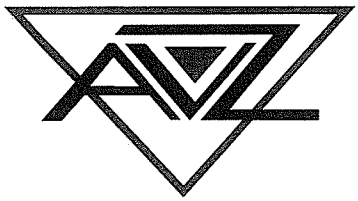
OYSTER BAY WATER DISTRICT

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2007

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	2-5
Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements	
Balance Sheet and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balance and Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	9
Notes to Financial Statements	10-21
Required Supplemental Information Other than Management's Discussion and Analysis:	
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	22
Other Supplemental Information:	
General Fund:	
Detailed Schedule of Revenues - Budget and Actual	23
Detailed Schedule of Expenditures - Budget and Actual	24
Capital Projects Fund - Schedule of Project Expenditures	25



CERTIFIED PUBLIC ACCOUNTANTS, BUSINESS ADVISORS AND CONSULTANTS
25 Suffolk Court, Hauppauge, New York 11788
631.434.9500 • Fax 631.434.9518
www.avz.com

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Oyster Bay Water District
Oyster Bay, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the Oyster Bay Water District, a component unit of the Town of Oyster Bay, New York as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Water District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Oyster Bay Water District as of December 31, 2007, and the results of its operations and changes in the fund balances for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oyster Bay Water District, New York's basic financial statements. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note A 13 to the financial statements the District adopted the provisions of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.*

Albrecht, Viggiano, Zureck & Co. P.C.

Hauppauge, New York
April 20, 2008

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2007

Our discussion and analysis of the Oyster Bay Water District, a component unit of the Town of Oyster Bay, New York (the District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2007. Please read it in conjunction with the District's financial statements and notes to financial statements.

USING THIS ANNUAL REPORT

This annual report consists of two sets of financial statements.

Government-Wide Financial Statements

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

Government Fund Financial Statements

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

New Accounting Principles

Effective with this financial report for the year ended December 31, 2007, the District has adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* (OPEB). This Statement establishes standards for reporting the liability for non-pension post-employment benefits, chiefly the health care premiums for retirees. The overall net effect of implementing this standard was to increase other post employment benefits payable by approximately $110,000 and increase water supply services expense by the same.

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2007

CONDENSED FINANCIAL INFORMATION

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

		2007	2006
Assets			
Current and other assets		$ 1,711,480	$ 1,625,509
Capital assets		9,032,297	9,246,480
	Total Assets	10,743,777	10,871,989
Liabilities			
Current liabilities		1,193,011	1,701,957
Noncurrent liabilities		3,397,778	3,114,279
	Total Liabilities	4,590,789	4,816,236
Net assets			
Invested in capital assets		5,387,131	5,300,730
Unrestricted		765,857	755,023
	Total Net Assets	$ 6,152,988	$ 6,055,753

Changes in Net Assets			
Program Revenues			
Charges for services		$ 979,219	$ 996,666
General Revenues			
Real property taxes		750,479	638,532
Use of money and property		447,760	421,313
		1,198,239	1,059,845
	Total Revenues	2,177,458	2,056,511
Expenses - Water supply services		2,080,223	1,789,824
Changes in Net Assets		97,235	258,714
Net Assets - beginning of the year		6,055,753	5,797,039
Net Assets - end of the year		$ 6,152,988	$ 6,055,753

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2007

FINANCIAL HIGHLIGHTS

The District's net assets as of December 31, 2007 were approximately $6.2 million, an increase of approximately $97,000 from the prior year. Of the Districts total net assets $5.4 million were invested in capital assets, while approximately $766,000 was unrestricted.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

	Original Budget	Final Budget	Actual Amounts	Variance
Revenues	$ 2,030,636	$ 2,030,636	$ 2,166,610	$ 135,974
Expenditures	(1,976,597)	(1,976,597)	(1,883,606)	92,991
Transfers – Capital Projects	(400,000)	(400,000)	(131,139)	268,861
	$ (345,961)	$ (345,961)	$ 151,865	$ 497,826

The general fund reported revenues and other sources in excess of expenditures and other uses this year of approximately $151,000 increasing its fund balance from approximately $906,000 to approximately $1.1 million. This was due in part to an increase in metered water sales and collected special assessments. There were no significant changes from the original to the final budget for revenues and expenditures other than various transfers between appropriations. Total transfers to capital projects expenditures were less than the original budget because certain capital projects did not start when originally anticipated.

CAPITAL ASSETS AND LONG-TERM DEBT

The District has been financing all capital expenditures from proceeds of general obligation bonds and annual budgetary appropriations. During 2007, the District purchased capital assets and made improvements to the water system totaling as follows:

Construction in progress	$ 36,846
Building	32,789
Improvements	18,969
Wells, water tanks and structures	40,947
Equipment	3,200
Total Costs	$ 132,751

At year-end the District had a $725,000 bond anticipation note and $3,428,442 of general obligation bonds. The bond anticipation note will also be converted to a serial bond in a subsequent year.

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

	Gallons pumped In 000's	Revenue
2007	449,882	$ 892,761
2006	407,019	790,814
2005	453,917	930,368
2004	420,011	853,749
2003	402,448	800,110

In addition to the capital improvements described above Oyster Bay Water District is committed to the long-term maintenance of the water system and plans significant capital expenditures on a regular basis. The District maintains a running long-range capital budget to plan for these expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

OYSTER BAY WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
December 31, 2007

Assets		
Current assets:		
Cash and investments		$ 1,214,759
Accounts receivable		185,740
Due from Town of Oyster Bay		267,215
Inventory of materials and supplies		43,766
	Total Current Assets	1,711,480
Noncurrent assets:		
Property, plant and equipment, net		9,032,297
	Total Assets	10,743,777
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses		99,670
Developer deposits		76,997
Bond anticipation notes payable		725,000
Current portion of long term liabilities		291,344
	Total Current Liabilities	1,193,011
Noncurrent liabilities:		
Compensated absences		150,707
Other post-employment benefits payable		59,973
General obligation bonds payable		3,187,098
	Total Liabilities	4,590,789
Net Assets		
Investment in capital assets, net of related debt		5,387,131
Unrestricted		765,857
	Total Net Assets	$ 6,152,988

See notes to financial statements.

OYSTER BAY WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

Governmental Activities	
Expenses - Water supply services	$ 2,080,223
Program revenues - Charges for services	979,219
Net Program expense	(1,101,004)
General revenues	
Real property taxes and other items	750,479
Use of money and property	447,760
Total General revenues	1,198,239
Change in Net Assets	97,235
Net Assets - beginning of the year	6,055,753
Net Assets - end of the Year	$ 6,152,988

See notes to financial statements.

OYSTER BAY WATER DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

Assets	General	Capital Projects	Total
Cash and investments	$ 1,100,148	$ 114,611	$ 1,214,759
Accounts receivable	185,740		185,740
Due from other fund		138,214	138,214
Due from Town of Oyster Bay	3,975	263,240	267,215
Inventory of materials and supplies	43,766		43,766
Total Assets	$ 1,333,629	$ 516,065	$ 1,849,694
Liabilities			
Accounts payable and accrued liabilities	$ 60,084	$ 7,789	$ 67,873
Developer deposits	76,997		76,997
Due to other fund	138,214		138,214
Bond anticipation notes payable		725,000	725,000
Total Liabilities	275,295	732,789	1,008,084
Fund Equity (Deficit)			
Fund Balances:			
Reserve for:			
Inventory of materials and supplies	43,766		43,766
Capital		114,611	114,611
Unreserved:			
Designated - Ensuing year's budget	289,367		289,367
Undesignated	725,201	(331,335)	393,866
Total Fund Equity (Deficit)	1,058,334	(216,724)	841,610
Total Liabilities and Fund Equity (Deficit)	$ 1,333,629	$ 516,065	$ 1,849,694

Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities

Total Governmental Fund Balances	$ 841,610
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,032,297
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(3,428,442)
Accrued interest payable	(31,797)
Other post-employment benefits payable	(109,973)
Compensated absences	(150,707)
Net Assets of Governmental Activities	$ 6,152,988

See notes to financial statements.

OYSTER BAY WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended December 31, 2007

	General	Capital Projects	Total
Revenues			
Real property taxes	$ 721,302		$ 721,302
Other real property tax items	29,177		29,177
Departmental income	979,219		979,219
Use of money and property	436,912	$ 10,848	447,760
Total Revenues	2,166,610	10,848	2,177,458
Expenditures			
Administration	367,780		367,780
Source of supply, power and pumping	145,835		145,835
Purification	49,897		49,897
Transmission and distribution	568,853		568,853
Employee benefits	284,225		284,225
Debt service	467,016		467,016
Capital outlay		123,251	123,251
Total Expenditures	1,883,606	123,251	2,006,857
Other Sources and (Uses) of Funds			
Transfers in (out)	(131,139)	131,139	-0-
Proceeds from debt			
General obligation bonds		450,000	450,000
Bond anticipiation notes		50,000	50,000
Total Other Sources and (Uses) of Funds	(131,139)	631,139	500,000
Change in Fund Balance	151,865	518,736	670,601
Fund Balance (Deficit)			
Beginning of Year	906,469	(735,460)	171,009
End of Year	$ 1,058,334	$ (216,724)	$ 841,610

Reconciliation of Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net Changes in Fund Balances - Total Governmental Funds	$ 670,601
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital assets purchased capitalized	132,751
Depreciation expense	(346,934)
The issuance of long-term debt provide current financial resources, while the repayment of bond principal consumes the current financial resources in the governmental funds.	(218,152)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(16,188)
Certain expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(124,843)
Change in Net Assets of Governmental Activities	$ 97,235

See notes to financial statements.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

A. Summary of Significant Accounting Policies

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

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

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

1. Financial Reporting Entity

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

2. Basis of Presentation

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

Government-wide Financial Statements

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

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

The government-wide Statement of Activities reports both the gross and net cost of the District's function (home and community service – water supply services). Gross expenses (including depreciation expense) is reduced by related program revenues to produce the net cost of the program. Program revenues include charges for services, contributions and may also include operating and capital grants that are directly associated with the program. The net cost is normally covered by general revenues (property, use and money, sale of property and compensation for loss, etc.). This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation (continued)

Fund Financial Statements

The fund financial statements are similar to the financial statements presented in the previous model. The new emphasis is on the major funds in the fund financial statements.

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

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

The District reports the following major governmental funds:

General Fund - is the principal operating fund of the District. This fund is used to account for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund - is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

3. Measurement Focus/Basis of Accounting

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

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

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

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

A. Summary of Significant Accounting Policies (continued)

3. Measurement Focus/Basis of Accounting (continued)

Expenditures are recorded when incurred except that:

a. Expenditures for prepaid expenses are recognized at the time of purchase.

b. Principal and interest on indebtedness are not recognized as expenditures until due.

c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as expenditures when paid.

4. Property Taxes and Delinquent Water Bills

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

5. Budgetary Data

Budget Policies - The budget policies are as follows:

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general and capital projects funds. Encumbrances are reported as reservations of fund balance, since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. There were no encumbrances at December 31, 2007.

Budget Basis of Accounting

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

6. Investments

Investments are stated at cost, which approximates market.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

A. Summary of Significant Accounting Policies (continued)

7. Inventory

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

8. Property, Plant and Equipment

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

Prior to December 31, 2002, infrastructure assets consisting of water mains were capitalized at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

– Buildings	40 years
– Improvements	20 years
– Wells, Water Tanks and Structures	40 years
– Water Main	50 years
– Machinery and Equipment	10 - 20 years
– Office furniture and equipment	5 years
– Vehicle	8 years

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

9. Long-Term Debt

All long-term debt is reported as liabilities in the government-wide statements. The long-term debt consists of general obligation bonds and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

10. Compensated Absences

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

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

A. Summary of Significant Accounting Policies (continued)

10. Compensated Absences (continued)

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

11. Insurance

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

12. Equity Classifications

In Government-wide Statements equity is classified as net assets and displayed in three components:

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

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

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

In the Fund Statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

13. New Accounting Principles

Effective with this financial report for the year ended December 31, 2007, the District has adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* (OPEB). This Statement establishes standards for reporting the liability for non-pension post-employment benefits, chiefly the health care premiums for retirees.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

B. Capital Projects Fund Balance

Deficit Unreserved Fund Balance

Expenditures for the System Improvement project were temporarily financed with bond anticipation notes. General Obligation Serial bonds are authorized but not yet issued for some of the bond anticipation notes used to finance this project. This results in a deficit fund balance in the Capital Projects Fund until these bonds are issued.

A reserve for capital has been established for monies received for specific capital improvements.

C. Cash and Investments

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

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

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

Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized.
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name

At December 31, 2007, The Districts bank deposit balances were $1,260,872 of which $200,000 was covered by the Federal Deposit Insurance Corporation and $1,060,872 was covered by collateral with a fair value of $1,094,291 at December 31, 2007 and is held by the District's agent, a third-party financial institution, in the District's name.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

D. Property, Plant and Equipment

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance 1/1/2007	Additions	Deletions	Balance 12/31/2007
Capital assets not being depreciated				
Land	$ 44,916			$ 44,916
Construction in progress	-	$ 36,846		36,846
Total capital assets not being depreciated	44,916	36,846	$ -0-	81,762
Depreciable capital assets				
Building	1,249,933	32,789		1,282,722
Improvements	924,291	18,969		943,260
Wells, water tanks and structures	3,464,217	40,947		3,505,164
Machinery and equipment	438,039			438,039
Water mains	6,802,554			6,802,554
Equipment	266,035	3,200		269,235
Office, furniture and equipment	107,813			107,813
Computer software	23,749			23,749
Vehicles	266,856			266,856
Total depreciable capital assets	13,543,487	95,905	-0-	13,639,392
Accumulated Depreciation				
Building	258,258	33,186		291,444
Improvements	139,591	46,262		185,853
Wells, water tanks and structures	869,808	75,926		945,734
Machinery and equipment	332,487	10,786		343,273
Water mains	2,257,800	136,051		2,393,851
Equipment	166,458	16,767		183,225
Office, furniture and equipment	91,051	8,261		99,312
Computer software	9,422	4,750		14,172
Vehicles	217,048	14,945		231,993
Total accumulated depreciation	$ 4,341,923	$ 346,934	$ -0-	4,688,857
Total net depreciable capital assets				8,950,535
Total capital assets				$ 9,032,297

Depreciation expense of $346,934 was charged to water supply services expense for the year 2007.

E. Retirement System

Plan Description

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

E. Retirement System (continued)

Plan Description (continued)

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, and who have less than ten years of membership and less than ten years of credited service with a retirement system under the provisions of article fourteen or fifteen of the NYSRSSL, who contribute 3% of their salary. Prior to October 1, 2000, all employees who joined the System after July 27, 1976 were required to contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

	Amount	Reconciliation & Miscellaneous Adjustments	Total Payment
2007	54,026		54,026
2006	53,203	1,013	54,216
2005	53,547	2,778	56,325

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

F. Post-employment Benefits (Obligations for Health Insurance)

In the government-wide financial statements, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2007, the District recognizes the costs of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phases in over 30 years, commencing with the 2007 liability.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

F. Post-employment Benefits (Obligations for Health Insurance) (continued)

Plan Description

The District, per its contracts with employees, will pay the full premium costs for the medical insurance coverage (currently provided by Empire Plan Plus Enhancements of the New York State Government Employees Health Insurance Program) for an employee of the District at retirement, provided the employee has reach age 55 and has been employed by the District for at least years prior to the date of retirement. Commissioners may become eligible for these benefits if they reach age 60 with 5 years of service while working for the District. These contracts will be renegotiated at various times in the future. The retiree is also eligible for Medicare reimbursement in the amount of $1,122 per year. Healthcare benefits for non-union employees are similar to those of union employees. Upon death of an active employee with ten years of service, the District will pay eighty percent, or an amount determined by the Commissioners based on the circumstances of the District, of the cost to continue coverage for the non-remarried spouse and dependents of the employee.

The number of participants as of January 1, 2007, the effective date of the OPEB valuation, follows. There have been no significant changes in the number or the type of coverage since that date.

Active employees	8
Retired employees	7
Spouses of retired employees	1
Total	16

Funding Policy

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

Annual Other Post-employment Benefit Cost

For the year ended December 31, 2007, the District's annual other post-employment benefits cost (expenses) were $154,895. Considering the annual expense as well as the payment of current health insurance premiums, which totaled $44,922 for retirees and their beneficiaries, the result was an increase in the other post-employment benefits liability of $109,973 for the year ended December 31, 2007.

Benefit Obligations and Normal Cost

	Medical	Medicare B	Total
Actuarial Accrued Liability (AAL)			
Retired employees	$ 603,904	$ 150,361	$ 754,265
Active employees	992,759	161,053	1,153,812
Unfunded actuarial accrued liability (AAL)	$ 1,596,663	$ 311,414	$ 1,908,077

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

F. Post-employment Benefits (Obligations for Health Insurance) (continued)

Annual Other Post-employment Benefit Cost (continued)

The District's annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), 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 following table shows the components of the District's other post-employment benefits liability:

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

	Medical	Medicare B	Total
Normal Cost	$ 56,786	$ 9,401	$ 66,187
Amortization of unfunded actuarial liability (UAAL) over 30 years	69,458	13,547	83,005
Interest	4,851	852	5,703
Annual required contribution (ARC)	131,095	23,800	154,895
Contribution for fiscal year ended December 31, 2007	36,903	8,019	44,922
Increase in other post-employment benefits liability	94,192	15,781	109,973
Other post-employment benefits liability at December 31, 2006	-0-	-0-	-0-
Other post-employment benefits liability at December 31, 2007	$ 94,192	$ 15,781	$ 109,973
Percent of annual OPEB cost contributed	28.15%	33.69%	29.00%

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

In the January 1, 2007 actuarial valuation, the liabilities were computed using the entry age normal method and level percentage of projected payroll of active plan members. The actuarial assumptions utilized a 4.5% discount rate and a 2.5% payroll growth rate. The valuation assumes a 10-12% healthcare cost trend increase for year ended 2007, reduced decrements to a rate of 5% after seven years. The remaining amortization period at December 31, 2007 was twenty nine years.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

G. Developer Deposits Payable

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

H. Indebtedness

Short-Term Debt

On behalf of the District the Town of Oyster Bay issued a Bond Anticipation Note to provide temporary financing in the Capital Projects Fund. This note in the amount of $725,000 bears interest at 3.87% and is due in March 14, 2008. The following is a summary of changes in short-term debt for the year ended December 31, 2007:

	Balance 1/1/07	Issued	Redeemed / Paid	Balance 12/31/07
Bond anticipation notes payable	$ 1,255,000	$ 755,000	$ (1,255,000)	$ 755,000

Long-Term Debt

General Obligation Serial Bonds - The District periodically borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the Town of Oyster Bay, bear interest at rates ranging from 3.5 to 8.2 percent.

Other Long-Term Debt

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

Other post-employment benefits – Represents the actuarial value of other post employment benefits liability. See note F.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2007:

	Balance 1/1/07	Issued	Redeemed / Paid	Balance 12/31/07	Non-current Liabilities Due Within One Year
Compensated absences	$ 135,837	$ 14,870		$ 150,707	$ -0-
Other post-employment benefits	-0-	154,895	(44,922)	109,973	50,000
General obligation bonds	3,210,290	450,000	(231,848)	3,428,442	241,344

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

H. Indebtedness (continued)

Principal and interest payments to maturity of General Obligation Serial Bonds as of December 31, 2007 are as follows:

Year ending December 31,	2008	$ 241,344
	2009	262,939
	2010	236,084
	2011	243,404
	2012	248,660
	2013-2017	1,182,076
	2018-2022	1,013,935
		$ 3,428,442

Interest expense of $201,556 has been included in water supply service expense in the statement of activities.

I. Subsequent Events

In March 2008, the District issued a bond anticipation note in the amount of $700,000 with an interest rate of 2.15% and is due June 13, 2008. The proceeds were used to redeem the bond anticipation note outstanding at December 31, 2007.

REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

OYSTER BAY WATER DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended December 31, 2007

	Budget Amounts Original	Budget Amounts Final	Actual Amounts Budget Basis	Variance Positive (Negative)
Revenues				
Real property taxes	$ 721,336	$ 721,336	$ 721,302	$ (34)
Other real property tax items	24,000	24,000	29,177	5,177
Departmental income	885,300	885,300	979,219	93,919
Use of money and property	400,000	400,000	436,912	36,912
Total Revenues	2,030,636	2,030,636	2,166,610	135,974
Expenditures				
Administration	393,000	387,415	367,780	19,635
Source of supply, power and pumping	175,000	160,000	145,835	14,165
Purification	42,000	50,000	49,897	103
Transmission and distribution	642,500	613,085	568,853	44,232
Employee benefits	280,000	299,000	284,225	14,775
Debt principal and interest	444,097	467,097	467,016	81
Total Expenditures	1,976,597	1,976,597	1,883,606	92,991
Other Sources/Uses of Funds				
Interfund transfers - out	(400,000)	(400,000)	(131,139)	268,861
Total Other Sources/Uses of Funds	(400,000)	(400,000)	(131,139)	268,861
Change in Fund Balance	$ (345,961)	$ (345,961)	$ 151,865	$ 497,826
Fund Balance at Beginning of Year			906,469	
Fund Balance at End of Year			$ 1,058,334	

OTHER SUPPLEMENTAL INFORMATION

OYSTER BAY WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULES OF REVENUE - BUDGET AND ACTUAL
Year ended December 31, 2007

	Budget Amounts Original	Budget Amounts Final	Actual Amounts Budget Basis	Variance Positive (Negative)
Real Property Taxes				
Ad valorem	$ 625,568	$ 625,568	$ 625,534	$ (34)
Special assessments	95,768	95,768	95,768	-0-
Total Real Property Taxes	721,336	721,336	721,302	(34)
Other Real Property Tax Items				
Payments in lieu of taxes	24,000	24,000	29,177	5,177
Total Other Real Property Tax Items	24,000	24,000	29,177	5,177
Departmental Income				
Metered water sales	780,000	780,000	892,762	112,762
Installation charges	50,000	50,000	18,319	(31,681)
Hydrant rentals and sprinkler charges	55,300	55,300	56,230	930
Interest and penalties - water rents			7,779	7,779
Other local sources			4,129	4,129
Total Departmental Income	885,300	885,300	979,219	93,919
Use of Money and Property				
Interest earnings	30,000	30,000	52,979	22,979
Tower rental	370,000	370,000	383,933	13,933
Total Use of Money and Property	400,000	400,000	436,912	36,912
Total Revenues	$ 2,030,636	$ 2,030,636	$ 2,166,610	$ 135,974

OYSTER BAY WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year ended December 31, 2007

	Budget Amounts		Actual Amounts	Variance Positive
	Original	Final	Budget Basis	(Negative)
Administration:				
Office salaries	$ 170,000	$ 170,000	$ 168,907	$ 1,093
Commissioners' fees	30,000	28,000	27,931	69
Office equipment	-0-	1,000	716	284
Computerization and software	5,000	7,000	6,187	813
Office utilities	17,000	17,000	10,121	6,879
Auditing	24,000	24,575	24,000	575
Legal	5,000	5,000	1,750	3,250
Insurance	90,000	79,000	78,016	984
Notices and advertising	5,000	5,000	2,924	2,076
Office expense	6,000	6,300	6,012	288
Office maintenance & service contracts	15,000	17,000	16,578	422
Postage	8,000	8,000	7,307	693
Conferences, meetings and conventions	18,000	18,000	15,823	2,177
Dues and subscriptions	-0-	1,540	1,508	32
Total Administration	393,000	387,415	367,780	19,635
Source of Supply, Power and Pumping:				
Electrical power	175,000	160,000	145,835	14,165
Total Source of Supply, Power and Pumping	175,000	160,000	145,835	14,165
Purification:				
Chemical treatment and analysis	42,000	50,000	49,897	103
Total Purification	42,000	50,000	49,897	103
Transmission and Distribution:				
Personal services - plant salaries	450,000	416,585	392,138	24,447
Equipment - vehicles & plant	20,000	8,000	7,558	442
Repairs and maintenance - plant	38,000	63,300	61,492	1,808
Plant supplies	4,000	4,000	3,039	961
Small tools and equipment	20,000	15,000	10,043	4,957
Plant communications	12,000	12,000	8,392	3,608
Meters and supplies	50,000	33,700	28,060	5,640
Engineering	30,000	33,000	31,807	1,193
Auto expense	16,000	23,000	22,378	622
Miscellaneous	2,500	4,500	3,946	554
Total Transmission and Distribution	642,500	613,085	568,853	44,232
Employee Benefits:				
State retirement	60,000	60,000	54,026	5,974
Social security	50,000	50,000	42,901	7,099
Hospital and medical insurance	170,000	166,000	165,398	602
Hospital and medical insurance - buy back	-0-	22,000	21,565	435
Disability insurance	-0-	1,000	335	665
Total Employee Benefits	280,000	299,000	284,225	14,775
Debt Principal and Interest:				
Serial bonds:				
Principal	231,848	231,848	231,848	-0-
Interest	108,909	131,909	131,828	81
Bond Anticipation Notes:				
Principal	50,000	50,000	50,000	-0-
Interest	53,340	53,340	53,340	-0-
Total Debt Principal and Interest	444,097	467,097	467,016	81
Total Expenditures	1,976,597	1,976,597	1,883,606	92,991
Other Uses:				
Transfer to Capital Projects Fund	400,000	400,000	131,139	268,861
Total Expenditures and Other Uses	$ 2,376,597	$ 2,376,597	$ 2,014,745	$ 361,852

OYSTER BAY WATER DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
Year ended December 31, 2007

Capital Project	Expenditures Prior Years	Expenditures Current Year	Total
Schoolhouse Tank Painting - Plant 5	$ 667,528	$ 3,645	$ 671,173
VOC Treatment - Plant 2		29,671	29,671
Door and Window Replacement		32,791	32,791
NCPD Antenna		6,050	6,050
Rehabilitation of Berry Hill Road storage tank - Plant 6A	270,685	37,300	307,985
Fuel Tank - Plant 6		1,125	1,125
Shutter Lane permit		1,319	1,319
Mill River Roof Vent		11,350	11,350
Total Expenditures	$ 938,213	$ 123,251	$ 1,061,464