

**PORT WASHINGTON**  
**WATER POLLUTION CONTROL DISTRICT**  
**FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED DECEMBER 31, 2012**

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
FINANCIAL STATEMENTS**

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**INDEPENDENT AUDITOR'S REPORT**

To the Commissioners  
Port Washington Water Pollution  
Control District  
Port Washington, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Washington Water Pollution Control District (the "District"), a component unit of the Town of North Hempstead, New York, as of and for the year ended December 31, 2012, 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 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9; the budgetary comparison information on pages 35 through 40; and the Schedule of Funding Progress for the Retiree Health Plan on page 41 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were 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 combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Don Angelo and Associates, CPA's P.C.*

Melville, New York  
May 21, 2013

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2012**

This section of the Port Washington Water Pollution Control District's (the "District") annual financial report presents an overview of the District's financial activities during the year 2012. This information is presented in conjunction with the basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The District's total net position was \$16.22 million at December 31, 2012, a decrease of \$1.1 million or 6.4 percent from the previous year.
- The District's governmental funds reported combined ending fund balances of \$3,144,000, a decrease of \$3,362,000 in comparison with the previous year. The decrease is primarily attributable to decreases in the fund balances of the general fund of \$820,000, the debt service fund of \$336,000, and the capital projects fund of \$2,206,000.
- Revenues for the District increased by \$242,000 or 4.4 percent in 2012.
- Expenses for the District increased by \$119,000 or 1.8 percent in 2012.
- See the Analysis sections of this MD&A for more details.
- On the Government-Wide and Fund Financial Statements, the District has adopted Governmental Accounting Standards Board ("GASB") Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, resulting in standardizing the presentation of deferred balances and their effects on a government's net position.

**USING THESE FINANCIAL STATEMENTS**

This annual report consists of three parts: Management's Discussion and Analysis, the basic financial statements and Other Required Supplementary Information. The financial statements also include notes, which explain in more detail some of the information in the financial statements.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2012**

**BASIC FINANCIAL STATEMENTS**

The government-wide financial statements provide both long-term and short-term information about the district's overall status. Financial reporting at this level uses a similar perspective to that found in the private sector with its basis on full accrual accounting and certain eliminations.

The first of these government-wide statements is the Statement of Net Position, on page 10. This is the district-wide statement of net position presenting information that includes all of the district's assets and liabilities, with the difference reported as Net Position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall financial health of the District would extend to other nonfinancial factors such as changes in the District's property tax base and the condition of the District's buildings, equipment and infrastructure.

The second government-wide statement is the Statement of Activities, on page 13, which reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the District's activities on revenues provided by the District's taxpayers.

In the Statement of Activities the District presents a single activity that is governmental activities. The District's sole function is to provide sewer services to the public. There are no proprietary funds.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole.

Governmental funds are reported in the fund financial statements and include the same functions reported as governmental activities in the government-wide financial statements. The governmental fund statements provide a detailed short-term view of the district's general governmental operations and the basic services that it provides. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term. The governmental funds financial statements can be found on pages 11 and 14 of this report.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insights into the long-term impact of short-term financing decisions. Both the governmental funds balance sheet and the Governmental Fund Revenues, Expenditures and Changes in the Fund Balances Statement provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives. The reconciliations can be found on pages 12 and 15 of this report.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2012**

Budgetary comparisons are included in the basic financial statements for the General Fund, on pages 35 through 40 of this report. The comparisons demonstrate compliance with the District's adopted and adjusted budget.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 34 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**SUMMARY OF NET POSITION**

|  | <u>2012</u>          | <u>2011</u>          |
|--|----------------------|----------------------|
| Current and other Assets                           | \$ 3,628,549         | \$ 7,080,334         |
| Capital Assets                                     | <u>35,343,302</u>    | <u>33,552,692</u>    |
| Total Assets                                       | <u>38,971,851</u>    | <u>40,633,026</u>    |
| Long-Term Liabilities                              | 21,195,675           | 21,458,799           |
| Other Liabilities                                  | <u>1,555,704</u>     | <u>1,851,744</u>     |
| Total Liabilities                                  | <u>22,751,379</u>    | <u>23,310,543</u>    |
| Invested in Capital Assets,<br>Net of Related Debt | 13,491,911           | 11,243,696           |
| Restricted   | 316,030              | 2,857,412            |
| Unrestricted                                       | <u>2,412,531</u>     | <u>3,221,375</u>     |
| Total Net Position                                 | <u>\$ 16,220,472</u> | <u>\$ 17,322,483</u> |

**ANALYSIS OF OVERALL FINANCIAL POSITION**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$16.22 million at December 31, 2012. By far the most significant portion (83%) of the District's total assets reflects its investment in capital assets (e.g., land, buildings, sewers lines, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be used to liquidate these liabilities. An additional portion of the District's total assets (17%) represents resources that are partially subject to external restrictions on how they may be used. The District's total net position decreased by \$1.1 million or 6.4% from the prior year.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2012**

The following provides an explanation of assets and liabilities that changed significantly from the previous year:

- Current and other assets- The \$3.45 million decrease is mainly due to decreases in Cash and Accounts Receivable-Other (State Aid).
- Capital Assets-The \$1,791,000 increase is mainly due to the capital improvements for the Sludge Building Project.
- Long-term liabilities-The \$263,000 decrease is mostly attributable to the pay down of the NYS EFC bonds and Town of North Hempstead serial bonds.
- Other Liabilities-The \$296,000 decrease is mostly attributable to a decrease in accounts payable.
- Net Position (Restricted and Unrestricted) -The \$1.1 million decrease is largely attributable to the increase in Restricted Cash, Capital Assets and decrease in Cash and Long-term liabilities.

**SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION**

|   | <u>2012</u>          | <u>2011</u>          |
|---|----------------------|----------------------|
| Revenues                                  |                      |                      |
| Program Revenues                          |                      |                      |
| Departmental Income                       | \$ 1,023,843         | \$ 950,094           |
| State Aid                                 | -                    | -                    |
| Subtotal Program Revenues                 | <u>1,023,843</u>     | <u>950,094</u>       |
| General Revenues                          |                      |                      |
| Real Property Taxes                       | 4,605,790            | 4,503,078            |
| Interest                                  | 15,767               | 25,448               |
| Refund of Prior Years Expenditures        | 33,457               | 6,802                |
| Sale of Equipment                         | 8,184                | -                    |
| Federal Aid-Emergency Disaster Assistance | 40,029               | -                    |
| Insurance Recovery                        | -                    | 450                  |
| Other Unclassified Revenue                | <u>634</u>           | <u>-</u>             |
| Subtotal General Revenues                 | <u>4,703,861</u>     | <u>4,535,778</u>     |
| Expenditures                              |                      |                      |
| Salaries and Benefits                     | 3,402,865            | 3,328,829            |
| Capital Outlay                            | 2,839                | 26,374               |
| Operations                                | 1,591,991            | 1,665,329            |
| Depreciation                              | 1,329,445            | 1,123,717            |
| Debt Service                              | <u>407,266</u>       | <u>501,340</u>       |
| Total Expenditures                        | <u>6,734,406</u>     | <u>6,645,589</u>     |
| Other Financial Sources (Uses):           |                      |                      |
| Premium on Sale of Bonds                  | -                    | -                    |
| Fiscal Agent Fees                         | <u>(95,309)</u>      | <u>(64,780)</u>      |
| Total Other Financial Sources (Uses)      | <u>(95,309)</u>      | <u>(64,780)</u>      |
| Increase (Decrease) in Net Position       | (1,102,011)          | (1,224,497)          |
| Net Position – beginning                  | <u>17,322,483</u>    | <u>18,546,980</u>    |
| Net Position – ending                     | <u>\$ 16,220,472</u> | <u>\$ 17,322,483</u> |

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2012**

**ANALYSIS OF RESULTS OF OPERATIONS**

Total revenues increased by \$242,000 or 4.4%. The majority of the positive variance is \$103,000 increase in real property tax revenue.

The increase in expenditures of \$119,000 was principally due to the increase in depreciation and salaries and benefits.

**ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

The fund balances of the District's governmental funds decreased by \$3.36 million. The majority of the decrease is attributable to increases in the Capital Project Fund expense incurred for the Sludge Building Project. The net decrease in the General Fund Balance of \$820,000 or 22.5% is mainly due to an increase in capital outlay, an increase in salaries and benefits, offset by an increase in departmental income, an increase in federal aid and an increase in refund of prior years expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The difference in the original adopted budget and the modified budget represents encumbrances carried forward from 2011 and increased appropriation for Capital Outlay in the Sanitary Sewers Department.

The increase of \$735,000 in the Sanitary Sewers Department is primarily due to an increase in capital outlay.

The decrease in the Sewage Treatment and Disposal Department is attributable to a decrease in the treatment and disposal charge of sewage sludge.

The \$78,000 increase in Employee Benefits is due to increases in state retirement benefits and workers' compensation.

**CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

At the end of 2012, the District had \$35.3 million invested in land, buildings, equipment, sewer lines and pumping stations. There was a net increase in capital assets of about \$1,791,000. The District added \$9,889,000 in new fixed assets and retired \$45,000 of machinery. Depreciation recorded for 2012 was \$1,329,000. The District has a capitalization policy of \$5,000 and expenses all items under \$5,000. Some items costing under \$5,000 were included in capital assets before the \$5,000 capitalization policy was implemented.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2012**

**CAPITAL ASSETS  
NET OF DEPRECIATION**

|                          | <u>2012</u>          | <u>2011</u>          |
|--------------------------|----------------------|----------------------|
| Land                     | \$ 3,838,223         | \$ 3,838,223         |
| Buildings                | 201,706              | 214,418              |
| Improvements             | 2,011,866            | 2,056,975            |
| Equipment                | 1,039,680            | 790,191              |
| Infrastructure           | 26,560,951           | 19,807,266           |
| Construction in Progress | <u>1,690,876</u>     | <u>6,845,619</u>     |
| Total                    | <u>\$ 35,343,302</u> | <u>\$ 33,552,692</u> |

See Note 3 Capital Assets on page 23 for a summary of changes and Note 8 Capital Projects on page 28 for additional information.

The District is not authorized to bond debt directly. The Town of North Hempstead borrows funds for the benefit of the District. Since the District has no bond rating of its own, the Town's credit rating is used.

On July 10, 2007, the Town Board approved appropriating \$33.83 million for the Full Scale BNR/UV Treatment Plant Upgrade Project (\$32 million); the Biosolids Incinerator Rehabilitation Project (\$1.14 million) and the Outfall Rehabilitation Project (\$.70 million). The bond principal of the Biosolids Incinerator Rehabilitation Project was prepaid due to abandonment of this portion of the BNR Project. The project has been completed and went on-line in 2012.

This year's expenditures were primarily devoted to the Sludge Building Project.

**OUTSTANDING DEBT**

|                                      | <u>2012</u>          | <u>2011</u>          |
|--------------------------------------|----------------------|----------------------|
| Serial Bonds                         | \$ 3,741,452         | \$ 4,244,041         |
| Environmental Facilities Corp. Bonds | 14,945,000           | 15,564,000           |
| Short Term Borrowing                 | <u>-</u>             | <u>-</u>             |
|                                      | <u>\$ 18,686,452</u> | <u>\$ 19,808,041</u> |

See Note 9 Long Term Debt on pages 29, 30 and 31, and Note 10 Bond Anticipation Notes Payable and Other Short Term Borrowings on page 31, if any, for additional information.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2012**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Since the main source of revenue for the District is real property taxes, the financial stability of real estate values and the resulting assessed valuation are very important to the District. Although the district has ample capacity to handle additional wastewater flows, the District's tax base is rather mature and does not foresee a major increase in its taxable valuation.

The District's budget for 2013 has increased \$40,838 or 0.7%. The real estate tax levy has been increased by \$96,524 or 2.1%. The amount of appropriated fund balance for 2013 is \$285,424, a decrease of \$111,686 from 2012. The 2013 budget's Operation and Maintenance appropriations decreased by .6% while Debt Service appropriation decreased by 0.2%.

The District has incorporated a benefit basis component in its tax rate structure since 2007. The benefit basis calculation measures and charges the benefit received by each household according to the water used and discharged into the collection systems during the dry months, typically the first quarter of the year.

The national economy still continues to have a negative impact on virtually every municipal budget.

The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult.

Significant increases in the cost of health insurance and contributions to the retirement systems continue to place a greater burden on the District's finances. New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System will be higher in 2013-2014. Employer contributions to the State Retirement Systems are one of the exemptions to the "Tax Levy Limitation Law."

GASB Statement 45 will continue to place a greater obligation on the District's taxpayers in the upcoming fiscal years as retiree health benefits are now recognized over periods that approximate the employees' years of active service.

**CONTACTING DISTRICT MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact the District's management at 70 Harbor Road, Port Washington, New York 11050.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
 STATEMENT OF NET POSITION  
 DECEMBER 31, 2012

|  | General<br>Fund     | Other<br>Funds    | Total               | Adjustments          | Statement<br>of Net Position |
|--|---------------------|-------------------|---------------------|----------------------|------------------------------|
| <b>ASSETS</b>                              |                     |                   |                     |                      |                              |
| Cash                                       | \$ 207,321          | \$ 40,868         | \$ 248,189          | \$ -                 | \$ 248,189                   |
| Accounts Receivable-Other                  | 3,288               | -                 | 3,288               | 81,694               | 84,982                       |
| Interfund Receivables                      | 338,477             | 122,913           | 461,390             | (461,390)            | -                            |
| Due From Other Governments                 | 35,188              | 46,506            | 81,694              | (81,694)             | -                            |
| Prepaid Expense                            | 183,704             | -                 | 183,704             | -                    | 183,704                      |
| Restricted Cash                            | 2,566,473           | 478,167           | 3,044,640           | -                    | 3,044,640                    |
| Inventory                                  | 8,107               | -                 | 8,107               | -                    | 8,107                        |
| Deferred Expense                           | -                   | -                 | -                   | 58,927               | 58,927                       |
| Land                                       | -                   | -                 | -                   | 3,838,223            | 3,838,223                    |
| Capital Assets, Net of Depreciation        | -                   | -                 | -                   | 31,505,079           | 31,505,079                   |
| <b>Total Assets</b>                        | <u>\$ 3,342,558</u> | <u>\$ 688,454</u> | <u>\$ 4,031,012</u> | <u>\$ 34,940,839</u> | <u>\$ 38,971,851</u>         |
| <b>LIABILITIES</b>                         |                     |                   |                     |                      |                              |
| Accounts Payable/Contracts Payable         | \$ -                | \$ -              | \$ -                | \$ -                 | \$ -                         |
| Retained percentages, Contracts Payable    | 4,108               | 33,947            | 38,055              | -                    | 38,055                       |
| Accruals                                   | 300,365             | -                 | 300,365             | 141,611              | 441,976                      |
| Interfund Payables                         | 122,913             | 338,477           | 461,390             | (461,390)            | -                            |
| Due to Other Governments                   | -                   | -                 | -                   | -                    | -                            |
| Deferred Revenue                           | 87,000              | -                 | 87,000              | -                    | 87,000                       |
| Long-Term Balances - Due Within One Year   | -                   | -                 | -                   | 988,673              | 988,673                      |
| Long-Term Balances - Due After One Year    | -                   | -                 | -                   | 21,195,675           | 21,195,675                   |
| <b>Total Liabilities</b>                   | <u>514,386</u>      | <u>372,424</u>    | <u>886,810</u>      | <u>21,864,569</u>    | <u>22,751,379</u>            |
| <b>NET POSITION</b>                        |                     |                   |                     |                      |                              |
| Fund Balances:                             |                     |                   |                     |                      |                              |
| Nonspendable                               | 191,811             | -                 | 191,811             | (191,811)            | -                            |
| Restricted                                 | 232,226             | -                 | 232,226             | (232,226)            | -                            |
| Assigned                                   | 285,424             | 478,874           | 764,298             | (764,298)            | -                            |
| Unassigned                                 | 2,118,711           | (162,844)         | 1,955,867           | (1,955,867)          | -                            |
| <b>Total Fund Balances</b>                 | <u>2,828,172</u>    | <u>316,030</u>    | <u>3,144,202</u>    | <u>(3,144,202)</u>   | <u>-</u>                     |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 3,342,558</u> | <u>\$ 688,454</u> | <u>\$ 4,031,012</u> |                      |                              |
| <b>Net Position:</b>                       |                     |                   |                     |                      |                              |
| Net investment in capital assets           |                     |                   |                     | 13,491,911           | 13,491,911                   |
| Restricted for:                            |                     |                   |                     |                      |                              |
| Debt Service                               |                     |                   |                     | 478,874              | 478,874                      |
| Capital                                    |                     |                   |                     | (162,844)            | (162,844)                    |
| Unrestricted                               |                     |                   |                     | 2,412,531            | 2,412,531                    |
| <b>Total Net Position</b>                  |                     |                   |                     | <u>\$ 16,220,472</u> | <u>\$ 16,220,472</u>         |

The notes to the financial statements are an integral part of this statement.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AT DECEMBER 31, 2012**

| ASSETS                                       | General<br>Fund     | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Agency<br>Fund | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------|-----------------------------|----------------|--------------------------------|
| Cash   | \$ 207,321          | \$ -                    | \$ 40,868                   | \$ -           | \$ 248,189                     |
| Accounts Receivable-Other                    | 3,288               | -                       | -                           | -              | 3,288                          |
| Due From Other Funds                         | 338,477             | -                       | 122,913                     | -              | 461,390                        |
| Due From Other Governments                   | 35,188              | 707                     | 45,799                      | -              | 81,694                         |
| Prepaid Expenses                             | 183,704             | -                       | -                           | -              | 183,704                        |
| Restricted Cash                              | 2,566,473           | 478,167                 | -                           | -              | 3,044,640                      |
| Inventory                                    | 8,107               | -                       | -                           | -              | 8,107                          |
| <b>TOTAL ASSETS</b>                          | <b>\$ 3,342,558</b> | <b>\$ 478,874</b>       | <b>\$ 209,580</b>           | <b>\$ -</b>    | <b>\$ 4,031,012</b>            |
| <b>LIABILITIES AND FUND BALANCES</b>         |                     |                         |                             |                |                                |
| <b>Liabilities:</b>                          |                     |                         |                             |                |                                |
| Accounts Payable/Contracts Payable           | \$ -                | \$ -                    | \$ -                        | \$ -           | \$ -                           |
| Retained Percentages, Contracts Payable      | 4,108               | -                       | 33,947                      | -              | 38,055                         |
| Accruals                                     | 300,365             | -                       | -                           | -              | 300,365                        |
| Due to Other Funds                           | 122,913             | -                       | 338,477                     | -              | 461,390                        |
| Due to Other Governments                     | -                   | -                       | -                           | -              | -                              |
| Deferred Revenue                             | 87,000              | -                       | -                           | -              | 87,000                         |
| Bond Anticipation Notes Payable              | -                   | -                       | -                           | -              | -                              |
| <b>TOTAL LIABILITIES</b>                     | <b>514,386</b>      | <b>-</b>                | <b>372,424</b>              | <b>-</b>       | <b>886,810</b>                 |
| <b>Fund Balances:</b>                        |                     |                         |                             |                |                                |
| Nonspendable                                 | 191,811             | -                       | -                           | -              | 191,811                        |
| Restricted                                   | 232,226             | -                       | -                           | -              | 232,226                        |
| Assigned                                     | 285,424             | 478,874                 | -                           | -              | 764,298                        |
| Unassigned                                   | 2,118,711           | -                       | (162,844)                   | -              | 1,955,867                      |
| <b>TOTAL FUND BALANCES</b>                   | <b>2,828,172</b>    | <b>478,874</b>          | <b>(162,844)</b>            | <b>-</b>       | <b>3,144,202</b>               |
| <b>TOTAL LIABILITIES &amp; FUND BALANCES</b> | <b>\$ 3,342,558</b> | <b>\$ 478,874</b>       | <b>\$ 209,580</b>           | <b>\$ -</b>    | <b>\$ 4,031,012</b>            |

The notes to the financial statements are an integral part of this statement.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

|   |    |                   |                               |
|---|----|-------------------|-------------------------------|
| Total fund balances - governmental funds  |    | \$                | 3,144,202                     |
| Amounts reported for governmental activities in the statement of net position are different because:  |    |                   |                               |
| Capital assets used in governmental activities are not current financial resources and therefore are not current financial resources in the governmental funds balance sheet.   |    |                   | 35,343,302                    |
| Interest payable on long-term debt does not require current financial resources. Therefore, the accrual is not reported as a liability in the governmental funds balance sheet. |    |                   | (141,611)                     |
| Deferred expense represents future amortization of net refunding expense.   |    |                   | 58,927                        |
| Long-term liabilities are not due in the current period and therefore, are not reported in the governmental funds balance sheet:  |    |                   |                               |
| Due within one year   | \$ | 988,673           |                               |
| Due in more than one year   |    | <u>21,195,675</u> | (22,184,348)                  |
| Total net position of governmental activities   |    |                   | \$ <u><u>\$16,220,472</u></u> |

The notes to the financial statements are an integral part of this statement.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2012**

|  | General<br>Fund     | Other<br>Funds    | Total               | Adjustments          | Statement of<br>Activities |
|--|---------------------|-------------------|---------------------|----------------------|----------------------------|
| <b>Expenditures and Expenses: Sewer Services</b> |                     |                   |                     |                      |                            |
| Salaries & Benefits                              | \$ 2,677,316        | \$ -              | \$ 2,677,316        | \$ 725,549           | \$ 3,402,865               |
| Capital Outlay                                   | 898,220             | 2,224,674         | 3,122,894           | (3,120,055)          | 2,839                      |
| Operations                                       | 1,591,991           | -                 | 1,591,991           | 1,329,445            | 2,921,436                  |
| <b>Debt Service:</b>                             |                     |                   |                     |                      |                            |
| Principal  | -                   | 1,121,589         | 1,121,589           | (1,121,589)          | -                          |
| Interest and Other Charges                       | -                   | 480,393           | 480,393             | (73,127)             | 407,266                    |
| Total Expenditures/Expense                       | <u>5,167,527</u>    | <u>3,826,656</u>  | <u>8,994,183</u>    | <u>(2,259,777)</u>   | <u>6,734,406</u>           |
| <b>Revenues:</b>                                 |                     |                   |                     |                      |                            |
| Real Property Taxes                              | 4,605,790           | -                 | 4,605,790           | -                    | 4,605,790                  |
| Departmental Income                              | 1,023,843           | -                 | 1,023,843           | -                    | 1,023,843                  |
| Interest Earnings                                | 14,680              | 1,087             | 15,767              | -                    | 15,767                     |
| Refund of Prior Years Expenditures               | 33,457              | -                 | 33,457              | -                    | 33,457                     |
| Sale of Equipment/Gain on Sale of Equipment      | 8,184               | -                 | 8,184               | -                    | 8,184                      |
| Federal Aid-Emergency Disaster Assistance        | 40,029              | -                 | 40,029              | -                    | 40,029                     |
| State Aid  | -                   | -                 | -                   | -                    | -                          |
| Other Unclassified Revenue                       | 634                 | -                 | 634                 | -                    | 634                        |
| <b>Other Financial Sources (Uses):</b>           |                     |                   |                     |                      |                            |
| Operating Transfers                              | (1,379,496)         | 1,379,496         | -                   | -                    | -                          |
| Fiscal Agent Fees                                | -                   | (95,309)          | (95,309)            | -                    | (95,309)                   |
| Total Revenues and Transfers                     | <u>4,347,121</u>    | <u>1,285,274</u>  | <u>5,632,395</u>    | <u>-</u>             | <u>5,632,395</u>           |
| <b>Excess of Revenues and Transfers In</b>       |                     |                   |                     |                      |                            |
| Over Expenditures and Transfers Out              | (820,406)           | (2,541,382)       | (3,361,788)         | 3,361,788            | -                          |
| <b>Net Change in Fund Balances:</b>              |                     |                   |                     |                      |                            |
|  |                     |                   |                     | (1,102,011)          | (1,102,011)                |
| <b>Fund Balances:</b>                            |                     |                   |                     |                      |                            |
| Beginning of the year                            | 3,648,578           | 2,857,412         | 6,505,990           | 10,816,493           | 17,322,483                 |
| End of the year                                  | <u>\$ 2,828,172</u> | <u>\$ 316,030</u> | <u>\$ 3,144,202</u> | <u>\$ 13,076,270</u> | <u>\$ 16,220,472</u>       |

The notes to the financial statements are an integral part of this statement.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND NET POSITION  
YEAR ENDED DECEMBER 31, 2012**

|   | General<br>Fund     | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total               |
|---|---------------------|-------------------------|-----------------------------|---------------------|
| <b>Revenues:</b>  |                     |                         |                             |                     |
| Real Property Taxes   | \$ 4,605,790        | \$ -                    | \$ -                        | \$ 4,605,790        |
| <b>Departmental Income:</b>   |                     |                         |                             |                     |
| Sewer Rents   | 160,245             | -                       | -                           | 160,245             |
| Sewer Service Charges   | 11,838              | -                       | -                           | 11,838              |
| Sewer Services to Other Governments   | 851,760             | -                       | -                           | 851,760             |
| Interest Earnings   | 14,680              | -                       | -                           | 14,680              |
| Interest Earnings - Reserves  | -                   | 1,087                   | -                           | 1,087               |
| Refund of Prior Years Expenditures  | 33,457              | -                       | -                           | 33,457              |
| Sale of Equipment   | 8,184               | -                       | -                           | 8,184               |
| Federal Aid-Emergency Disaster Assistance   | 40,029              | -                       | -                           | 40,029              |
| State Aid   | -                   | -                       | -                           | -                   |
| Other Unclassified Revenue  | 634                 | -                       | -                           | 634                 |
| <b>Total Revenues</b>   | <u>5,726,617</u>    | <u>1,087</u>            | <u>-</u>                    | <u>5,727,704</u>    |
| <b>Expenditures:</b>  |                     |                         |                             |                     |
| Sewer Administration  | 411,994             | -                       | -                           | 411,994             |
| Sanitary Sewers   | 1,852,102           | -                       | -                           | 1,852,102           |
| Sewage Treatment and Disposal   | 1,795,941           | -                       | -                           | 1,795,941           |
| Employee Benefits   | 1,107,490           | -                       | -                           | 1,107,490           |
| Capital Projects  | -                   | -                       | 2,224,674                   | 2,224,674           |
| Repair Reserve  | -                   | -                       | -                           | -                   |
| <b>Debt Service:</b>  |                     |                         |                             |                     |
| Serial Bonds - Principal  | -                   | 1,121,589               | -                           | 1,121,589           |
| Serial Bonds - Interest   | -                   | 480,393                 | -                           | 480,393             |
| Bond Anticipation Notes - Interest  | -                   | -                       | -                           | -                   |
| Fiscal Agent Fees   | -                   | 95,309                  | -                           | 95,309              |
| <b>Subtotal of Expenditures</b>   | <u>5,167,527</u>    | <u>1,697,291</u>        | <u>2,224,674</u>            | <u>9,089,492</u>    |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b>                                       | <u>559,090</u>      | <u>(1,696,204)</u>      | <u>(2,224,674)</u>          | <u>(3,361,788)</u>  |
| <b>Other Financing Sources (Uses):</b>  |                     |                         |                             |                     |
| Operating Transfers   | <u>(1,379,496)</u>  | <u>1,360,561</u>        | <u>18,935</u>               | <u>-</u>            |
| <b>Total Other Financing Sources (Uses)</b>   | <u>(1,379,496)</u>  | <u>1,360,561</u>        | <u>18,935</u>               | <u>-</u>            |
| <b>Excess (Deficiency) of Revenues and Other<br/>Sources Over Expenditures and Other Uses</b> | <u>(820,406)</u>    | <u>(335,643)</u>        | <u>(2,205,739)</u>          | <u>(3,361,788)</u>  |
| <b>Total Net Position January 1, 2012</b>   | <u>3,648,578</u>    | <u>814,517</u>          | <u>2,042,895</u>            | <u>6,505,990</u>    |
| <b>Total Net Position December 31, 2012</b>   | <u>\$ 2,828,172</u> | <u>\$ 478,874</u>       | <u>\$ (162,844)</u>         | <u>\$ 3,144,202</u> |

The notes to the financial statements are an integral part of this statement.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
YEAR ENDED DECEMBER 31, 2012**

Net change in fund balances - governmental funds (\$3,361,788)

Amounts reported for governmental activities in the statement  
of net position are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide  
statement of activities and changes in net position, the cost of some of these assets is  
allocated over their estimated useful lives as depreciation expense. This is the amount  
of capital assets recorded in the period. 3,120,055

Depreciation expense on capital assets is reported in the government-wide statement of activities  
and changes in net position, but they do not require the use of current financial resources.  
Therefore, depreciation expense is not reported as an expenditure in governmental funds. (1,329,445)

Governmental funds report debt principal as expenditures. However, in the government-wide  
statement of activities and changes in net position, these expenditures are considered  
reductions of liabilities. 1,121,589

On the statement of activities, the actual and projected long term expenditures for post employment  
benefits are reported whereas on the governmental funds only the actual expenditures are recorded  
for post employment benefits. (663,984)

Change of compensated absence expense is reported as reduction of salary in the statement of activities  
and changes in net position, but does not provide the use of current resources, and  
therefore is not reported as a revenue in governmental funds. (61,565)

Accrued interest expense and deferred interest expense on long-term debt is reported in the  
government-wide statement of activities and changes in net position, but does not require  
the use of current resources; therefore, accrued interest is not reported as an expenditure in  
governmental funds. 73,127

Total net change in net position of governmental activities (\$1,102,011)

The notes to the financial statements are an integral part of this statement.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Port Washington Water Pollution Control District's (the District) financial statements are prepared in accordance with generally accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict. The more significant accounting policies established in GAAP and used by the District are discussed below.

**A. REPORTING ENTITY**

The Port Washington Water Pollution Control District was established in 1915 as a Special Improvement District in accordance with the provision of Article 12 of the Town Law of the State of New York. It is a Commissioner-operated Special District in the Town of North Hempstead, Nassau County (the Town). The Commissioners, of which there are three, are elected by the voters of the District. The District operates its own budget, which is substantially funded through real property tax revenues. The Town collects the tax levy or notes are issued by the Town (and guaranteed by them) on behalf of the District to be paid by the taxpayers of the District. Under Governmental Accounting Standards Board (GASB) Statement 14, the District is a Component Unit of the Town of North Hempstead. These financial statements are included in the financial statements of the Town.

**B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS**

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). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Assets, the governmental activities columns: (a) are presented on a consolidated basis by column, and (b) 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 each of the District's functions. The functions are supported by general tax levies and contracts with users not in the District. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Capital grants, when received, are generally for capital projects.

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.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIS OF PRESENTATION**

The accounts of the District are organized on the basis of funds and account groups, 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 equity, revenues and expenditures. These funds are in conformity with the Uniform System of Accounts for Towns prescribed by the Comptroller of the State of New York, pursuant to Article 3, section 36 of General Municipal Law of the State of New York.

**GOVERNMENTAL FUNDS**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District.

**GENERAL FUND**

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**DEBT SERVICE FUND**

The Debt Service Fund is used to account for the accumulation of resources and for the payment of bond principal, interest and related cost. Generally, the Town of North Hempstead administers the resources of this fund on behalf of and at the direction of the District.

**CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for financial resources to be used for acquisition of construction of major capital facilities. Resources provided by bonded debt are administered by the Town on behalf of and at the direction of the District.

**AGENCY FUND**

Agency Funds are used to account for assets held in trust or as agent for individuals, private organizations, or other governmental units.

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.Accrual:**

Both governmental activities in the government-wide financial statements and the fiduciary fund statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**2.Modified Accrual**

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available (within the next 60 days) as net current assets. If expenditures are the primary factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures are recognized when the related fund liability is incurred. Exceptions to this rule are prepaid expenses and inventory type items which are recognized at the time of expenditure, compensated absences, amounts due the New York Retirement System, and principal and interest on long-term debt which are recognized as expenditures when due.

**E. BUDGETS AND BUDGETARY ACCOUNTING**

The District prepares its budget, then takes appropriate input and approval measures to comply with legal statutes.

Except for prior year encumbrances, which are included in the columns "Adjusted Budget", the accompanying financial statements and District records reflect no adjustments for differences between the line estimated revenues and actual revenue. During the year, the Commissioners approve the transfer of the line item appropriations within the budget.

Unrestricted resources are used first when expenses are incurred. If it is determined appropriate, the Commissioners will approve a resolution to repay the expense with restricted resources.

Encumbrances outstanding at year end are reported as assigned fund balance.

**F. FINANCIAL STATEMENT AMOUNTS**

**1.CASH**

The District's funds are governed by state statutes and the District's own written investment policy. At December 31, 2012, the deposits of the District were covered by federal depository insurance or secured by collateral held by a third party agent in the District's name.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.CAPITAL ASSETS**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                         |             |
|-------------------------|-------------|
| Buildings               | 20-25 years |
| Water and sewer system  | 20-25 years |
| Machinery and equipment | 5-10 years  |
| Improvements            | 10-25 years |
| Other infrastructure    | 10-25 years |

Infrastructure assets include sewer lines. These assets are the largest asset class of the District. See Note 3 Capital Assets, Summary Changes in Capital Assets on page 23 of this report.

**3.EXPENDITURES**

Expenditures are recognized when the related fund liability is incurred.

**4.PROPERTY TAX REVENUE RECOGNITION**

Revenues from real property taxes are recognized when assessed and due from taxpayers. They become an enforceable lien on January 1. They are paid semiannually on January 1 and July 1 each year. Real property taxes are collected by the Town of North Hempstead and disbursed to the District except for amounts paid for debt service by the Town on behalf of the District.

**5.GRANTS, ENTITLEMENTS AND SHARED REVENUES**

The District entered into one grant contract relating to the construction of a full scale project for the removal of biological nutrients in its discharge to Manhasset Bay. The Full Scale Project, known as the "BNR/UV Project", is financed with long-term borrowing with interest subsidies of 50 percent. The District was the recipient of federal aid from the Federal Emergency Management Agency due to damages sustained from Super Storm Sandy in the amount of \$40,029.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Draw downs from the interest free NYS Environmental Facilities Corporation Clean Water Facility Note (Bond Anticipation Note) are recorded as Bond Anticipation Note Payable when payments are received for approved expenses submitted for payment. The NYS EFC note was converted to long-term bonds by the NYS EFC on June 10, 2010. The total long-term bond proceeds were \$15,173,760, of which \$2,657,768 was new money.

Draws downs from the 50% interest subsidized NYS EFC Clean Water Statutory Installment Bond reduce the amount Cash held by Fiscal Agent when payments for approved expenses submitted for payment are received.

State grant revenue from the NYS Department of Environmental Conservation is accrued and recorded when the eligible capital expenditures are incurred and submitted for reimbursement.

**6.COMPENSATED ABSENCES**

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for the governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**7.INTERFUND ACTIVITY**

Interfund activity is reported as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**8.ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriation, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as assigned fund balance since they do not constitute expenditures or liabilities.

Encumbrances and commitments of the various capital projects are summarized in Note 8 Capital Projects on page 28 and in the Required Supplementary Schedule of General Fund Expenditures, Encumbrances and Transfers-Budget and Actual on pages 37-40.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**9.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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

**10.FUND BALANCE-RESERVES AND DESIGNATIONS**

Portions of fund balance are reserved or designated to either satisfy legal restrictions or to plan for future expenditures. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained. Currently, New York State uses the terminology "reserves" and districts are only allowed to use such reserves authorized by law. The following is a description of reserves utilized by the District and classified as restricted or assigned (encumbrances) for reporting purposes.

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

Reserve for Inventory

Reserve for Inventory is used to restrict that portion of the fund balance, which is not available for appropriation. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of compensated absences upon an employee's separation from the District. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Reserve for Prepaid Expenses

Reserve for Prepaid Expenses is used to restrict that portion of the fund balance, which is not available for appropriation. The reserve is accounted for in the general fund.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

**1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. FUND BALANCE REPORTING**

The District has adopted Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users better understand the purposes for which governments have chosen to use particular funds for financial reporting. Refer to Note 15 on page 33 for an analysis.

**H. NEW ACCOUNTING STANDARDS**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable including the following which were effective for the year ended December 31, 2011:

- GASB Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*
- GASB Statement 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*

**2.CASH AND INVESTMENTS**

As required by New York State Local Finance Law, District deposits are secured at 102 percent by collateral valued at market less amounts insured by the Federal Deposit Insurance Corporation.

At December 31, 2012 the District's bank balances totaled \$3,044,640. In addition, there was \$100 of petty cash. The bank balances can be categorized as follows:

|            |   | <u>Bank Balances</u> |
|------------|---|----------------------|
| Category 1 | Deposits covered by federal deposit insurance or collateralized with securities held by the District or by its agent in the District's name | \$3,044,640          |
| Category 2 | Collateralized with securities held by the pledging institution, its trust department or agency but not in the District's name              | -                    |
| Category 3 | Uncollateralized  | -                    |
|            |   | <u>\$3,044,640</u>   |

The District had no investments as of December 31, 2012.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**3. CAPITAL ASSETS**

A summary of changes in Capital Assets are as follows:

|                                      | Balance<br>January 1,<br>2012 | Adjustments<br>and<br>Additions | Adjustments<br>and<br>Deletions | Balance<br>December 31,<br>2012 |
|--------------------------------------|-------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Land                                 | \$ 3,838,223                  | \$ -                            | \$ -                            | \$ 3,838,223                    |
| Buildings                            | 12,496,716                    | -                               | -                               | 12,496,716                      |
| Machinery and Equipment              | 11,570,081                    | 428,438                         | 45,046                          | 11,953,473                      |
| Improvements other<br>than Buildings | 4,024,858                     | -                               | -                               | 4,024,858                       |
| Infrastructure                       | 36,895,120                    | 7,846,360                       | -                               | 44,741,480                      |
| Construction in Progress             | <u>6,845,619</u>              | <u>1,614,544</u>                | <u>6,769,287</u>                | <u>1,690,876</u>                |
|                                      | <u>75,670,617</u>             | <u>9,889,342</u>                | <u>6,814,333</u>                | <u>78,745,626</u>               |
| Less: Accumulated Depreciation       |                               |                                 |                                 |                                 |
| Buildings                            | 12,282,298                    | 12,712                          |                                 | 12,295,010                      |
| Machinery and Equipment              | 10,779,890                    | 178,949                         | 45,046                          | 10,913,793                      |
| Improvements other<br>than Buildings | 1,967,883                     | 45,109                          | -                               | 2,012,992                       |
| Infrastructure                       | <u>17,087,854</u>             | <u>1,092,675</u>                | -                               | <u>18,180,529</u>               |
|                                      | <u>42,117,925</u>             | <u>1,329,445</u>                | <u>45,046</u>                   | <u>43,402,324</u>               |
|                                      | <u>\$ 33,552,692</u>          | <u>\$ 8,559,897</u>             | <u>\$ 6,769,287</u>             | <u>\$ 35,343,302</u>            |

Depreciation expense for the year ended December 31, 2012 was \$1,329,445.

Capital assets purchased during they year in the amount of \$2,839 are expenditures as reflected in the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances on page 13.

**4. PENSION PLANS**

**PLAN DESCRIPTION**

The District participates in the New York State and Local Employees' Retirement System and Public Employees' Group Life Plan (here in called Systems). These are cost-sharing multiple-employer retirement systems. Obligations of employers and Employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). These Systems offer a wide range of retirement benefits as well as death and disability benefits. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) is the sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**4. PENSION PLANS (CONTINUED)**

and required supplementary information. That report may be obtained by writing to the N.Y. State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

**EMPLOYEE GROUPS COVERED**

Nearly all of the District's employees are eligible for membership in the systems. All employees employed in a full-time position who commenced employment after June 30, 1976 are mandatory members. Employees who joined the Employees' Retirement System after July 27, 1976, contribute 3% of their salary for the first 10 years of their employment. For employees who joined the System before July 28, 1976, no contributions are required.

**PAYMENTS AND FUNDING STATUS**

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 fund.

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

|      |           |
|------|-----------|
| 2012 | \$244,056 |
| 2011 | 233,074   |
| 2010 | 162,502   |

The District's contributions were equal to 100 percent of the contributions required for the year. The contribution to the Systems is for the Systems' year ended March 31, 2013.

Through 1988, the Systems billed all participating employers by May 31 each year. Billings were based salaries paid during the Systems' fiscal year which ended on March 31 of the previous calendar year and in accordance with funding requirements determined by the Systems' actuary. Employers were required to remit payment in full by June 30.

There are no balances due under any amortization plan.

**5. OTHER POSTEMPLOYMENT BENEFITS**

Pursuant to a collective bargaining agreement with Local 808, International Brotherhood of Teamsters and Chauffeurs, which expires December 31, 2011, union members are entitled to postemployment benefits. Non-union employees are also entitled to the same benefits. Postemployment benefits include medical insurance for the retirees and their families; it does not include dental or optical coverage. For employees hired on or before December 31, 1993, the District pays 100% of their medical insurance

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

**5. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

coverage. All employees hired after December 31, 1993, are entitled to the same postemployment benefits but are required to contribute towards the medical insurance premiums. Costs associated with postemployment benefits are charged to the General Fund as incurred.

There were ten retirees and family members receiving postemployment benefits. The cost to the District in 2012 was \$121,829.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to 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 annual OPEB cost for the year, the amount actually contributed to the plan, and changes in District's net OPEB obligation to the plan:

|   |                        |
|---|------------------------|
| Annual required contribution                              | \$ 785,813             |
| Interest on net OPEB obligation (zero in transition year) | <u>          -</u>     |
| Annual OPEB cost (expense)                                | \$ 785,813             |
| Contributions made  | <u>(121,829)</u>       |
| Increase in net OPEB obligation                           | \$ 663,984             |
| Net OPEB obligation- beginning of year                    | <u>2,500,955</u>       |
| <br>Net OPEB- end of year                                 | <br><u>\$3,164,939</u> |

The above amounts are based on a valuation at December 31, 2012 and as such will not include interest during the year 2012.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the preceding fiscal years are as follows:

| <u>Fiscal Year Ended</u> | <u>Annual Required Contribution</u> | <u>Annual OPEB Cost</u>          | <u>OPEB Contribution</u> | <u>Percentage of Annual OPEB Cost Contribution</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------------------|----------------------------------|--------------------------|--|----------------------------|
| 2007                     |                                     | N/A- Transition Date is 12/31/08 |                          |  |                            |
| 2008                     | \$691,576                           | \$691,576                        | \$115,289                | 16.67%   | \$576,287                  |
| 2009                     | \$677,578                           | \$677,578                        | \$112,885                | 16.66%   | \$564,693                  |
| 2010                     | \$723,988                           | \$723,988                        | \$102,781                | 14.20%   | \$621,207                  |
| 2011                     | \$857,477                           | \$857,477                        | \$118,709                | 13.80%   | \$738,768                  |
| 2012                     | \$785,813                           | \$785,813                        | \$121,829                | 15.50%   | \$663,984                  |

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**5. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

As December 31, 2012, the actuarial accrued liability for benefits was \$9,502,925, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,573,436 and the ratio of unfunded actuarial liability to the covered payroll was 6.04. The plan is being funded on a pay-as-you-go basis.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees- Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Marital status- Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality- Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP2000 Mortality Table for Males and Females Projected 10 years were used.

Turnover- Non-group specific age based turnover data from GASB Statement 45 were used at the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

Healthcare cost trend rate- The expected rate of increase in healthcare insurance premiums was based on projections from the Department of Health Human Services Office of the Actuary. A rate of 8.0 percent initially, reduced to an ultimate rate of 5.0 percent after ten years, was used.

Health insurance premiums- 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate- The expected long-term inflation assumption of 3.3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate- The expected long-term payroll growth rate was assumed to equal 2.5%.

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 4.3 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage projected payroll on an open basis. The remaining amortization period at December 31, 2012, is twenty-five years.

**6.COMPENSATED ABSENCES**

Compensated absences generally are accrued vacation, sick leave, and the fringe benefits associated with such compensation. Under the terms of the District's collective bargaining agreement and policies, District employees earn vacation which may either be taken or accumulated with certain restrictions. Employees may accumulate 20 days of vacation regardless of date of hire. Accumulated sick leave is subject to a maximum of 165 days with percentage restrictions for certain employees hired after August 31, 1994.

Under GASB 34, compensated absences are expensed currently in the government-wide financial statements. The total compensated absences liability at the beginning of the year was \$271,392. The increases were due to the regular leave accumulations. The decreases were for leave time taken and a reduction of leave for amounts that must be applied toward service credit in the state retirement system. No amount is expected to be paid within the next year. The portion of the expense that is included as long term obligations due in more than one year is \$332,957 at December 31, 2012. In the fund financial statements, when compensated absences are due the amounts are recorded as salary.

**7.RISK RETENTION**

The District is a member of the Public Employer Risk Management Association, Inc. (PERMA); a non-profit, tax-exempt group workers' compensation plan established solely for the benefit of municipal entities in New York State. Memberships are generally available to any town, village, city, county, or district corporation. The PERMA provides its members with Claims Administration Services.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

**7.RISK RETENTION (CONTINUED)**

In 2008, the District retained the services of an independent risk management consultant, RMI Consulting Inc., to evaluate its insurance program, including cost, coverage, and service. Based on the recommendation of the consultant, the District obtained better coverage at a reduced cost for its various commercial insurance policies.

**8.CAPITAL PROJECTS**

**CONSTRUCTION COMMITMENTS**

The District had the following three active projects in 2012:

**SCHEDULE OF ACCUMULATED EXPENDITURES**

Accumulated expenditures for the active projects at December 31, 2012 are as follows:

|  | <u>Total</u>         | <u>BNR/UV<br/>Treatment<br/>Plant Upgrade</u> | <u>Pump<br/>Station<br/>"C"</u> | <u>Sludge<br/>Building<br/>Fund</u> |
|--|----------------------|---|---------------------------------|-------------------------------------|
| Authorization                                | <u>\$ 37,766,603</u> | <u>\$32,000,000</u>                           | <u>\$ 4,430,000</u>             | <u>\$ 1,835,603</u>                 |
| Project expenditures<br>to December 31, 2011 | 26,713,476           | 26,119,038                                    | 518,108                         | 76,330                              |
| Current year expenditures                    | <u>2,192,732</u>     | <u>317,166</u>                                | <u>292,962</u>                  | <u>1,582,604</u>                    |
| Project expenditures<br>to December 31, 2012 | <u>28,906,208</u>    | <u>26,436,204</u>                             | <u>811,070</u>                  | <u>1,658,934</u>                    |
| Commitments and<br>Encumbrances              | <u>150,200</u>       | <u>-</u>                                      | <u>-</u>                        | <u>150,200</u>                      |
|  | <u>\$ 29,056,408</u> | <u>\$26,436,204</u>                           | <u>\$ 811,070</u>               | <u>\$1,809,134</u>                  |

In December 2009 the incinerator suffered an explosion due to an accident, rendering the incinerator inoperable. The District conducted a cost benefit study which found no savings in continued incineration of sludge as opposed to hauling of sludge. In addition, the NYS EPA new emissions standards may require additional cost if the incinerator were to be rebuilt. The District has adopted a resolution on November 2, 2010, to transfer unused insurance proceeds received for the damaged biosolids incinerator to the Capital Projects fund in the amount of \$1,336,603. On June 12, 2012, the Board of Commissioners adopted a resolution to transfer \$499,000 from the General Fund to the Sludge Building Fund. The proceeds were used for the design and construction of the new sludge processing building.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**8.CAPITAL PROJECTS (CONTINUED)**

The BNR/UV Treatment Plant Upgrade and the Outfall Rehabilitation projects are reported as one project in the financial statements - the "BNR Project." The BNR Project was substantially completed in 2010 and became fully on-line in 2012. Due to the explosion at the Biosolids Incinerator, this portion of the BNR Project has been cancelled. The District and the Town of North Hempstead have adopted a bond resolution on April 28, 2009, in the amount of \$4,430,000 for the rehabilitation of the Pump Station "C" Force main and the improvement of the District's security system, sanitary sewer upgrades throughout the District, and miscellaneous treatment plant improvements.

**9.LONG TERM DEBT**

All of the District's debt relates to governmental activities.

Outstanding serial bonds payable at December 31, 2012, consisted of the following:

| <u>Issue Number<br/>or Name</u> | <u>Year of<br/>Issue</u> | <u>Maturity<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Principal<br/>Balance</u> | <u>Interest<br/>Payable in<br/>Future Periods</u> |
|---------------------------------|--------------------------|--------------------------|--------------------------|------------------------------|---|
| <b>Town of North Hempstead</b>  |                          |                          |                          |                              |   |
| CA-'84                          | 1992                     | 2016                     | 6.02%                    | \$ 573,000                   | \$ 72,800   |
| CA-'84                          | 1992                     | 2017                     | 6.02%                    | 668,000                      | 108,352   |
| Morewood                        | 1999                     | 2019                     | 3.82%                    | 669,004                      | 119,520   |
| CTR. 93, 94, 95                 | 2006                     | 2026                     | 4.375 & 4.50%            | 1,592,155                    | 543,705   |
| Morewood Refunding              | 2010                     | 2022                     | 2.0-2.75%                | <u>239,293</u>               | <u>37,305</u>                                     |
|                                 |                          |                          |                          | <u>\$ 3,741,452</u>          | <u>\$ 881,682</u>                                 |
| <b>State Bonds – EFC</b>        |                          |                          |                          |                              |   |
| #CI96                           | 1999                     | 2018                     | 4.464%                   | \$ 585,000                   | 29,024  |
| BNR                             | 2008                     | 2038                     | 4.27%                    | 595,000                      | 179,180   |
| NYSEFC 2010C                    | 2010                     | 2039                     | .286-4.603%              | <u>13,765,000</u>            | <u>4,331,947</u>                                  |
|                                 |                          |                          |                          | <u>\$14,945,000</u>          | <u>\$ 4,540,151</u>                               |

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**9. LONG TERM DEBT (CONTINUED)**

The following is summary of long term liabilities of the District for the year:

|                                 | <u>Total</u>        | <u>Serial<br/>Bonds</u> | <u>State<br/>Bonds-EFC</u> | <u>Compensated<br/>Absences</u> | <u>Other<br/>Postemployment<br/>Benefits</u> |
|---------------------------------|---------------------|-------------------------|----------------------------|---------------------------------|--|
| Balance at<br>January 1, 2012   | \$22,580,388        | \$ 4,244,041            | \$15,564,000               | \$ 271,392                      | \$2,500,955                                  |
| Additions                       | 725,549             | -                       | -                          | 61,565                          | 663,984                                      |
| Redemptions                     | <u>1,121,589</u>    | <u>502,589</u>          | <u>619,000</u>             | -                               | -  |
| Balance at<br>December 31, 2012 | <u>\$22,184,348</u> | <u>\$ 3,741,452</u>     | <u>\$14,945,000</u>        | <u>\$ 332,957</u>               | <u>\$3,164,939</u>                           |

\$1,035,000 of State EFC Bonds were prepaid due to abandonment of the incinerator portion of the BNR Project.

The annual requirement to amortize all debt outstanding as of December 31, 2012, including interest payments net of interest subsidies on State EFC bonds, was:

| <u>Year Ending<br/>December 31,</u> | <u>Total</u>         | <u>TNH<br/>Serial Bonds<br/>Principal</u> | <u>TNH<br/>Serial Bonds<br/>Interest</u> | <u>EFC<br/>State Bonds<br/>Principal</u> | <u>EFC<br/>State Bonds<br/>Interest</u> |
|-------------------------------------|----------------------|---|--|--|---|
| 2013                                | \$ 1,438,102         | \$ 458,673                                | \$ 174,958                               | \$ 530,000                               | \$ 274,471                              |
| 2014                                | 1,448,069            | 482,151                                   | 149,804                                  | 545,000                                  | 271,114                                 |
| 2015                                | 1,421,489            | 487,070                                   | 122,728                                  | 545,000                                  | 266,691                                 |
| 2016                                | 1,404,399            | 491,741                                   | 96,280                                   | 555,000                                  | 261,378                                 |
| 2017                                | 1,246,311            | 357,294                                   | 74,069                                   | 560,000                                  | 254,948                                 |
| 2018-2022                           | 4,764,502            | 911,870                                   | 212,775                                  | 2,475,000                                | 1,164,857                               |
| 2023-2027                           | 4,119,057            | 552,653                                   | 51,068                                   | 2,560,000                                | 955,336                                 |
| 2028-2032                           | 3,485,707            | -   | -  | 2,800,000                                | 685,707                                 |
| 2033-2037                           | 3,441,485            | -   | -  | 3,080,000                                | 361,485                                 |
| 2038-2039                           | <u>1,339,164</u>     | -   | -  | <u>1,295,000</u>                         | <u>44,164</u>                           |
|                                     | <u>\$ 24,108,285</u> | <u>\$ 3,741,452</u>                       | <u>\$ 881,682</u>                        | <u>\$14,945,000</u>                      | <u>\$ 4,450,151</u>                     |

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

**9.LONG TERM DEBT (CONTINUED)**

**PRIOR YEAR DEFEASANCE OF DEBT**

In November 2010, the Town of North Hempstead, issued refunding bonds of \$246,341 with an average interest rate of 2.96% to partially advance refund 2002 serial bonds in the amount of \$234,540 with rates varying from 4.25% to 5.0%. Net proceeds of \$246,341 were deposited into an irrevocable trust with an escrow agent to provide debt service payments or call the old bonds. The issuance costs of \$4,221 were included in the transaction. As a result of the advanced refunding, the District reduced its total debt service requirements by \$32,368 which resulted in an economic gain (difference between the present value of the debt service on the old and new debt) of \$22,757. Certain costs associated with the refunding have been deferred in the government-wide financial statements.

**10.BOND ANTICIPATION NOTES PAYABLE AND OTHER SHORT TERM BORROWINGS**

Bond Anticipation Notes payable and Other Short-Term Borrowings at December 31, 2012, consisted of the following:

|  |    |         |
|--|----|---------|
| Bond Anticipation Notes and Short-Term Borrowings, January 1, 2012   | \$ | -       |
| Addition   |    | -       |
| BANs retired with Serial Bonds issued                                |    | _____ - |
| Bond Anticipation Notes and Short-Term Borrowings, December 31, 2012 | \$ | _____ - |

**12.INTERFUND RECEIVABLES AND PAYABLES**

Interfund Receivables and Payables at December 31, 2012, were as follows:

| Due to           | General<br>Fund   | Capital<br>Projects | Due from<br>Debt<br>Service | Agency            | Total             |
|------------------|-------------------|---------------------|-----------------------------|-------------------|-------------------|
| General Fund     | \$ -              | \$ 338,477          | \$ -                        | \$ -              | \$ 338,477        |
| Capital Projects | 122,913           | -                   | -                           | -                 | 122,913           |
| Debt Service     | -                 | -                   | -                           | -                 | -                 |
| Agency           | _____ -           | _____ -             | _____ -                     | _____ -           | _____ -           |
|                  | <u>\$ 122,913</u> | <u>\$ 338,477</u>   | <u>\$ _____ -</u>           | <u>\$ _____ -</u> | <u>\$ 461,390</u> |

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**13.DEFERRED COMPENSATION PLAN**

In October 1997, the Governmental Accounting Standards Board issued Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Service Code (IRC) Section 457 Deferred Compensation Plans." This statement established accounting and financial reporting standards for IRC section 457 deferred compensation plans.

On October 1, 1997, the New York State Deferred Compensation Board (Board) created a Trust and Custody agreement naming Bank of New York the Trustee and Custodian of the Plan. Consequently, statement No. 32 became effective for the New York State Deferred Compensation Plan, in which the District participates. Since neither the Board nor the District are trustees of the plan, the plan does not meet the criteria for inclusion in the District's financial statements.

As of December 31, 2012, the market value of the plan assets totaled \$540,174.

**14.LEASE COMMITMENTS**

The District holds non-cancelable operating leases for the rental and maintenance of a photocopy machine, and a postage meter. The operating lease expense for the year ended December 31, 2012, was \$708.

Future minimum payments are as follows:

|      |    |            |
|------|----|------------|
| 2013 | \$ | <u>381</u> |
|      | \$ | <u>381</u> |

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

**15.FUND BALANCE REPORTING**

GASB 54 provides for two major types of fund balance, which are nonspendable and spendable. Non spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories. The District has inventories that are considered nonspendable. GASB 54 has provided a hierarchy of spendable fund balances based on spending constraints that impact the District.

**Nonspendable**

|                  |                   |
|------------------|-------------------|
| General Fund:    |                   |
| Prepaid Expenses | \$ 183,704        |
| Inventory        | <u>8,107</u>      |
|                  | <u>\$ 191,811</u> |

**Spendable**

Restricted

Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

|                                     |                   |
|-------------------------------------|-------------------|
| General Fund:                       |                   |
| Employee Benefits Accrued Liability | \$ <u>232,226</u> |

Committed

Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The District has no funds classified as Committed.

Assigned

Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. Intent is expressed by the Board of Commissioners or an official or body to which the Board delegates authority.

|   |                   |
|---|-------------------|
| General Fund:                                 |                   |
| Designated for subsequent year's expenditures | \$ 285,424        |
| Debt Service Fund:                            |                   |
| Designated for future debt reduction          | <u>478,874</u>    |
|   | <u>\$ 764,298</u> |

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

**15.FUND BALANCE REPORTING (CONTINUED)**

Unassigned

This includes all other general fund net assets that do not meet the definition of the above four classifications. It may be offset by negative fund balances in other funds.

|                        |                     |
|------------------------|---------------------|
| General Fund:          |                     |
| Sludge hauling         | \$ 2,118,711        |
| Capital Projects Fund: | <u>(162,845)</u>    |
|                        | <u>\$ 1,955,866</u> |

The following is a summary of total fund balance as of December 31, 2012:

|               |                    |
|---------------|--------------------|
| Nonspendable: | \$ 191,811         |
| Spendable:    |                    |
| Restricted    | 232,226            |
| Committed     | -                  |
| Assigned      | 764,298            |
| Unassigned    | <u>1,955,867</u>   |
| Total         | <u>\$3,144,202</u> |

**16.CONTINGENCIES**

The District is occasionally a recipient of a number of federal and state grants. These grants are administered by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could result in certain disallowances. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as rules and regulations of the respective agency for each grant.

The District is a defendant in a number of claims which the District does not believe, either individually or in the aggregate will have a material effect on the financial condition of the District. Except for deductibles, the District is insured against any possible loss.

**17. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through May 21, 2013, which is the date these financial statements were available to be issued. No other events have occurred subsequent to the statement of financial position date through May 21, 2013, that would require adjustment or disclosure in the financial statements.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2012**

GENERAL FUND

|   | Adjusted<br>Budget | Actual           | Favorable<br>[Unfavorable] | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total            | Actual<br>2011   |
|---|--------------------|------------------|----------------------------|-------------------------|-----------------------------|------------------|------------------|
| Revenues:                                       |                    |                  |                            |                         |                             |                  |                  |
| Real Property Taxes                             | \$ 4,605,790       | \$ 4,605,790     | \$ -                       | \$ -                    | \$ -                        | \$ 4,605,790     | \$ 4,503,078     |
| Departmental Income:                            |                    |                  |                            |                         |                             |                  |                  |
| Sewer Rents                                     | 160,245            | 160,245          | -                          | -                       | -                           | 160,245          | 133,915          |
| Sewer Service Charges                           | 11,838             | 11,838           | -                          | -                       | -                           | 11,838           | 12,109           |
| Sewer Services to Other Governments             | 851,760            | 851,760          | -                          | -                       | -                           | 851,760          | 804,070          |
| Interest Earnings                               | 14,680             | 14,680           | -                          | -                       | -                           | 14,680           | 21,542           |
| Interest Earnings - Reserves                    | -                  | -                | -                          | 1,087                   | -                           | 1,087            | 3,906            |
| Federal Aid-Emergency Disaster Assistance       | 40,028             | 40,029           | 1                          | -                       | -                           | 40,029           | -                |
| Refund of Prior Years Expenditures              | 33,457             | 33,457           | -                          | -                       | -                           | 33,457           | 6,802            |
| Sale of Equipment                               | 8,184              | 8,184            | -                          | -                       | -                           | 8,184            | -                |
| Other Unclassified Revenue                      | 634                | 634              | -                          | -                       | -                           | 634              | 450              |
| <b>Total Revenues</b>                           | <b>5,726,616</b>   | <b>5,726,617</b> | <b>1</b>                   | <b>1,087</b>            | <b>-</b>                    | <b>5,727,704</b> | <b>5,485,872</b> |
| Expenditures:                                   |                    |                  |                            |                         |                             |                  |                  |
| Sewer Administration                            | 417,597            | 411,994          | 5,603                      | -                       | -                           | 411,994          | 396,745          |
| Sanitary Sewers                                 | 1,852,238          | 1,852,102        | 136                        | -                       | -                           | 1,852,102        | 1,117,407        |
| Sewage Treatment and Disposal                   | 1,800,895          | 1,795,941        | 4,954                      | -                       | -                           | 1,795,941        | 1,891,145        |
| Employee Benefits                               | 1,107,491          | 1,107,490        | 1                          | -                       | -                           | 1,107,490        | 1,029,401        |
| Capital Projects                                | -                  | -                | -                          | -                       | 2,224,674                   | 2,224,674        | 1,527,259        |
| Debt Service:                                   |                    |                  |                            |                         |                             |                  |                  |
| Serial Bonds - Principal                        | -                  | -                | -                          | 1,121,589               | -                           | 1,121,589        | 2,157,076        |
| Serial Bonds - Interest                         | -                  | -                | -                          | 480,393                 | -                           | 480,393          | 517,919          |
| Bond Anticipation Notes - Principal             | -                  | -                | -                          | -                       | -                           | -                | -                |
| Bond Anticipation Notes - Interest              | -                  | -                | -                          | -                       | -                           | -                | -                |
| Fiscal Agent Fees                               | -                  | -                | -                          | 95,309                  | -                           | 95,309           | 64,780           |
| <b>Subtotal of Expenditures</b>                 | <b>5,178,221</b>   | <b>5,167,527</b> | <b>10,694</b>              | <b>1,697,291</b>        | <b>2,224,674</b>            | <b>9,089,492</b> | <b>8,701,732</b> |
| Excess of Revenues Over<br>(Under) Expenditures | 548,395            | 559,090          | 10,695                     | (1,696,204)             | (2,224,674)                 | (3,361,788)      | (3,215,860)      |

See independent auditor's report.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2012**

|   | GENERAL FUND       |              |                            |                         |                             |              |                |
|---|--------------------|--------------|----------------------------|-------------------------|-----------------------------|--------------|----------------|
|   | Adjusted<br>Budget | Actual       | Favorable<br>[Unfavorable] | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total        | Actual<br>2011 |
| Excess (Deficiency) of Revenues<br>Over Expenditures                                  | 548,395            | 559,090      | 10,695                     | (1,696,204)             | (2,224,674)                 | (3,361,788)  | (3,215,860)    |
| Other Financing Sources (Uses):   |                    |              |                            |                         |                             |              |                |
| Operating Transfers   | (1,379,498)        | (1,379,496)  | 2                          | 1,360,561               | 18,935                      | -            | -              |
| Serial Bonds Issued   | -                  | -            | -                          | -                       | -                           | -            | -              |
| Proceeds from Refunding Bonds   | -                  | -            | -                          | -                       | -                           | -            | -              |
| Premium on Sale of Bonds  | -                  | -            | -                          | -                       | -                           | -            | -              |
| Payment to Escrow Agent   | -                  | -            | -                          | -                       | -                           | -            | -              |
| Total Other Financing Sources (Uses)  | (1,379,498)        | (1,379,496)  | 2                          | 1,360,561               | 18,935                      | -            | -              |
| Excess (Deficiency) of Revenues and Other<br>Sources Over Expenditures and Other Uses | (831,103)          | (820,406)    | \$ 10,697                  | (335,643)               | (2,205,739)                 | (3,361,788)  | (3,215,860)    |
| Appropriated Fund Balance<br>Encumbrances   | 397,110<br>10,663  |              |                            |                         |                             |              |                |
| Fund Balances January 1, 2012   | 831,103            | 3,648,578    |                            | 814,517                 | 2,042,895                   | 6,505,990    | 9,721,850      |
| Fund Balances December 31, 2012   | \$ -               | \$ 2,828,172 |                            | \$ 478,874              | \$ (162,844)                | \$ 3,144,202 | \$ 6,505,990   |

See independent auditor's report.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES  
AND TRANSFERS - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2012**

| Sewer Administration               | 2012           |                 |                |              | 2011                 |                             |
|------------------------------------|----------------|-----------------|----------------|--------------|----------------------|-----------------------------|
|                                    | Adopted Budget | Adjusted Budget | Expenditures   | Encumbrances | Unencumbered Balance | Expenditures & Encumbrances |
| 100 Personal Services              | \$ 272,000     | \$ 268,174      | \$ 268,173     | \$ -         | \$ 1                 | \$ 255,989                  |
| Commissioners Fees                 | 21,000         | 18,400          | 18,400         | -            | -                    | 19,424                      |
|                                    | <u>293,000</u> | <u>286,574</u>  | <u>286,573</u> | -            | <u>1</u>             | <u>275,413</u>              |
| 225 Capital Outlay                 | -              | 11,819          | 6,226          | 5,593        | -                    | 7,128                       |
| 400 Contractual Expenditures:      |                |                 |                |              |                      |                             |
| 401 Stationery & Printing          | 500            | 150             | 147            | -            | 3                    | 499                         |
| 402 Postage                        | 1,000          | 1,056           | 1,056          | -            | -                    | 1,023                       |
| 403 Books, Publications, etc.      | 100            | 198             | 197            | -            | 1                    | -                           |
| 404 Office, Supplies and Expenses  | 4,000          | 2,665           | 2,664          | -            | 1                    | 3,210                       |
| 419 Telephone & Communications     | 2,000          | 2,399           | 2,398          | -            | 1                    | 2,383                       |
| 420 Light and Power                | 1,500          | 1,344           | 1,343          | -            | 1                    | 1,434                       |
| 421 Water                          | 350            | 126             | 125            | -            | 1                    | 45                          |
| 429 Equipment - Rental             | 3,500          | 708             | 708            | -            | -                    | 1,770                       |
| 440 Assessment Rolls               | 4,500          | 4,500           | 4,500          | -            | -                    | 4,571                       |
| 441 Legal Notices                  | 300            | 535             | 535            | -            | -                    | 839                         |
| 445 Conferences, Meetings, etc.    | 2,000          | 691             | 691            | -            | -                    | 1,569                       |
| 447 Election Expense               | 1,500          | 1,840           | 1,840          | -            | -                    | 1,903                       |
| 451 Engineering                    | 3,000          | 1,500           | 1,500          | -            | -                    | 1,974                       |
| 452 Auditing                       | 34,000         | 32,458          | 32,458         | -            | -                    | 32,778                      |
| 453 Custodial                      | 2,000          | 2,228           | 2,228          | -            | -                    | 1,093                       |
| 454 Legal                          | 50,000         | 46,935          | 46,935         | -            | -                    | 38,050                      |
| 458 Other Professional Services    | 20,000         | 15,920          | 15,920         | -            | -                    | 17,814                      |
| 467 Gas, Oil, etc.                 | 750            | 639             | 639            | -            | -                    | 662                         |
| 474 Tools, Parts & Supplies, Other | -              | -               | -              | -            | -                    | -                           |
| 475 Repairs & Maintenance:         |                |                 |                |              |                      |                             |
| Alarm Systems                      | 1,000          | 684             | 682            | -            | 2                    | 758                         |
| Operating Equipment                | 1,500          | 854             | 854            | -            | -                    | 37                          |
| Other                              | 500            | 1,774           | 1,774          | -            | -                    | 1,792                       |
|                                    | <u>134,000</u> | <u>119,204</u>  | <u>119,195</u> | -            | <u>9</u>             | <u>114,204</u>              |
|                                    | <u>427,000</u> | <u>417,597</u>  | <u>411,994</u> | <u>5,593</u> | <u>10</u>            | <u>396,745</u>              |

See independent auditor's report.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES  
AND TRANSFERS - BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012**

|                                   | 2012              |                    |                  |              | 2011                    |                                |
|-----------------------------------|-------------------|--------------------|------------------|--------------|-------------------------|--------------------------------|
|                                   | Adopted<br>Budget | Adjusted<br>Budget | Expenditures     | Encumbrances | Unencumbered<br>Balance | Expenditures &<br>Encumbrances |
| Sanitary Sewers                   |                   |                    |                  |              |                         |                                |
| 100 Personal Services             | 667,000           | 576,797            | 576,796          | -            | 1                       | 558,126                        |
| 225 Capital Outlay                | 150,000           | 837,963            | 837,962          | -            | 1                       | 108,981                        |
| 400 Contractual Expenditures:     |                   |                    |                  |              |                         |                                |
| 419 Telephone & Communications    | 11,000            | 11,131             | 11,131           | -            | -                       | 8,957                          |
| 420 Light and Power               | 165,000           | 145,771            | 145,770          | -            | 1                       | 149,248                        |
| 421 Water                         | 8,800             | 9,890              | 9,889            | -            | 1                       | 9,813                          |
| 422 Heating                       | 28,000            | 25,014             | 25,014           | -            | -                       | 30,154                         |
| 429 Equipment Rental              | -                 | 7,064              | 7,064            | -            | -                       | -                              |
| 445 Conferences, Meetings, etc.   | 5,500             | 6,568              | 6,566            | -            | 2                       | 4,300                          |
| 451 Engineering                   | 10,000            | 18,227             | 18,227           | -            | -                       | 35,618                         |
| 453 Custodial                     | 2,750             | 3,117              | 3,115            | -            | 2                       | 4,643                          |
| 455 Medical                       | 1,500             | 1,793              | 1,793            | -            | -                       | 1,174                          |
| 466 Uniforms and Laundry          | 5,000             | 4,652              | 4,652            | -            | -                       | 4,520                          |
| 467 Gas, Oil, etc.                | 16,500            | 28,245             | 28,245           | -            | -                       | 21,528                         |
| 468 Chemicals, Testing & Chlorine | 14,000            | 16,120             | 16,120           | -            | -                       | 20,504                         |
| 474 Tools, Parts & Supplies:      |                   |                    |                  |              |                         |                                |
| Plant & Grounds                   | -                 | -                  | -                | -            | -                       | -                              |
| Trunk Lines & Laterals            | -                 | -                  | -                | -            | -                       | -                              |
| 475 Repairs & Maintenance:        |                   |                    |                  |              |                         |                                |
| Alarm Systems                     | 8,500             | 18,007             | 18,007           | -            | -                       | 8,099                          |
| Operating Equipment               | 45,000            | 40,135             | 40,135           | -            | -                       | 68,520                         |
| Plant & Grounds                   | 53,000            | 101,744            | 101,616          | 125          | 3                       | 58,643                         |
| Trunk Lines & Laterals            | 37,000            | -                  | -                | -            | -                       | 24,579                         |
|                                   | <u>411,550</u>    | <u>437,478</u>     | <u>437,344</u>   | <u>125</u>   | <u>9</u>                | <u>450,300</u>                 |
|                                   | <u>1,228,550</u>  | <u>1,852,238</u>   | <u>1,852,102</u> | <u>125</u>   | <u>11</u>               | <u>1,117,407</u>               |

See independent auditor's report.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES  
AND TRANSFERS - BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012**

| Sewage Treatment and Disposal   | 2012           |                 |              | 2011                 |                             |
|---------------------------------|----------------|-----------------|--------------|----------------------|-----------------------------|
|                                 | Adopted Budget | Adjusted Budget | Expenditures | Unencumbered Balance | Expenditures & Encumbrances |
| 100 Personal Services           | 668,000        | 710,067         | 710,066      | 1                    | 733,947                     |
| 225 Capital Outlay              | 47,500         | 54,032          | 54,032       | -                    | 61,716                      |
| 400 Contractual Expenditures:   |                |                 |              |                      |                             |
| 419 Telephone & Communications  | 4,900          | 5,265           | 5,264        | 1                    | 4,672                       |
| 420 Light and Power             | 310,000        | 278,893         | 278,892      | 1                    | 262,765                     |
| 421 Water                       | 20,000         | 17,558          | 17,558       | -                    | 28,636                      |
| 422 Heating                     | 30,000         | 12,871          | 12,870       | 1                    | 24,639                      |
| 429 Equipment Rental            | 1,000          | 17,375          | 17,375       | -                    | 55,031                      |
| 445 Conferences, Meetings, etc. | 3,500          | 2,434           | 2,434        | -                    | 2,092                       |
| 451 Engineering                 | 70,000         | 91,470          | 91,470       | -                    | 97,975                      |
| 453 Custodial                   | 5,000          | 1,860           | 1,860        | -                    | 2,402                       |
| 455 Medical                     | 1,000          | 0               | 0            | -                    | 231                         |
| 466 Uniforms & Laundry          | 2,950          | 1,359           | 1,358        | 1                    | 1,556                       |
| 467 Gas, Oil, etc.              | 3,500          | 17,555          | 17,555       | -                    | 12,643                      |
| 468 Chemicals & Testing:        |                |                 |              |                      |                             |
| Analysis                        | 40,000         | 36,509          | 36,509       | -                    | 39,415                      |
| Chemicals & Chlorine            | 50,000         | 77,622          | 77,621       | 1                    | 49,456                      |
| 474 Tools, Parts and Supplies:  |                |                 |              |                      |                             |
| Plant and Grounds               | -              | -               | -            | -                    | -                           |
| 475 Repairs & Maintenance       |                |                 |              |                      |                             |
| Alarm System                    | 1,100          | 1,623           | 1,623        | -                    | 413                         |
| Operating Equipment             | 25,000         | 1,025           | 1,024        | 1                    | 12,485                      |
| Plant & Grounds                 | 65,000         | 87,377          | 82,430       | 2                    | 68,081                      |
| 483 Treatment and Disposal of   |                |                 |              |                      |                             |
| Sewage & Sludge                 | 450,000        | 373,849         | 373,849      | -                    | 422,668                     |
| 493 Permit Fees                 | 10,500         | 12,151          | 12,151       | -                    | 10,322                      |
|                                 | 1,093,450      | 1,036,796       | 1,031,843    | 8                    | 1,095,482                   |
|                                 | 1,808,950      | 1,800,895       | 1,795,941    | 9                    | 1,891,145                   |

See independent auditor's report.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
 SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES  
 AND TRANSFERS - BUDGET AND ACTUAL (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2012

|  | 2012                |                     |                     | 2011             |                      |                             |
|--|---------------------|---------------------|---------------------|------------------|----------------------|-----------------------------|
|  | Adopted Budget      | Adjusted Budget     | Expenditures        | Encumbrances     | Unencumbered Balance | Expenditures & Encumbrances |
| Employee Benefits                        |                     |                     |                     |                  |                      |                             |
| 9010 State Retirement                    | 275,000             | 244,056             | 244,056             | -                | -                    | 174,805                     |
| 9030 Social Security                     | 119,000             | 116,050             | 116,050             | -                | -                    | 92,596                      |
| 9031 Medicare                            | -                   | -                   | -                   | -                | -                    | 22,791                      |
| 9040 Workers' Compensation               | 45,000              | 46,183              | 46,183              | -                | -                    | 21,267                      |
| 9050 Unemployment Insurance              | -                   | 7,695               | 7,695               | -                | -                    | 2,835                       |
| 9060 Hospital and Medical Insurance      | 500,000             | 525,796             | 525,796             | -                | -                    | 538,061                     |
| 1980.4 Metro Commuter Transportation Tax | 5,500               | 3,610               | 3,609               | -                | 1                    | 5,343                       |
| 1980.41 Unallocated Insurance            | 163,000             | 164,101             | 164,101             | -                | -                    | 156,703                     |
| 1980.4193 Judgments and Claims           | -                   | -                   | -                   | -                | -                    | 15,000                      |
|  | <u>1,107,500</u>    | <u>1,107,491</u>    | <u>1,107,490</u>    | <u>-</u>         | <u>1</u>             | <u>1,029,401</u>            |
| Transfers                                |                     |                     |                     |                  |                      |                             |
| Debt Service Fund                        | 1,360,900           | 1,360,562           | 1,360,561           | -                | 1                    | 1,297,052                   |
| Capital Projects Fund                    | 30,000              | 18,936              | 18,935              | -                | 1                    | 762,646                     |
|  | <u>1,390,900</u>    | <u>1,379,498</u>    | <u>1,379,496</u>    | <u>-</u>         | <u>2</u>             | <u>2,059,698</u>            |
|  | <u>\$ 5,962,900</u> | <u>\$ 6,557,719</u> | <u>\$ 6,547,023</u> | <u>\$ 10,663</u> | <u>\$ 33</u>         | <u>\$ 6,494,396</u>         |

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PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
 SCHEDULE OF BALANCE SHEETS  
 CAPITAL PROJECTS FUND - BY PROJECT  
 DECEMBER 31, 2012

|                                  | BNR Project       | Pump Station "C" Force Main Rehabilitation CT97 |             | Sludge Building Fund CT112 |             | Sandy Hollow Road Siphon Line Rehab CT116 |             | Total             |                     |
|----------------------------------|-------------------|---|-------------|----------------------------|-------------|---|-------------|-------------------|---------------------|
|                                  |                   | 2012  | 2011        | 2012                       | 2011        | 2012                                      | 2011        | 2012              | 2011                |
| ASSETS                           |                   |   |             |                            |             |   |             |                   |                     |
| Cash                             | \$ 40,868         | \$ -  | \$ -        | \$ -                       | \$ -        | \$ -                                      | \$ -        | \$ 40,868         | \$ 1,816,041        |
| Due from Other Funds             | 122,913           | -   | -           | -                          | -           | -   | -           | 122,913           | -                   |
| Due from Town of North Hempstead | 45,799            | -   | -           | -                          | -           | -   | -           | 45,799            | 4,554               |
| Due from NYSDEC                  | -                 | -   | -           | -                          | -           | -   | -           | -                 | -                   |
| State, Federal Aid Receivable    | -                 | -   | -           | -                          | -           | -   | -           | -                 | 1,100,750           |
| <b>TOTAL ASSETS</b>              | <b>\$ 209,580</b> | <b>\$ -</b>                                     | <b>\$ -</b> | <b>\$ -</b>                | <b>\$ -</b> | <b>\$ -</b>                               | <b>\$ -</b> | <b>\$ 209,580</b> | <b>\$ 2,921,345</b> |

LIABILITIES AND FUND EQUITY

|   |                   |             |                  |                 |             |               |             |                   |                     |
|---|-------------------|-------------|------------------|-----------------|-------------|---------------|-------------|-------------------|---------------------|
| Accounts Payable/Contracts Payable          | \$ -              | \$ -        | \$ -             | \$ -            | \$ -        | \$ -          | \$ -        | \$ -              | \$ 169,147          |
| Retained Percentages, Contracts Payable     | -                 | -           | -                | 33,947          | -           | -             | -           | 33,947            | 54,639              |
| Reserve for Interest on Temp Invest         | -                 | -           | -                | -               | -           | -             | -           | -                 | -                   |
| Due to Other Funds                          | 16                | -           | -                | 306,519         | -           | 31,942        | -           | 338,477           | 654,664             |
| <b>TOTAL LIABILITIES</b>                    | <b>16</b>         | <b>-</b>    | <b>-</b>         | <b>340,466</b>  | <b>-</b>    | <b>31,942</b> | <b>-</b>    | <b>372,424</b>    | <b>878,450</b>      |
| Fund Balances:                              |                   |             |                  |                 |             |               |             |                   |                     |
| Assigned Unappropriated Fund Balance        | (526,731)         | 274,031     | (1,242,138)      | -               | -           | -             | -           | (1,494,838)       | -                   |
| Unreserved                                  | 736,295           | (274,031)   | 901,672          | (31,942)        | -           | -             | -           | 1,331,994         | 2,042,895           |
| <b>FUND BALANCE</b>                         | <b>209,564</b>    | <b>-</b>    | <b>(340,466)</b> | <b>(31,942)</b> | <b>-</b>    | <b>-</b>      | <b>-</b>    | <b>(162,844)</b>  | <b>2,042,895</b>    |
| <b>TOTAL LIABILITIES &amp; FUND BALANCE</b> | <b>\$ 209,580</b> | <b>\$ -</b> | <b>\$ -</b>      | <b>\$ -</b>     | <b>\$ -</b> | <b>\$ -</b>   | <b>\$ -</b> | <b>\$ 209,580</b> | <b>\$ 2,921,345</b> |

See independent auditor's report

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES CAPITAL PROJECTS FUND - BY PROJECT  
YEAR ENDED DECEMBER 31, 2012**

|   | BNR<br>Project    | Pump Station "C"<br>Force Main<br>Rehabilitation<br>CT97 | Sludge<br>Building Fund<br>CT112 | Sandy Hollow<br>Road Siphon<br>Line Rehab<br>CT116 | 2012                | 2011                |
|---|-------------------|--|----------------------------------|--|---------------------|---------------------|
| <b>Revenues:</b>  |                   |  |                                  |  |                     |                     |
| Interest Earnings   | \$ -              | \$ -   | \$ -                             | \$ -   | \$ -                | \$ 3,560            |
| Insurance Recovery  | -                 | -  | -                                | -  | -                   | -                   |
| Federal & State Grant Aid   | -                 | -  | -                                | -  | -                   | -                   |
| <b>Total Revenues</b>   | <b>\$ -</b>       | <b>\$ -</b>  | <b>\$ -</b>                      | <b>\$ -</b>  | <b>\$ -</b>         | <b>\$ 3,560</b>     |
| <b>Expenditures:</b>  |                   |  |                                  |  |                     |                     |
| Contractual   | 317,166           | 292,962  | 1,582,604                        | 31,942   | 2,224,674           | 1,527,259           |
| <b>Total Expenditures</b>   | <b>317,166</b>    | <b>292,962</b>   | <b>1,582,604</b>                 | <b>31,942</b>                                      | <b>2,224,674</b>    | <b>1,527,259</b>    |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b>   | <b>(317,166)</b>  | <b>(292,962)</b>   | <b>(1,582,604)</b>               | <b>(31,942)</b>                                    | <b>(2,224,674)</b>  | <b>(1,523,699)</b>  |
| <b>Other Financial Sources (Uses):</b>  |                   |  |                                  |  |                     |                     |
| Transfers from General Fund   | -                 | 18,935   | -                                | -  | 18,935              | 762,646             |
| Serial Bonds Issued   | -                 | -  | -                                | -  | -                   | -                   |
| Transfers to Debt Service Fund  | -                 | -  | -                                | -  | -                   | (1,101,259)         |
| <b>Total Other Financial Sources (Uses):</b>  | <b>-</b>          | <b>18,935</b>  | <b>-</b>                         | <b>-</b>   | <b>18,935</b>       | <b>(338,613)</b>    |
| <b>Excess (Deficiency) of Revenues<br/>and Other Sources Over<br/>Expenditures and Other Uses</b> | <b>(317,166)</b>  | <b>(274,027)</b>   | <b>(1,582,604)</b>               | <b>(31,942)</b>                                    | <b>(2,205,739)</b>  | <b>(1,862,312)</b>  |
| <b>Fund Balances, January 1, 2012</b>   | <b>526,730</b>    | <b>274,027</b>   | <b>1,242,138</b>                 | <b>-</b>   | <b>2,042,895</b>    | <b>3,905,207</b>    |
| <b>Fund Balances, December 31, 2012</b>   | <b>\$ 209,564</b> | <b>\$ -</b>  | <b>\$ (340,466)</b>              | <b>\$ (31,942)</b>                                 | <b>\$ (162,844)</b> | <b>\$ 2,042,895</b> |

See independent auditor's report.