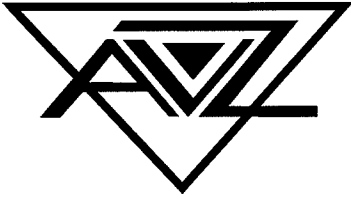


OYSTER BAY WATER DISTRICT
AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2008

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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, 2008, 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, 2008, 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.

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

Hauppauge, New York
March 19, 2009

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2008

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, 2008. 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.

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year ended December 31, 2008

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:

	2008	2007
Assets		
Current and other assets	\$ 1,862,379	\$ 1,711,480
Capital assets	8,928,393	9,032,297
Total Assets	10,790,772	10,743,777
Liabilities		
Current liabilities	520,247	1,193,011
Noncurrent liabilities	3,957,538	3,397,778
Total Liabilities	4,477,785	4,590,789
Net assets		
Invested in capital assets	5,189,914	5,387,131
Unrestricted	1,123,073	765,857
Total Net Assets	\$ 6,312,987	\$ 6,152,988
 Changes in Net Assets		
Program Revenues		
Charges for services	\$ 1,009,721	\$ 979,219
General Revenues		
Real property taxes	815,414	750,479
Use of money and property	425,375	447,760
Total Revenues	1,240,789	1,198,239
Total Revenues	2,250,510	2,177,458
Expenses - Water supply services	2,090,511	2,080,223
Changes in Net Assets	159,999	97,235
Net Assets - beginning of the year, as restated	6,152,988	6,055,753
Net Assets - end of the year	\$ 6,312,987	\$ 6,152,988

**OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2008**

FINANCIAL HIGHLIGHTS

The District's net assets as of December 31, 2008 were approximately \$6.3 million, an increase of approximately \$160,000 from the prior year. Of the District's total net assets \$5.2 million were invested in capital assets net of related debt, while approximately \$1.1 million were 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	\$ 2,122,649	\$ 2,122,649	\$ 2,155,791	\$ 33,142
Expenditures	(2,037,016)	(2,037,016)	(1,881,896)	155,120
Transfers – Capital Projects	(375,000)	(450,000)	(449,278)	722
	<u>\$ (289,367)</u>	<u>\$ (364,367)</u>	<u>\$ (175,383)</u>	<u>\$ 188,984</u>

The general fund reported expenditures and other financing uses in excess of revenues and other sources this year of approximately \$175,000 decreasing the general fund balance to approximately \$883,000. This was due mainly to a transfer to the capital projects fund of approximately \$449,000 to pay capital costs and for the purpose of increasing the amount of reserves set aside for future capital projects. The District budgeted total expenditures and other uses in excess of revenues and other sources of approximately \$364,000 by appropriating a portion of its prior year fund balance. The original budget was increased by \$75,000 to cover the increase transfers to the capital reserves. Also, various transfers between appropriations were made.

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 2008, the District purchased capital assets and made improvements to the water system totaling as follows:

Construction in progress	\$ 129,774
Improvements	60,827
Equipment	51,106
Total Costs	<u>\$ 241,707</u>

In addition to the capital improvements described above the 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 capital budget which amounts to approximately \$6 million of capital expenditures over the next several years.

At year-end the District had \$3,887,098 of general obligation bonds. During the year, the District issued \$700,000 of general obligation bonds to repay the bond anticipation not payable.

**OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2008**

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:

	<u>Gallons pumped In 000's</u>		<u>Revenue</u>
2008	429,105	\$	834,780
2007	449,882		892,761
2006	407,019		790,814
2005	453,917		930,368
2004	420,011		853,749

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 Secretary to the Board 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, 2008

Assets

Current assets:

Cash and investments	\$ 1,395,384
Accounts receivable	224,004
Receivables - other	27,723
Due from Town of Oyster Bay	162,428
Prepaid expenses	13,185
Inventory of materials and supplies	39,655
Total Current Assets	<u>1,862,379</u>

Noncurrent assets:

Property, plant and equipment, net	<u>8,928,393</u>
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Total Assets	<u>10,790,772</u>
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Liabilities

Current liabilities:

Accounts payable and accrued expenses	121,801
Developer deposits	71,797
Current portion of long term liabilities	326,649
Total Current Liabilities	<u>520,247</u>

Noncurrent liabilities:

Compensated absences	162,927
Other post-employment benefits payable	190,662
General obligation bonds payable	<u>3,603,949</u>

Total Liabilities	<u>4,477,785</u>
-------------------	------------------

Net Assets

Investment in capital assets, net of related debt	5,189,914
Unrestricted	<u>1,123,073</u>

Total Net Assets	<u>\$ 6,312,987</u>
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OYSTER BAY WATER DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 December 31, 2008

Assets	General	Capital Projects	Total
Cash and investments	\$ 822,603	\$ 572,781	\$ 1,395,384
Accounts receivable	133,641		133,641
Receivables - other	27,723		27,723
Due from Town of Oyster Bay	13,809	148,619	162,428
Inventory of materials and supplies	39,655		39,655
Total Assets	\$ 1,037,431	\$ 721,400	\$ 1,758,831

Liabilities			
Accounts payable and accrued liabilities	\$ 82,683	\$ -	\$ 82,683
Developer deposits	71,797		71,797
Total Liabilities	154,480	-0-	154,480

Fund Equity			
Fund Balances:			
Reserve for:			
Inventory of materials and supplies	39,655		39,655
Encumbrances		119,800	119,800
Capital		572,782	572,782
Unreserved:			
Designated - ensuing year's budget	367,500		367,500
Undesignated	475,796	28,818	504,614
Total Fund Equity	882,951	721,400	1,604,351
Total Liabilities and Fund Equity	\$ 1,037,431	\$ 721,400	\$ 1,758,831

Reconciliation of Total Governmental Fund Balance to

Net Assets of Governmental Activities

Total Governmental Fund Balances	\$ 1,604,351
Amounts reported for governmental activities in the statement of net assets are different because:	
Revenue that was not recorded on the fund statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in equity on the Statement of Net Assets.	90,363
Some expenditures requiring the use of current financial resources are recorded as expenditures in the fund statements but prepaid in the Statement of Net Assets since they benefit a future period.	13,185
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,928,393
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(3,887,098)
Accrued interest payable	(39,118)
Other post-employment benefits payable	(234,162)
Compensated absences	(162,927)
Net Assets of Governmental Activities	\$ 6,312,987

OYSTER BAY WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
 Year ended December 31, 2008

	General	Capital Projects	Total
Revenues			
Real property taxes	\$ 785,391		\$ 785,391
Other real property tax items	30,023		30,023
Departmental income	919,358		919,358
Use of money and property	421,019	\$ 4,356	425,375
Total Revenues	2,155,791	4,356	2,160,147
Expenditures			
Administration	379,139		379,139
Source of supply, power and pumping	139,164		139,164
Purification	42,734		42,734
Transmission and distribution	574,342		574,342
Employee benefits	300,699		300,699
Debt service	445,818		445,818
Capital outlay		240,510	240,510
Total Expenditures	1,881,896	240,510	2,122,406
Other Sources and (Uses) of Funds			
Transfers in (out)	(449,278)	449,278	-0-
Proceeds from debt			
General obligation bonds		700,000	700,000
Bond anticipation notes		25,000	25,000
Total Other Sources and (Uses) of Funds	(449,278)	1,174,278	725,000
Change in Fund Balance	(175,383)	938,124	762,741
Fund Balance (Deficit)			
Beginning of Year	1,058,334	(216,724)	841,610
End of Year	\$ 882,951	\$ 721,400	\$ 1,604,351
Reconciliation of Changes in Fund Balances of Governmental Funds to the Statement of Activities			
Net Changes in Fund Balances - Total Governmental Funds			\$ 762,741
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			240,587
Depreciation expense			(344,491)
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.			(458,656)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(7,321)
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.			(123,224)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			90,363
Change in Net Assets of Governmental Activities			\$ 159,999

See notes to financial statements.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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 and interest expenses) are 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, 2008

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. All interfund transactions have been eliminated.

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, 2008

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. At December 31, 2008 outstanding encumbrances totaled \$119,800 for capital projects.

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, 2008

A. Summary of Significant Accounting Policies (continued)

7. Prepaid Expenses

Prepays in the government-wide statements represent retirement benefits that will benefit a future period.

8. 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.

9. Interfund Receivables, Payables and Transfers

Interfund receivable and payable balances for the District represent primarily the payment of financing sources and uses that will be reimbursed subsequent to year end. Interfund transfer balances represent the funding of capital expenditures through general fund appropriations.

10. 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 \$2,500 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.

11. Long-Term Liabilities

All long-term liabilities are reported as liabilities in the government-wide statements. Long-term liabilities consists of general obligation bonds, accrued compensated absences and the other post-employment obligation.

Only the portion of long-term liabilities expected to be financed from expendable available financial resources is reported as liabilities in governmental fund financial statements. Debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

A. Summary of Significant Accounting Policies (continued)

12. 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.

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

13. Post Employment Benefits

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors who meet certain criteria. The District recognizes the cost of providing benefits by recording its share of insurance premiums as expenditure in the governmental funds in the year paid. The liability for these other post-employment benefits payable is recorded as a long-term liability in the government-wide statements. The current portion of this debt is estimated based on historical trends.

14. 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.

15. 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.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

B. Capital Projects Fund Balance

The Board of Commissioners established a capital reserve to help finance the cost of capital improvements and to limit the amount of long term bonds that would otherwise be required to finance these capital improvements. This capital reserve is funded periodically with transfers from the general fund unreserved undesignated – fund balance. A summary of activity in the Capital Reserve Fund for the year 2008 is as follows:

Balance - beginning	\$ 114,611
Increase to reserve	453,815
Interest earned on reserve cash	<u>4,356</u>
Balance - ending	<u>\$ 572,782</u>

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, 2008, The District's bank deposit balances were \$1,399,130 of which \$404,464 was covered by the Federal Deposit Insurance Corporation and \$994,666 was covered by collateral with a fair value of \$1,201,900 at December 31, 2008, 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, 2008

D. Property, Plant and Equipment

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance 1/1/2008	Additions	Deletions	Balance 12/31/2008
Capital assets not being depreciated				
Land	\$ 44,916			\$ 44,916
Construction in progress	36,846	\$ 129,774	1,125	165,495
Total capital assets not being depreciated	81,762	129,774	\$ 1,125	210,411
Depreciable capital assets				
Building	1,282,722		29,534	1,253,188
Improvements	943,260	60,827		1,004,087
Wells, water tanks and structures	3,505,164			3,505,164
Machinery and equipment	438,039			438,039
Water mains	6,802,554			6,802,554
Equipment	269,235	51,106	1,891	318,450
Office, furniture and equipment	107,813		34,604	73,209
Computer software	23,749			23,749
Vehicles	266,856			266,856
Total depreciable capital assets	13,639,392	111,933	66,029	13,685,296
Accumulated Depreciation				
Building	291,444	33,872	29,534	295,782
Improvements	185,853	49,809		235,662
Wells, water tanks and structures	945,734	76,245		1,021,979
Machinery and equipment	343,273	10,787		354,060
Water mains	2,393,851	136,051		2,529,902
Equipment	183,225	16,746	1,891	198,080
Office, furniture and equipment	99,312	6,719	34,609	71,422
Computer software	14,172	4,691		18,863
Vehicles	231,993	9,571		241,564
Total accumulated depreciation	\$ 4,688,857	\$ 344,491	\$ 66,034	4,967,314
Total net depreciable capital assets				8,717,982
Total capital assets				\$ 8,928,393

Depreciation expense of \$344,491 was charged to water supply services expense for the year 2008.

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.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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:

	<u>Amount</u>	<u>Reconciliation & Miscellaneous Adjustments</u>	<u>Total Payment</u>
2008	52,764	(15)	52,749
2007	54,026		54,026
2006	53,203	1,013	54,216

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. 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 is being amortized over 30 years, commencing in 2007.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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 5 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 \$1,157 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	<u>1</u>
Total	<u>16</u>

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, 2008, the District's annual other post-employment benefits cost (expenses) was \$163,728. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$39,539 for retirees and their beneficiaries, the result was an increase in the other post-employment benefits liability of \$124,189 for the year ended December 31, 2008.

As of January 1, 2007, the date of the most recent actuarial valuation, the benefit obligation and normal cost is a follows:

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

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2008

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

	<u>Medical</u>	<u>Medicare B</u>	<u>Total</u>
Normal Cost	\$ 58,206	\$ 9,636	\$ 67,842
Amortization of unfunded actuarial liability (UAAL) over 30 years	75,292	14,572	89,864
Interest	<u>5,091</u>	<u>888</u>	<u>5,979</u>
Annual required contribution (ARC)	138,589	25,096	163,685
Interest on net OPEB Obligation	4,239	710	4,949
Adjustment to ARC	<u>(4,202)</u>	<u>(704)</u>	<u>(4,906)</u>
Annual OPEB Cost	138,626	25,102	163,728
Contribution for fiscal year ended December 31, 2008	<u>32,598</u>	<u>6,941</u>	<u>39,539</u>
Increase in other post-employment benefits liability	106,028	18,161	124,189
Other post-employment benefits liability at December 31, 2007	<u>94,192</u>	<u>15,781</u>	<u>109,973</u>
Other post-employment benefits liability at December 31, 2008	<u>\$ 200,220</u>	<u>\$ 33,942</u>	<u>\$ 234,162</u>
Percent of annual OPEB cost contributed	23.52%	27.65%	24.15%

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2008

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

The District's annual OPEB cost, the percent of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2007 and 2008 is as follows:

		Annual OPEB Cost	Percent of annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$	163,728	24.15%	\$ 234,162
2007		154,895	29.00%	109,973

In future years, three-year trend information will be presented. Year ended December 31, 2007 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively, therefore, prior year comparative data is not available.

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2007 is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
\$ -	\$ 1,908,077	\$ 1,908,077	0%	N/A	N/A

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 2008, reduced decrements to a rate of 5% after seven years. The remaining amortization period at December 31, 2008 was twenty-eight years.

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.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2008

H. Indebtedness

Short-Term Debt

On behalf of the District the Town of Oyster Bay had issued a Bond Anticipation Note to provide temporary financing in the Capital Projects Fund. The following is a summary of changes in short-term debt for the year ended December 31, 2008:

	Balance 1/1/08	Issued	Redeemed / Paid	Balance 12/31/08
Bond anticipation notes payable	\$ 725,000	\$ -	\$ (725,000)	\$ -

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, 2008:

	Balance 1/1/08	Issued	Redeemed / Paid	Balance 12/31/08	Non-current Liabilities Due Within One Year
Compensated absences	\$ 150,707	\$ 12,220		\$ 162,927	\$ -0-
Other post-employment benefits	109,973	163,728	(39,539)	234,162	43,500
General obligation bonds	3,428,442	700,000	(241,344)	3,887,098	283,149

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

H. **Indebtedness** (continued)

Principal and interest payments to maturity of General Obligation Serial Bonds as of December 31, 2008 are as follows:

Year ending December 31,	2009	\$ 283,149
	2010	263,014
	2011	271,294
	2012	277,650
	2013-2017	1,344,636
	2018-2022	1,210,275
	2023-2027	237,080
		<u>\$ 3,887,098</u>

Interest expense of \$186,795 has been included in water supply service expense in the statement of activities. All long-term liabilities are paid from the General Fund.

I. **Subsequent Events**

It is anticipated that during March 2009 the Town of Oyster Bay will issue bond anticipation notes in the amount of \$1,551,000 on behalf of the District. Proceeds of this debt will be used to finance the cost of improvements to the water system.

**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, 2008

	Budget Amounts		Actual	Variance
	Original	Final	Amounts Budget Basis	Positive (Negative)
Revenues				
Real property taxes	\$ 787,649	\$ 787,649	\$ 785,391	\$ (2,258)
Other real property tax items	27,000	27,000	30,023	3,023
Departmental income	885,000	885,000	919,358	34,358
Use of money and property	423,000	423,000	421,019	(1,981)
Total Revenues	<u>2,122,649</u>	<u>2,122,649</u>	<u>2,155,791</u>	<u>33,142</u>
Expenditures				
Administration	395,350	403,700	379,139	24,561
Source of supply, power and pumping	175,000	175,000	139,164	35,836
Purification	60,000	60,000	42,734	17,266
Transmission and distribution	688,250	645,900	574,342	71,558
Employee benefits	275,000	305,000	300,699	4,301
Debt principal and interest	443,416	447,416	445,818	1,598
Total Expenditures	<u>2,037,016</u>	<u>2,037,016</u>	<u>1,881,896</u>	<u>155,120</u>
Other Uses of Funds				
Interfund transfers - out	<u>(375,000)</u>	<u>(450,000)</u>	<u>(449,278)</u>	<u>722</u>
Total Other Uses of Funds	<u>(375,000)</u>	<u>(450,000)</u>	<u>(449,278)</u>	<u>722</u>
Change in Fund Balance	<u>\$ (289,367)</u>	<u>\$ (364,367)</u>	<u>\$ (175,383)</u>	<u>\$ 188,984</u>
Fund Balance at Beginning of Year			<u>1,058,334</u>	
Fund Balance at End of Year			<u>\$ 882,951</u>	

OTHER SUPPLEMENTAL INFORMATION

OYSTER BAY WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 Year ended December 31, 2008

	Budget Amounts		Actual	Variance
	Original	Final	Amounts Budget Basis	Positive (Negative)
Real Property Taxes				
Ad valorem	\$ 668,478	\$ 668,478	\$ 666,220	\$ (2,258)
Special assessments	119,171	119,171	119,171	-0-
Total Real Property Taxes	787,649	787,649	785,391	(2,258)
Other Real Property Tax Items				
Payments in lieu of taxes	27,000	27,000	30,023	3,023
Total Other Real Property Tax Items	27,000	27,000	30,023	3,023
Departmental Income				
Metered water sales	780,000	780,000	834,780	54,780
Installation charges	50,000	50,000	10,156	(39,844)
Hydrant rentals and sprinkler charges	55,000	55,000	62,520	7,520
Interest and penalties - water rents			7,483	7,483
Other local sources			4,419	4,419
Total Departmental Income	885,000	885,000	919,358	34,358
Use of Money and Property				
Interest earnings	35,000	35,000	27,091	(7,909)
Tower rental	388,000	388,000	393,928	5,928
Total Use of Money and Property	423,000	423,000	421,019	(1,981)
Total Revenues	<u>\$ 2,122,649</u>	<u>\$ 2,122,649</u>	<u>\$ 2,155,791</u>	<u>\$ 33,142</u>

OYSTER BAY WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 Year ended December 31, 2008

	Budget Amounts		Actual Amounts Budget Basis	Variance Positive (Negative)
	Original	Final		
Administration:				
Office salaries	\$ 179,350	\$ 181,350	\$ 180,792	\$ 558
Commissioners' fees	30,000	32,400	32,323	77
Computerization and software	5,000	8,000	6,752	1,248
Office utilities	14,500	17,400	10,509	6,891
Auditing	26,000	26,450	26,000	450
Legal	5,000	5,000	-	5,000
Insurance	80,000	80,000	74,134	5,866
Notices and advertising	5,000	5,000	4,252	748
Office expense	6,000	6,700	6,653	47
Office maintenance & service contracts	18,500	18,300	15,625	2,675
Postage	8,000	8,000	7,391	609
Conferences, meetings and conventions	18,000	15,100	14,708	392
Total Administration	395,350	403,700	379,139	24,561
Source of Supply, Power and Pumping:				
Electrical power	175,000	175,000	139,164	35,836
Total Source of Supply, Power and Pumping	175,000	175,000	139,164	35,836
Purification:				
Chemical treatment and analysis	60,000	60,000	42,734	17,266
Total Purification	60,000	60,000	42,734	17,266
Transmission and Distribution:				
Personal services - plant salaries	474,750	436,075	436,021	54
Equipment - vehicles & plant	20,000	20,000	6,366	13,634
Repairs and maintenance - plant	41,000	41,000	23,965	17,035
Plant supplies	4,000	4,000	3,509	491
Small tools and equipment	20,000	20,000	7,555	12,445
Plant communications	12,000	12,000	7,600	4,400
Meters and supplies	50,000	43,900	24,428	19,472
Engineering	40,000	40,000	36,281	3,719
Auto expense	24,000	24,500	24,230	270
Miscellaneous	2,500	4,425	4,387	38
Total Transmission and Distribution	688,250	645,900	574,342	71,558
Employee Benefits:				
State retirement	55,000	53,900	52,749	1,151
Social security	50,000	50,000	49,645	355
Hospital and medical insurance	170,000	170,000	167,563	2,437
Hospital and medical insurance - buy back	-0-	31,000	30,690	310
Disability insurance	-0-	100	52	48
Total Employee Benefits	275,000	305,000	300,699	4,301
Debt Principal and Interest:				
Serial bonds:				
Principal	241,344	241,344	241,344	-0-
Interest	149,198	149,198	147,879	1,319
Bond Anticipation Notes:				
Principal	25,000	25,000	25,000	-0-
Interest	27,874	31,874	31,595	279
Total Debt Principal and Interest	443,416	447,416	445,818	1,598
Total Expenditures	2,037,016	2,037,016	1,881,896	155,120
Other Uses:				
Transfer to Capital Projects Fund	375,000	450,000	449,278	722
Total Expenditures and Other Uses	\$ 2,412,016	\$ 2,487,016	\$ 2,331,174	\$ 155,842

OYSTER BAY WATER DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
Year ended December 31, 2008

Capital Project	Expenditures		Encumbrances	Total
	Prior Years	Current Year		
Plant 2 Improvements		\$ 32,857		\$ 32,857
GAC Treatment System - Plant 2	\$ 29,671	117,137		146,808
Plant 1 Kitchen Improvements		27,975		27,975
Tablet Chlorinators		12,638	\$ 119,800	132,438
NCPD Antenna	6,050			6,050
Fuel Tank - Plant 6 & 2	1,125	44,585		45,710
Financing costs on new issue		5,318		5,318
Total Expenditures	<u>\$ 36,846</u>	<u>\$ 240,510</u>	<u>\$ 119,800</u>	<u>\$ 397,156</u>