

OYSTER BAY WATER DISTRICT
AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Oyster Bay Water District
45 Audrey Avenue
Oyster Bay, New York 11771

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, (the "District"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Oyster Bay Water District, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund – statement of revenues, expenditures and changes in fund balance – budget and actual, and schedule of funding progress for postemployment benefits other than pensions on pages 3 through 7 and pages 29-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oyster Bay Water District's basic financial statements. The other supplementary information on page 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


RYNKAR, VAIL & BARRETT, LLP

Mineola, New York
June 5, 2014

**OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2013**

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, 2013. 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 Position 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 Position 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.

Governmental Fund Financial Statements

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds tell how services were financed in the short term as well as what remains for future spending. The Governmental 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 governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental 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 Positions 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, 2013**

CONDENSED FINANCIAL INFORMATION

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

**Condensed Statement of Net Position:
as of December 31,**

	<u>2013</u>	<u>2012</u>
Assets		
Current and other assets	\$ 2,545,396	\$ 2,387,544
Capital assets	10,053,588	10,246,783
Total Assets	<u>12,598,984</u>	<u>12,634,307</u>
Liabilities		
Current liabilities	2,016,004	1,887,500
Noncurrent liabilities	3,361,986	3,491,215
Total Liabilities	<u>5,377,990</u>	<u>5,378,715</u>
Net Position		
Invested in capital assets	6,323,335	6,254,003
Restricted	995,857	994,860
Unrestricted	(98,198)	6,729
Total Net Position	<u>\$ 7,220,994</u>	<u>\$ 7,255,592</u>

	<u>2013</u>	<u>2012</u>
Changes in Net Position for the years ended December 31,		
Program Revenues		
Charges for services	\$ 1,028,061	\$ 994,950
Capital grants and contributions	-0-	38,139
Total Program Revenues	<u>1,028,061</u>	<u>1,033,089</u>
General Revenues		
Real property taxes	925,289	910,079
Use of money and property	415,921	397,931
Sale of property and compensation for loss	-0-	11,798
Other local sources	12,730	43,473
State aid	-0-	3,154
Federal aid	4,598	32,452
Total General Revenues	<u>1,358,538</u>	<u>1,398,887</u>
Total Revenues	<u>2,386,599</u>	<u>2,431,976</u>
Expenses - Water supply services	2,421,197	2,261,576
Changes in Net Position	(34,598)	170,400
Net Position - Beginning of the Year	<u>7,255,592</u>	<u>7,085,192</u>
Net Position - End of the Year	<u>\$ 7,220,994</u>	<u>\$ 7,255,592</u>

**OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2013**

FINANCIAL HIGHLIGHTS

The District's net position as of December 31, 2013 was \$7,220,994, a decrease of \$34,598, from the prior year. Of the District's total net position \$6,323,335 was invested in capital assets net of related debt, \$995,857 is restricted for acquisition of capital assets and (\$98,198) was unrestricted.

The deficit balance of unrestricted net position does not necessarily indicate financial stress. These financial statements include a liability for other postemployment benefits (OPEB). OPEB costs must now be recognized during the period of the employees' years of service and for benefits already earned by current and former employees, amortized over a period of 30 years. It is not currently required that this liability for OPEB actually be funded, accordingly, unrestricted net position will be impacted in subsequent years due to the recognition of this liability for OPEB.

Program revenues were \$1,028,061 in the current year, which were \$5,028 less than the prior year.

General revenues were \$1,358,538 in the current year. General revenues were higher in the prior year due to federal and state aid received in the prior year in the amount of \$35,606 related to hurricanes Irene and Sandy.

Total operating expenses were \$2,421,197 in the current year, which were overall \$159,621 more than the prior.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

	Original Budget	Final Budget	Actual Amounts	Variance
Revenues	\$ 2,140,565	\$ 2,167,565	\$ 2,335,118	\$ 167,553
Expenditures	(2,205,675)	(2,232,675)	(2,218,922)	13,753
Other Sources and Uses				
Transfers in - Capital Projects			76,465	76,465
Transfers out - Capital Projects	(250,000)	(250,000)	(234,095)	15,905
Net Change in Fund Balance	<u>\$ (315,110)</u>	<u>\$ (315,110)</u>	<u>\$ (41,434)</u>	<u>\$ 273,676</u>

The general fund reported expenditures and other uses in excess of revenues and other sources this year of \$41,434 decreasing the fund balance to \$1,881,714. Actual revenues exceeded estimated revenues by \$167,553. Budgeted expenditures were more than actual expenditures by \$13,753. Actual transfer to and from the capital projects fund were less than budgeted by \$92,370 net.

OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2013

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 2013, the District purchased capital assets and made improvements to the water system totaling as follows:

Construction in progress	\$	181,367
Wells, water tanks and structures		11,875
Machinery and equipment		3,899
Equipment		10,926
Vehicles		20,186
Total Costs	\$	<u>227,853</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 \$3.8 million of capital expenditures over the next several years.

At year-end, the District had \$2,500,538 of general obligation bonds and \$1,400,000 of bond anticipation notes outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District derives a significant portion of their 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 estimates. The District also believes that such adverse weather conditions can easily recur over two or more consecutive years. Gallons pumped and metered revenues for the past five years are as follows:

	Gallons pumped In 000's	Revenue
2013	391,978	\$ 882,355
2012	409,093	912,360
2011	380,872	858,284
2010	428,821	985,651
2009	343,752	701,686

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. For fiscal years, beginning in 2012 and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Board of Commissioners by unanimous vote approves the annual budget as well as the property taxes levy to be assessed each year.

**OYSTER BAY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2013**

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 POSITION
 December 31, 2013

Assets

Current assets:

Cash and investments	\$	1,753,390
Accounts receivable		333,918
Due from Town of Oyster Bay		378,282
Prepaid expenses		34,284
Inventory of materials and supplies		45,522

Total Current Assets 2,545,396

Noncurrent assets:

Non-depreciable capital assets		274,122
Depreciable capital assets, net of depreciation		9,779,466

Total Noncurrent Assets 10,053,588

Total Assets 12,598,984

Liabilities

Current liabilities:

Accounts payable and accrued expenses		279,868
Collections in advance		8,703
Developer deposits		35,645
Bond anticipation note payable		1,400,000
Current portion of long term liabilities		291,788

Total Current Liabilities 2,016,004

Noncurrent liabilities:

General obligation bonds payable		2,238,732
Compensated absences		178,852
Due to employees retirement system		22,111
Other postemployment benefits payable		922,291

Total Noncurrent Liabilities 3,361,986

Total Liabilities 5,377,990

Net Position

Investment in capital assets, net of related debt		6,323,335
Restricted		995,857
Unrestricted		(98,198)

Total Net Position \$ 7,220,994

OYSTER BAY WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

Governmental Activities

Expenses - Water supply services \$ 2,421,197

Program revenues

Charges for services 1,028,061

Total Program revenues 1,028,061

Net Program Expense (1,393,136)

General revenues

Real property taxes and other items 925,289

Use of money and property 415,921

Other local sources 12,730

Federal aid 4,598

Total General Revenues 1,358,538

Change in Net Position (34,598)

Net Position - Beginning of the Year 7,255,592

Net Position - End of the Year \$ 7,220,994

OYSTER BAY WATER DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 December 31, 2013

Assets	General	Capital Projects	Total
Cash and investments	\$ 1,753,390		\$ 1,753,390
Accounts receivable	206,473		206,473
Due from other fund		\$ 185,672	185,672
Due from Town of Oyster Bay	217,267	161,015	378,282
Inventory of materials and supplies	45,522		45,522
Total Assets	\$ 2,222,652	\$ 346,687	\$ 2,569,339
 Liabilities			
Accounts payable and accrued liabilities	\$ 110,918	\$ 123,674	\$ 234,592
Developer deposits	35,645		35,645
Due to other fund	185,672		185,672
Collections in advance	8,703		8,703
Bond anticipation note payable		1,400,000	1,400,000
Total Liabilities	340,938	1,523,874	1,864,612
 Fund Equity (Deficit)			
Non-spendable	45,522		45,522
Restricted	995,857		995,857
Assigned	342,972		342,972
Unassigned	497,363	(1,176,987)	(679,624)
Total Fund Equity (Deficit)	1,881,714	(1,178,987)	704,727
Total Liabilities end Fund Equity (Deficit)	\$ 2,222,652	\$ 346,687	\$ 2,569,339

**Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position of Governmental Activities**

Total Governmental Fund Balances	\$ 704,727
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	127,445
Some expenditures requiring the use of current financial resources are recorded as expenditures in the fund statements but as prepaid expenses in the statement of net position since they benefit a future period.	34,284
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,053,588
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(2,500,538)
Accrued interest payable	(45,276)
Other postemployment benefits payable	(922,291)
Compensated absences	(188,285)
Due to employees' retirement system	(42,680)
Net Position of Governmental Activities	\$ 7,220,994

See notes to financial statements.

OYSTER BAY WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
 Year Ended December 31, 2013

	General	Capital Projects	Total
Revenues			
Real property taxes	\$ 891,748		\$ 891,748
Other real property tax items	33,541		33,541
Departmental income	976,580		976,580
Use of money and property	415,921		415,921
Other local sources	12,730		12,730
Federal aid	4,598		4,598
Total Revenues	2,335,118	-	2,335,118
Expenditures			
Home and Community Service - Water Supply Services			
Administration	435,075		435,075
Source of supply, power and pumping	186,470		186,470
Purification	38,506		38,506
Transmission and distribution	647,967		647,967
Employee benefits	461,172		481,172
Debt service	449,732		449,732
Capital outlay		\$ 202,515	202,515
Total Expenditures	2,218,922	202,515	2,421,437
Excess (Deficiency) of Revenues over (under) Expenditures	116,196	(202,515)	(86,319)
Other Sources (Uses) of Funds			
Interfund transfers in (out)	76,465	(76,465)	-0-
Interfund transfers in (out)	(234,095)	234,095	-0-
Bond anticipation notes redeemed from appropriations		50,000	50,000
Total Other Sources and (Uses) of Funds	(157,830)	207,630	50,000
Net Change in Fund Balance	(41,434)	5,115	(36,319)
Fund Balance (Deficit) Beginning of Year	1,923,148	(1,182,102)	741,046
Fund Balance (Deficit) End of Year	\$ 1,881,714	\$ (1,176,987)	\$ 704,727
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities			
Net Changes In Fund Balances - Total Governmental Funds			\$ (36,319)
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			227,853
Depreciation expense			(421,026)
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:			
Payment of bond principal			262,271
Certain revenues and expenses reported in the statement of activities are not reported as revenues or expenditures in governmental funds:			
Accounts receivable			51,481
Accrued interest			13,348
Employees' retirement system			21,361
Compensated absences			(8,793)
Other postemployment benefits			(144,792)
Change In Net Position of Governmental Activities			\$ (34,598)

See notes to financial statements.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

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 report information on the District as a whole.

In the government-wide Statement of Net Position, 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 position is reported in three parts—invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of the District's function (home end community service – water supply services), which are otherwise supported by general revenues (real property taxes, use of money and property, sale of property and compensation for loss, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants to produce the net cost of each program. Program revenues include (a) charges for services and (b) operating and capital grants and contributions that are directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. The net cost is normally covered by general revenues. This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 emphasis in the fund financial statements is on the major funds. The District considers all funds to be major funds.

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 types:

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. Governmental 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 Position 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. Interfund transactions have been eliminated from the government-wide financial statements.

In the funds statement, 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, 2013

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 the collection of unpaid taxes rests with Nassau County.

5. Accounts Receivable

Accounts receivables include amounts due from customers. Receivables are recorded and revenues recognized as earned. Revenue from unbilled water usage at year end is recognized in the government-wide financial statements. At December 31, 2013, the District considered all remaining accounts receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

6. Inventory of Materials and Supplies

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.

7. Prepaid Expenses

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

8. 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.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

A. Summary of Significant Accounting Policies (continued)

9. Capital Assets

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 and amortization of all finite intangible assets is recorded as an expense in the Statement of Activities, with accumulated depreciation and amortization reflected in the Statement of Net Position. Depreciation or amortization 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
- Computer software	5 years

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

10. Developer Deposits

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.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any items qualifying for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District did not have any items qualifying for reporting in this category.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

A. Summary of Significant Accounting Policies (continued)

12. Long-Term Debt

All long-term debt is reported as liabilities in the government-wide statements. Long-term debt consists of general obligation bonds, accrued compensated absences, due to employee retirement system and the other postemployment benefit liabilities.

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 principal and interest are reported as expenditures.

13. 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.

14. Postemployment 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 postemployment benefits payable is recorded as a long-term liability in the government-wide statements.

15. 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.

16. Net Position and Fund Equity Classifications

Government-wide Financial Statements

In government-wide financial statements equity is classified as net position and displayed in three components:

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.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

A. Summary of Significant Accounting Policies (continued)

16. Net Position and Fund Equity Classifications (continued)

Government-Wide Financial Statements (continued)

Restricted net position—Consists of net position 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.

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

Fund Financial Statements

In the fund financial statements governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable fund balance includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory of materials and supplies recorded in the general fund.

Restricted fund balance includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority. The Board of Commissioners is not empowered to establish local law; accordingly the District will not have committed fund balances.

Assigned fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has the authority to assign amounts to be used for specific purposes. Assigned fund balances including all remaining amounts (except negative balances) that are not reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. It is also used to report negative fund balances in other governmental funds.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

A. Summary of Significant Accounting Policies (continued)

16. Net Position and Fund Equity Classifications (continued)

Fund Financial Statements (continued)

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the Board of Commissioners will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged. It is the intention of the Board of Commissioners that the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to assigned fund balance to the extent that there is an assignment, and then to the unassigned fund balance.

17. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

18. New Accounting Principle

Effective with the financial report for the year ended December 31, 2013, the District implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, in fiscal year ended December 31, 2013. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

B. Stewardship, Compliance and Accountability

Budgetary Data

The District's 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.

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.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

B. Stewardship, Compliance and Accountability (continued)

Budgetary Data (continued)

The District's budget policies are as follows: (continued)

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.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. For fiscal years, beginning in 2012 and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Board of Commissioners by unanimous vote approves the annual budget as well as the property taxes levy to be assessed each year.

Fund Balance

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of non-spandable fund balances, as well as the purposes for restricted and assigned fund balance. The unassigned fund balance is also shown.

Unassigned Fund Balance Deficit

The capital projects fund unassigned fund balance deficits results from differences in timing between project expenditures and the recognition of corresponding permanent financing sources. Since project expenditures are initially financed by the issuance of bond anticipation notes, and the proceeds of these short-term borrowings are recorded as fund liabilities, rather than as other financing sources in accordance with GAAP, fund balance deficit occurred. This deficit will be eliminated when long-term bonds payable are issued to redeem the bond anticipation notes payable or the bond anticipation notes are redeemed from appropriations.

	General Fund	Capital Projects Funds	Total
Nonspendable:			
Inventory of materials and supplies	\$ 45,522		\$ 45,522
Total Nonspendable	45,522	-0-	45,522
Restricted for:			
Capital projects - water system improvements	995,857		995,857
Total Restricted	995,857	-0-	995,857
Assigned to:			
Subsequent year's budget	342,972		342,972
Total Assigned	342,972	-0-	342,972
Unassigned	497,363	\$ (1,176,987)	(679,624)
Total Fund Balances	<u>\$ 1,881,714</u>	<u>\$ (1,176,987)</u>	<u>\$ 704,727</u>

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

B. Stewardship, Compliance and Accountsbility (continued)

Capital Projects Reserve

In 2010, the District received a settlement for the possible contamination related to the gasoline additive Methyl Tertiary Butyl Ether with which the Board of Commissioners established a capital reserve fund. This reserve fund will be used to finance the cost of construction, replacement or acquisition of water mains, tanks, land, buildings, related equipment and machinery, any of which may be necessitated as a result of the any detection of contaminates in the water supply, wells or any other facilities of the District. A summary of activity in this capital reserve is as follows:

Balance – 1/1/2013	\$ 694,860
Interest	<u>695</u>
Balance – 12/31/2013	<u>\$ 695,555</u>

In 2012, the Board of Commissioners also established e capital reserve fund for general improvements to the system in the amount of \$300,000.

Balance – 1/1/2013	\$ 300,000
Interest	<u>302</u>
Balance – 12/31/2013	<u>\$ 300,302</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. Permissibla investments include obligations of the U.S. Treasury and U.S. agencies, repurchase egreements, end obligations of New York State or its localities.

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

Custodial Credit Risk – Deposits / Investmants – 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 invastmants exists when, in the event of the failure of the counterparty, a government will not be able to recover the valua of its investments or collateral securities that are in possession of an outside party.

Deposits end investments are categorized according to custodial credit risk as either (a) insured or collateralized with securities held by the District of by its agent in the District's name, (b) collateralized with securities held by the pledging financial institution's trust department or egent in the District's name, or (c) uncollataralized. At December 31, 2013, the District's cash and cash equivalentst totaled \$1,753,390. The District's bank deposit balances were \$1,763,572 of which \$500,000 was covered by the Federal Deposit Insurance Corporation and \$1,263,572 was covered by collateral with a fair value of \$1,323,872 at December 31, 2013, 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, 2013

D. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
Capital assets not being depreciated				
Land	\$ 85,555			\$ 85,555
Construction in progress	7,200	\$ 181,367		188,567
Total capital assets not being depreciated	92,755	181,367	\$ -0-	274,122
Depreciable capital assets				
Building	1,253,188			1,253,188
Improvements	1,079,084			1,079,084
Wells, water tanks and structures	6,317,217	11,675		6,328,892
Machinery and equipment	438,039	3,699		441,738
Water mains	6,802,554			6,802,554
Equipment	359,958	10,926		370,884
Office, furniture and equipment	77,008			77,008
Computer software	23,749			23,749
Vehicles	301,186	20,186		321,372
Total depreciable capital assets	16,651,983	46,486	-0-	16,698,469
Accumulated Depreciation				
Building	429,494	33,428		462,922
Improvements	456,093	58,821		514,914
Wells, water tanks and structures	1,474,145	147,032		1,621,177
Machinery and equipment	396,580	7,598		404,178
Water mains	3,074,106	136,051		3,210,157
Equipment	301,918	24,695		326,613
Office, furniture and equipment	75,452	760		76,212
Computer software	23,749			23,749
Vehicles	266,438	12,643		279,081
Total accumulated depreciation	\$ 6,497,975	\$ 421,028	\$ -0-	6,919,003
Total net depreciable capital assets				9,779,466
Total capital assets				\$ 10,053,568

Depreciation and amortization expense of \$421,028 was charged to water supply services expense for the year 2013.

E. Indebtedness

Short-Term Debt

A bond anticipation note (BAN) is used as a temporary means of financing capital expenditures in the capital projects fund. State law requires that a BAN issued for capital purposes be converted to a long-term obligation within five years after the original issue date. The note or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. The liability for the BAN is accounted for in the capital projects fund. The note bears interest at 1.5% and is due in March 2014.

**OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

E. Indebtedness (continued)

Short-Term Debt (continued)

The note activity is summarized as follows:

	Balance 1/1/13	Issued	Redeemed	Balance 12/31/13
Bond anticipation note payable	\$ 1,450,000	\$ -0-	\$ (50,000)	\$ 1,400,000

Interest expense of \$36,149 has been included in water supply service expense in the statement of activities. All short-term liabilities are paid from the general fund.

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 1.8 to 4.0 percent.

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

Other Postemployment Benefits - Represents the actuarial value of other postemployment benefits liability. See Note G for further details on this liability.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2013:

	Balance 1/1/13	Issued	Redeemed	Balance 12/31/13	Non-current Liabilities Due Within One Year
General obligation bonds	\$ 2,762,809		\$ (262,271)	\$ 2,500,538	\$ 261,806
Compensated absences	179,472	\$ 79,735	(70,942)	188,265	9,413
Due to employees' retirement system	61,814		(19,134)	42,680	20,569
Other postemployment benefits	777,499	207,935	(63,143)	922,291	-0-

Principal and interest payments to maturity of the general obligation serial bonds as of December 31, 2013 are as follows:

	Principal	Interest	Total
Years Ending December 31, 2014	\$ 261,806	\$ 93,442	\$ 355,248
2015	280,515	85,726	366,241
2016	288,631	76,318	364,949
2017	237,621	66,681	304,302
2018	246,791	57,482	304,273
2019-2023	991,984	129,057	1,121,041
2024-2027	193,190	16,053	209,243
	<u>\$ 2,500,538</u>	<u>\$ 524,759</u>	<u>\$ 3,025,297</u>

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

E. Indebtedness (continued)

Long-Term Debt (continued)

Interest expense of \$101,311 has been included in water supply service expense in the statement of activities. All long-term liabilities are paid from the general fund.

Defeasance of Debt

In the current year and in the prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the District's financial statements. At December 31, 2013, \$1,447,050 of these bonds outstanding are considered defeased.

F. 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 defined benefit plan, and the Public Employees' Group Life Insurance Plan. 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.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found on the website of the Office of the New York State Comptroller or by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

Plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their salary for NYSERS members throughout active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, depending upon their salary, throughout active membership. 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.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

F. Retirement System (continued)

Funding Policy (continued)

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

	Required Contribution	Retirement Incentive	Total Payment
2013	\$ 137,135	\$ 23,556	\$ 160,691
2012	128,147	23,556	151,703
2011	72,855	23,556	96,411

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

Pursuant to Chapter 105 of the Laws of 2010, the State Legislature authorized local governments to make available retirement incentive program with estimated total costs of \$103,383. The cost of the program is being billed and paid over five years beginning in 2011 and will include interest at 7.5%.

Principal and interest payments to maturity of the retirement incentive plan as of December 31, 2013 are as follows:

	Principal	Interest	Total
Years Ending December 31, 2014	\$ 20,569	\$ 3,201	\$ 23,770
2015	22,111	1,659	23,770
	<u>\$ 42,680</u>	<u>\$ 4,860</u>	<u>\$ 47,540</u>

G. Postemployment Benefits (Obligations for Health Insurance)

In the government-wide financial statements, the cost of postemployment 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 postemployment 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, which commenced in 2007.

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 reached 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 10 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 \$1,259 per year. 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.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

G. Postemployment Benefits (Obligations for Health Insurance) (continued)

The number of participants as of January 1, 2013, the effective date of the most recent actuarial valuation, follows. There have been no significant changes in the number or the type of coverage since that data.

Active employees	12
Retired employaes	6
Spouses of retired employees	<u>1</u>
Total	<u>19</u>

Funding Policy

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

Annual Othar Postemployment Benefit Cost

For the year ended December 31, 2013, the District's annual other postemployment benefits cost (expenses) was \$207,935. Considering tha annual expense as well as the payment of current health insurance premiums, which totaled \$63,143 for retiraes and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$144,792 for the year ended December 31, 2013.

As of January 1, 2013, the date of the most recent ectuarial valuation, the benefit obligation and normal cost is as follows:

	<u>Medical</u>	<u>Medicare B</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)			
Retired employees	\$ 889,772	\$ 166,234	\$ 1,056,006
Active employees	<u>1,436,600</u>	<u>247,375</u>	<u>1,683,975</u>
Unfunded Actuarial Accrued Liability (AAL)	<u>\$ 2,326,372</u>	<u>\$ 413,609</u>	<u>\$ 2,739,981</u>

The District's annual other postemployment benefit cost is calculated based on tha annual required contribution of the employer (ARC), an amount that actuarially determined. The ARC represents a laval of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfundad actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

G. Postemployment Benefits (Obligations for Health Insurance) (continued)

Annual Other Postemployment Benefit Cost (continued)

The following table shows the components of the District's other postemployment benefits liability:

	<u>Level Percentage of Projected Pay Amortization Calculation of ARC under the Entry Age Method</u>		
	Medical	Medicare B	Total
Normal cost	\$ 67,277	\$ 11,283	\$ 78,540
Amortization of unfunded actuarial liability (UAAL) over 30 years	109,681	19,642	129,323
Interest	5,785	1,018	6,803
Annual required contribution (ARC)	182,743	31,923	214,666
Interest on net OPEB Obligation	25,352	4,281	29,633
Adjustment to ARC	(31,111)	(5,253)	(36,364)
Annual OPEB Cost	176,984	30,951	207,935
Contribution for fiscal year ended December 31, 2013	55,590	7,553	63,143
Increase in other postemployment benefits liability	121,394	23,398	144,792
Other postemployment benefits liability at December 31, 2012	660,642	116,857	777,499
Other postemployment benefits liability at December 31, 2013	<u>\$ 782,036</u>	<u>\$ 140,255</u>	<u>\$ 922,291</u>
Percent of annual OPEB cost contributed	31.41%	24.40%	30.37%

The District's annual OPEB cost, the percent of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and preceding two years is as follows:

	Annual OPEB Cost	Percent of annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 207,935	30.37%	\$ 922,291
2012	192,965	32.55%	777,499
2011	184,870	26.56%	647,344

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
\$ -0-	\$ 2,739,981	\$ 2,739,981	0%	\$ 560,999	488.4%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

G. Postemployment Benefits (Obligations for Health Insurance) (continued)

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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, 2013 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 4.0% discount rate and a 2.5% payroll growth rate. The valuation assumes a 5-8% healthcare cost trend increase for the year ended 2013, reduced decrements to a rate of 5% after four years. The remaining amortization period at December 31, 2013 was twenty-three years.

H. Commitments and Contingencies

Capital Improvements

The District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contract or is planning additional improvements amounting to approximately \$3.8 million within the next one to two years.

I. Subsequent Events

In March 2014, the Town of Oyster Bay issued Public Improvement Serial Bond with interest rates from 3% to 4.00% due March 1, 2015 through March 1, 2028. \$1,350,000 of this bond is used to repay the bond anticipation note outstanding which provided temporary financing for various capital projects for District

In April 2014, the Town of Oyster Bay issued refunding bonds, due January 15, 2015 through January 15, 2028. From these bond proceeds \$275,070 of outstanding bonds of the Oyster Bay Water District are expected to be refunded.

J. New Pronouncements

Governmental Accounting Standards Board (GASB) issued authoritative guidance (GASB Statement No. 68) on *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The objective of the statement is to improve financial reporting by state and local governmental pension plans. The District is required to implement this authoritative guidance for the year ended December 31, 2015.

OYSTER BAY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

J. New Pronouncements (continued)

Governmental Accounting Standards Board (GASB) issued authoritative guidance (GASB Statement No. 69) on *Government Combinations and Disposals of Government Operations*, which establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The District is required to implement this authoritative guidance for the year ended December 31, 2014.

The District is currently evaluating the impact of the above pronouncements.

**REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OYSTER BAY WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2013

	Budget Amounts		Actual	Variance
	Original	Final	Amounts Budget Basis	Positive (Negative)
Revenues				
Real Property Taxes				
Ad valorem	\$ 771,891	\$ 771,891	\$ 771,874	\$ (217)
Special assessments	109,674	109,674	120,074	10,400
Total Real Property Taxes	881,565	881,565	891,746	10,183
Other Real Property Tax Items				
Payments in lieu of taxes	32,000	32,000	33,541	1,541
Total Other Real Property Tax Items	32,000	32,000	33,541	1,541
Departmental Income				
Metered water sales	750,000	777,000	882,355	105,355
Installation charges	10,000	10,000	12,170	2,170
Hydrant rentals and sprinkler charges	85,000	65,000	65,720	720
Interest and penalties - water rents	6,000	6,000	8,626	2,626
Other water charges	5,000	5,000	7,709	2,709
Total Departmental Income	836,000	863,000	976,580	113,580
Use of Money and Property				
Interest earnings	2,000	2,000	3,378	1,378
Tower rental	389,000	389,000	412,543	23,543
Total Use of Money and Property	391,000	391,000	415,921	24,921
Other Local Sources				
Premium and accrued interest on obligations	-0-	-0-	12,730	12,730
Total Other Local Sources	-0-	-0-	12,730	12,730
Federal Aid				
Emergency disaster assistance	-0-	-0-	4,598	4,598
Total Federal Aid	-0-	-0-	4,598	4,598
Total Revenues	2,140,565	2,187,565	2,335,118	167,553
Other Financing Sources				
Interfund transfers in	-0-	-0-	76,465	76,465
Total Other Financing Sources	-0-	-0-	76,465	76,465
Total Revenues and Other Sources	\$ 2,140,565	\$ 2,167,565	\$ 2,411,583	\$ 244,018
Expenditures				
Administration				
Office salaries	\$ 212,000	\$ 209,900	\$ 208,495	\$ 1,405
Commissioners' fees	36,000	29,000	28,900	100
Office equipment	-0-	7,000	6,202	798
Computerization and software	10,000	9,000	8,298	702
Office utilities	12,500	8,500	7,846	654
Accounting and auditing	50,000	48,000	47,240	760
Insurance	65,000	70,000	69,654	346
Notices and advertising	4,000	3,000	2,681	319
Office maintenance & service contracts	48,000	35,000	34,544	456
Postage	8,000	8,100	8,071	29
Conferences, meetings and conventions	18,000	14,000	13,144	856
Contingencies	30,000	-0-	-0-	-0-
Total Administration	493,500	441,500	435,075	6,425

(continued)

**OYSTER BAY WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2013**

	Budget Amounts		Actual	Variance
	Original	Final	Amounts Budget Basis	Positive (Negative)
Source of Supply, Power and Pumping				
Electrical power	160,000	187,000	186,470	530
Total Source of Supply, Power and Pumping	160,000	187,000	186,470	530
Purification				
Chemical treatment and analysis	40,000	40,000	38,506	1,494
Total Purification	40,000	40,000	38,506	1,494
Transmission and Distribution				
Personal services - plant salaries	430,000	467,000	466,864	136
Equipment - plant	8,000	8,000	6,000	-0-
Repairs and maintenance - plant	70,000	74,000	73,728	272
Plant supplies	3,000	4,000	3,513	487
Small tools and equipment	-0-	5,000	4,452	548
Plant communications	10,000	9,000	8,646	354
Meters and supplies	40,000	40,000	39,431	569
Engineering	50,000	20,000	19,581	419
Auto expense	20,000	22,500	22,208	292
Miscellaneous	4,000	4,000	3,544	458
Total Transmission and Distribution	635,000	651,500	647,967	3,533
Employee Benefits				
State retirement	132,000	161,000	160,691	309
Social security	55,000	56,500	56,267	233
Hospital and medical insurance	210,000	198,000	197,650	350
Hospital and medical insurance - buy back	40,000	47,000	46,564	436
Total Employee Benefits	437,000	462,500	461,172	1,328
Debt Service				
Serial bonds				
Principal	248,271	262,271	262,271	-0-
Interest	105,755	101,755	101,312	443
Bond Anticipation Notes				
Principal	50,000	50,000	50,000	-0-
Interest	36,149	36,149	36,149	-0-
Total Debt Principal and Interest	440,175	458,175	449,732	443
Total Expenditures	2,205,675	2,232,675	2,218,922	13,753
Other Uses				
Interfund transfers out	250,000	250,000	234,095	15,905
Total Other Uses	250,000	250,000	234,095	15,905
Total Expenditures and Other Uses	2,455,675	2,482,675	2,453,017	29,658
Change in Fund Balance	\$ (315,110)	\$ (315,110)	(41,434)	\$ 273,676
Fund Balance at Beginning of Year			1,923,148	
Fund Balance at End of Year			\$ 1,881,714	

OYSTER BAY WATER DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assots</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Liability as a Percentage of Covered Payroll</u>
1/1/2013	\$ -0-	\$ 2,739,981	\$ 2,739,981	0%	\$ 560,999	488.4%
1/1/2011	\$ -0-	\$ 2,684,841	\$ 2,684,841	0%	\$ 539,684	497.5%
1/1/2009	\$ -0-	\$ 2,111,343	\$ 2,111,343	0%	\$ 305,726	690.6%

OTHER SUPPLEMENTAL INFORMATION

OYSTER BAY WATER DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
Year Ended December 31, 2013

Capital Project	Expenditures		Encumbrances	Total
	Prior Years	Current Year		
Well 6-2 rehabilitation	\$ 7,200	\$ 123,734	\$ 48,228	\$ 179,162
Ford truck	-0-	20,186		20,186
Plant 4 rehabilitation	-0-	53,757	4,500	58,257
Plant 1 - SCADA	-0-	3,876		3,876
Financing costs - BAN		962		982
Total Expenditures	<u>\$ 7,200</u>	<u>\$ 202,515</u>	<u>\$ 52,728</u>	<u>\$ 282,443</u>