was used with separate male and female rates with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale AA.)

Mortality Improvement

Projected to date of decrement using Scale BB (generational mortality). (previously projected to date of decrement using Scale AA.)

Employee Turnover

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

<u>Age</u>	<u>Rate</u>
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:

<u>Age</u>	<u>Rate</u>
62-64	9%
65-69	20%
70+	100%

Annual Medical Premium:

	<u>2015</u>	<u>2014</u>
Pre-65 - Employee Only	\$ 9,661	\$ 9,258
Pre-65 – Family	21,706	20,570
Post 65 – Employee Only	48,225	4,905
Post 65 – Two Person	12,030	11,864

Medical Claims Assumption

For the valuation, 50% of the 2014 Premium and 50% of the 2015 premium was used.

#### Marriage Rates at Retirement:

It is 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 8.0% in 2015, grading down 0.5% per year to 5.0% in 2021 and beyond. (Previously 9.0% in 2012, grading down 1.0% per year to 5.0% in 2016 and beyond.)

#### Medicare Part B:

3% annual increases.

#### Claims Morbidity

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

Age	Relative Claims Cost
55	\$11,413
60	13,621
64	16,057

#### 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

#### Patient Protection and Affordable Care Act (PPACA)

High Cost Plan Excise Tax ("Cadillac Tax"): Effective in 2018 there will be a 40% excise tax on per capita medical benefit cost in excess of certain thresholds, which are \$10,200 for single coverage and \$27,500 for family coverage for Medicare eligible retirees. Thresholds for retirees who are between ages 55 and 65 are \$11,850 and \$30,950 for single and family coverage respectively. After 2018, the thresholds are indexed by CPI (CPI plus 1% in 2018 only). CPI is assumed to be 3% in all future years.

The impact of this future excise tax has been reflected in the plan liabilities. For purposes of this valuation, extended coverage for adult children and 100% coverage of preventive care are assumed to be reflected in per capita costs.

For purposes of this valuation, elimination of lifetime maximum benefits and removal of the limits on essential healthcare are assumed to have no impact on the plan liabilities.

#### **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. Obligating 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, 2016, and 2015, the Water Authority has not identified any pollution remediation obligations and therefore no liability has been recorded on the Statement of Net Position.

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

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

	<u>Amount</u>
Year ending May 31, 2017	<u>\$ 272,400</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 9.4% increase in water rates effective on June 1, 2016.

#### **NOTE 14 – SUBSEQUENT EVENTS**

The Water Authority evaluated subsequent events from May 31, 2016 through August 30, 2016, the date on which the financial statements were available to be issued, and determined that there were no material subsequent events.

## SECTION C: STATISTICAL SECTION







## WATER AUTHORITY OF WESTERN NASSAU COUNTY

### STATISTICAL SECTION (UNAUDITED)

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

#### Contents Page

	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Water Authority's financial performance has changed over time.</i>	83
Revenue Capacity <i>These schedules contain information to help the reader assess the Water Authority's most significant revenue source – water sales.</i>	91
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>	97
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>	103
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>	109



## SECTION C: STATISTICAL SECTION

### Financial Trends





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

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Current assets</b>										
Cash and cash equivalents	\$2,474,218	\$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
Accounts receivable, net	731,733	1,224,755	678,043	535,186	405,653	414,560	466,695	392,124	329,033	330,053
Unbilled	2,180,000	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
Due from litigation settlement			-	-	-	-	-	-	2,362,677	-
Materials and supplies	181,774	190,725	205,946	253,955	218,512	224,152	247,821	267,422	284,845	135,440
Prepayments & other current assets	306,120	286,575	235,586	137,527	205,510	212,774	150,335	138,522	199,973	277,377
<b>Total current assets</b>	<b>5,873,845</b>	<b>7,468,584</b>	<b>6,989,314</b>	<b>7,485,682</b>	<b>6,510,592</b>	<b>5,059,778</b>	<b>5,303,242</b>	<b>5,380,906</b>	<b>4,737,075</b>	<b>2,526,448</b>
<b>Restricted cash &amp; cash Equivalents</b>										
Customer deposits	1,121,523	1,077,947	1,029,887	990,612	949,312	911,551	881,758	848,853	812,514	767,341
Rate stabilization fund	1,070,000	1,070,000	570,000	560,000	560,000	460,000	445,000	445,000	500,000	590,579
Bond construction and Reserve Fund	18,306,030	14,335,018	10,783,178	11,272,406	11,752,270	15,756,126	3,080,296	-	-	-
Bond interest and Payment Fund	1,163,269	529,904	232,945	234,875	234,874	237,995	3,113	-	270,404	237,241
<b>Total Restricted cash and cash equivalents</b>	<b>21,660,822</b>	<b>17,012,869</b>	<b>12,616,010</b>	<b>13,057,893</b>	<b>13,496,456</b>	<b>17,365,672</b>	<b>4,410,167</b>	<b>1,293,853</b>	<b>1,582,918</b>	<b>1,595,161</b>
<b>Restricted investments</b>										
Construction fund	47,776,615	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
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
Bond payment fund	-	-	-	-	-	-	-	280,735	-	-
<b>Total restricted investments</b>	<b>47,776,615</b>	<b>54,553,311</b>	<b>938,967</b>	<b>5,331,634</b>	<b>14,808,100</b>	<b>19,919,490</b>	<b>36,231,311</b>	<b>2,860,560</b>	<b>5,001,185</b>	<b>6,240,399</b>
<b>Other assets</b>										
Property, plant and equipment, net	72,887,677	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
Deferred charges and receivables	385,999	431,116	566,327	687,485	675,114	703,897	658,191	739,471	780,281	1,155,703
<b>Total other assets</b>	<b>73,273,676</b>	<b>70,319,655</b>	<b>68,629,890</b>	<b>64,560,857</b>	<b>53,108,730</b>	<b>45,504,504</b>	<b>40,894,703</b>	<b>36,557,741</b>	<b>32,930,931</b>	<b>31,850,488</b>
<b>Total assets</b>	<b>148,584,958</b>	<b>149,354,419</b>	<b>89,174,181</b>	<b>90,436,066</b>	<b>87,923,878</b>	<b>87,849,444</b>	<b>86,839,423</b>	<b>46,093,060</b>	<b>44,252,109</b>	<b>42,212,496</b>
<b>Deferred outflows</b>										
Post measurement date contributions	688,041	748,116								
Change in retirement system assumptions	119,907	-								
Loss of refunding	30,405	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
<b>Total deferred outflows</b>	<b>838,353</b>	<b>780,122</b>	<b>1,132,345</b>	<b>1,201,753</b>	<b>1,268,612</b>	<b>1,333,206</b>	<b>1,395,813</b>	<b>1,456,438</b>	<b>1,515,365</b>	<b>1,572,306</b>

Source: Accounting Department

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

**LIABILITIES AND NET ASSETS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Current liabilities</b>										
Accounts payable and accrued expenses	1,699,618	\$2,187,360	\$1,458,447	\$3,401,530	\$1,672,924	\$2,005,436	\$1,884,050	\$2,668,135	\$ 1,010,814	\$ 1,019,496
Unearned revenue	271,307	360,818	466,723	568,843	662,014	769,251	858,985	817,387	819,887	834,656
Accrued interest payable	836,740	271,896	377,905	383,460	388,747	393,897	332,935	120,281	122,881	125,393
Non-current liabilities due within one year										
Water revenue bonds payable	2,280,000	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
Due to employees' retirement system	-	114,194	48,840	124,500	104,600	148,475	71,200	42,612	47,600	53,300
Accrued vacation and sick leave	40,000	40,000	40,000	40,000	40,000	40,000	40,000	37,005	33,580	33,180
<b>Total current liabilities</b>	<b>5,127,665</b>	<b>5,369,268</b>	<b>4,031,915</b>	<b>6,113,333</b>	<b>4,418,285</b>	<b>4,862,059</b>	<b>4,712,170</b>	<b>4,755,420</b>	<b>3,074,762</b>	<b>3,071,025</b>
<b>Non-current liabilities</b>										
Water revenue bonds payable	107,915,000	110,195,000	62,875,000	64,515,000	66,110,000	67,660,000	69,271,742	29,800,005	30,870,005	31,910,004
Unamortized premium on revenue bonds	9,115,506	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
Customer deposits payable	1,181,447	1,137,911	1,089,817	1,050,528	1,009,232	972,116	942,205	957,889	997,825	767,341
Due to employee retirement system	470,745	629,685	-	-	-	-	-	-	-	-
Post-employment benefits payable	2,738,036	2,378,838	2,059,485	1,734,981	1,408,447	1,152,955	945,547	747,110	539,800	441,400
Accrued vacation and sick leave	858,500	848,500	820,100	788,100	778,900	771,900	950,600	703,095	638,020	630,420
<b>Total non-current liabilities</b>	<b>122,279,234</b>	<b>124,678,135</b>	<b>68,185,220</b>	<b>69,498,415</b>	<b>70,774,952</b>	<b>72,086,654</b>	<b>73,593,682</b>	<b>33,743,648</b>	<b>34,631,702</b>	<b>35,384,021</b>
<b>Total liabilities</b>	<b>127,406,899</b>	<b>130,047,403</b>	<b>72,217,135</b>	<b>75,611,748</b>	<b>75,193,237</b>	<b>76,948,713</b>	<b>78,305,852</b>	<b>38,499,068</b>	<b>37,706,464</b>	<b>38,455,046</b>
<b>Net position</b>										
Invested in capital assets, net	20,874,337	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
Restricted	1,070,000	1,070,000	570,000	560,000	560,000	460,000	445,000	445,000	500,000	590,579
Unrestricted	72,075	1,730,953	2,083,005	922,278	1,913,779	252,908	642,493	1,016,914	2,245,629	(1,002,090)
<b>Total net assets</b>	<b>\$22,016,412</b>	<b>\$20,087,138</b>	<b>\$18,089,391</b>	<b>\$16,026,071</b>	<b>\$13,999,253</b>	<b>\$12,233,937</b>	<b>\$9,929,384</b>	<b>\$9,050,430</b>	<b>\$8,061,010</b>	<b>\$5,329,756</b>

Source: Accounting Department

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

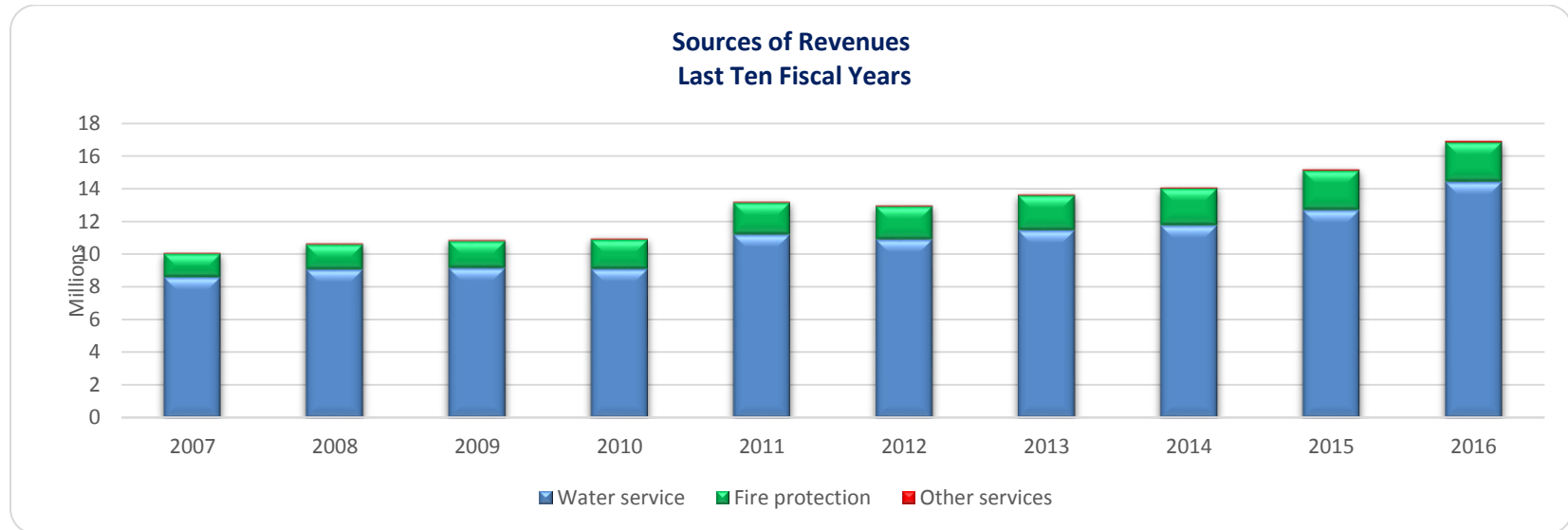
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
Water service	\$14,407,227	\$12,701,608	\$11,772,296	\$11,475,847	\$10,909,705	\$11,217,605	\$9,133,347	\$9,182,718	\$9,093,383	\$8,630,742
Fire protection	2,405,433	2,396,619	2,239,254	2,109,979	2,019,112	1,920,169	1,786,241	1,648,961	1,524,886	1,425,535
Other	92,427	82,597	66,316	71,021	59,650	63,305	52,994	50,270	53,273	50,633
Total operating revenues	16,905,087	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
<b>Operating expenses:</b>										
Operations	6,541,974	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
Maintenance	2,086,055	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
Operating expenses before depreciation	8,628,029	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
Depreciation	1,988,943	1,806,744	1,546,468	1,271,165	1,168,265	1,051,110	953,313	847,340	814,527	526,998
Total operating expenses	10,616,972	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
Operating income	6,288,115	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
<b>Non-operating revenue (expense):</b>										
Interest income	379,001	302,646	74,188	122,817	247,852	536,218	247,009	154,080	293,519	445,150
Miscellaneous income	332,936	346,696	375,941	375,320	357,310	349,509	346,336	241,664	224,046	242,132
Interest on long term debt	(5,046,242)	(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)
Other amortization, net	(24,536)	(24,504)	(24,492)	(24,000)	(34,528)	(45,320)	(501,643)	(37,617)	(37,173)	(26,385)
Total non-operating expenses	(4,358,841)	(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)
Income before extraordinary items	1,929,274	1,765,122	2,063,320	2,026,818	1,765,316	2,293,087	664,576	928,285	959,154	1,060,827
Extraordinary item - litigation settlement	-	-	-	-	-	11,466	214,378	116,135	2,362,677	-
Change in net position	1,929,274	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
Less: board approved customer subsidies	-	-	-	-	-	-	-	(55,000)	(590,577)	(750,000)
Net change in total net position	1,929,274	1,765,122	2,063,320	2,026,818	1,765,316	2,304,553	878,954	989,420	2,731,254	310,827
GASB Statement Nos. 68 & 71 implementation	-	232,625	-	-	-	-	-	-	-	-
Net position beginning	20,087,138	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
<b>Net position ending</b>	<b>\$22,016,412</b>	<b>\$20,087,138</b>	<b>\$18,089,391</b>	<b>\$16,026,071</b>	<b>\$13,999,253</b>	<b>\$12,233,937</b>	<b>\$9,929,384</b>	<b>\$9,050,430</b>	<b>\$8,061,010</b>	<b>\$5,329,756</b>

Source: Accounting Department

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Water service	\$14,407,227	\$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
Fire protection	2,405,433	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
Other services	92,427	82,597	66,316	71,021	59,650	63,305	52,994	50,270	53,273	50,633
<b>Total</b>	<b>\$16,905,087</b>	<b>\$15,180,824</b>	<b>\$14,077,866</b>	<b>\$13,656,847</b>	<b>\$12,988,467</b>	<b>\$13,201,079</b>	<b>\$10,972,582</b>	<b>\$10,881,949</b>	<b>\$10,671,542</b>	<b>\$10,106,910</b>

Source: Accounting Department

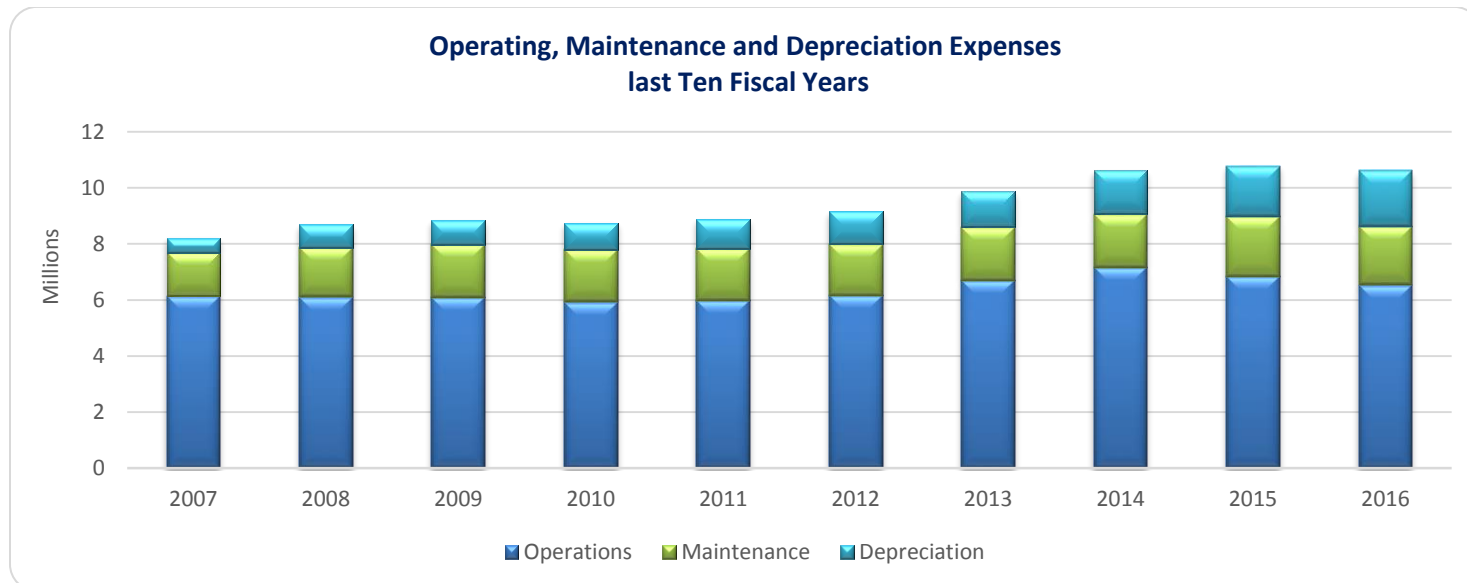




**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
OPERATING EXPENSES  
LAST TEN FISCAL YEARS**

	<u>2016</u>	<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>
Operations	\$ 6,541,974	\$ 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
Maintenance	2,086,055	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
Depreciation	<u>1,988,943</u>	<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>
Total operating expenses	<u>\$ 10,616,972</u>	<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>

Source: Accounting Department



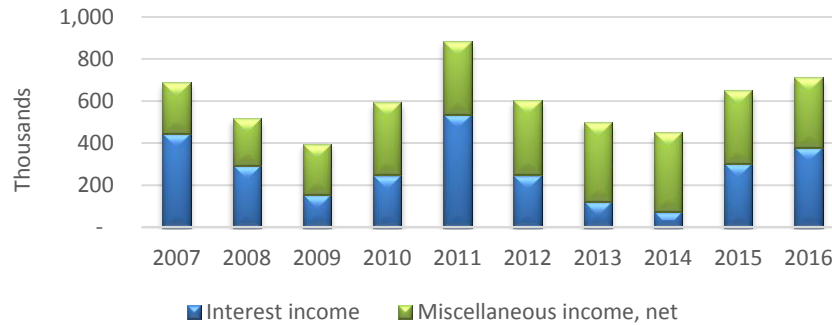
**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
NON-OPERATING REVENUE AND EXPENSES**

**LAST TEN FISCAL YEARS**

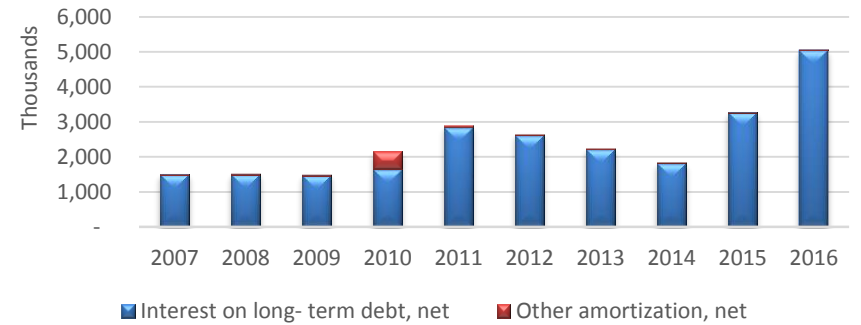
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Interest income	\$379,001	\$302,646	\$74,188	\$122,817	\$247,852	\$536,218	\$247,009	\$154,080	\$293,519	\$445,150
Miscellaneous income, net	332,936	346,696	375,941	375,320	357,310	349,509	346,336	241,664	224,046	242,132
Interest on long- term debt, net	(5,046,242)	(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)
Other amortization, net	(24,536)	(24,504)	(24,492)	(24,000)	(34,528)	(45,320)	(501,643)	(37,617)	(37,173)	(26,385)
Total non-operating expenses	<u>\$ (4,358,841)</u>	<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>

Source: Accounting Department

**Interest and Miscellaneous Income  
Last Ten Fiscal Years**



**Interest Expense and other Amortization  
Last Ten Fiscal Years**

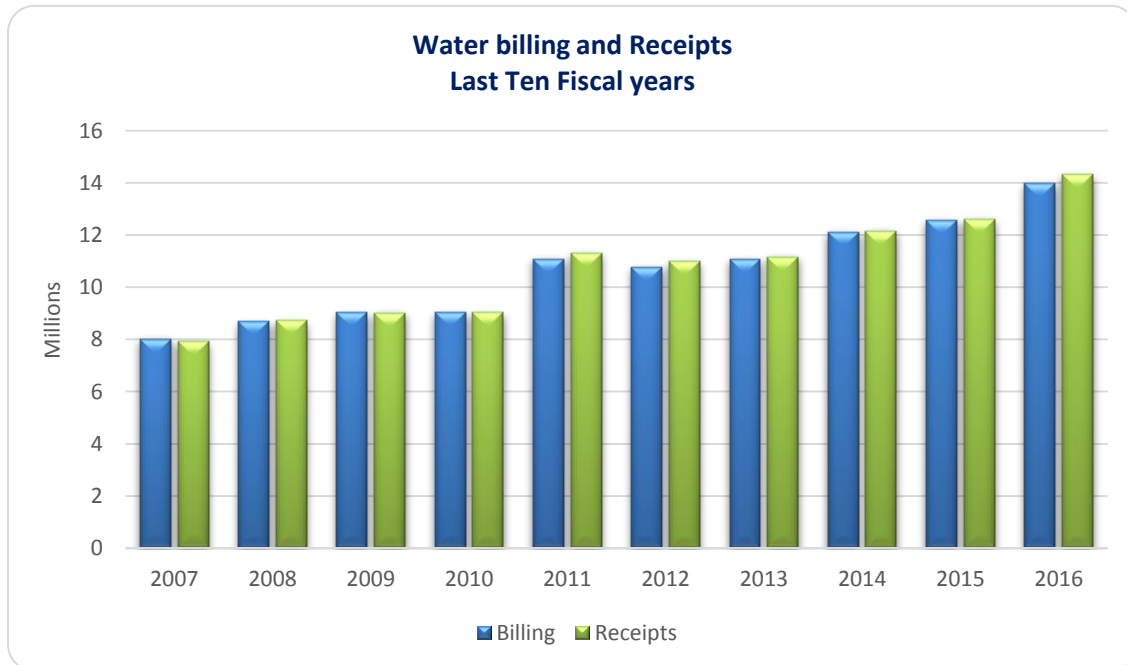


**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
HISTORICAL COLLECTION RATES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total Billing</b>	<b>Total Receipts</b>	<b>Percent Collected</b>
2016	\$ 13,980,919	\$ 14,307,894	102.34%
2015	12,553,754	\$ 12,595,730	100.33%
2014	12,105,577	12,144,396	100.32%
2013	11,082,651	11,152,059	100.63%
2012	10,764,804	10,977,814	101.98%
2011	11,092,105	11,293,152	101.81%
2010	9,031,708	9,027,978	99.96%
2009	9,023,097	9,021,270	99.98%
2008	8,681,132	8,720,945	100.46%
2007	8,002,112	7,913,409	98.89%

Excludes fire hydrants billings and receipts

Source: Accounting Department



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## SECTION C: STATISTICAL SECTION

### Revenue Capacity





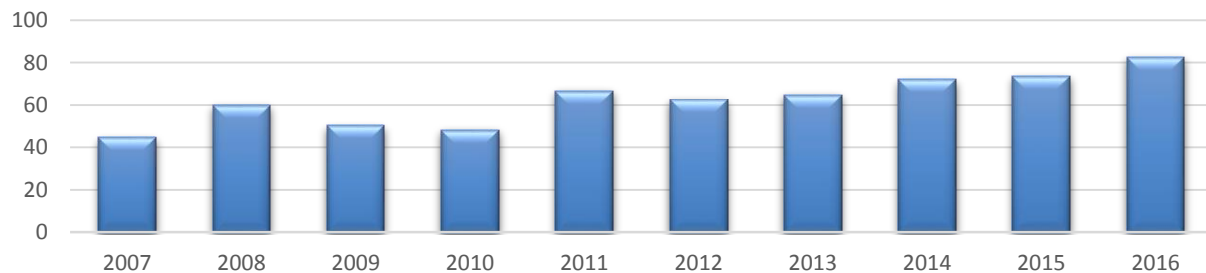
**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**WATER PRODUCED AND CONSUMED**  
(in thousands of gallons)  
**LAST TEN FISCAL YEARS**

Fiscal Year	Water Produced	Water Consumed	Unbilled Potable Water	Percent Unbilled (a)	Average Quarterly Charge Per Customer		Average Annual Charge
					Minimum Charge	Consumption Charge	
2016	4,328,000	3,476,000	852,000	19.69%	\$41.51	\$82.54	\$496.18
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

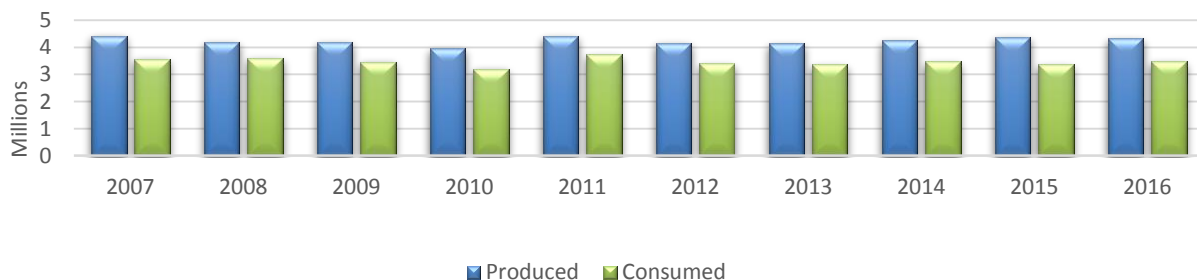
(a) Included in the water produced figures are planned programs including the annual main flushing and well and pump maintenance which results in higher percentages of unbilled water.

Source: Accounting Department

**Quarterly Charges per Customer**  
**Last Ten Fiscal Years**



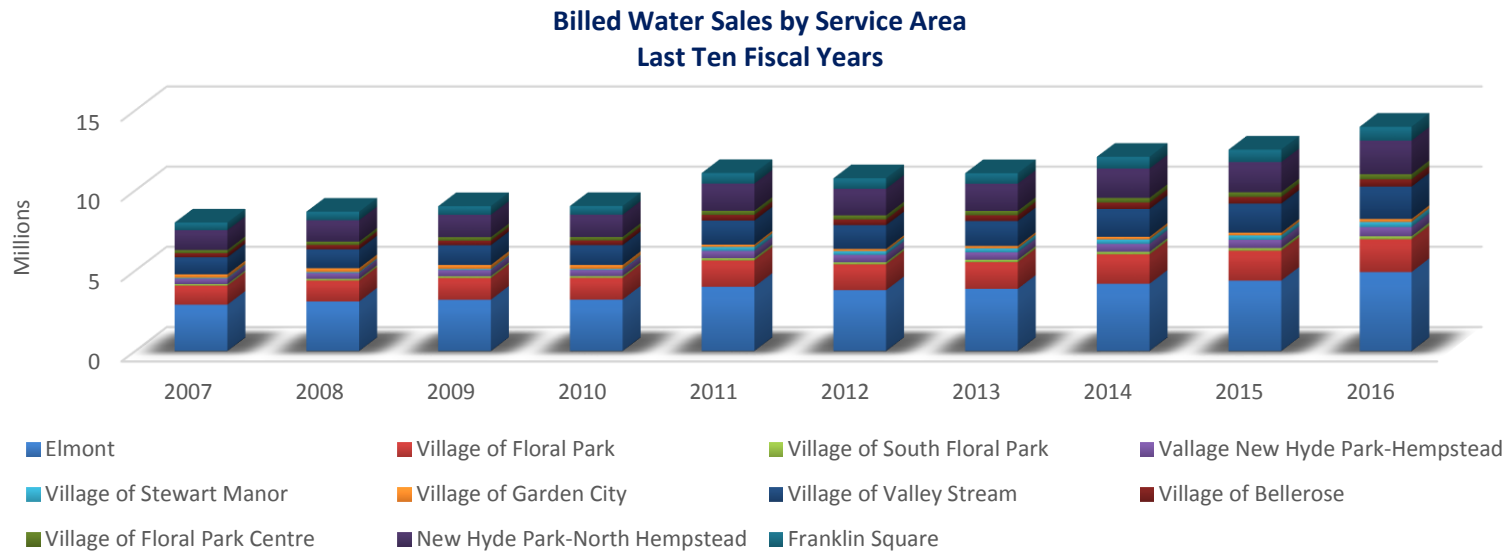
**Water Production and Consumption**  
**Last Ten Fiscal Years**  
**(1,000 Gallons)**



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

Service Area	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Elmont	\$ 4,919,907	\$ 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
Village of Floral Park	2,039,630	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
Village of South Floral Park	183,830	165,273	154,414	145,064	133,361	138,094	112,003	115,846	108,645	98,652
Village of New Hyde Park - Hempstead	579,847	511,696	497,942	469,049	460,808	460,322	387,656	385,664	362,963	336,153
Village of Stewart Manor	315,836	277,859	274,910	247,190	231,316	243,989	63,460	66,497	64,141	56,037
Village of Garden City	186,277	164,393	168,303	148,798	139,437	143,302	243,090	245,857	241,365	219,263
Village of Valley Stream	2,019,127	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
Village of Bellerose	453,713	415,129	398,272	365,199	352,349	352,404	289,162	280,430	270,390	255,670
Village of Floral Park Centre	323,938	293,575	294,433	269,043	256,324	256,414	214,414	214,929	208,803	196,315
New Hyde Park North Hempstead	2,097,012	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
Franklin Square	861,802	777,401	731,246	655,150	653,947	655,964	539,956	537,830	531,195	472,852
<b>Total</b>	<b>\$13,980,919</b>	<b>\$12,553,754</b>	<b>\$12,105,577</b>	<b>\$11,082,651</b>	<b>\$10,764,804</b>	<b>\$11,092,105</b>	<b>\$9,031,708</b>	<b>\$9,023,097</b>	<b>\$8,681,132</b>	<b>\$8,002,112</b>

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

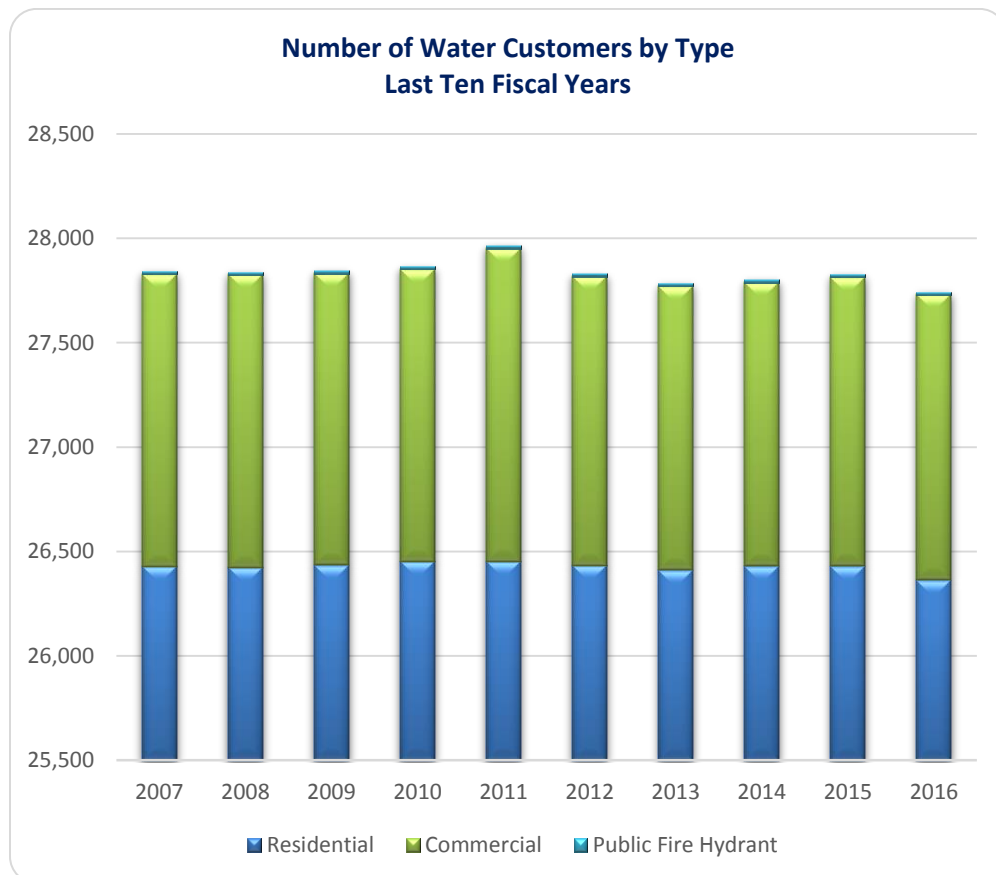




**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
NUMBER OF WATER CUSTOMERS BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Residential Customers</b>	<b>Public Fire Hydrant Customers</b>	<b>Commercial Customers</b>	<b>Total Customers</b>
2016	26,363	13	1,366	27,742
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

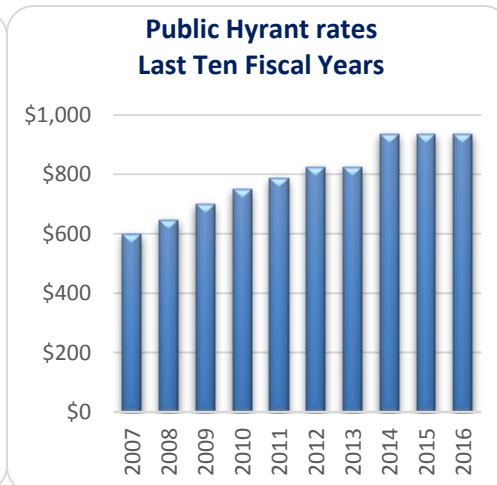
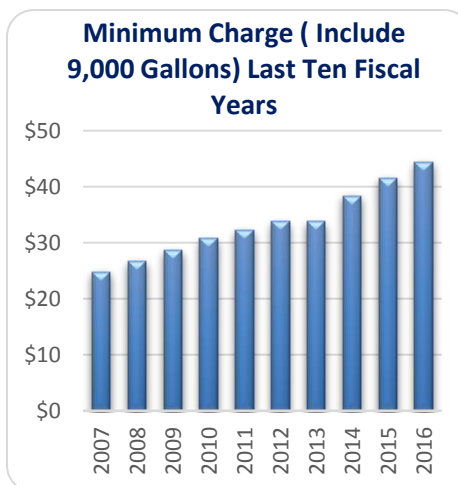
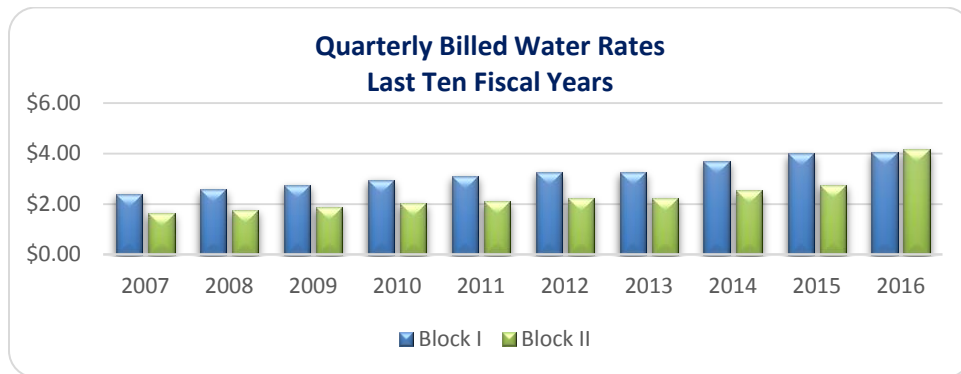
Source: Accounting Department



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

<b>Year</b>	<b>Water Rates Minimum</b>	<b>Per 1,000 Gallons</b>		<b>Public Hydrant</b>	<b>Private Fire</b>
		<b>Block I</b>	<b>Block II</b>		
2016	\$44.38	\$4.060	\$4.160	936.00	Varies
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

Source: Accounting Department



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**ANNUAL BILLINGS OF TEN LARGEST CUSTOMERS**  
**LAST TEN FISCAL YEARS**

Customer Name	2016			2015		2014		2013		2012	
	Rank	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
NY Racing Association	1	\$600,397	4.30%	\$484,418	3.86%	\$413,824	3.42%	\$411,911	3.71%	\$436,303	4.09%
Valley Park Owners Co	2	78,548	0.56%	74,009	0.59%	65,713	0.54%	59,974	0.54%	59,042	0.55%
Franklin Hospital Medical Center	3	71,152	0.51%	62,679	0.50%	58,106	0.48%	57,711	0.52%	55,821	0.52%
Flower View Gardens	4	40,069	0.29%	36,703	0.29%	31,825	0.26%	29,974	0.27%	27,026	0.25%
Village of Floral Park	5	39,918	0.29%	38,677	0.31%	40,298	0.33%	45,559	0.41%	38,397	0.36%
Broadval LLC/Dutchcon LLC	6	39,465	0.28%	33,936	0.27%	25,210	0.21%	22,141	0.20%	14,536	0.14%
Elmont School District	7	28,858	0.21%	19,854	0.16%	17,477	0.14%	16,007	0.14%	15,971	0.15%
Central High School District 2	8	22,199	0.16%	30,499	0.24%	36,672	0.30%	31,130	0.28%	27,127	0.25%
Town of Hempstead Housing Authority	9	21,469	0.15%	20,019	0.16%	19,087	0.16%	13,328	0.12%	12,834	0.12%
YS Franklin Inc.	10	18,716	0.13%	17,514	0.14%	16,629	0.14%	13,875	0.13%	13,058	0.12%

Customer Name	2011		2010		2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
NY Racing Association	\$576,146	5.24%	\$344,764	3.86%	\$368,435	4.12%	\$385,766	4.48%	\$269,440	3.47%
Valley Park Owners Co	55,647	0.51%	47,262	0.53%	46,886	0.52%	44,519	0.52%	34,507	0.44%
Franklin Hospital Medical Center	57,834	0.53%	61,944	0.69%	51,691	0.58%	44,653	0.52%	34,128	0.44%
Village of Floral Park	35,662	0.32%	30,774	0.34%	25,660	0.29%	24,729	0.29%	17,773	0.23%
Flower View Gardens	27,483	0.25%	22,649	0.25%	23,170	0.26%	20,437	0.24%	16,986	0.22%
Broadval LLC/Dutchcon LLC	8,704	0.08%	2,831	0.03%	-	-	-	-	-	-
Central High School District 2	28,792	0.26%	14,793	0.17%	21,601	0.24%	27,078	0.31%	17,841	0.23%
Town of Hempstead Housing Authority	13,537	0.12%	15,649	0.18%	12,291	0.14%	11,577	0.13%	8,633	0.11%
Elmont School District	26,389	0.24%	16,925	0.19%	23,010	0.26%	22,351	0.26%	13,579	0.17%
YS Franklin Inc.	13,673	0.12%	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)**

<b>Debt by Type</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Water Revenue Bonds, Series 2005</b>										
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
Term Bonds 5.00%, due 2030	-	-	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
Subtotal Series 2005	-	-	25,150	26,375	27,555	28,695	29,800	30,870	31,910	32,915
Premium on Series 2005	-	-	1,258	1,317	1,375	1,430	1,484	1,536	1,586	1,635
Subtotal Series 2005 and premium	-	-	26,408	27,692	28,930	30,125	31,284	32,406	33,496	34,550
<b>Water Revenue Bonds Series 2010</b>										
Serial Bonds A 2.00% - 4.00%, due through 2020	4,090	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	33,965	-	-	-
Subtotal Series 2010	38,055	38,990	39,365	39,735	40,105	40,470	40,890	-	-	-
Premium on series 2010	66	78	83	93	94	100	-	-	-	-
Subtotal Series 2010 and premium	38,121	39,068	39,448	39,828	40,199	40,570	40,890	-	-	-
<b>Water Revenue Bonds Series 2015</b>										
Serial & Term Bonds A 4.00% - 5.00%, due through 2045	53,990	54,200	-	-	-	-	-	-	-	-
Serial Bonds B 3.00% - 5.00%, due through 2035	18,150	19,400	-	-	-	-	-	-	-	-
Subtotal Series 2015	72,140	73,600	-	-	-	-	-	-	-	-
Premium on series 2015	9,050	9,411	-	-	-	-	-	-	-	-
Subtotal Series 2015 and premium	81,190	83,011	-	-	-	-	-	-	-	-
<b>Total long-term debt and premium</b>	<b>\$119,311</b>	<b>\$122,079</b>	<b>\$65,856</b>	<b>\$67,520</b>	<b>\$69,129</b>	<b>\$70,695</b>	<b>\$72,174</b>	<b>\$32,406</b>	<b>\$33,496</b>	<b>\$34,550</b>
Percentage Series 2005	-	-	40%	41%	42%	43%	43%	100%	100%	100%
Percentage Series 2010	32%	32%	60%	59%	58%	57%	57%	0%	0%	0%
Percentage Series 2015	68%	68%	-	-	-	-	-	-	-	-
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Accounting Department

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**DEBT MATURITY SCHEDULE BY SERIES**  
**May 31, 2016**

<b>Year</b>	<b>Series 2010 A</b>	<b>Series 2010 B</b>	<b>Series 2015 A</b>	<b>Series 2015 B</b>	<b>Total</b>
2017	\$ 965,000	\$ -	\$ 70,000	\$ 1,245,000	\$ 2,280,000
2018	1,000,000	-	70,000	1,310,000	2,380,000
2019	1,040,000	-	75,000	1,375,000	2,490,000
2020	1,085,000	-	80,000	1,440,000	2,605,000
2021	-	1,125,000	80,000	1,515,000	2,720,000
2022	-	1,170,000	85,000	1,590,000	2,845,000
2023	-	1,215,000	90,000	1,670,000	2,975,000
2024	-	1,265,000	95,000	1,750,000	3,110,000
2025	-	1,315,000	95,000	1,840,000	3,250,000
2026	-	1,365,000	105,000	1,930,000	3,400,000
2027	-	1,420,000	1,895,000	245,000	3,560,000
2028	-	1,480,000	1,990,000	250,000	3,720,000
2029	-	1,545,000	2,095,000	255,000	3,895,000
2030	-	1,610,000	2,155,000	265,000	4,030,000
2031	-	1,675,000	2,270,000	275,000	4,220,000
2032	-	1,750,000	2,380,000	285,000	4,415,000
2033	-	1,825,000	2,505,000	295,000	4,625,000
2034	-	1,905,000	2,585,000	305,000	4,795,000
2035	-	1,985,000	2,730,000	310,000	5,025,000
2036	-	2,075,000	3,185,000	-	5,260,000
2037	-	2,165,000	3,345,000	-	5,510,000
2038	-	2,260,000	3,520,000	-	5,780,000
2039	-	2,355,000	3,700,000	-	6,055,000
2040	-	2,460,000	3,890,000	-	6,350,000
2041	-	-	2,710,000	-	2,710,000
2042	-	-	2,840,000	-	2,840,000
2043	-	-	2,975,000	-	2,975,000
2044	-	-	3,115,000	-	3,115,000
2045	-	-	3,260,000	-	3,260,000
<b>Total</b>	<b>\$ 4,090,000</b>	<b>\$ 33,965,000</b>	<b>\$ 53,990,000</b>	<b>\$ 18,150,000</b>	<b>\$ 110,195,000</b>

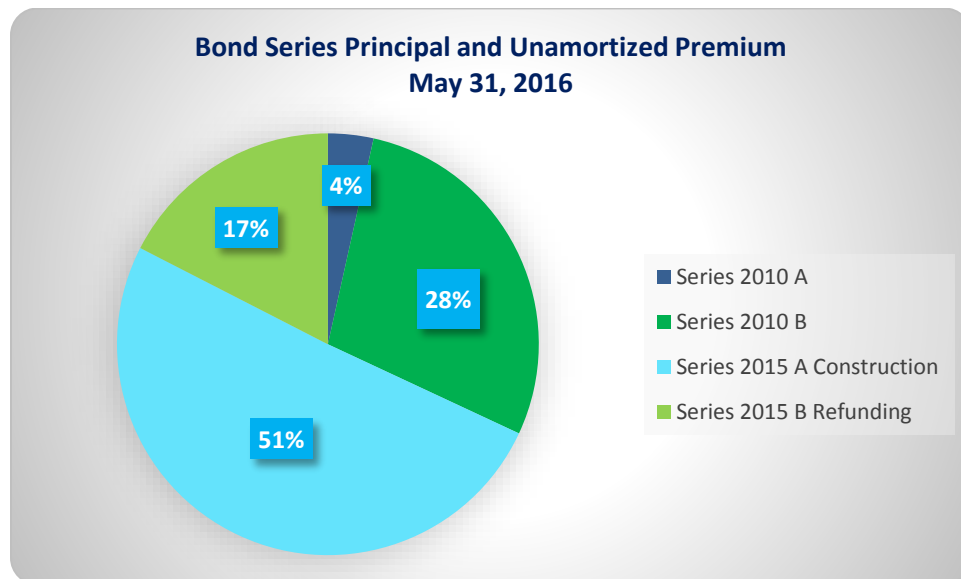
Source: Accounting Department



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**OUTSTANDING PRINCIPAL AND UNAMORTIZED PREMIUM BY BOND SERIES**  
**May 31, 2016**

<b>Series</b>	<b>Principal Amount</b>	<b>Unamortized Premium</b>	<b>Total</b>
Series 2010 A	\$ 4,090,000	\$ 65,518	\$ 4,155,518
Series 2010 B	33,965,000	-	33,965,000
Series 2015 A Construction	53,990,000	6,372,692	60,362,692
Series 2015 B Refunding	18,150,000	2,677,296	20,827,296
<b>Total</b>	<b>\$ 110,195,000</b>	<b>\$ 9,115,506</b>	<b>\$ 119,310,506</b>

Source: Accounting Department



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**

**SCHEDULE OF DEBT SERVICE**

**MAY 31, 2016**

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	
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	\$4,090,000	\$414,587	\$33,965,000	\$35,582,037	(\$12,453,712)	\$53,990,000	\$52,960,366	\$18,150,000	\$5,831,155	\$192,529,433

Source: Accounting Department

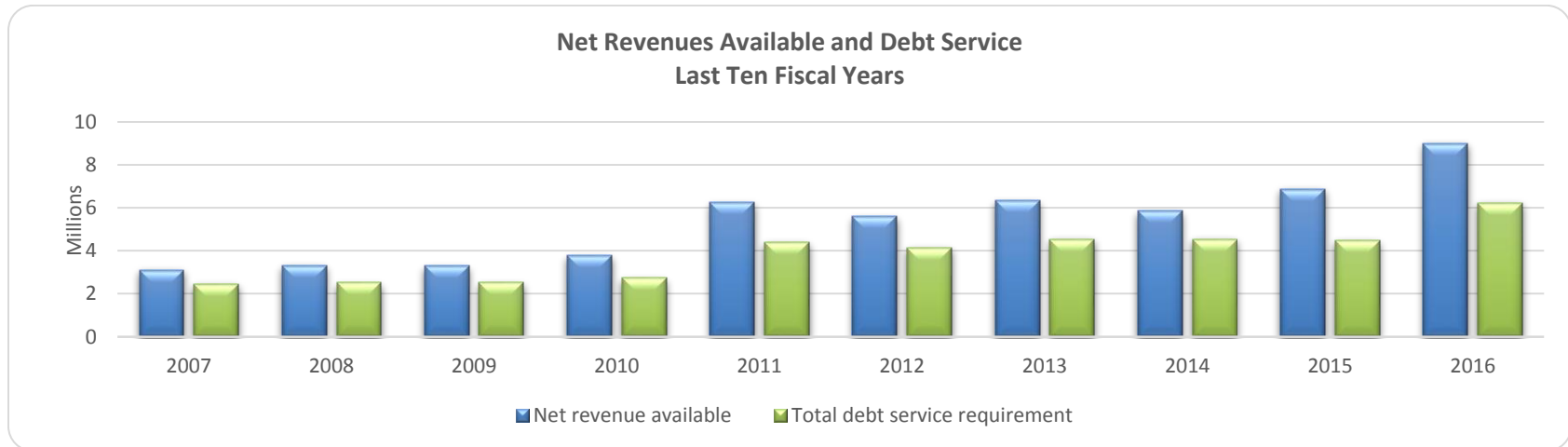
**WATER AUTHORITY OF WESTERN NASSAU COUNTY**

**DEBT SERVICE COVERAGE**

**LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total operating revenues	\$16,905,087	\$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
Total operating expenses	10,616,972	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
Operating income	6,288,115	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
Interest & other income	711,937	649,342	450,129	1,281,037	605,162	885,727	593,345	395,744	517,565	687,282
Add: Depreciation & amortization	1,988,943	1,806,744	1,936,732	1,271,165	1,168,265	1,051,110	953,313	847,340	814,527	526,998
Net revenue available	8,988,996	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
Interest expense	3,824,539	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
Principal repayment	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
Total debt service requirement	\$6,219,593	\$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
Debt coverage ratio	1.45	1.53	1.29	1.39	1.35	1.43	1.38	1.33	1.56	1.57

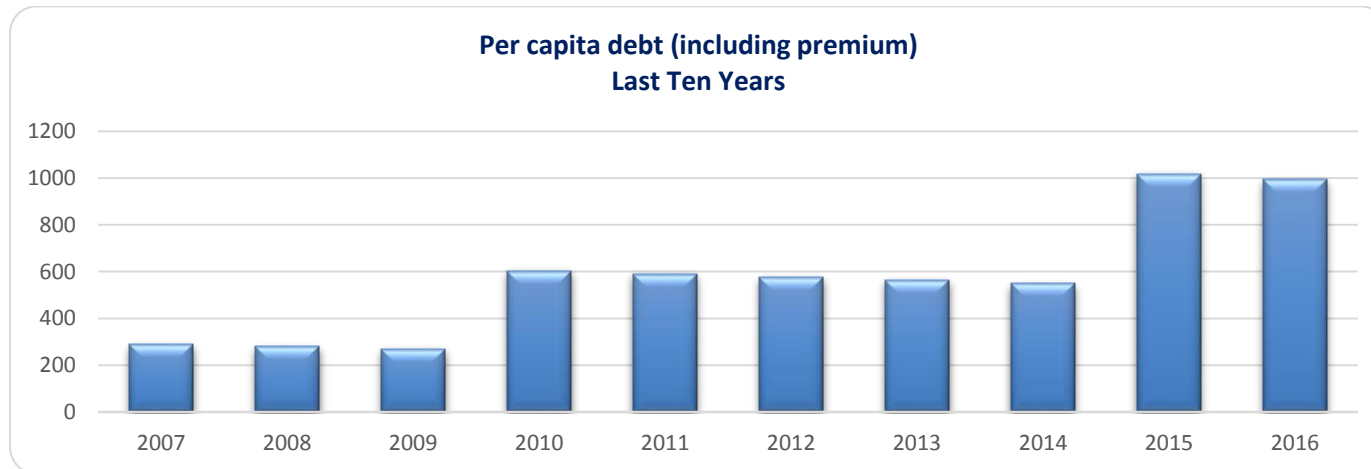
Source: Accounting Department



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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total outstanding indebtedness	\$110,195,000	\$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
Unamortized premium on revenue bonds	9,115,506	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
Total outstanding debt & unamortized premium	\$119,310,506	\$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
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)	\$994.25	\$1,017.32	\$548.80	\$562.67	\$576.07	\$589.12	\$601.45	\$270.05	\$279.13	\$287.92

Source: Accounting Department



## SECTION C: STATISTICAL SECTION

### Demographic and Economic Information





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

	<b>2010-2014 Estimate</b>	<b>2010 Census</b>	<b>2000 Census</b>	<b>1990 Census</b>
<b>Nassau County</b>				
Town of North Hempstead	76,868	78,084	76,628	74,587
Town of Hempstead	242,294	246,456	246,828	239,234
City of Long Beach	14,418	14,809	14,923	13,592
Town of Oyster Bay	98,801	99,419	99,208	95,566
City of Glen Cove	9,531	9,764	9,461	8,466
<b>Total Nassau</b>	<b>441,912</b>	<b>448,532</b>	<b>447,048</b>	<b>431,445</b>
<b>Suffolk County</b>				
Town of Huntington	69,026	69,311	65,917	62,841
Town of Babylon	69,634	70,894	69,048	64,506
Town of Islip	102,716	103,631	98,936	89,726
Town of Smithtown	39,431	40,055	38,487	35,565
Town of Brookhaven	162,015	162,994	146,828	129,137
Town of Riverhead	12,685	12,990	10,749	8,736
Town of Southampton	21,378	21,419	21,504	18,164
Town of Southold	9,411	9,090	8,461	8,125
Town of East Hampton	9,207	8,410	8,101	6,882
Town of Shelter Island	1,277	1,124	996	1,017
<b>Total Suffolk</b>	<b>496,780</b>	<b>499,918</b>	<b>469,027</b>	<b>424,699</b>
<b>Nassau-Suffolk Total</b>	<b>938,392</b>	<b>948,450</b>	<b>916,075</b>	<b>856,144</b>

Source: US Census Bureau

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**  
**2004-2015**

	<b>2015 (b)</b>	<b>2011 (a)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>NASSAU COUNTY</b>									
Town of North Hempstead	230,614	225,717	226,874	226,109	225,291	224,774	223,870	222,836	222,042
Town of Hempstead	771,018	758,668	769,040	766,878	764,234	765,111	763,822	761,944	760,675
City of Long Beach	33,350	33,329	35,731	36,201	36,051	36,002	35,840	35,692	35,528
Town of Oyster Bay	298,768	292,872	304,293	303,285	302,589	301,273	300,786	300,616	299,840
City of Glen Cove	27,400	26,970	27,304	27,654	27,564	27,374	27,342	27,269	26,847
<b>TOTAL NASSAU COUNTY</b>	<b>1,361,350</b>	<b>1,337,556</b>	<b>1,363,242</b>	<b>1,360,127</b>	<b>1,355,729</b>	<b>1,354,534</b>	<b>1,351,660</b>	<b>1,348,357</b>	<b>1,344,932</b>
<b>SUFFOLK COUNTY</b>									
Town of Huntington	204,398	203,055	205,944	204,784	203,977	203,834	202,767	201,496	199,368
Town of Babylon	213,568	213,565	219,676	218,679	218,370	217,833	217,061	215,723	214,340
Town of Islip	336,113	335,301	333,767	333,978	333,566	333,650	332,484	331,002	329,257
Town of Smithtown	118,275	117,885	120,783	120,397	120,269	119,999	119,605	118,954	118,132
Town of Brookhaven	489,278	486,568	492,761	491,818	491,035	489,255	485,295	479,578	472,425
Town of Riverhead	33,774	33,455	34,191	34,185	33,864	33,566	33,098	32,028	30,909
Town of Southampton	58,254	56,800	60,693	60,007	60,281	59,813	58,876	58,564	57,659
Town of Southold	22,274	21,965	23,707	23,175	22,931	22,852	22,629	22,344	21,994
Town of East Hampton	22,019	21,460	21,875	21,822	21,784	21,630	21,399	21,268	20,945
Town of Shelter Island	3,634	2,396	2,546	2,546	2,525	2,515	2,483	2,439	2,396
<b>TOTAL SUFFOLK COUNTY</b>	<b>1,501,587</b>	<b>1,492,450</b>	<b>1,515,943</b>	<b>1,511,391</b>	<b>1,508,602</b>	<b>1,504,947</b>	<b>1,495,697</b>	<b>1,483,396</b>	<b>1,467,425</b>
<b>TOTAL NASSAU &amp; SUFFOLK</b>	<b>2,862,937</b>	<b>2,830,006</b>	<b>2,879,185</b>	<b>2,871,518</b>	<b>2,864,331</b>	<b>2,859,481</b>	<b>2,847,357</b>	<b>2,831,753</b>	<b>2,812,357</b>

Sources: a. LIPA: Data available for 2004 to 2011; b. US Census Bureau estimate as of July 2015.

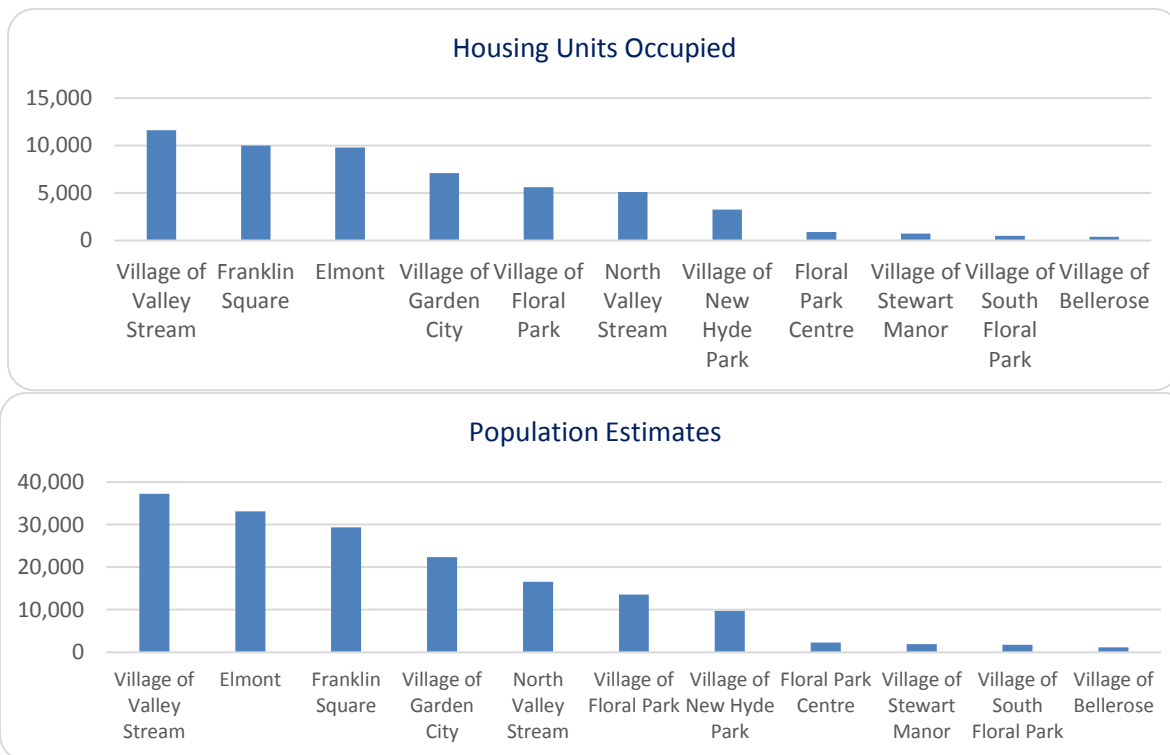


**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
CENSUS DATA BY SERVICE AREA – NASSAU COUNTY**

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
<b>Total (a)</b>	<b>169,141</b>	<b>169,456</b>	<b>54,969</b>	

- (a) The Water Authority service area includes approximately 120,000 of the estimated population. The Water Authority only provides water service to a portion of the Village of Garden City, the Village of Valley Stream and Franklin Square.

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

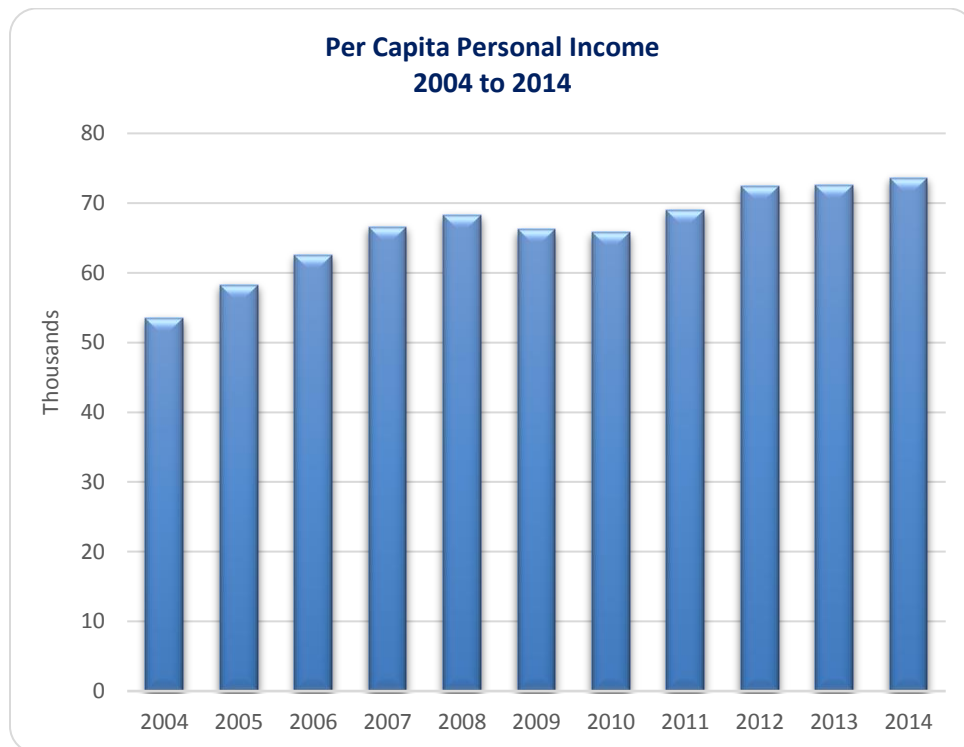


**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**NASSAU COUNTY POPULATION, TOTAL PERSONAL INCOME, PER CAPITA PERSONAL INCOME**  
**AND UNEMPLOYMENT RATE**  
**2005-2015**

<b>Year</b>	<b>Total Personal Income (a)</b>	<b>Population (a)</b>	<b>Per Capita Income</b>	<b>Unemployment Rate (b)</b>
2015	N/A	1,361,350	NA	4.3%
2014	100,046,324	1,358,993	73,618	4.8%
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%
<b>2007</b>	<b>90,092,214</b>	<b>1,353,061</b>	<b>66,584</b>	<b>3.6%</b>
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**  
**2015 AND TEN YEARS AGO**

Industry Title	2015				2006			
	Reporting Units	Average Employment	Total Wages	Average Wages	Reporting Units	Average Employment	Total Wages	Average Wages
Total, All Industries	53,105	612,870	\$35,887,180,694	\$58,556	51,118	599,625	\$28,690,064,050	\$47,847
Total, All Private	52,381	534,779	30,038,122,540	56,169	50,471	516,500	23,732,917,793	45,950
Agriculture, Forestry, mining	35	172	6,730,305	39,130	38	247	7,533,251	30,499
Utilities	40	3,757	420,242,639	111,856	21	2,815	256,890,492	91,258
Construction	4,267	29,305	2,142,176,277	73,099	1,531	7,470	402,332,249	53,860
Manufacturing	1,110	17,565	1,322,303,921	75,281	130	2,064	67,464,995	32,687
Wholesale Trade	3,348	27,691	2,276,346,092	82,205	3,665	29,869	1,996,279,741	66,835
Retail Trade	5,943	79,986	2,770,660,431	34,639	6,060	81,231	2,363,964,515	29,102
Transportation & Warehousing	1,150	15,261	814,416,079	53,366	1,132	14,170	636,699,791	44,933
Information	523	10,989	1,156,826,441	105,271	674	15,349	1,135,484,040	73,978
Finance and Insurance	2,789	31,100	2,718,129,049	87,400	26	487	31,759,706	65,215
Real Estate and Rental	2,520	10,369	664,629,637	64,098	14	116	8,323,781	71,757
Professional and Technical s	6,948	38,441	2,970,382,537	77,271	6,651	36,312	2,201,291,673	60,622
Management of Companies	262	6,674	718,528,827	107,661	207	7,552	556,084,633	73,634
Administrative and Waste Services	3,300	30,499	1,380,368,223	45,259	102	1,201	55,690,061	46,370
Educational Services	703	20,230	888,853,490	43,937	545	19,216	631,333,147	32,855
Health Care and Social Assistance	5,865	120,153	7,153,457,166	59,536	537	15,391	360,168,384	23,401
Arts, Entertainment, and Recreation	819	11,848	468,733,463	39,562	402	7,318	179,502,704	24,529
Accommodation and Food Services	3,396	48,227	1,046,100,173	21,691	2,859	36,137	671,612,648	18,585
Other Services, Ex. Public Admin	5,797	29,224	955,224,729	32,686	1,545	2,050	41,250,320	20,122
Total, All Government	724	78,091	5,849,058,154	74,901	533	71,491	4,267,219,120	59,689
Unclassified	3,564	3,283	163,581,421	49,827	3,239	3,971	139,731,283	\$35,188

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





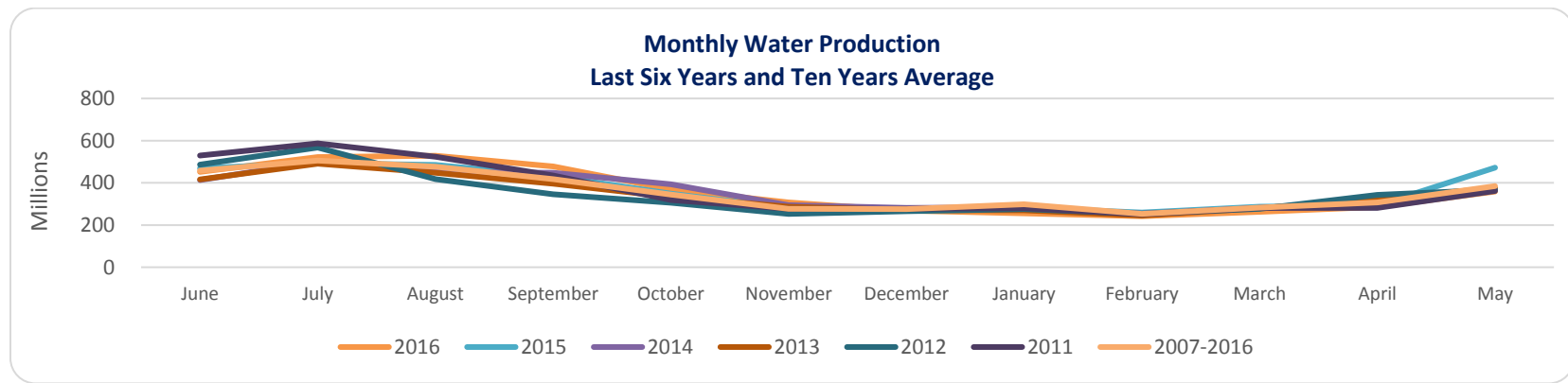
**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**STATISTICAL SUMMARY AND FLASH REPORT**  
**LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Estimated population served	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Employees head count	50	47	49	51	50	51	52	52	52	51
Billed consumption (million gallons)	3,976	3,367	3,470	3,401	3,401	3,728	3,199	3,463	3,611	3,555
Average daily consumption (million gallons)	9.52	9.23	9.51	9.31	9.31	10.21	8.77	9.49	11.89	9.74
Average daily peak consumption (million gallons)	20.2	19.3	20.2	22.1	22.1	24.3	17.4	21.7	19.2	21.5
<b>OPERATING INFORMATION</b>										
Treated water reservoir capacity (million gallons)	11.90	11.90	11.90	11.90	11.90	11.90	11.90	11.90	11.90	11.90
Fire hydrants operated and maintained	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432
<b>FINANCIAL INFORMATION</b>										
Net property, plant & equipment	\$72,887,677	\$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
Rate stabilization cash and cash equivalent	\$1,070,000	\$1,070,000	\$570,000	\$560,000	\$560,000	\$460,000	\$445,000	\$445,000	\$500,000	\$590,579
Total long-term debt	\$110,195,000	\$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
Rate increases	9.40%	8.41%	7.0%	6.02%	4.8%	4.8%	7.2%	7.4%	7.8%	7.1%
Operating revenues	\$16,905,087	\$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
Operating expenses	\$10,616,972	\$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
Operating income	\$6,288,115	\$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
Debt service	\$6,219,539	\$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
Depreciation and other amortization	\$1,988,943	\$1,806,744	\$1,936,732	\$1,310,273	\$1,202,793	\$1,096,432	\$1,454,956	\$884,957	\$851,700	\$553,383
GASB Statement Nos 68 and 71 implementation	-	232,625	-	-	-	-	-	-	-	-
Net increase in net position	\$1,929,274	\$1,765,122	\$2,063,320	\$2,026,818	\$1,765,317	\$2,304,551	\$878,954	\$989,420	\$2,731,254	\$310,827
Source: Accounting Department										

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

	2016	2015	2014	2013	2012	2011	Ten-Years Average
							2007-2016
June	451,895,352	468,927,660	413,476,668	415,920,744	485,796,408	530,074,626	452,859,641
July	522,179,940	494,058,606	500,476,506	490,898,166	567,544,986	587,082,498	507,213,146
August	528,555,198	485,088,174	452,281,272	447,850,242	417,422,346	523,472,016	474,528,642
September	477,790,212	431,253,348	447,688,476	396,395,910	345,894,732	435,190,170	417,369,426
October	368,361,132	349,110,516	393,596,754	332,347,356	306,189,468	318,336,300	346,777,294
November	307,161,090	279,347,682	294,783,900	287,086,254	252,733,512	276,471,864	280,872,784
December	268,037,064	276,014,592	280,999,356	271,980,438	265,064,268	276,722,700	275,622,815
January	255,909,846	283,432,278	284,563,734	270,144,930	276,207,689	279,585,492	296,309,149
February	241,954,314	259,273,926	254,241,018	245,128,584	254,568,474	251,174,940	252,308,123
March	262,654,920	287,733,204	280,909,686	279,318,678	277,330,218	280,983,342	279,648,804
April	284,911,374	292,221,828	286,489,632	323,435,292	342,281,604	280,777,374	302,813,574
May	358,831,620	471,478,446	368,398,014	376,549,128	367,582,458	360,986,082	379,913,951
	4,328,242,062	4,377,940,260	4,257,905,016	4,137,055,722	4,158,616,163	4,400,857,404	4,266,227,349

Source: Accounting Department



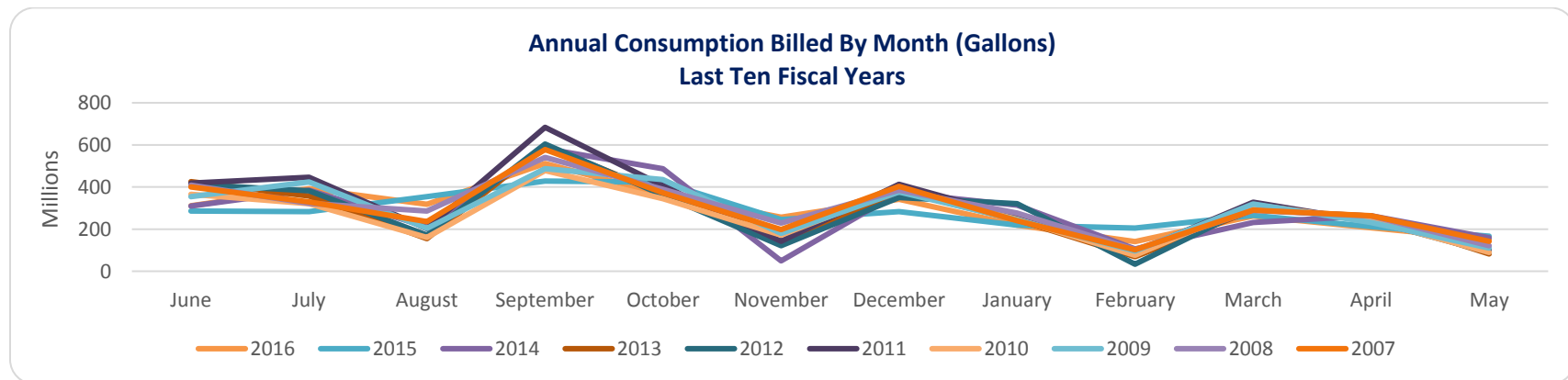


**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
ANNUAL CONSUMPTION BILLED BY MONTH (GALLONS)  
LAST TEN FISCAL YEARS**

Month	2016	2015	2014*	2013	2012	2011	2010	2009	2008	2007
June	310,895,250	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
July	392,601,750	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
August	318,147,750	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
September	511,770,000	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
October	363,897,000	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
November	257,098,500	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
December	342,065,250	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
January	218,660,250	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
February	140,912,250	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
March	262,326,000	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
April	206,359,500	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
May	151,575,750	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
Total	3,476,309,250	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

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

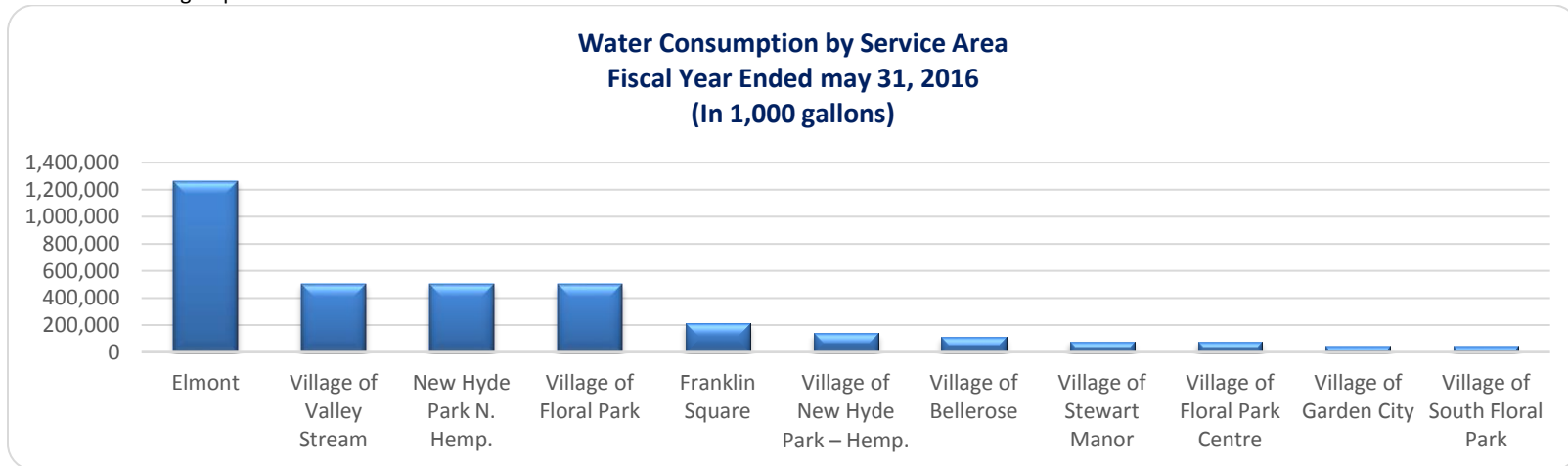
Source: Accounting Department



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

Service Area	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Elmont	1,261,769	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
Village of Floral Park	500,831	496,190	522,931	501,113	502,937	543,707	474,230	514,696	536,653	517,624
Village of South Floral Park	44,241	42,360	42,291	42,278	40,872	45,186	38,409	43,372	43,545	42,118
Village of New Hyde Park – Hemp.	140,143	133,865	139,271	140,057	136,763	144,898	129,122	139,825	142,259	141,410
Village of Stewart Manor	77,225	72,930	77,449	73,814	72,030	81,342	22,705	26,025	27,264	25,339
Village of Garden City	45,042	42,822	46,995	43,924	42,935	46,775	85,090	92,795	98,123	95,626
Village of Valley Stream	503,633	490,068	498,735	472,111	468,658	502,992	443,548	475,214	485,133	466,234
Village of Bellerose	111,092	110,240	112,558	108,968	109,921	115,688	100,603	104,524	108,801	110,886
Village of Floral Park Centre	76,067	74,438	80,408	77,501	76,892	80,853	72,382	78,381	82,313	83,044
New Hyde Park N. Hemp.	503,198	490,290	511,231	497,118	502,727	545,851	469,862	513,266	533,633	529,311
Franklin Square	213,066	207,361	208,609	197,603	204,390	217,229	189,841	204,678	220,282	208,097
<b>Total</b>	<b>3,476,309</b>	<b>3,367,148</b>	<b>3,470,257</b>	<b>3,362,966</b>	<b>3,400,742</b>	<b>3,728,428</b>	<b>3,199,784</b>	<b>3,463,397</b>	<b>3,611,352</b>	<b>3,555,131</b>

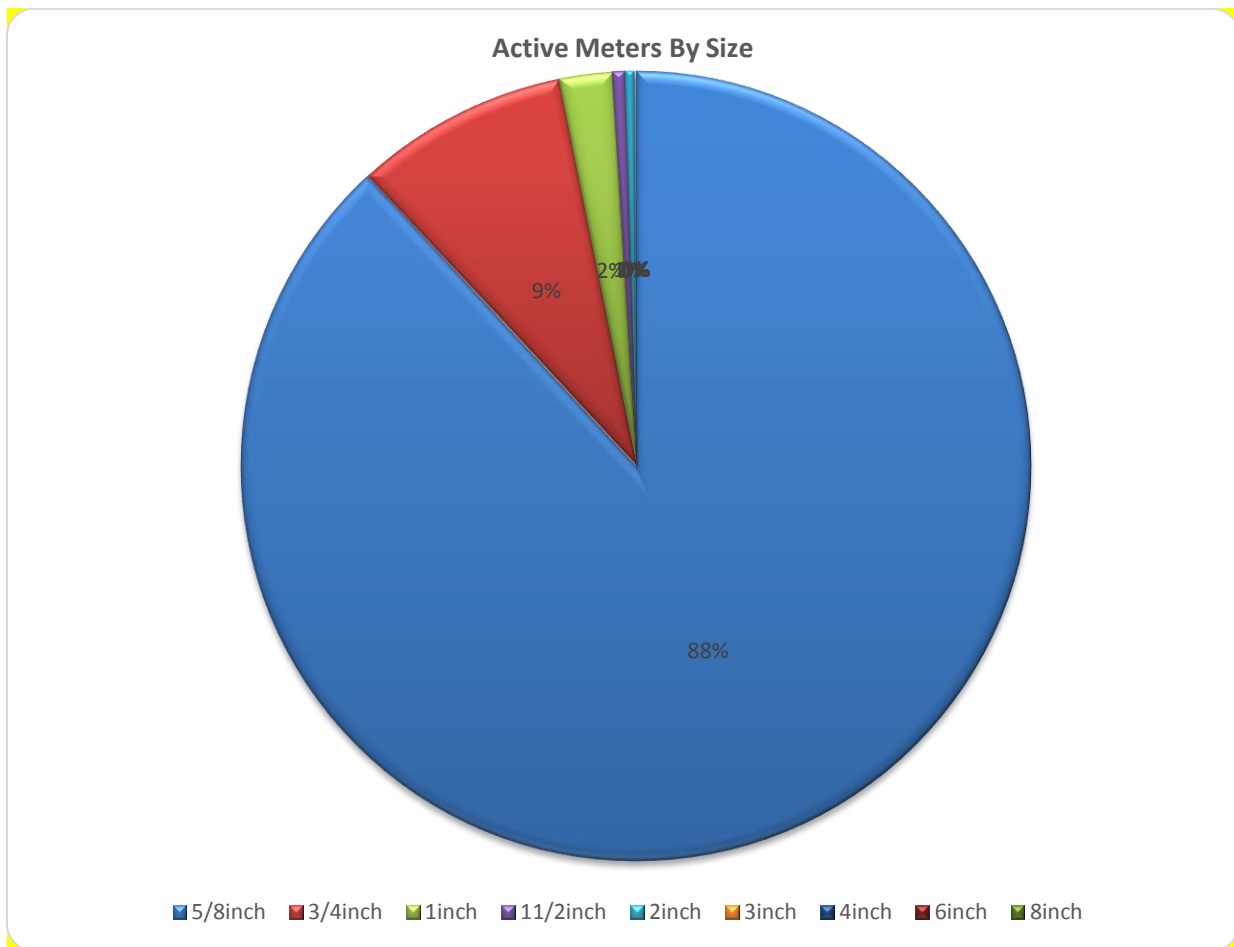
(a) Includes consumption for Fire Sprinkler Customers  
Source: Accounting Department



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**ACTIVE METERS BY SIZE**  
**MAY 31, 2016**

Size	Total	Residential	Commercial	Municipal	Large Users
5/8inch	24,434	23,908	517	9	-
3/4inch	2,421	2,044	370	6	1
1inch	610	411	184	14	1
1 1/2inch	144	-	134	8	2
2inch	96	-	71	22	3
3inch	7	-	3	4	-
4inch	6	-	2	3	1
6inch	8	-	5	-	3
8inch	3	-	-	-	3
<b>Total</b>	<b>27,729</b>	<b>26,363</b>	<b>1,286</b>	<b>66</b>	<b>14</b>

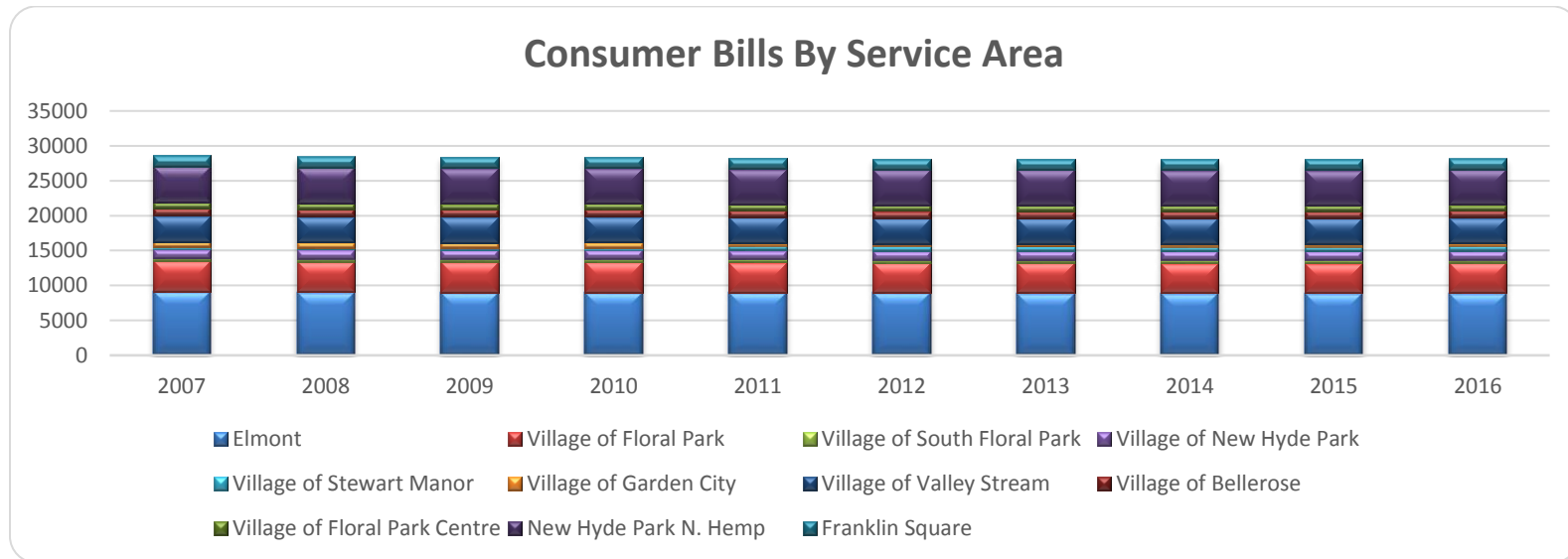
Source: Accounting Department



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

Service Area	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Elmont	8,959	8,926	8,928	8,940	8,971	9,022	9,048	9,025	9,061	9,115
Village of Floral Park	4,328	4,308	4,315	4,317	4,328	4,341	4,384	4,380	4,383	4,406
Village of South Floral Park	408	407	407	405	400	404	404	406	408	409
Village of New Hyde Park	1,311	1,290	1,284	1,288	1,268	1,265	1,313	1,314	1,309	1,308
Village of Stewart Manor	663	664	662	664	661	657	205	205	205	206
Village of Garden City	354	356	356	358	357	359	816	824	825	823
Village of Valley Stream	3,702	3,695	3,699	3,704	3,717	3,732	3,731	3,725	3,738	3,759
Village of Bellerose	1,032	1,026	1,025	1,029	1,028	1,031	1,039	1,038	1,038	1,050
Village of Floral Park Centre	833	830	825	828	825	829	826	832	837	839
New Hyde Park N. Hemp	5,061	5,057	5,049	5,056	5,067	5,066	5,111	5,118	5,124	5,154
Franklin Square	1,526	1,521	1,523	1,524	1,531	1,534	1,545	1,542	1,546	1,559
<b>Total</b>	<b>28,177</b>	<b>28,080</b>	<b>28,073</b>	<b>28,113</b>	<b>28,153</b>	<b>28,240</b>	<b>28,422</b>	<b>28,409</b>	<b>28,474</b>	<b>28,628</b>

Source: Accounting Department

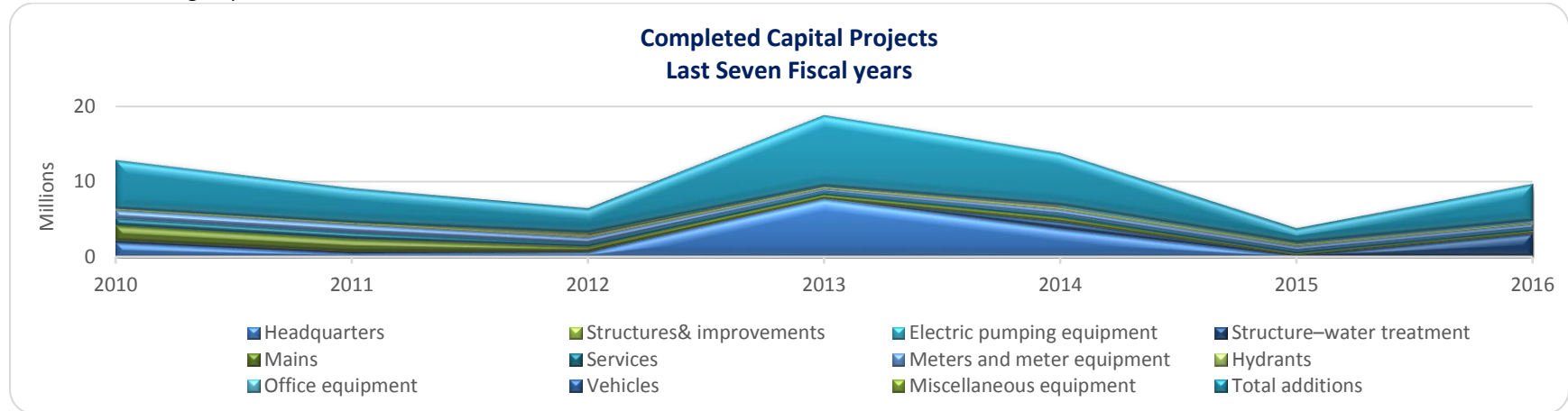


**WATER AUTHORITY OF WESTERN NASSAU COUNTY  
COMPLETED CAPITAL PROJECTS  
LAST SEVEN FISCAL YEARS**

Description	2016	2015	2014	2013	2012	2011	2010
Headquarters	\$ 20,815	\$ 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	169,745	44,898	44,072	705	45,655	54,560	4,120
Structure–water treatment	2,995,594	107,218	947,979	2,843	106,720	267,427	347,877
Mains	290,893	164,493	531,361	533,633	581,324	1,632,282	1,895,264
Services	380,295	398,334	419,587	405,336	483,645	821,815	949,382
Meters and meter equipment	509,061	555,573	594,671	344,052	703,616	1,037,351	1,035,500
Hydrants	199,062	265,416	236,956	218,381	206,745	243,462	234,412
Office equipment	191,452	49,496	235,288	15,620	113,063	7,084	18,305
Vehicles	101,720	68,496	101,451	43,411	146,640	-	2,039
Miscellaneous equipment	14,134	115,012	63,390	126,062	207,079	6,681	795
Total additions	\$ 4,872,771	\$ 1,936,165	\$ 6,894,139	\$ 9,403,742	\$ 3,257,420	\$ 4,573,730	\$ 6,438,313

Data available for 2010 to 2016

Source: Accounting Department

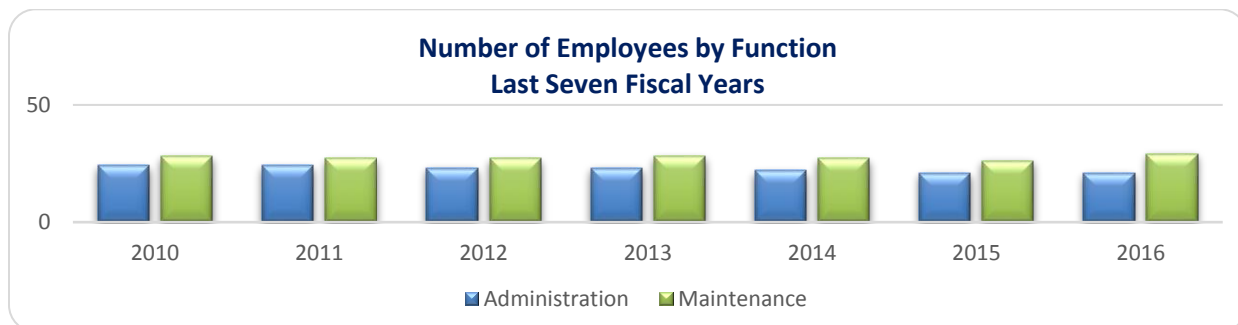


**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**NUMBER OF EMPLOYEES BY FUNCTION**  
**LAST SEVEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010
<b>Administration</b>							
Chairman (P/T)	1	1	1	1	1	1	1
Executive Director	1	1	1	1	1	1	1
Treasurer (P/T)	1	1	1	1	1	1	1
Personnel Director	1	1	1	1	1	1	1
Customer Service	7	7	8	8	7	8	8
Meter Reading/Repairs	4	4	3	4	5	5	5
Information Technology	1	1	1	2	2	2	2
Accounting/Billing	3	3	3	3	3	3	3
Support Staff	2	2	3	2	2	2	2
Subtotal Administration	21	21	22	23	23	24	24
<b>System Maintenance</b>							
Water system maintenance	1	1	1	1	1	1	1
Inspectors	2	2	2	2	2	2	2
Water distribution	13	12	13	14	13	13	14
Water treatment	12	10	10	9	9	9	9
Maintenance Support	1	1	1	2	2	2	2
Subtotal Maintenance	29	26	27	28	27	27	28
Total Employees	50	47	49	51	50	51	52

Data available for 2010 to 2016

Source: Accounting Department

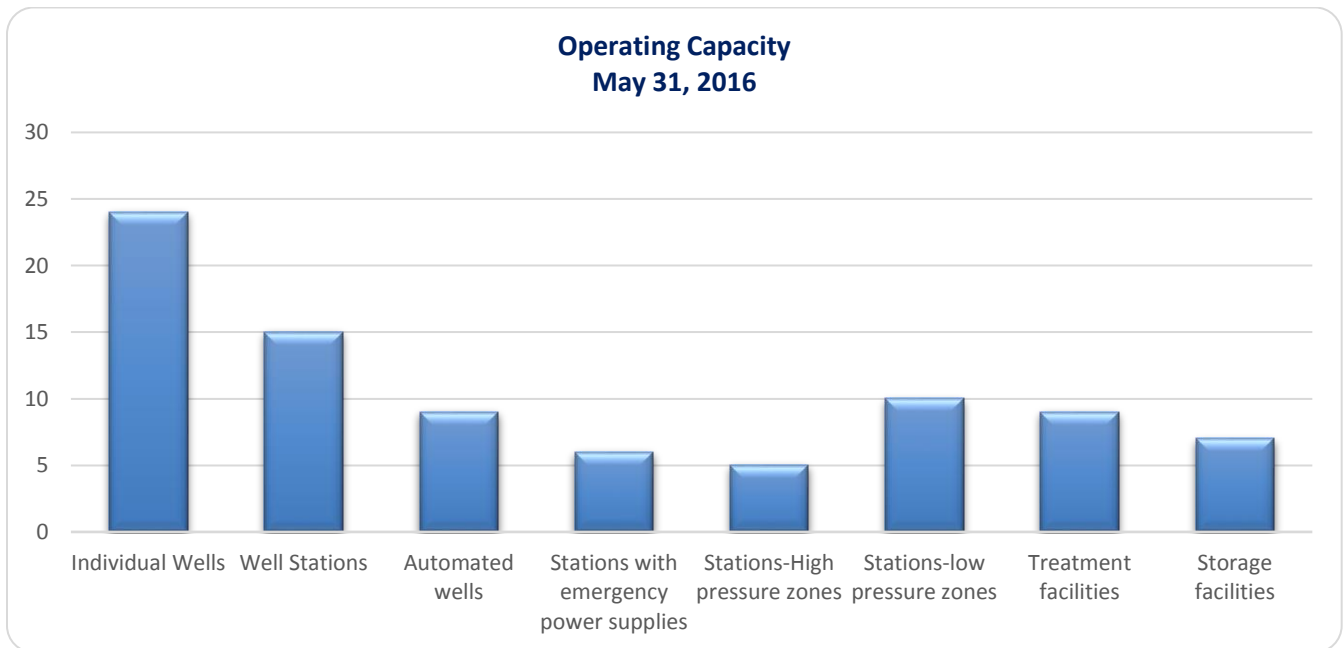


**WATER AUTHORITY OF WESTERN NASSAU COUNTY**

**OPERATING CAPACITY  
LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b><u>Water Supply</u></b>										
Well Stations	15	15	15	15	15	15	15	15	15	15
Individual Wells	24	24	24	24	24	24	24	24	24	24
Automated wells	9	9	9	9	9	9	9	9	9	9
Stations with emergency power supplies	5	5	5	5	5	5	5	4	4	4
Stations-High pressure zones	5	5	5	5	5	5	5	5	5	5
Stations-low pressure zones	10	10	10	10	10	10	10	10	10	10
<b><u>Treatment</u></b>										
Treatment facilities	9	9	9	9	9	7	7	5	5	5
<b><u>Storage</u></b>										
Storage facilities	7	7	7	7	7	7	7	7	7	7
Storage capacity (Million Gallons)	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
<b><u>Transmission and Distribution</u></b>										
Water mains (2 to 16 inches diameter), Thousand linear feet	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,230
Fire Hydrants	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432
<b><u>Interconnections</u></b>										
Interconnections to Nassau County	11	11	11	11	11	11	11	11	11	11
Interconnections to NYC system	6	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, 2016**

<b>Well Station</b>	<b>Pressure Zone</b>	<b>Well No.</b>	<b>Storage Tank (Millions Gallons)</b>	<b>Treatment Type</b>	<b>Emergency Power</b>
Bryant Ave. W. of North 5 <sup>th</sup> Street, New Hyde Park	High	9		1,2	
Hempstead Tpke. West of Plainfield Ave., Elmont	Low	15D	5.00	-	
Elmont Rd., South of Atherton Ave, Elmont	Low	15A	—	1,2	
Elmont Rd., South of Belpark Ave, Elmont	Low	15B	—	1,2,5	Yes
Elmont Rd., South of Joan Court, Elmont	Low	15C,15E	—	1,2	
North 4 <sup>th</sup> St., South of Hillside Ave, North Hempstead (New Hyde Park)	High	16A	—	1,2	
Evergreen Ave., West of Denton Ave., North Hempstead (New Hyde Park)	High	20	0.50	1,2,4	
Elmont Rd. North of Oliver Ave, North Valley Stream	Low	25A	—	1,2,3	
Miriam Pkwy. North of Stuyvesant St., Elmont	Low	28,28A,28B	1.50	1,2,3, 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	—	1,2,4	Yes
Makofske Ave. and Chelsea St. Elmont	Low	44,44A,44B,44C	2.00	1,2,4	
2 <sup>nd</sup> Ave. & South 6 <sup>th</sup> St., New Hyde Park	High	57,57A	1.30	1,2,4	Yes

Treatment type are as follows:

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

Source: Accounting Department



**WATER AUTHORITY OF WESTERN NASSAU COUNTY**  
**SCHEDULE OF INSURANCE IN FORCE**  
**FOR FISCAL YEAR ENDED MAY 31, 2016**

TYPE	PREMIUM	TERM	COVERAGE	COVERAGE LIMITS	DEDUCTIBLE
<b>Property and Liability Protection</b>					
<b>General Liability</b>					
St. Paul Travelers Insurance Co.	\$ 82,898	3/1/16-3/1/17	General Aggregate	\$2,000,000	
		3/1/16-3/1/17	Products	2,000,000	
		3/1/16-3/1/17	Terrorism	2,000,000	
		3/1/16-3/1/17	Boiler & Machinery	2,000,000	
		3/1/16-3/1/17	Personal Injury	1,000,000	
		3/1/16-3/1/17	Advertising Injury	1,000,000	
		3/1/16-3/1/17	Premises Damage	1,000,000	
		n/a	Medical Expense	Excluded	
		n/a	Sewer Back-up	Excluded	
		3/1/16-3/1/17	Failure to Supply	1,000,000	
<b>Boiler &amp; Machinery</b>					
St. Paul Travelers Insurance Co.	\$ 6,203	3/1/16-3/1/17			
<b>Inland Marine</b>					
		3/1/16-3/1/17			
St. Paul Travelers Insurance Co.	\$ 11,006	3/1/16-3/1/17	Equipment Floater	Replacement cost	\$25,000
		3/1/16-3/1/17	Unscheduled Limit	\$112,000	2,500
<b>Property</b>					
		3/1/16-3/1/17			
St. Paul Travelers Insurance Co.	\$ 80,008	3/1/16-3/1/17	Blanket basis	\$47,216,650	
<b>Casualty</b>					
<b>Automobile</b>					
St. Paul Travelers Insurance Co.	\$ 40,473	3/1/16-3/1/17	Liability	\$1,000,000	
		3/1/16-3/1/17	PIP Deductible	Included	
		3/1/16-3/1/17	Additional PIP	175,000	
		3/1/16-3/1/17	Uninsured Motorist	1,000,000	
		3/1/16-3/1/17	Under insured Motorist	1,000,000	
		3/1/16-3/1/17	Physical Damage	Per vehicle schedule	
<b>Excess Catastrophe</b>					
(Umbrella)	\$ 28,542	3/1/16-3/1/17	Liability, each	\$10,000,000	
St. Paul Travelers Insurance Co.		3/1/16-3/1/17	Liability, aggregate	10,000,000	
		3/1/16-3/1/17	Retained Limit	10,000	
Crum and Foster	\$ 51,100	3/1/16-3/1/17	Liability, each	25,000,000	
		3/1/16-3/1/17	Liability, aggregate	25,000,000	
Travelers	\$ 12,500	3/1/16-3/1/17	Liability, each	5,000,000	
		3/1/16-3/1/17	Liability, aggregate	5,000,000	
<b>Employee Protection</b>					
<b>Public Officials' Liability</b>					
Scottsdale Indemnity Co,	\$ 23,155	3/1/16-3/1/17	Public Officials	\$10,000,000	\$15,000
			Employment Practices Liability	10,000,000	15,000
<b>Crime</b>					
Utica Mutual Insurance Co.	\$ 4,056	3/1/16-3/1/17	Forgery/Alteration	\$1,000,000	\$10,000
		3/1/16-3/1/17	Computer Fraud	1,000,000	10,000
<b>Employee Benefit Plans Liability</b>					
St. Paul Travelers Insurance Co.	\$ 192	3/1/16-3/1/17	Wrongful Act, each	\$1,000,000	\$1,000
		3/1/16-3/1/17	Wrongful Act, aggregate	3,000,000	1,000

Source: Accounting Department

## 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  
New Hyde 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 as of and for the year ended May 31, 2016, and the related notes to the financial statements, which collectively comprise the Water Authority of Western Nassau County's basic financial statements, and have issued our report thereon dated August 30, 2016.

**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 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Authority of Western Nassau County'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'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.".

Astoria, NY  
August 30, 2016