

ROSLYN WATER DISTRICT

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2015

ROSLYN WATER DISTRICT
TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government – Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds and Reconciliation to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	13
Statement of Fiduciary Net Assets	14
Statement of Changes in Fiduciary Net Assets	15
Notes to Financial Statements	16-35
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	36
Schedule of Employer's Proportionate Share of the Net Pension Liability and Schedule of Employer's Contributions	37
Supplemental Information	
Schedule of Revenues – Budget and Actual – General Fund	38
Schedule of Expenditures – Budget and Actual – General Fund	
- Administration	39
- Source of Supply, Power and Pumping	40
- Purification	40
- Transmission and Distribution	41
- Unallocated Insurance	41
- Employee Benefits	41

Robert A. Johnson, CPA P.C.

CERTIFIED PUBLIC ACCOUNTANTS

75 Prospect Street • Suite 402, Huntington, New York 11743

Ph: 631-923-2571 • Fax: 631-923-2574

rjohnson@robertjohnsoncpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Roslyn Water District
Roslyn, New York

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Roslyn Water District, (the "District"), a component unit of the Town of North Hempstead, New York as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Roslyn Water District, as of December 31, 2015, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board. 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 principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 assurance.

Other-Matter

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roslyn Water District's basic financial statements. The additional information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues and schedule of expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.


Robert A. Johnson, CPA P.C.
Huntington, New York
April 27, 2016

ROSLYN WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Roslyn Water District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2015. Please review it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The District reported net position of \$5,459,237 comprised of \$21,514,732 in total assets offset by \$16,284,318 in total liabilities (Table 1).
- The District's net position increased by \$143,856 from \$5,315,381 to \$5,459,237 (Table 2).
- The General Fund reported excess of Revenues over Expenditures of \$442,033 for the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short term as well as that remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's *net position* and changes in them. You can think of the District's net position, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as the availability of

capital projects, and continuing local government support to assess the *overall health* of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the funds – not the District as a whole. Some funds are required to be established by State law. However, the Board of Commissioners establishes funds to help control and manage money for particular purposes (ex. various capital projects funds).

Governmental Funds: The District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation beside the fund financial statements.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents individual fund statements and schedules.

THE DISTRICT AS A WHOLE

Governmental entities are required by GAAP to report their financial position. The Statement of Net Position presents the value of all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in a government's financial condition. The District reported net position of \$5,459,237 comprised of \$5,841,192 in capital assets net of related debt, and \$2,216,280 in restricted net position offset by an unrestricted net position deficit of (\$2,598,235).

Roslyn Water District
Management's Discussion and Analysis
December 31, 2015

Net position increased by \$143,856 from a year ago, increasing from \$5,315,381 to \$5,459,237. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – had a deficit of (\$2,598,235) at December 31, 2015. The following table (Table 1) was derived from the current and prior year government-wide Statement of Net Position.

Table 1
Statement of Net Position
as of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 8,370,369	\$ 10,085,818
Capital assets, Net	<u>13,144,363</u>	<u>7,864,111</u>
Total Assets	<u>21,514,732</u>	<u>17,949,929</u>
Deferred Outflows	228,823	215,654
Liabilities		
Long-term obligations	3,196,349	3,125,013
Other liabilities	<u>13,087,969</u>	<u>9,725,189</u>
Total Liabilities	<u>16,284,318</u>	<u>12,850,202</u>
Net Position:		
Invested in capital assets, net of related debt	5,841,192	5,919,964
Restricted	2,216,280	1,709,895
Unrestricted	<u>(2,598,235)</u>	<u>(2,314,478)</u>
Total Net Position	<u>\$ 5,459,237</u>	<u>\$5,315,381</u>

The deficit in unrestricted net position, which decreased by (\$283,757) in 2015, exists primarily due to the increase in Other Postemployment Benefit obligations, as required by GASB 45. This deficit in unrestricted net position can be expected to continue as long as the Other Postemployment Benefit obligations remain unfunded.

As a result of implementation of GASB Statement No. 68/71, the Net Position for 2014 was restated from \$5,267,724 to \$5,315,381, for a net addition of \$47,657. For more detail refer to the notes to the financial statements Note 3E.

Table 2 compares the 2015 change in net position to the 2014 change in net position.

Table 2
 Changes in Net Position for 2015
 Compared with 2014 activity

	<u>2015</u>	<u>2014</u>
Program Revenues		
Charges for Services	\$ <u>2,141,871</u>	\$ <u>1,926,118</u>
Total Program Revenues	<u>2,141,871</u>	<u>1,926,118</u>
General Revenues		
Real Property Tax Items	2,048,971	2,037,075
Use of Money and Property	18,120	8,405
Other Revenue	<u>110,172</u>	<u>190,025</u>
Total General Revenue	<u>2,177,263</u>	<u>2,235,505</u>
Total Revenue	<u>4,319,134</u>	<u>4,161,623</u>
Expenses		
General Government	1,074,702	1,053,522
Water Services	<u>3,100,576</u>	<u>3,748,129</u>
Total Program Expenses	<u>4,175,278</u>	<u>4,801,651</u>
Change in Net Position	143,856	(640,028)
Net Position - Beginning of Year	<u>5,315,381</u>	<u>5,955,409</u>
Net Position - End of Year	<u>\$ 5,459,237</u>	<u>\$ 5,315,381</u>

THE DISTRICT'S FUND

As the District completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$2,999,293. This represents an increase of \$442,033 for 2015. The Capital Reserve Fund increased \$527,571 in 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had \$13,144,363 invested in capital assets (net of depreciation). Capital assets include all of the District's major capital assets, including infrastructure assets, water treatment facilities, water mains, valves and hydrants, land, District headquarters and other structures, as well as vehicles and other equipment. A comparison of the District's capital assets is presented in Table 3 below.

Table 3
 Capital Assets at Year-End

	<u>2015</u>	<u>2014</u>
Land	\$ 6,562	\$ 6,562
Buildings	1,252,165	1,235,565
Tanks and Improvements	2,129,097	883,256
Site Improvements	255,676	255,676
Machinery and Equipment	7,921,391	7,707,646
Infrastructure	3,511,873	2,126,631
Construction in Progress	<u>4,518,119</u>	<u>1,566,291</u>
	19,594,883	13,781,627
Accumulated Depreciation	<u>(6,450,520)</u>	<u>(5,917,516)</u>
Total Capital Assets, Net	<u>\$13,144,363</u>	<u>\$7,864,111</u>

Debt

At year-end, the District had \$403,410 in outstanding serial bonds payable versus \$534,290 a year ago. For a breakdown of the interest payment schedule refer to Note 3D of the basic financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

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

	Metered Water Sales
2015	\$ 1,927,557
2014	1,733,470
2013	1,719,246
2012	1,655,597
2011	1,671,838

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

The district considered many factors when setting the 2016 budget, tax rates, and water rates. The District's revenue source is split between sales of water and related items and real property taxes. The District is very conscious of the economic environment and rising property taxes. A product of an ongoing examination of how the District does business, the budget emphasizes outcomes or results for the community and allows for longer-term financial planning decisions.

In considering the district budget for the year 2016 the Board of Commissioners and management used the following estimates:

- No increase in water revenue for 2016.
- An increase of 13.7% in the amount to be raised by taxes for 2016.
- An increase of 3.38% in the overall budget.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Roslyn Water District, 24 West Shore Drive, Roslyn, NY 11576.

BASIC FINANCIAL STATEMENTS

ROSLYN WATER DISTRICT
Statement of Net Position
December 31, 2015

Assets

Current Assets

Cash and Cash Equivalents	\$ 7,617,788
Accounts Receivable - Water	345,692
Due From Other Funds	1,523
Due From Town of North Hempstead	94,705
Inventory	114,793
Prepaid Expenses	195,868
Total Current Assets	8,370,369

Capital Assets

Nondepreciable Capital Assets	4,524,681
Depreciable Capital Assets, Net of Depreciation	8,619,682
Capital Assets, Net	13,144,363

Total Assets	21,514,732
---------------------	-------------------

Deferred Outflows of Resources

Deferred Outflows Related to Pensions	228,823
---------------------------------------	---------

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities	1,419,928
Accrued Expenses	4,773
Unearned Revenue	129,737
Bond Anticipation Notes Payable	11,533,531
Total Current Liabilities	13,087,969

Non-current Liabilities

Due Within One Year	
Current Portion of Bonds Payable	136,121
Due in More Than One Year	
Serial Bonds Payable	267,289
Accrued Compensated Absences	502,002
Other Postemployment Benefits Payable	2,165,345
Net Pension Liability	125,592
Total Non-current Liabilities	3,196,349

Total Liabilities	16,284,318
--------------------------	-------------------

Net Position

Invested in Capital Assets, net of related debt	5,841,192
Restricted	2,216,280
Unrestricted	(2,598,235)
	(2,598,235)

Total Net Position	\$ 5,459,237
---------------------------	---------------------

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

ROSLYN WATER DISTRICT
Statement of Activities
For the Year Ended December 31, 2015

	Expenses	Program Revenues Charges for Services	Net (Expenses)/ Revenue and Changes in Net Position Governmental Activities
Governmental Activities			
General Government			
Unallocated Insurance	\$ 101,162		\$ (101,162)
Employee Benefits	880,190		(880,190)
Debt Service-Interest and Other Charges	93,350		(93,350)
Total General Government	1,074,702	-	(1,074,702)
Water Services	3,100,576	2,141,871	(958,705)
Net Program Expenses	\$ 4,175,278	\$ 2,141,871	(2,033,407)
General Revenue			
Real Property Taxes and Property Tax Items			2,048,971
Use of Money and Property			18,120
Other Revenue			110,172
Total General Revenue			2,177,263
Change in Net Position			143,856
Net Position - Beginning of Year (Refer to Note 1-P)			5,315,381
Net Position - End of Year			\$ 5,459,237

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

ROSLYN WATER DISTRICT

Balance Sheet
Governmental Funds
December 31, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 965,980	\$ -	\$ 4,633,770	\$ 5,599,750
Accounts Receivable - Water	230,298			230,298
Due From Other Funds - Trust & Agency	1,523			1,523
Due From Other Funds	150,298	18,885		169,183
Due From Town of North Hempstead	92,796	1,909		94,705
Restricted Cash	2,018,038			2,018,038
Inventory	114,793			114,793
Prepaid Expenses	62,655			62,655
Total Assets	<u>\$ 3,636,381</u>	<u>\$ 20,794</u>	<u>\$ 4,633,770</u>	<u>\$ 8,290,945</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 521,524	\$ -	\$ 652,268	\$ 1,173,792
Accrued Liabilities			246,136	246,136
Bond Anticipation Notes Payable			11,533,531	11,533,531
Due to Other Funds			169,183	169,183
Deferred Revenue	115,564			115,564
Total Liabilities	<u>637,088</u>	<u>-</u>	<u>12,601,118</u>	<u>13,238,206</u>
Fund Balances:				
Nonspendable	177,448			177,448
Restricted				
Capital Reserve	2,018,038			2,018,038
Debt Service	-	20,794	-	20,794
Assigned				
Designated for Ensuing Year's Budget	429,415			429,415
Unassigned	374,392		(7,967,348)	(7,592,956)
Total Fund Balances	<u>2,999,293</u>	<u>20,794</u>	<u>(7,967,348)</u>	<u>(4,947,261)</u>
Total Liabilities and Fund Balance	<u>\$ 3,636,381</u>	<u>\$ 20,794</u>	<u>\$ 4,633,770</u>	<u>\$ 8,290,945</u>

RECONCILIATION TO STATEMENT OF NET POSITION

Total fund balance reported above				\$ (4,947,261)
Add assets not reported above:				
Receivables			\$ 115,394	
Prepaid Expenses			133,213	
Capital Assets		\$ 19,594,883		
Less Accumulated Depreciation		<u>(6,450,520)</u>	<u>13,144,363</u>	13,392,970
Deferred Outflows of Resources not reported above:				
Deferred Outflows Related to Pensions				228,823
Less liabilities not reported above:				
Serial Bonds Payable			(403,410)	
Accrued Expenses			(4,773)	
Unamortized Premium on Bond Refunding			(14,173)	
Accrued Compensated Absences			(502,002)	
Other Postemployment Benefits			(2,165,345)	
Net Pension Liability-Proportionate Share			<u>(125,592)</u>	<u>(3,215,295)</u>
Total Net Position				<u>\$ 5,459,237</u>

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

ROSLYN WATER DISTRICT
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Real Property Taxes	\$ 1,929,488			\$ 1,929,488
Other Payments in Lieu of Taxes	119,483			119,483
Departmental Income	2,142,967			2,142,967
Interest	2,355	\$ 15,765		18,120
Other Revenue	62,987			62,987
Total Revenues	4,257,280	15,765	-	4,273,045
Expenditures				
Administration	562,817			562,817
Source of Supply, Power & Pumping	1,271,704			1,271,704
Purification	165,624			165,624
Transmission and Distribution	823,030			823,030
Unallocated Insurance	101,451			101,451
Employee Benefits	700,668			700,668
Debt Service:				
Principal Retirement - Serial Bonds	128,799			128,799
Interest Charges - BAN	47,150			47,150
Interest Charges - Serial Bonds	20,216			20,216
Fiscal Agent Fees & Debt Service Charges	27,951	262		28,213
Capital Outlay:				
Current Expenditures - Capital Reserve	23,620	-	5,534,033	5,557,653
Total Expenditures	3,873,030	262	5,534,033	9,407,325
Excess (Deficiency) of Revenues over Expenditures	384,250	15,503	(5,534,033)	(5,134,280)
Other Financing Sources (Uses):				
Interfund Transfers	11,685	(11,685)		-
Proceeds of Advance Refunding Bonds	-	40,196		40,196
Premiums on Obligations	46,098	4,179		50,277
Payments to Escrow Agents - Refund Bonds	-	(44,113)		(44,113)
Net Increase (Decrease)	442,033	4,080	(5,534,033)	(5,087,920)
Fund Balance January 1,	2,557,260	16,714	(2,433,315)	140,659
Fund Balance December 31,	<u>\$ 2,999,293</u>	<u>\$ 20,794</u>	<u>\$ (7,967,348)</u>	<u>\$ (4,947,261)</u>

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

ROSLYN WATER DISTRICT
 Reconciliation of the
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2015

Excess of revenues over expenditures as reported in the governmental funds statement		\$ (5,087,920)
Revenues reported in the Statement of Activity not included in the government funds statement:		
Decrease in Water Sales Receivables	\$ (1,096)	
Premiums on Obligations	4,179	
Amortization of Premium on Bond Refunding	<u>(3,092)</u>	(9)
Expenses reported on the Statement of Activity not included in the government funds statement:		
Depreciation Expense	(608,595)	
Increase in Prepaid Insurance Expense	9,814	
Decrease in Accrued Bond Interest	1,967	
Increase in Accrued Compensated Absences	(34,359)	
Increase in Other Postemployment Benefits	(210,262)	
Increase/Decrease in the Proportionate Share of Net Pension Liability and Related Deferred Outflows	<u>55,574</u>	(785,861)
Expenditures reported in the governmental funds statement not included in the Statement of Activity:		
Capital Outlays (Including donated property from developers)	5,888,847	
Principal Payment on Serial Bonds	<u>128,799</u>	<u>6,017,646</u>
Change in net position reported on the Statement of Activities		<u>\$ 143,856</u>

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

ROSLYN WATER DISTRICT
Statements of Fiduciary Net Assets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and Cash Equivalents	\$ 54,028	\$ 50,644
Total Assets	\$ 54,028	\$ 50,644
 Liabilities		
Contractor and customer deposits	\$ 52,505	\$ 50,644
Due to Other Funds	1,523	-
Total Liabilities	\$ 54,028	\$ 50,644

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

ROSLYN WATER DISTRICT
Statement of Changes in Fiduciary Net Assets
For the Years Ended December 31, 2015 and 2014

	2015	2014
Additions		
Receipts from Contractors	\$ 20,240	\$ 49,640
Interest	2	2
TOTAL ADDITIONS	20,242	49,642
Deductions		
Expenditures	18,381	5,449
Return on Completion of Project	-	15,266
TOTAL DEDUCTIONS	18,381	20,715
Change in Net Assets	1,861	28,927
Net Assets - Beginning of Year	50,644	21,717
Net Assets - End of Year	\$ 52,505	\$ 50,644

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

ROSLYN WATER DISTRICT
Notes to Financial Statements
December 31, 2015

Note 1 – Summary of Significant Accounting Policies

The Roslyn Water District (the "District"), which was established in 1910, is governed by its Charter, the local law and other general laws of the State of New York. The Board of Commissioners are the legislative body responsible for overall operations, the Chairman serves as chief executive officer and the Treasurer serves as chief fiscal officer. Major services provided by the District include water sales and meter and tap sales and services.

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

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

A. Reporting Entity

All governmental activities and functions performed for the property owners of the District are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the District, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14 and 61.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria set forth in GASB 14 and 61 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the Town of North Hempstead reporting entity.

1. Included in the Reporting Entity

The Roslyn Water District is a public water service established in 1910 and operated under provisions of Article 6 of the General Municipal Law. The Board of Commissioners, of which there are three, are elected by the residents of the District. The District acquires real property used by the District, approves all expenditures for new buildings or alterations, and retains general oversight responsibility for the district.

The Board of Commissioners are required to make a detailed annual report of the operations of the District to the Town of North Hempstead including any matters the legislature board may require.

The Town of North Hempstead raises taxes for District purposes; has title to real property used by the District; and all indebtedness is issued and supported by the full faith and credit of the Town of North Hempstead. The District is a component unit, part of the primary government, and is reported in the special revenue fund types.

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the Town of North Hempstead at:

Town of North Hempstead
Town Hall
Manhasset, NY 11030

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized in the financial statements. The following funds are used by the District.

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

The District reports the following as major funds governmental funds:

General Fund – the principal operating fund and includes all operations not required to be recorded in other funds.

Debt Service Fund - the Debt Service Fund is used to account for the accumulation of resources for the payment of bond principal, interest and related costs. Generally, the Town administers the resources of this fund on behalf of the District.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the enterprise, or internal service funds. Resources provided by bonded debt are administered by the Town on behalf of the District.

Fiduciary Funds – used to account for assets held by the local government in a trustee or custodial capacity.

Trust and Agency Funds – used to account for money (and/or property) as received and disbursed and held in the capacity of trustee, custodian or agent. These include expendable trusts, non-expendable trusts and agency funds.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures are recorded when a liability is incurred except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b. Principal and interest on indebtedness are recognized as expenditures when payment is due.
- c. Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as expenditures when payment is due.
- d. Other postemployment benefits are charged as expenditures when payment is due.

D. Equity Classifications

Government-Wide Financial Statements

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding

balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

Fund Financial Statements

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

Nonspendable - Consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted - Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed - Consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board of Commissioners is the decision-making authority that can by Board Approval prior to the end of the fiscal year, commit fund balance.

Assigned - Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. The Board of Commissioners are authorized to assign fund balance.

Unassigned - Represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the District spends funds in the following order; restricted, committed, assigned, unassigned.

The District has, by resolution, adopted a fund balance policy that states the District must maintain a minimum unrestricted (the total of committed, assigned, and unassigned) fund balance in accordance with New York State guidelines.

E. Revenue/Accounts Receivable

Revenue from metered water sales are recognized when billed. Delinquent water sales in excess of one year old are submitted to the Town of North Hempstead annually and become a lien on the property owner's tax bill. The Town of North Hempstead subsequently collects the water arrears and submits them to the District.

F. Property Taxes

Property taxes and delinquent water bills are levied and collected by the Town of North Hempstead on behalf of the District. The Town remits 100% of the amount of real property tax levied and the delinquent water bills to the District.

G. Investments

Investments are stated at cost, which approximates market.

H. Inventory and Prepaid Items

Inventory type items including materials and supplies are recorded as expenditures when purchased.

Payments to vendors for costs such as insurance and retirement, that apply to future accounting periods are recorded as prepaid assets in the government-wide financial statements.

I. Capital Assets

Capital outlays are recorded as expenditures in the General and Capital Projects Funds and as assets in the government-wide financial statements. In accordance with GASB Statement Number 34, infrastructure has been capitalized retroactively. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Building & Improvements	20 – 50 years
Water System	20 – 25 years
Machinery and Equipment	5 – 15 years
Improvements	10 – 25 years
Infrastructure	25 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available.

J. Long Term Debt

All long-term debt is reported as liabilities in the government-wide financial statements. The long-term debt consists of general obligation bonds, compensated absences, other postemployment benefits, and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds, if any, are reported as other financing sources and payment of principle and interest are reported as expenditures. The liabilities for general obligation bonds, compensated absences, and other postemployment benefits are liquidated through future budget appropriations in the General Fund.

K. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These amounts are not reported as expenditures in the governmental funds because they are not expected to be paid with available financial resources. Instead, the liability is reported in the general long-term debt account group as accrued liabilities, and represents a reconciling item between the fund and government-wide statements.

L. Other Postemployment Benefits

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits and survivors benefits are provided through the New York State Employee Health Insurance whose premiums are based on the benefits paid during the year.

The District recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The liability for these other post employment benefits payable is recorded as long-term debt in the government-wide statements.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow resource (expense/expenditure) until then.

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

N. Insurance

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

O. Use of Estimates

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

P. Adoption of New Accounting Pronouncements

The Government Accounting Standards Board (GASB) released GASB Statement No. 68, *"Accounting for Financial Reporting for Pensions - An Amendment of GASB Statement No. 27"*, effective for fiscal years beginning after June 15, 2014. This Statement is to improve accounting and financial reporting by state and local governments for pensions. It also establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition there are recognition and disclosure requirements for the employers. GASB Statement No. 71, *"Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68"*, was issued to address transition provisions of Statement No. 68 and is to be applied simultaneously with Statement No. 68. These Statements have been adopted and implemented by the District for this calendar year.

As a result of the implementation of these standards, the opening Net Position was restated for the adjustment required and provided from the ERS system by a net addition of \$47,657.

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

An operating budget is adopted each year for the general fund. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. No later than September 30, the budget officer submits a tentative budget to the Town of North Hempstead for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds as approved by the Board of Commissioners.
2. All modifications of the budget must be approved by the governing board. (However, the Board of Commissioners are authorized to transfer between budget codes).
3. Budgets are adopted on a basis consistent with GAAP.

Budgeted amounts reported in the financial statements are as originally adopted.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes, is employed in the General Funds. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

Note 3 – Detailed Notes

A. Cash and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the District's Investment Policy and General Municipal Law. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Under the Investment Policy, the District at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank.

Roslyn Water District
Notes to Financial Statement
December 31, 2015

At December 31, 2015 the carrying amount of the District's deposits (cash and certificates of deposit) was \$3,037,816 and the bank balance was \$3,077,857. The entire bank balance throughout the year was covered by federal depository insurance or by collateral by the District's agent in the District's name. The deposits were deemed collateralized under New York State Law during the year.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 – Deposits insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 – Deposits collateralized with securities by the pledging financial institutions trust department or agent in the District's name.

Category 3 – Deposits not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 or 2.

The District's bank balances and collateral held in the name of the District at December 31, 2015 are categorized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
First Nat'l Bank Of Long Island	\$3,037,816	\$3,077,857	\$3,077,857		
	<u>\$3,037,816</u>	<u>\$3,077,857</u>	<u>\$3,077,857</u>		

A reconciliation of cash and cash equivalents as shown on the balance sheet and the deposits disclosed in this note are as follows:

Carrying Amounts of Deposit	\$ 3,037,816
Cash on Hand	<u>230</u>
	<u>\$ 3,038,046</u>

B. Interfund Receivables and Payables

The following is a summary of interfund receivables and payables at December 31, 2015:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$151,821	-
Debt Service Fund	18,885	-
Capital Project Fund	-	\$169,183
Trust & Agency	-	<u>1,523</u>
Total	<u>\$170,706</u>	<u>\$ 170,706</u>

C. General Fixed Assets

A summary of changes in general fixed assets for the year ended is as follows:

	<u>Balance</u> <u>1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
Land	\$ 6,562			\$ 6,562
Buildings	1,235,565	16,600		1,252,165
Tanks & Improvements	883,256	1,245,841		2,129,097
Site Improvements	255,676			255,676
Machinery & Equipment	7,707,646	289,624	75,879	7,921,391
Infrastructure	2,126,631	1,385,242		3,511,873
Construction in Progress	1,566,291	3,503,388	551,560	4,518,119
	<u>13,781,627</u>	<u>6,440,695</u>	<u>627,439</u>	<u>19,594,883</u>
Less Accumulated Depreciation				
Buildings	601,123	38,800		639,923
Tanks & Improvements	714,330	66,448		780,778
Site Improvements	169,149	12,788		181,937
Machinery & Equipment	3,886,960	357,275	75,591	4,168,644
Infrastructure	545,954	133,284		679,238
	<u>5,917,516</u>	<u>608,595</u>	<u>75,591</u>	<u>6,450,520</u>
Capital Assets, Net	<u>\$ 7,864,111</u>	<u>\$ 5,832,100</u>	<u>\$ 551,848</u>	<u>\$ 13,144,363</u>

D. Indebtedness

Short-Term Debt

Bond Anticipation Note (BAN)

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

	<u>Balance</u> <u>1/1/15</u>	<u>Increases</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/15</u>
Bond anticipation notes	\$ 8,515,000	\$ 11,533,531	\$ 8,515,000	\$ 11,533,531

Long Term Debt

General Obligation Bonds

Bonded indebtedness of the District is reflected as non-current liabilities in the Statement of Net Position. Current requirements for principal and interest expenditures are provided for in the budget of the General Fund.

Advance Refunding

During 2015, the Town of North Hempstead issued Series C Refunding Bonds to refund the outstanding principal of the 2005 and 2004 bond issues. The difference between the debt refunded and the new 2015 Series amounted to \$4,179 and is being treated as a Premium on refunding.

As of December 31, 2015, \$42,276 of the 2005 Bonds is considered defeased.

Outstanding serial bonds payable at December 31, 2015 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Principal Balance	Interest Payable In Future Periods
#446	4/1/92	2017	6.40%	\$ 71,000	\$ 4,512
98-35 HS-14	3/15/98	2017	2.30%	90,000	2,570
Refunding - #505 HS-10	10/15/10	2018	3.00%	7,562	429
Refunding - 02-21-826	10/15/10	2022	3.00%	67,731	6,928
Refunding - r03-41-hs-08	4/16/14	2019	5.00%	126,921	15,241
Refunding - R05-61	10/13/15	2018	3.00%	20,098	1,195
Refunding - R05-63	10/13/15	2018	3.00%	20,098	1,195
				<u>\$ 403,410</u>	<u>\$ 32,070</u>

The annual debt service requirements on the above bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 136,121	\$ 14,376	\$ 150,497
2017	135,966	9,255	145,221
2018	56,947	4,572	61,519
2019	43,504	2,610	46,114
2020	10,018	686	10,704
Thereafter	<u>20,854</u>	<u>571</u>	<u>21,425</u>
	<u>\$ 403,410</u>	<u>\$ 32,070</u>	<u>\$ 435,480</u>

A summary of changes in long-term debt is as follows:

	<u>Balance at 1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2015</u>
Serial Bonds Payable	\$ 534,290	\$ 40,196	\$ 171,076	\$ 403,410
Compensated Absences	467,643	34,359		502,002
Other Postemployment Benefits	1,955,083	304,789	94,527	2,165,345
Net Pension Liability-ERS	0	125,592		125,592
	<u>\$2,957,016</u>	<u>\$ 504,936</u>	<u>\$ 265,603</u>	<u>\$3,196,349</u>

E. Retirement Plan

Plan Description

The District participates in the New York State and Local Employees Retirement System (ERS) which is referred to as the "System". This is a cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New

York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.u/retire/publications or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits. There are six tiers of members, each tier with certain eligibility and benefit calculation criteria. There are also ordinary disability benefits, accidental disability benefits, and ordinary death benefits available.

Post-Retirement Benefit Increases

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

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of

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

2015	\$ 161,562
2014	233,685
2013	225,720

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

At December 31, 2015, The District reported a Liability of \$125,592 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015, the District's proportion was 0.0037177 percent.

For the year ended December 31, 2015, the District recognized pension expense of \$124,019. At December 31, 2015, the District reported deferred outflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$ 4,020
Net difference between projected and actual earnings on Pension Plan investments	21,814
Changes in proportion and difference between employer contributions and proportionate share of contributions	41,427
Contributions subsequent to the measurement date	161,562

\$161,562 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	16,815
2017	16,815
2018	16,815
2019	16,815

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using actuarial valuations as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions:

Inflation	2.7%
Salary increases	4.9%
Investment rate of return	7.5%

Annuitant mortality rates are based on April 1, 2005 - March 31, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.30%
International Equity	13	8.55
Private Equity	10	11.0
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Assets	3	8.65

Roslyn Water District
Notes to Financial Statement
December 31, 2015

Bonds and Mortgages	18%	4.00%
Cash	2	2.25
Inflation-Indexed Bonds	2	4.00

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to the discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.5%	Current 7.5%	1% Increase 8.5%
District's proportionate share of the net pension liability	\$837,128	\$125,592	(\$475,120)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

Employers' total pension liability	\$164,591,504
Plan net position	<u>(161,213,259)</u>
Employers' net pension liability	<u>\$ 3,378,245</u>
Ratio of plan net position to the employers' total pension liability	97.9%

F. Other Post employment Benefits

Plan Description

Medical and Prescription Drug benefits are provided through the New York State Health Insurance (NYSHIP) which was established by State Legislature to provide health insurance to New York State employees, retirees, and their eligible dependents. Local government units may choose to participate in the plan as Participating Agencies. Active and retired employees of the District have the Empire PPO plan.

The district also reimburses retirees for Medicare Part B premiums. Medicare reimbursements totaled \$11,308 in 2015.

Funding Policy

The district is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the year ended December 31, 2015, the District paid \$94,527 on behalf of the plan.

Annual OPEB Cost and Net OPEB Obligation

The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amounts “required” but not actually set aside to pay for these benefits are accumulated with interest as part of the Net OPEB obligation. The District’s annual OPEB cost for the year, the amount actually paid on behalf of the plan, after adjustments for amounts previously “required”, and the change in the District’s net OPEB obligation to the plan for the year are as follows:

Annual required contribution (ARC)	\$ 335,323
Interest on Net OPEB Obligation at the beginning of the year	78,203
Adjustments to ARC	<u>(108,737)</u>
Annual OPEB Cost	304,789
Contributions made	<u>(94,527)</u>
Increase in OPEB obligation	210,262
Net obligation at beginning of year (as adjusted)	<u>1,955,083</u>
Net obligation at end of year	<u>\$ 2,165,345</u>
Actuarial accrued liability (AAL)	
January 1, 2014	\$ 4,317,095
Funded OPEB plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL) January 1, 2014	<u>\$ 4,317,095</u>

Funded ratio	0%
Covered payroll	\$ 1,046,370
UAAL as percentage of covered payroll	413%

Funded Status and Funding Progress

The percentage contributed for the current year and preceding year were:

	Annual OPEB Cost	Expected Contributions Made	Percentage Contributed	Net OPEB Obligation
2011	\$ 406,164	\$ 122,000	30.0%	\$ 1,295,763
2012	315,091	102,808	32.7%	1,508,046
2013	311,775	93,147	29.9%	1,726,674
2014	308,357	79,948	25.9%	1,955,083
2015	304,789	94,527	31.0%	2,165,345

The funded status of the plan is as follows:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ 4,460,000	0	\$ 4,460,000	0.00%	960,217	464%
1/1/2009	4,751,000	0	4,751,000	0.00%	963,282	493%
1/1/2010	4,632,000	0	4,632,000	0.00%	1,065,600	435%
1/1/2011	4,873,000	0	4,873,000	0.00%	1,079,930	451%
1/1/2012	4,187,257	0	4,187,257	0.00%	977,774	428%
1/1/2014	4,317,095	0	4,317,095	0.00%	1,046,370	413%

The schedules of funding progress present multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The actuarial valuation was performed as of January 1, 2014. The District's annual required contribution (ARC) was determined using the present value of benefits accrued

to date, as well as the present value of projected benefits payable at death, disability, retirement, or termination. Allocations of costs are calculated on a level basis. The District's unfunded actuarial accrued liability (UAAL), as of January 1, 2014, is amortized over a period of 30 years using the level dollar amortization method.

The projected unit credit cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions utilized a 4 percent discount rate; an initial healthcare cost inflation rate of 9.0 percent for NYSHIP medical and 7.0 percent for Medicare Part B, including inflation declining each year to an ultimate trend rate of 5.0 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumption about probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trend. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

G. Reserved Fund Equity – General Fund

In 1992, the District established a Reserve Fund under Section 6c of the New York State General Municipal Law. The purpose of the fund is to pay for the cost of capital projects. The funds are segregated and are reported as Restricted Cash of the general fund and a reservation of fund equity.

The following schedule summarizes the 2015 changes in the Capital Reserve Account:

Balance at January 1, 2015	\$ 1,490,467
Use by General Fund	(23,620)
Expenditure by General Fund to Capital Reserve	550,000
Interest Income	<u>1,191</u>
Balance at December 31, 2015	<u>\$ 2,018,038</u>

H. Expendable Trust Fund

The expendable trust fund represents deposits received from developers for work to be completed by the District, on behalf of the developers.

Deposits totaling \$20,240 were received from developers in 2015. Total expenditures were \$18,381, and no funds were returned to developers in 2015. Funds on hand as of December 31, 2015 were \$52,505.

I. Accrued Compensated Absences

Pursuant to the terms of the District's collective bargaining agreement, employees are permitted to accumulate earned but unused sick leave. Unused sick days at year's end

may be accumulated up to a maximum of 185 days of which the equivalent of 175 days may be paid in cash. Sick leave is payable upon retirement or termination. Vacation and personal days shall not be accumulated from year to year. As of December 31, 2015 Accrued Compensated Absences totaled \$502,002.

J. Contingent Liabilities

The District is a party to legal proceedings and disputes that arose in the ordinary course of operations. In the current opinions of the District's legal counsels, it is unlikely that the liabilities, if any, rising from these legal proceedings and disputes will have a material adverse effect on the District or its operations.

K. New Pronouncements

The Government Accounting Standards Board (GASB) has issued several pronouncements prior to December 31, 2015 that have effective dates that may impact future financial presentations, as follows:

GASB Statement No. 72 -	<i>Fair Value Measurement and Application</i>
GASB Statement No. 73 -	<i>Accounting and Financial Reporting for Pensions</i>
GASB Statement No. 74 -	<i>Financial Reporting for Postemployment Benefit Plans Other than Pension Plans</i>
GASB Statement No. 75 -	<i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>
GASB Statement No. 76 -	<i>The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments</i>
GASB Statement No. 77 -	<i>Tax Abatements Disclosures</i>

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

L. Subsequent Events

The District has evaluated subsequent events through the date of this report, which is the date financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ROSLYN WATER DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2015

	Adopted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Real Property Taxes	\$ 1,929,488	\$ 1,929,488	\$ 1,929,488	\$ -
Other Payments in Lieu of Taxes	-	109,000	119,483	10,483
Departmental Income	1,828,069	2,078,069	2,142,967	64,898
Interest	2,000	2,000	2,355	355
Other Revenue	125,000	16,000	62,987	46,987
Total Revenues	<u>3,884,557</u>	<u>4,134,557</u>	<u>4,257,280</u>	<u>122,723</u>
Expenditures				
Administration	633,568	628,568	562,817	65,751
Source of Supply, Power & Pump.	1,478,369	1,441,369	1,271,704	169,665
Purification	197,500	197,500	165,624	31,876
Transmission and Distribution	918,297	938,297	823,030	115,267
Unallocated Insurance	107,139	107,139	101,451	5,688
Employee Benefits	828,386	790,386	700,668	89,718
Debt Service				
Principal - Serial Bonds	128,799	128,799	128,799	-
Interest - BAN	49,650	49,650	47,150	2,500
Interest - Serial Bonds	20,216	20,216	20,216	-
Fiscal Agent Fees	15,000	25,000	27,951	(2,951)
	<u>213,665</u>	<u>223,665</u>	<u>224,116</u>	<u>(451)</u>
Capital Reserve Fund	50,000	350,000	23,620	326,380
Total Expenditures	<u>4,426,924</u>	<u>4,676,924</u>	<u>3,873,030</u>	<u>803,894</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(542,367)</u>	<u>(542,367)</u>	<u>384,250</u>	<u>926,617</u>
Other Financing Sources (Uses):				
Interfund Transfers	-	-	11,685	11,685
Premium on Obligations	-	-	46,098	46,098
Allocation of Fund Balance	542,367	542,367	-	(542,367)
Net Increase (Decrease)	<u>\$ -</u>	<u>\$ -</u>	<u>442,033</u>	<u>\$ 442,033</u>
Fund Balance January 1,			<u>2,557,260</u>	
Fund Balance December 31,			<u>\$ 2,999,293</u>	

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

ROSLYN WATER DISTRICT
Schedule of Employer's Proportionate Share of The Net Pension Liability
And Schedule of Employer's Contributions
For the Year Ended December 31, 2015

Schedule of Employer's Proportionate Share of The Net Pension Liability:

Proportionate % of the net pension liability	0.0037177%
Proportionate share of the net pension liability	\$ 125,592
Covered payroll	\$ 1,022,398
Proportionate share of the net pension liability as a percentage of its covered payroll	12.2%
Plan fiduciary net position as a percentage of the total pension liability	97.9%

Amounts presented above were determined as of March 31, 2015.
Additional years will be presented as they become available for a full 10-year trend.

Schedule of Employer's Contributions

Contractually required contributions	\$ 161,562
Contribution in relation to the contractually required contribution	<u>161,562</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 1,122,351
Contributions as a percentage of covered payroll	14.3%

Additional years will be presented as they become available for a full 10-year trend.

SUPPLEMENTAL INFORMATION

ROSLYN WATER DISTRICT
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended December 31, 2015

	Adopted Budget	Adjusted Budget	Actual Revenues	Variance Favorable (Unfavorable)
Revenues				
Real Property Taxes	\$ 1,929,488	\$ 1,929,488	\$ 1,929,488	\$ -
Other Payments in Lieu of Taxes	-	109,000	119,483	10,483
Departmental Income				
Metered Water Sales	1,660,000	1,910,000	1,927,557	17,557
Unmetered Water Sales	112,069	112,069	114,973	2,904
Water Service Charges	40,000	40,000	79,054	39,054
Penalty Charges	16,000	16,000	21,383	5,383
Total Departmental Income	<u>1,828,069</u>	<u>2,078,069</u>	<u>2,142,967</u>	<u>64,898</u>
Interest Earnings	2,000	2,000	1,165	(835)
Interest Earnings - Restricted Reserve	-	-	1,190	1,190
Other Revenue				
Sale of Equipment	-	-	10,930	10,930
Insurance Recoveries	-	-	26,616	26,616
Refund of Prior Year Expenditures	-	-	1,178	1,178
Emergency Disaster Assistance	-	-	7,886	7,886
Miscellaneous Income	125,000	16,000	16,377	377
Total Other Revenues	<u>125,000</u>	<u>16,000</u>	<u>62,987</u>	<u>46,987</u>
Total Revenues	<u>\$ 3,884,557</u>	<u>\$ 4,134,557</u>	<u>\$ 4,257,280</u>	<u>\$ 122,723</u>

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

ROSLYN WATER DISTRICT
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended December 31, 2015

	Adopted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Administration				
Personal Services				
Salaries	\$ 368,418	\$ 324,918	\$ 321,161	\$ 3,757
Commissioners' Fees	15,000	15,000	14,640	360
Subtotal Personal Services	<u>383,418</u>	<u>339,918</u>	<u>335,801</u>	<u>4,117</u>
Equipment & Capital Outlay				
Office Equipment	<u>3,000</u>	<u>6,500</u>	<u>5,239</u>	<u>1,261</u>
Contractual Expenditures				
Postage	23,000	23,000	21,864	1,136
Computer Expense	25,000	29,000	28,467	533
Printing/Public Relations Expense	26,000	26,000	15,178	10,822
Office Supplies & Expense	14,000	14,000	11,147	2,853
Telephone & Communications	14,000	14,000	6,801	7,199
Light & Power	8,400	8,400	8,400	-
Heating	11,000	11,000	1,931	9,069
Bonds - Commissioner & Treasurer	-	-	-	-
Legal Notices	7,000	8,000	6,945	1,055
Conferences & Meetings	13,000	13,000	11,258	1,742
Election Expense	1,500	1,500	681	819
Architectural and Engineering	9,000	9,000	5,480	3,520
Auditing & Accounting	12,250	12,250	12,250	-
Legal	40,000	70,000	49,974	20,026
Other Professional Services	28,000	28,000	27,750	250
Repairs & Maintenance				
Operating Equipment	5,000	5,000	5,052	(52)
Plant & Grounds	-	-	-	-
Other Operating Expenses	<u>10,000</u>	<u>10,000</u>	<u>8,599</u>	<u>1,401</u>
Subtotal Contractual	<u>247,150</u>	<u>282,150</u>	<u>221,777</u>	<u>60,373</u>
Total Administration	<u>\$ 633,568</u>	<u>\$ 628,568</u>	<u>\$ 562,817</u>	<u>\$ 65,751</u>

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

ROSLYN WATER DISTRICT
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended December 31, 2015

	Adopted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Source of Supply, Power and Pumping				
Personal Services	\$ 338,929	\$ 338,929	\$ 313,559	\$ 25,370
Equipment & Capital Outlay				
Operating Equipment	-	-	-	-
Contractual Expenditures				
Telephone & Communications	12,000	12,000	11,371	629
Light & Power	634,860	544,860	469,876	74,984
Heating	60,000	48,000	33,601	14,399
Architectural and Engineering	65,000	65,000	29,721	35,279
Tools, Parts & Supplies	12,000	12,000	8,166	3,834
Repairs & Maintenance				
Operating Equipment	325,580	390,580	386,032	4,548
Plant & Grounds	20,000	20,000	15,280	4,720
Other Operating Expenses	10,000	10,000	4,098	5,902
Subtotal Contractual	<u>1,139,440</u>	<u>1,102,440</u>	<u>958,145</u>	<u>144,295</u>
Total Source of Supply, Power and Pump.	<u>\$ 1,478,369</u>	<u>\$ 1,441,369</u>	<u>\$ 1,271,704</u>	<u>\$ 169,665</u>
Purification				
Contractual Expenditures				
Water Analysis & Treatment	\$ 62,500	\$ 62,500	\$ 49,168	\$ 13,332
Water Treatment	135,000	135,000	116,456	18,544
Other Operating Expenses	-	-	-	-
Total Purification	<u>\$ 197,500</u>	<u>\$ 197,500</u>	<u>\$ 165,624</u>	<u>\$ 31,876</u>

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

ROSLYN WATER DISTRICT
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended December 31, 2015

	Adopted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Transmission & Distribution				
Personal Services	\$ 674,797	\$ 621,797	\$ 506,330	\$ 115,467
Equipment & Capital Outlay				
Operating Equipment	40,000	63,000	61,531	1,469
Meters	15,000	27,000	26,352	648
Mains, Valves & Hydrants	15,000	3,000	2,523	477
Subtotal Equipment & Capital Outlay	<u>70,000</u>	<u>93,000</u>	<u>90,406</u>	<u>2,594</u>
Contractual Expenditures				
Architectural and Engineering	4,000	4,000	2,380	1,620
Uniforms & Laundry	5,500	6,000	5,986	14
Gas & Oil	32,000	31,500	13,972	17,528
Tools, Parts & Supplies	25,000	37,000	36,601	399
Repairs & Maintenance;				
Operating Equipment	15,000	18,000	17,582	418
Mains, Valves & Hydrants	50,000	80,000	110,688	(30,688)
Meters	-	-	-	-
Road Repairs	35,000	40,000	33,502	6,498
Other Operating Expenses	7,000	7,000	5,583	1,417
Subtotal Contractual	<u>173,500</u>	<u>223,500</u>	<u>226,294</u>	<u>(2,794)</u>
Total Transmission & Distribution	<u>\$ 918,297</u>	<u>\$ 938,297</u>	<u>\$ 823,030</u>	<u>\$ 115,267</u>
Unallocated Insurance				
Unallocated Insurance	<u>\$ 107,139</u>	<u>\$ 107,139</u>	<u>\$ 101,451</u>	<u>\$ 5,688</u>
Employee Benefits				
State Retirement	\$ 258,000	\$ 218,000	\$ 179,593	\$ 38,407
MTA Tax	-	-	-	-
Social Security	108,029	108,029	85,056	22,973
Workers' Compensation	57,000	57,000	54,087	2,913
Unemployment Insurance	2,000	2,000	-	2,000
Hospital Insurance	378,357	378,357	355,290	23,067
Dental & Optical Insurance	25,000	27,000	26,642	358
Total Employee Benefits	<u>\$ 828,386</u>	<u>\$ 790,386</u>	<u>\$ 700,668</u>	<u>\$ 89,718</u>

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