

CARLE PLACE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2009

CARLE PLACE WATER DISTRICT  
CARLE PLACE, NEW YORK

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December 31, 2009

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# Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

*The Board of Commissioners  
Carle Place Water District  
Carle Place, New York*

*We have audited the accompanying financial statements of the Carle Place Water District as of December 31, 2009 and for the year then ended, as listed in the index. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.*

*In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Carle Place Water District, at December 31, 2009 and the results of its operations and changes in fund balance for the year then ended in conformity with accounting principles generally accepted in the United States of America.*

*In accordance with Government Auditing Standards, we have also issued a report dated March 2, 2010 on our consideration of the Carle Place Water Districts' internal control over financial reporting and on our tests of its compliance with laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.*

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

*Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The other supplementary financial information as listed in the Index is presented for additional analysis and is not a required part of the basic financial statements of the Carle Place Water District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.*

*Pappas & Company*

*March 2, 2010  
Commack, New York*

# CARLE PLACE WATER DISTRICT

## *MANAGEMENT DISCUSSION AND ANALYSIS*

The following is a discussion and analysis of the Carle Place Water District's financial performance, providing an overview of the District's financial activities for the year ended December 31, 2009. The District is a component unit of the Town of North Hempstead. We would encourage readers to consider the information presented in conjunction with the District's financial statements which follow.

### FINANCIAL HIGHLIGHTS

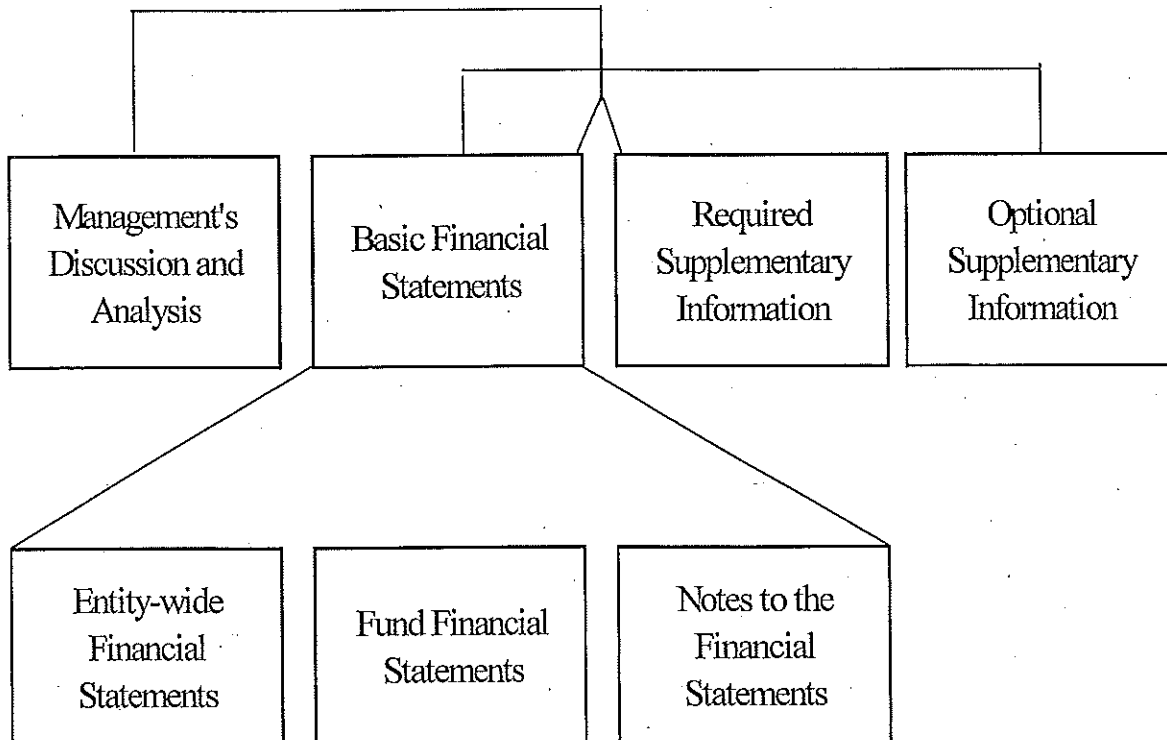
- District-wide net assets at December 31, 2009 were \$3,698,361. This is an increase over 2008. Revenues increased in 2009 and expenditures decreased as illustrated in Table A-4.
- Overall revenues District-wide were \$2,548,487 which was \$509,941 more than expenses - refer to Statement of Activities (Exhibit B). Overall revenues are comprised of charges for services and general revenue.
- The District decreased its outstanding long-term serial bond debt by \$88,336.
- Water consumption was down in 2009 – 601,644,000 gallons pumped as compared to 612,664,000 gallons of water pumped during 2008.
- Out of 601,644,000 gallons of water pumped in 2009 – 459,367,000 gallons were billed reflecting an approximate 24% unaccounted water loss. However, because of the timing of billing cycles, the billed gallons are not directly correlated with gallons pumped on an annual basis.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

**Table A-1**  
**Organization of the Financial Report**



Following is a chart that further describes the major features of the District-Wide Statements and the Fund Financial Statements:

**Table A-2**

	District-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>
Accounting Basis and measurement focus	Accrual acctg. & economic resources focus	Modified accrual accounting & current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

### *District-wide Statements*

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The services are reported as governmental activities and are funded primarily by taxes and user fees.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the property tax base, which will affect general revenue, and also consider the condition of buildings and other facilities.

District-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net asset balances as follows:
  - *Net Assets* invested in capital assets, net of related debt;
  - *Restricted net assets* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation; and
  - *Unrestricted net assets* are net assets that do not meet any of the above restrictions

***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Major governmental funds for the Carle Place Water District are the General Fund and the Capital Projects Fund.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets**

The District's combined net assets of \$3,698,361 on December 31, 2009, increased by 15.99% over the prior year. (See Table A-3)

Table A-3  
Condensed Statement of Net Assets

	Governmental Activities		Percentage Change
	2009	2008 Restated	
Current and Other Assets	\$ 2,032,399	\$ 1,993,468	
Capital Assets-Net	3,592,392	3,164,157	
<b>Total Assets</b>	<b>5,624,791</b>	<b>5,157,625</b>	<b>9.06%</b>
Current Liabilities	269,413	453,666	
Non-Current Liabilities	1,657,017	1,515,539	
<b>Total Liabilities</b>	<b>1,926,430</b>	<b>1,969,205</b>	<b>(2.17)%</b>
Net Assets:			
Investment in Capital Assets, Net of Related Debt	2,767,007	2,250,536	
Restricted	436,297	432,668	
Unrestricted	495,057	505,216	
<b>Total Net Assets</b>	<b>\$ 3,698,361</b>	<b>\$ 3,188,420</b>	<b>15.99%</b>

Current assets increased in 2009 mainly through increased cash balances. Capital assets increased by expenditures on capital projects. Current liabilities decreased in 2009 as open accounts payable related to projects was lower; however, non-current liabilities increased with the net OPEB obligation.

- Capital assets valued here are net of accumulated depreciation.

- Liabilities include all debt, long-term compensated absences, and postemployment benefits (Net OPEB obligation).
- Net assets “invested in capital assets, net of related debt”; relates to the investment in capital assets at cost such as land, buildings and improvements, and furniture and equipment, etc. and subtracting accumulated depreciation and related bond debt.
- Unrestricted net assets reflect the net value after all capitalized assets are depreciated, all current and long-term liabilities are valued, and all restricted funds, if any, are deducted.

### Change in Net Assets

Table A-4  
Changes in Net Assets from Operating Results

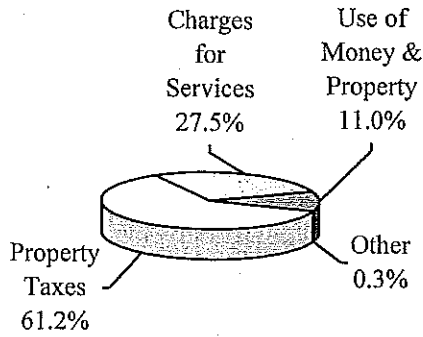
	Governmental Activities		Percentage Change
	2009	2008	
<b>Revenues</b>			
<u>Program Revenues:</u>			
Charges for Services	\$ 700,318	\$ 751,286	
<u>General Revenues:</u>			
Real Property Taxes	1,560,107	1,333,506	
Use of Money and Property	280,588	261,744	
Miscellaneous	7,474	38,242	
<b>Total Revenues</b>	<u>2,548,487</u>	<u>2,384,778</u>	<u>6.86%</u>
<b>Expenses</b>			
General Government Support	12,388	12,096	
<u>Home and Community Services:</u>			
Water Administration	708,642	691,014	
Source of Supply, Power and Pumping	621,724	614,609	
Purification	116,273	95,521	
Transmission/and Distribution	526,177	412,392	
Debt Service : Interest	53,342	57,521	
Depreciation (Unallocated) *	-	175,604	
<b>Total Expenses</b>	<u>2,038,546</u>	<u>2,058,757</u>	<u>(0.01%)</u>
<b>Increase in Net Assets:</b>	<u>\$ 509,941</u>	<u>\$ 326,021</u>	

\* For 2009 depreciation has been allocated to segments of Home and Community Services.

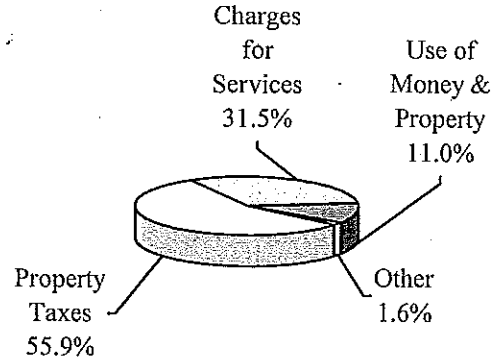
### Revenues

- Property taxes accounted for most of the District’s revenue, contributing about 61.2 percent.
- The remaining 38.8 percent came from fees charged for services, use of money and property and miscellaneous sources.

**Table A-5**  
**Source of Revenues for Governmental Activities Fiscal Year**  
**2009**



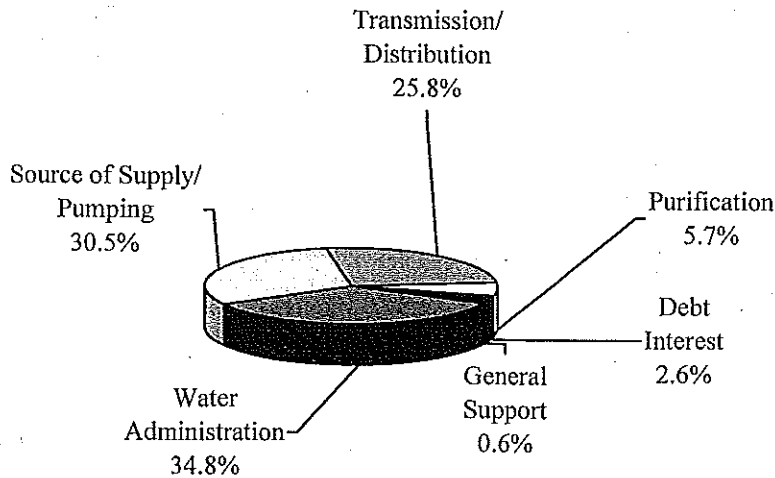
**2008**



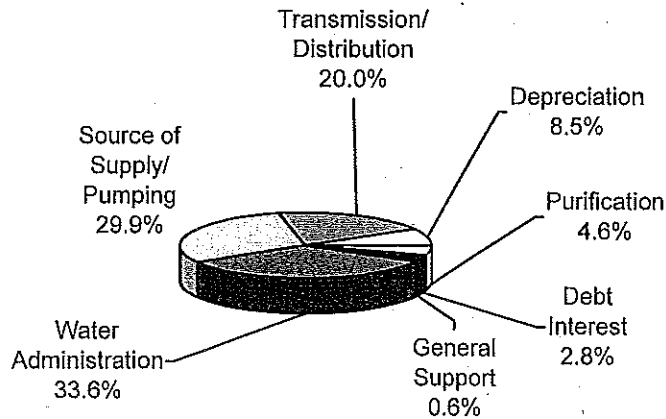
**Expenses**

The District's expenses are predominantly water administration, transmission/distribution and source of supply/pumping.

**Table A-6**  
**Expenses for Fiscal Year 2009**



**Table A-6**  
**Expenses for Fiscal Year 2008**



***Governmental Activities***

Table A-7 presents the cost of the District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activities). The net cost shows the financial burden for which the District is dependent on the taxpayers of the Town of North Hempstead.

**Table A-7**  
**Total Cost and Net Cost of Governmental Activities**

	Total Cost		Net Cost	
	2009	2008	2009	2008
General Government	\$ 12,388	\$ 12,096	\$ 12,388	\$ 12,096
Home and Community Services	1,972,816	1,989,140	1,272,498	1,237,854
Debt Service: Interest	53,342	57,521	53,342	57,521
	<u>\$ 2,038,546</u>	<u>\$ 2,058,757</u>	<u>\$ 1,338,228</u>	<u>\$ 1,307,471</u>

As depreciation was allocated to segments of Home and Community Services in 2009, the depreciation for 2008 has been combined with Home and Community Services for comparison purposes.

## **FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

As the District completed the year, its governmental funds reported combined fund balances of \$1,515,029. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on the presentation, governmental funds do not include long-term debt liabilities or capital assets. However, governmental funds will include proceeds from the issuance of debt, current payments for capital assets and current payments for debt.

Most significantly, the General Fund increased due to additional property taxes and limited growth of the expenditure budget. In 2009, there were no expenditures made from the Capital Projects Fund. Capital expenditures were made from the capital improvements reserve and operating budget for a total of \$615,351.

### ***General Fund Budgetary Highlights***

Although the District's original budget for the general fund anticipated that revenues and expenditures would be roughly equal, the actual results for the year shown on Exhibit E show an excess of expenditures over revenues.

- The net variance with the final budget is as follows: – General Fund expenditures variance is shown at \$324,740 and the net variance for revenue is \$4,027. The Water District encumbered \$115,800 in the prior year. The culmination of the two positive variances less the encumbrances equals the excess of revenue over expenditures. Budget revisions were made on a line item basis.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

By December 2009, the District had invested \$3,592,392 (cost less accumulated depreciation), in a broad range of capital assets, including Land, Outside Improvements, Buildings/Improvements, Tank, Furniture, Machinery and Equipment, Vehicles and Infrastructure. Total depreciation expense for the year was \$187,116. Improvements to buildings, wells, and equipment amounted to \$615,351 which is net of completed construction-in-progress of the prior year.

**Table A-8**  
**Capital Assets (Net of Depreciation)**

	Fiscal Year 2009	Fiscal Year 2008
Land	\$ 30,380	\$ 30,380
Construction in Progress	331,890	137,380
Outside Improvements	287,083	242,901
Buildings/Improvements-Tanks	1,010,623	853,774
Furniture, Machinery & Equipment	763,018	656,739
Vehicles	38,729	49,246
Infrastructure	1,130,669	1,193,737
<b>Total</b>	<b>\$ 3,592,392</b>	<b>\$ 3,164,157</b>

Refer to Note 4 of the Notes to the Basic Financial Statements for more detailed information.

***Long-Term Debt***

At year-end, the District had \$1,185,084 in serial bonds. More detailed information is presented in Note 6 to the Basic Financial Statements.

**Table A-9**  
**Outstanding Long-Term Debt**

	Fiscal Year 2009	Fiscal Year 2008
Bonds Payable	\$ 1,185,084	\$ 1,273,420
Compensated Absences	44,283	33,464
CSV Life Insurance	107,827	102,742
Net OPEB Obligation	400,472	194,249
<b>Total</b>	<b>\$ 1,737,666</b>	<b>\$ 1,603,875</b>

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared, the District was aware of several existing circumstances that could affect its financial health in the future:

- A test well (proposed Well 1A) at Well Site #1 was drilled, sampled, and closed in 2007. The sampling results indicate potable water which meets all Federal, State, and local criteria. When a bond is sought from the Town of North Hempstead, the drilling and opening of a new well at Well Site #1 will be included.
- The District plans to seek funding via a bond issue from the Town of North Hempstead for the purchase of land for a new well site at the Northern State Parkway and Glen Cove Road (or possibly another location), construction of a new well at Well Site #1 (discussed above), water treatment at well sites 1A, 2, 3, 4 and 5, the addition of a generator at Wells 1 and 2, painting and structural repairs of the water tower, and a SCADA system to enhance the proposed telemetry system.
- Future development of the 5.5 acre property, formerly BOCES, on Westbury Avenue at Glen Cove Road, now includes a 150-unit Homewood Suites, owned by Hilton, and a future office building on an adjacent parcel. Construction plans for the hotel have been approved by the Town of North Hempstead Zoning Board.
- Future development of the Carle Place Garden Townhouses, an 11-unit senior housing, on Westbury Avenue between Carle Road and Koch Place.
- Action has been initiated by the County of Nassau to eliminate special districts with taxing privileges and consolidate all water districts. Although this may take years, or never materialize, it would have a profound effect on the Carle Place Water District.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's, taxpayers, customers, investors and creditors with a general overview of the finances and to demonstrate the District's accountability for the money it receives. If you have questions about the report or need additional financial information, please contact Carle Place Water District, Superintendent, 578 Mineola Avenue, Carle Place, New York 11514, (516) 333-0540.

CARLE PLACE WATER DISTRICT  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

	<u>Total</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash	\$ 1,132,860
Accounts Receivable	242,199
CSV-Life Insurance	107,827
Due From Other Governments	436,297
Inventory of Material and Supplies	79,334
Prepaid Insurance	33,882
Total Current Assets	<u>2,032,399</u>
Non-Current Assets:	
Capital Assets - Not Being Depreciated	362,270
Capital Assets -Being Depreciated, Net of Accumulated Depreciation	3,230,122
Total Assets	<u><u>5,624,791</u></u>
 <b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	131,203
Bonds Payable-Portion Due Within One Year	80,649
Accrued Bond Interest Payable	18,432
Deferred Revenues	39,129
Total Current Liabilities	<u>269,413</u>
Non-Current Liabilities:	
Bonds Payable	1,104,435
Compensated Absences Payable	44,283
Net OPEB Obligation	400,472
Other Liabilities	107,827
Total Non-Current Liabilities	<u>1,657,017</u>
Total Liabilities	<u>1,926,430</u>
 <b><u>NET ASSETS</u></b>	
Investment in Capital Assets, Net of Related Debt	2,767,007
Restricted:	
Capital Projects	359,699
Bonded Debt	76,598
Unrestricted	495,057
Net Assets	<u>\$ 3,698,361</u>

CARLE PLACE WATER DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009

**FUNCTION/PROGRAM**

**Governmental Activities:**

General Government Support			\$ 12,388
Home and Community Service:			
Water Administration	\$ 708,642		
Source of Supply, Power and Pumping Purification	621,724		
Transmission and Distribution	116,273		
Total Home and Community Service	<u>526,177</u>		1,972,816
Interest on Debt Service			53,342
Total Governmental Activities			<u>2,038,546</u>

**Program Revenue**

Charges for Service			<u>700,318</u>
Net Cost of Governmental Activities			<u>(1,338,228)</u>

**General Revenues:**

Real Property Taxes			1,560,107
Use of Money and Property			280,588
Miscellaneous			<u>7,474</u>
Total General Revenues			<u>1,848,169</u>

Change in Net Assets 509,941

Net Assets - Beginning of Year 3,127,083

Prior Year Adjustment 61,337

Net Assets - End of Year \$ 3,698,361

CARLE PLACE WATER DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	General Fund	Capital Projects Fund	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash	\$ 1,132,860	\$ -	\$ 1,132,860
Accounts Receivable	36,870	-	36,870
Due From Other Funds	3,629	-	3,629
Due From Other Governments	72,969	363,328	436,297
Inventory of Materials and Supplies	79,334	-	79,334
	<hr/>	<hr/>	<hr/>
Total Assets	1,325,662	363,328	1,688,990
<b><u>LIABILITIES</u></b>			
Accounts Payable and Accrued Expenses	131,203	-	131,203
Due to Other Funds	-	3,629	3,629
Deferred Revenues	39,129	-	39,129
	<hr/>	<hr/>	<hr/>
Total Liabilities and Deferred Revenue	170,332	3,629	173,961
<b><u>FUND BALANCES</u></b>			
Fund Balance - Reserved			
Reserve for Inventory	79,334	-	79,334
Reserve for Capital Improvements	721,299	-	721,299
Reserve for Bonded Debt	76,598	-	76,598
Fund Balance - Unreserved	278,099	359,699	637,798
	<hr/>	<hr/>	<hr/>
Total Fund Balances	1,155,330	359,699	1,515,029
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 1,325,662	\$ 363,328	\$ 1,688,990

CARLE PLACE WATER DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 DECEMBER 31, 2009

Total Governmental Fund Balances		\$ 1,515,029
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This amount differs from the amount of Net Assets shown in the Statement of Net Assets because:

The cost of building and acquiring capital assets (land, land improvements, buildings/ improvements, equipment and infrastructure) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheets. However, the Statement of Net Assets includes those capital assets and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 5,265,772	
Accumulated Depreciation	<u>(1,673,380)</u>	3,592,392

Receivables for revenues earned, measurable but not available to provide financial resources are included in the government-wide statements as assets and are added.	205,329
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Amounts for prepaid expenses are included in the government-wide statements as assets.	33,882
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	1,185,084	
Accrued Interest on Bonds	18,432	
Compensated Absences Payable	44,283	
Net OPEB Obligation	<u>400,472</u>	(1,648,271)

Total Net Assets		\$ <u><u>3,698,361</u></u>
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CARLE PLACE WATER DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2009

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>			
Real Property Taxes	\$ 1,560,107	\$ -	\$ 1,560,107
Departmental Income	709,756		709,756
Use of Money and Property	276,959	3,629	280,588
Miscellaneous	7,474		7,474
Total Revenues	<u>2,554,296</u>	<u>3,629</u>	<u>2,557,925</u>
<b>Expenditures:</b>			
Water Administration	522,453	-	522,453
Source of Supply, Power and Pumping	925,083	-	925,083
Purification	116,273	-	116,273
Transmission and Distribution	301,786	-	301,786
Employee Benefits	320,347	-	320,347
Unallocated Insurance	8,707	-	8,707
Fiscal Agent Fees/Debt Service Charges	3,681	-	3,681
<b>Debt Service:</b>			
Principal	88,336	-	88,336
Interest	54,663	-	54,663
Total Expenditures	<u>2,341,329</u>	<u>-</u>	<u>2,341,329</u>
Excess of Revenues Over Expenditures	212,967	3,629	216,596
Other Financing Sources and (Uses):			
Interfund-Interest to Reserve for Bonded Debt	<u>3,629</u>	<u>(3,629)</u>	<u>-</u>
Excess of Revenues Over Expenditures and Other Financing Sources	216,596	-	216,596
<b>Fund Balance:</b>			
Fund Balance - Beginning of year	938,734	359,699	1,298,433
Fund Balance - End of year	<u>\$ 1,155,330</u>	<u>\$ 359,699</u>	<u>\$ 1,515,029</u>

CARLE PLACE WATER DISTRICT  
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2009

Excess of revenue and other financing sources over expenditures \$ 216,596

This amount differs from the change in net assets shown in the Statement of Activities due to the following:

Capital outlays for acquisition of capital assets are recorded in Governmental Funds as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which expenditures for acquisition of capital assets exceeded depreciation expenses for the current period.

Capital expenditures	\$ 615,351	
Depreciation expense	<u>187,116</u>	428,235

Revenues are recorded in the governmental funds when earned, measurable and available to provide current financial resources. In the Statement of Activities, revenues are recognized when they are earned and measurable, regardless of when they become available. From December 31, 2008 to December 31, 2009 such revenues, charges for services, decreased by

(9,438)

Payments of bond principal are shown as expenditures in the governmental funds. These payments are shown in the Statement of Net Assets as a reduction of the related liabilities, and are not shown as an expense in the Statement of Activities. This is the amount of bond principal payments made during the current year.

88,336

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest from December 31, 2008 to December 31, 2009 decreased by

1,321

Certain expenses are included in the governmental funds as they require the use of current resources. In the Statement of Activities, these costs are reported during the period the liabilities are incurred, regardless of when they are due and payable. This amount represents an increase in the compensated absences liability (\$10,819) and an additional amount for other postemployment benefits (\$206,223)

(217,042)

Prepaid expenses from December 31, 2008 to December 31, 2009 increased by

1,933

Change in Net Assets of Governmental Activities

\$ 509,941

CARLE PLACE WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Carle Place Water District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

**A. FINANCIAL REPORTING ENTITY**

The financial reporting entity is a water district established for the purpose of providing water services and improvements intended to benefit the health and conveniences of the inhabitants of the district.

The water district is a special district organized under New York State Town Law and has a separately elected board. The commissioners of the water district, who are elected to office by the taxpayers, have complete responsibility for the management of the district and the accountability for fiscal matters. All governmental activities and functions of Carle Place Water District are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The Carle Place Water District is a component unit of the Town of North Hempstead, New York. Long-term debt, backed by the full faith and credit of the Town, and other matters result in interdependency with the Town.

**B. BASIS OF PRESENTATION**

**1. Government-wide Statements:**

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, program revenues, and other exchange and non-exchange transactions.

The Statement of Activities presents a comparison between operating revenues and expenses for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges to customers for water usage. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**2. Fund financial statements:**

The fund statements provide information about the District's governmental funds. The emphasis of fund financial statements is on governmental funds, each displayed in a separate column.

CARLE PLACE WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. BASIS OF PRESENTATION (continued)**

The District reports the following major governmental funds:

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

Capital Projects Fund - used to account for the financial resources to be used for the acquisition, construction, or major repair of capital assets.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The Government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities for the current period, except for real property taxes, which are considered to be available if they are collected within sixty days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and unmatured compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. RESTRICTED RESOURCES**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements. The available resources are also a consideration.

CARLE PLACE WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

E. REAL PROPERTY TAXES

The Town of North Hempstead collects the real property tax levy on a semi-annual basis. The Water District receives the full amount of its levy from tax collections. The Town of North Hempstead pays the principal and interest on bonded indebtedness and remits the balance of the tax levy to the Water District in February and August of each year.

F. CASH AND INVESTMENTS

The District's investment policy is governed by state statutes. In addition, the District has its own written investment policy. District monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The monies must be invested in demand deposit accounts, money market accounts or certificates of deposits.

Collateral is required for the District's investments that are not covered by the Federal Deposit Insurance Corporation. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the state and its municipalities.

G. ACCOUNTS RECEIVABLE

The Water District receives the full amount of its Accounts Receivable from Water Rents. Delinquent receivables are sent to the Town of North Hempstead each year to be placed on the property owner's tax roll. The Town remits payment to the District for these delinquencies. As of December 31, 2009, these delinquent receivables amounted to \$2,387.

H. DUE TO/DUE FROM

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types. Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these Notes.

I. INVENTORY OF PARTS AND SUPPLIES

The District maintains an inventory of meters, parts and supplies (stated at cost) related to the maintenance and repair of the water supply system to customers. This inventory is maintained on a separate computer program –Huntington Service's "Inventory System for Work Order Materials" - to track the purchase and use of such parts and supplies.

J. CAPITAL ASSETS

Capital assets are reported at actual cost where available, or estimated historical costs based on appraisals conducted by Appraisal Affiliates Inc. Donated assets are reported at estimated fair market value at the time received. Infrastructure assets are reported for those acquired subsequent to June 30, 1980.

Construction in progress represents costs accumulated for projects that were not completed at year end. No depreciation is calculated on land or construction-in-progress.

CARLE PLACE WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District's capitalization threshold, which indicates the dollar value above which asset acquisitions are added to the capital assets account in the Government-wide statements, is \$500, except for public works projects. The threshold for these projects is \$20,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

Depreciation methods and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building, tanks and improvements	Straight line	20-50 years
Furniture, machinery and equipment, (including vehicles)	Straight line	5-25 years
Infrastructure	Straight line	25 years

**K. VESTED EMPLOYEE BENEFITS**

Vested vacation leave is recorded as a liability for compensated absences at year end based on the employees' rates of pay in effect at year end. Full time permanent employees are permitted to accumulate up to five unused vacation days per year. The maximum permitted to be accumulated is thirty days. This will be payable as salary either during the three years of employment prior to retirement, at retirement or separation, or upon death to the employee's beneficiary or estate.

District employees participate in the New York State Employee's Retirement System. In addition to providing pension benefits, the District provides health insurance coverage for retired employees and surviving spouses at a cost, in 2009, of \$37,647, including Medicare reimbursement. Substantially all of the District's employees become eligible for these benefits if they reach normal retirement age while working for the District. These benefits are provided through premiums paid to New York State Civil Service Department and are recorded as an expenditure in the General Fund in the year paid. Refer to Note 10 for information on Government Accounting Standards Board Statement No. 45.

**L. BUDGETARY POLICY**

The Water District submits a tentative budget for the year beginning the following January 1<sup>st</sup> to the Town of North Hempstead in September of each year. The tentative budget includes the proposed expenditures and the proposed means of financing these expenditures for the General Fund. At a public hearing, the governing board of the Town adopts the budget and the appropriate tax levy necessary to fund the District for the following year. During the year, the Board of Commissioners approved budget transfers between codes of \$312,061 and a budget amendment for prior year encumbrances of \$115,800.

CARLE PLACE WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009

M. SUBSEQUENT EVENTS

Events and transactions are evaluated through the date of the financial report, which is the date the financial statements were available for issuance, for possible disclosure and recognition in the financial statements.

NOTE 2 – CASH AND CUSTODIAL RISK

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial risks, the Governmental Accounting Standards Board Statement #40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial risk as described above at year end except for an account (approximately \$25,000) opened in the latter part of the year and covered by collateral subsequent to year end.

NOTE 3 – LIFE INSURANCE

The amount of cash surrender value, \$107,827 represents an amount based on fully paid up policies with no premium cost to the District and one current policy with a premium cost in 2009 of \$551. The owner and beneficiary of the policies is the Carle Place Water District. Based on the written procedure, the individual can receive the ownership of the policy or the CSV upon retirement. In case of death, the proceeds would first go to the District and then be paid to the named beneficiary of the deceased. District policy indicates that the "plan may be discontinued at any time by the Water District without the approval of its participants."

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THE NOTES ARE CONTINUED ON PAGE 6

CARLE PLACE WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

**NOTE 4 - CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2009 is as follows:

	Beginning Balance	Additions	Retirements/ Reclass.	Ending Balance
	<u>RESTATED</u>			
<b>Governmental Activities:</b>				
<b>Capital Assets That Are Not Depreciated:</b>				
Land	\$ 30,380	\$ -	\$ -	\$ 30,380
Construction-in-Progress	137,380	331,890	(137,380)	331,890
Total Nondepreciable Historical Cost	<u>\$ 167,760</u>	<u>\$ 331,890</u>	<u>\$ (137,380)</u>	<u>\$ 362,270</u>
<b>Capital Assets That Are Depreciated:</b>				
Outside Improvements	\$ 326,210	\$ 59,868	\$ -	\$ 386,078
Buildings/Improvements and Tank	1,194,642	187,465	-	1,382,107
Furniture, Machinery and Equipment	1,174,005	173,508	(5,100)	1,342,413
Vehicles	282,363	-	-	282,363
Infrastructure	1,510,541	-	-	1,510,541
Total Depreciable Historical Cost	<u>4,487,761</u>	<u>420,841</u>	<u>(5,100)</u>	<u>4,903,502</u>
<b>Less:</b>				
<b>Accumulated Depreciation:</b>				
Outside Improvements	83,309	15,686	-	98,995
Buildings/Improvements and Tank	340,868	30,616	-	371,484
Furniture, Machinery and Equipment	517,266	67,229	(5,100)	579,395
Vehicles	233,117	10,517	-	243,634
Infrastructure	316,804	63,068	-	379,872
Total Accumulated Depreciation	<u>1,491,364</u>	<u>187,116</u>	<u>(5,100)</u>	<u>1,673,380</u>
Total Depreciable Historical	<u>\$ 2,996,397</u>	<u>\$ 233,725</u>	<u>\$ -</u>	<u>\$ 3,230,122</u>
Cost, Net				
Grand Total	<u>\$ 3,164,157</u>	<u>\$ 565,615</u>	<u>\$ (137,380)</u>	<u>\$ 3,592,392</u>

**Prior Period Adjustment-** The Construction in Progress has been restated from \$76,043 to \$137,380, representing a prior period adjustment of \$61,337 to account for projects recorded in 2008 and not reflected in the total. The opening Net Assets on the Statement of Activities-Exhibit B has been adjusted in the same amount.

Depreciation has been allocated to:

<b>Home and Community:</b>	
Water Administration	\$ 26,333
Source and Supply	
Power and Pumping	87,194
Transmission and Distribution	73,589
Total	<u>\$ 187,116</u>

CARLE PLACE WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

**NOTE 5 – SHORT-TERM DEBT**

Bond anticipation notes are short-term debt issued by the Town of North Hempstead on behalf of the District to finance capital projects during construction and until long-term serial bonds are issued. New York State law requires that bond anticipation notes issued for capital purposes be redeemed or converted to long-term obligations within five years after the original issue date. Liabilities for bond anticipation notes are accounted for in the Capital Projects Fund. There were no outstanding bond anticipation notes at year end.

**NOTE 6 – LONG-TERM DEBT**

The District borrows money in order to acquire land or equipment or construct buildings, improvements and infrastructure. This enables the cost of these capital improvements to be borne by present and future taxpayers who receive the benefit of these capital assets. These long-term liabilities, which are full faith and credit debt of the Town of North Hempstead, are recorded as a liability for bonds payable in the Government-wide Statement of Net Assets.

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued/ Increase	Redeemed	Ending Balance	Amounts Due Within One Year
Government Activities:					
Bonds Payable:					
Serial Bonds	\$ 1,273,420	\$ -	\$ 88,336	\$ 1,185,084	\$ 80,649
Total Bonds	<u>1,273,420</u>	<u>-</u>	<u>88,336</u>	<u>1,185,084</u>	<u>80,649</u>
Other Liabilities:					
CSV- Life Insurance	102,742	5,085	-	107,827	-
Compensated Absences	33,464	10,819	-	44,283	-
Net OPEB Obligation	194,249	206,223	-	400,472	-
	<u>330,455</u>	<u>222,127</u>	<u>-</u>	<u>552,582</u>	<u>-</u>
Total Long-Term Liabilities	\$ <u>1,603,875</u>	\$ <u>222,127</u>	\$ <u>88,336</u>	\$ <u>1,737,666</u>	\$ <u>80,649</u>

Details of serial bonds payable at December 31, 2009, all of which related to capital improvements acquisitions, are summarized as follows:

Date of Issue	Year of Maturity	Interest Rate	Outstanding December 31, 2009
1992	2014	6.40%	\$ 127,000
2004	2022	3.70%-4.25%	546,758
2006	2026	4.375%	511,326
			<u>\$ 1,185,084</u>

CARLE PLACE WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

Future payments for the bond issues will be as follows:

Year Ending December 31	Principal	Interest	Total Principal and Interest
2010	\$ 80,649	\$ 50,741	\$ 131,390
2011	82,365	46,923	129,288
2012	83,189	43,032	126,221
2013	86,022	39,102	125,124
2014	88,910	35,028	123,938
2015-2019	355,863	130,632	486,495
2020-2024	327,691	51,359	379,050
2025-2026	80,395	3,657	84,052
	<u>\$ 1,185,084</u>	<u>\$ 400,474</u>	<u>\$ 1,585,558</u>

**NOTE 7 – INTERFUND BALANCES AND ACTIVITY**

	Receivable	Payable	Revenue	Expenditure
General Fund	\$ 3,629	\$ -	\$ 3,629	\$ -
Capital Fund	-	3,629	-	3,629
Total Governmental Activities	<u>\$ 3,629</u>	<u>\$ 3,629</u>	<u>\$ 3,629</u>	<u>\$ 3,629</u>

The interfund receivable and payable is eliminated on the Statement of Net Assets. The interfund transfer of interest due the General Fund has been added to the Reserve for Bonded Debt.

**NOTE 8 – RETIREMENT SYSTEM**

The District provides retirement benefits through contributions to the New York State and Local Employees' Retirement System (ERS) which is a cost-sharing multiple employer retirement system. The system provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by New York State Retirement and Social Security Law (NYSRSSL). The Comptroller of New York State serves as a sole trustee and administrative head of the system.

The System is non-contributory except for employees who joined the ERS subsequent to July 27, 1976, who contribute 3% of their salary for a maximum ten years of service. Under the authority of the NYSRSSL, the Comptroller shall annually certify the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The District is required to contribute at an actuarial determined rate. The billings are based on the System's fiscal year which ends in March. Contributions by participating employers are due annually by December 15<sup>th</sup> of the preceding year. The required contributions for the current year and the two preceding years are:

2009	45,346
2008	49,397
2007	50,988

CARLE PLACE WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The District's contributions to the ERS for all three years were paid to equal the full amount of the contributions due. There is no unpaid liability due to ERS at the end of the year.

A full description of membership, benefits and employer and employee obligations to contribute are described in the System's Annual Report and Financial Statements. Historical trend information showing the progress in accumulating sufficient assets to pay benefits when due plus additional detailed information concerning the system may also be found in the Annual Financial Report of the System. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith Office Building, Albany, New York 12244.

**NOTE 9 – LICENSE AGREEMENTS:**

The Water District (Licensor) has entered into a number of license agreements for the use of certain space on the Licensor's Water Tower. Most of the agreements with cell communication providers are for an extended period and renewable. The rates are set for an annual period and remitted by the licensees on a monthly basis. The amount collected for cell tower receipts is transferred to the reserve for capital improvements.

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS:**

The Carle Place Water District provides post employment health insurance coverage to retired employees in accordance with the adopted policy.

Carle Place Water District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made.

The Carle Place Water District obtained an actuarial valuation report as of January 1, 2008 with updated information for 2009 using the same data basis, which indicates that the total liability for postemployment benefits is \$2,715,600. The Net OPEB obligation at December 31, 2009 is \$400,472.

**Plan Description**

The actuarial calculation was based on eligibility and benefits as adopted by the Board of Commissioners of the Carle Place Water District and may be amended by such Board. An employee is eligible upon retirement (including disability retirement) with at least five years of service. The premium for the medical coverage will be paid in full by the District for both the employee and spouse for the lifetime of the employee. Surviving spouses will continue to receive full coverage.

The District reimburses retirees, spouses and surviving spouses for their entire Medicare Part B premium.

**Funding Policy**

The Plan has been on a pay-as-you-go basis with premiums paid in full by the Carle Place Water District. Presently, there is no legal authority to fund OPEB.

CARLE PLACE WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS- (continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

		For the Year Ended <u>December 31, 2009</u>
Annual Required Contribution	\$	246,600
Interest on net OPEB obligation		7,770
Adjustment to ARC		(10,500)
		-----
Annual OPEB Cost (expense)		243,870
Contributions made		37,647
		-----
Increase in Net OPEB obligation		206,223
Net OPEB obligation-beginning of year		194,249
		-----
Net OPEB Obligation-end of year		400,472
		-----
Annual OPEB cost		243,870
Percentage of annual OPEB cost contributed		15.4%
 <u>Funded Status:</u>		
Actuarial Accrued Liability (AAL)		2,715,600
Actuarial value of assets		0
Unfunded Actuarial Accrued Liability		2,715,600
Funded ratio (Assets as a percentage of AAL)		0%
		-----
Annual covered payroll		665,885
UAAL as a percentage of covered payroll		408%

CARLE PLACE WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

The District's annual OPEB cost, the percentage of annual OPEB cost contributions to the plan and the net OPEB obligation for 2009 and the preceding year was as follows:

Year	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007		Not Applicable-Transition date is 1/1/08			
2008	234,400	234,000	40,151	17%	194,249
2009	246,600	243,870	37,647	15%	400,472

**Funded Status and Funding Progress**

As of the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$2,715,600, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,715,600. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$665,885, and the ratio of the UAAL to the covered payroll was 408%.

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continued revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress will provide multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

The January 2009 actuarial valuation prepared by an outside actuarial firm used the rates based on "RP2000 Combined, sex distinct, with full generational projection using Scale AA" for both healthy mortality and disabled mortality. Since district employees are covered by the New York State Employee's Retirement System, the actuary used termination, retirement and disability assumptions based on assumptions used under ERS and developed by the ERS Actuary based on extensive analysis of covered populations. The projected unit credit actuarial cost method was used and actuarial assumptions included a 4% investment return. The UAAL uses level dollar amortization over 30 years, over an open period. The remaining amortization period at January 1, 2009 was 30 years.

Projection of benefits is based on the plan and includes the types of benefits provided at the time of each valuation. Changes in the assumptions will produce changes in the liabilities and costs.

CARLE PLACE WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Health Trend Rates:

Medical inflation rate baseline	Medical Benefits		Medicare
	Pre -65	Post-65	Part B
Initial inflation rate	9.50%	10.50%	5.00%
Ultimate inflation rate	5.00%	5.00%	5.00%
Yearly decrease in inflation rate	0.50%	0.50%	0.00%
Years until ultimate inflation rate	9	11	1

“The NYSHIP healthcare inflation rates for medical and prescription drug were based on the NYSHIP actuary’s report dated August 2, 2006. The Medicare Part B inflation rates were based on recent history and expected changes for the near future. The dental, vision, and self-insured medical healthcare inflation rates were based on Milliman’s Health Cost Guidelines™ (HCGs) and reflect recent history and expected changes for the near future. Ultimate rates were determined considering historic and projected rates of real growth, long-term inflation and additional growth attributable to technology and medical costs as a component of gross domestic product, (GDP).”

**NOTE 11– ANALYSIS OF RESERVE FOR CAPITAL IMPROVEMENTS AND RESERVE FOR INVENTORY:**

	<u>Capital Improvements</u>	<u>Inventory</u>
Balance January 1, 2009	\$496,121	\$70,741
Additions:		
Interest	1,781	-
Transfer In/Adjustments	475,951	8,593
Subtractions:		
Expenditures	(252,553)	-
Balance December 31, 2009	<u>\$721,299</u>	<u>\$79,334</u>

**NOTE 12 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties.

CARLE PLACE WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**NOTE 13 – 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, potential contingent liabilities, unbilled cycle billing receivables at year end, useful lives of long-lived assets and calculation of other postemployment benefits obligation.

**NOTE 14 – PENDING LITIGATION**

At year end December 31, 2006, (in a letter dated January 5, 2007) the attorneys for the Carle Place Water District reported that *“In July of 2006, the district was notified by the Port Washington Landfill Joint Defense Group (“JDG”) that it has been unable to convince an adequate number of potentially responsible parties to participate in a non-binding process to resolve claims asserted by the New York State Department of Environmental Conservation relating to the remediation of the Port Washington landfill site. That letter advised that since JDG had been unable to make a settlement offer to NYSDEC that there is a likelihood that some or all of the members will soon be sued by NYSDEC for more than \$17,000,000 which the NYSDEC alleges it is entitled to recover because of the contamination caused to the landfill by dumping of toxic waste.”*

The Carle Place Water District is not a member of the JDG, but it did use the landfill many years ago to deposit yard waste and macadam from main repairs. In April 2009, the lawyers report that the District received a letter from the Port Washington Landfill Joint Defense Group. The lawyer requested an indication of how the Group arrived at the allocation of a claim that would require a payment of \$25,000 from the District. No reply was received by the law firm and the Commissioners agreed, on advice from counsel, to leave the matter as it stands at the present time until further communication is received. No action has commenced against the District.

**MTBE Lawsuit**

On June 5, 2003, the law firm of Napoli, Kaiser, Bern & Associates, LLP (now Napoli, Bern & Ripka, LLP) was retained by the Carle Place Water District to act as “Of Counsel” to Mr. Harold A. Mahony in litigation against AGIP, et al (representing a list of major oil companies) for groundwater contamination by MTBE (Methyl Tertiary Butyl Ether). MTBE is an oxygenate that was added to gasoline to improve air emissions, and later was discovered to be a contaminant to groundwater from spills and leaks at gas stations.

According to Mr. Mahony of Froehlich, Mahony & deBruin, *“the District will not be responsible for any fee unless they are successful in the lawsuit in which event Mr. Bern’s firm will be entitled to 25% of the sum recovered whether by suit or settlement.”* During 2009 there was one settlement offered with a net payment anticipated to the District of \$9,670. Mr. Mahony had raised issues with the Napoli firm regarding indemnification clauses in settlement agreements. Attorneys for other water districts raised similar issues to be resolved which would then permit the Commissioner(s) to enter into the settlement agreements. The amount of further settlements has not been determined nor is it possible to make a valid estimate according to Mr. Mahony.

CARLE PLACE WATER DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
<b>REAL PROPERTY TAXES:</b>				
Real Property Taxes	\$ 1,554,762	\$ 1,554,762	\$ 1,554,762	\$ -
P.I.L.O.T			5,345	5,345
	<u>1,554,762</u>	<u>1,554,762</u>	<u>1,560,107</u>	<u>5,345</u>
<b>DEPARTMENTAL INCOME:</b>				
Metered Water Sales	675,000	675,000	646,895	(28,105)
Unmetered Water Sales	43,500	43,500	42,480	(1,020)
Water Service Charges	5,007	5,007	10,799	5,792
Interest and Penalties on Water Rents	7,000	7,000	9,582	2,582
Total Departmental Income	<u>730,507</u>	<u>730,507</u>	<u>709,756</u>	<u>(20,751)</u>
<b>USE OF MONEY AND PROPERTY:</b>				
Interest Earnings	20,000	20,000	7,458	(12,542)
Rental Charges	245,000	245,000	269,501	24,501
Total Use of Money and Property	<u>265,000</u>	<u>265,000</u>	<u>276,959</u>	<u>11,959</u>
<b>SALE OF PROPERTY AND COMPENSATION FOR LOSS</b>				
	-	-	1,024	1,024
<b>MISCELLANEOUS:</b>				
Unclassified Revenue	-	-	6,450	6,450
Total Revenues	2,550,269	2,550,269	\$ 2,554,296	\$ 4,027
Prior Year Encumbrances	-	115,800		
Total Budget	<u>\$ 2,550,269</u>	<u>\$ 2,666,069</u>		

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

CARLE PLACE WATER DISTRICT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>GENERAL GOVERNMENT SUPPORT</b>				
Unallocated Insurance	\$ 8,000	\$ 8,988	\$ 8,707	\$ 281
Fiscal Agent Fees	3,670	3,682	3,681	1
Total General Government Support	11,670	12,670	12,388	282
<b>HOME AND COMMUNITY SERVICE</b>				
<u>Administration:</u>				
Personal Services	253,576	253,576	248,461	5,115
Commissioners' Fees	15,000	15,000	13,920	1,080
Office Equipment	1,000	1,000	-	1,000
Operating Equipment	25,000	26,000	25,825	175
Meters	50,000	35,000	29,838	5,162
Stationery and Printing	3,000	1,000	581	419
Postage	7,500	6,500	6,108	392
Books and Publications	500	500	190	310
Office Supplies and Expenses	2,000	5,500	5,029	471
Telephone and Communications	18,000	18,000	17,432	568
Light and Power	5,000	5,000	3,883	1,117
Heat	10,000	8,000	7,501	499
Surety Bonds	1,000	2,000	1,550	450
Insurance - Fire and Liability	45,000	46,000	45,604	396
Equipment Rental	3,500	1,500	857	643
Legal Notices	1,500	1,500	825	675
Conferences, Meetings and Classes	17,000	17,000	12,477	4,523
Public Information and Education	10,000	12,000	11,361	639
Election Expense	2,000	2,000	1,138	862
Architectural and Engineering	5,000	30,000	25,700	4,300
Auditing	15,400	15,400	15,400	-
Legal	6,000	10,000	9,600	400
Other Professional Services	20,000	20,000	17,277	2,723
Uniforms and Laundry	2,500	5,500	4,800	700
Tools, Parts and Supplies - Plant and Grounds	6,000	4,000	3,329	671
<b>Repairs and Maintenance:</b>				
Office Equipment	2,500	7,500	7,179	321
Operating Equipment	1,000	1,000	-	1,000
Plant and Grounds	5,000	10,000	6,588	3,412
Total Administration	533,976	560,476	522,453	38,023
<u>Source of Supply, Power and Pumping:</u>				
Personal Services	200,812	190,812	187,473	3,339
Capital Improvements Reserve	245,000	368,400	252,553	115,847
Light and Power	236,000	186,000	167,694	18,306
Architectural and Engineering	45,000	130,000	91,537	38,463
<b>Tools, Parts &amp; Supplies-</b>				
Operating Equipment	2,000	2,000	663	1,337
Plants and Grounds	-	-	-	-
<b>Repairs and Maintenance:</b>				
Operating Equipment	385,000	180,100	107,891	72,209
Plant and Grounds	10,000	117,300	117,272	28
Total Source of Supply, Power and Pumping	1,123,812	1,174,612	925,083	249,529

CARLE PLACE WATER DISTRICT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Purification:</b>				
Water Analysis and Treatment	\$ 120,000	\$ 119,173	\$ 114,875	\$ 4,298
<b>Repairs and Maintenance:</b>				
Operating Equipment	4,000	4,000	571	3,429
Tools, Parts and Supplies	-	827	827	-
Total Purification	<u>124,000</u>	<u>124,000</u>	<u>116,273</u>	<u>7,727</u>
<b>Transmission and Distribution:</b>				
Personal Services	200,812	210,812	207,397	3,415
Gas, Oil, Etc.	15,000	15,000	9,013	5,987
<b>Tools, Parts and Supplies:</b>				
Plants and Grounds		1,210	1,210	-
Operating Equipment		1,412	1,412	-
Trunk Lines and Laterals	12,000	16,000	14,615	1,385
<b>Repairs and Maintenance:</b>				
Operating Equipment	10,000	20,000	18,929	1,071
Mains, Valves and Hydrants	20,000	8,178	4,600	3,578
Road Repairs	17,000	23,000	22,550	450
Road Resurfacing Materials	2,500	4,500	3,886	614
Engineering	-	18,200	18,174	26
Total Transmission and Distribution	<u>277,312</u>	<u>318,312</u>	<u>301,786</u>	<u>16,526</u>
Total Home and Community Services	<u>2,059,100</u>	<u>2,177,400</u>	<u>1,865,595</u>	<u>311,805</u>
<b>EMPLOYEE BENEFITS:</b>				
New York State Retirement	50,000	46,000	45,346	654
Social Security/Medicare	51,000	51,000	50,037	963
Workers' Compensation Insurance	17,500	16,000	15,332	668
Life Insurance	4,000	4,000	3,911	89
Disability Insurance	13,000	13,000	11,642	1,358
Medical Insurance	201,000	201,000	192,220	8,780
MTA tax	-	2,000	1,859	141
Total Employee Benefits	<u>336,500</u>	<u>333,000</u>	<u>320,347</u>	<u>12,653</u>
<b>DEBT SERVICE:</b>				
Principal	88,336	88,336	88,336	-
Interest	54,663	54,663	54,663	-
Total Debt Service	<u>142,999</u>	<u>142,999</u>	<u>142,999</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 2,550,269</u>	<u>\$ 2,666,069</u>	<u>\$ 2,341,329</u>	<u>\$ 324,740</u>

CARLE PLACE WATER DISTRICT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Purification:</b>				
Water Analysis and Treatment	\$ 120,000	\$ 119,173	\$ 114,875	\$ 4,298
<b>Repairs and Maintenance:</b>				
Operating Equipment	4,000	4,000	571	3,429
Tools, Parts and Supplies	-	827	827	-
Total Purification	124,000	124,000	116,273	7,727
<b>Transmission and Distribution:</b>				
Personal Services	200,812	210,812	207,397	3,415
Gas, Oil, Etc.	15,000	15,000	9,013	5,987
<b>Tools, Parts and Supplies:</b>				
Plants and Grounds		1,210	1,210	-
Operating Equipment		1,412	1,412	-
Trunk Lines and Laterals	12,000	16,000	14,615	1,385
<b>Repairs and Maintenance:</b>				
Operating Equipment	10,000	20,000	18,929	1,071
Mains, Valves and Hydrants	20,000	8,178	4,600	3,578
Road Repairs	17,000	23,000	22,550	450
Road Resurfacing Materials	2,500	4,500	3,886	614
Engineering	-	18,200	18,174	26
Total Transmission and Distribution	277,312	318,312	301,786	16,526
Total Home and Community Services	2,059,100	2,177,400	1,865,595	311,805
<b>EMPLOYEE BENEFITS:</b>				
New York State Retirement	50,000	46,000	45,346	654
Social Security/Medicare	51,000	51,000	50,037	963
Workers' Compensation Insurance	17,500	16,000	15,332	668
Life Insurance	4,000	4,000	3,911	89
Disability Insurance	13,000	13,000	11,642	1,358
Medical Insurance	201,000	201,000	192,220	8,780
MTA tax	-	2,000	1,859	141
Total Employee Benefits	336,500	333,000	320,347	12,653
<b>DEBT SERVICE:</b>				
Principal	88,336	88,336	88,336	-
Interest	54,663	54,663	54,663	-
Total Debt Service	142,999	142,999	142,999	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,550,269</b>	<b>\$ 2,666,069</b>	<b>\$ 2,341,329</b>	<b>\$ 324,740</b>

CARLE PLACE WATER DISTRICT  
SCHEDULE OF FUNDING PROGRESS-POSTEMPLOYMENT BENEFITS PLAN  
DECEMBER 31, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Plan Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a % of Payroll</u>
1/1/2008	\$ 2,563,400	\$ -	\$ 2,563,400	-	\$ 620,167	413%
1/1/2009 *	\$ 2,715,600	\$ -	\$ 2,715,600	-	\$ 665,885	408%

\*update using same base data

CARLE PLACE WATER DISTRICT  
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
DECEMBER 31, 2009

Capital Assets, Net			\$ 3,592,392
Less:			
Short-Term Portion of Bonds Payable	\$	80,649	
Long-Term Portion of Bond Payable		<u>1,104,435</u>	
		1,185,084	
Unspent bond proceeds-Capital Projects fund		<u>(359,699)</u>	<u>(825,385)</u>
Invested in Capital Assets, Net of Related Debt			\$ <u><u>2,767,007</u></u>

See paragraph on supplementary schedules included in Auditors' report.

CARLE PLACE WATER DISTRICT  
 GENERAL FUND  
 SCHEDULE OF FUND BALANCES  
 RESERVED AND UNRESERVED  
 YEAR ENDED DECEMBER 31, 2009

	Unreserved/ Undesignated Fund Balance	Reserved for Capital Improvements	Reserved for Encumbrances	Reserved for Inventory	Reserved for Bonded Debt	TOTAL
Balance - January 1, 2009	\$ 183,103	\$ 496,121	\$ 115,800	\$ 70,741	\$ 72,969	\$ 938,734
Adjusted Revenues - 2009	2,552,516	1,780	-	-	-	2,554,296
Transfer to Reserve for Capital Improvements	(475,951)	475,951	-	-	-	-
Net Purchases/(Use) of Inventory	(8,593)	-	-	8,593	-	-
Less: Outstanding Encumbrances - Prior Year	115,800	-	(115,800)	-	-	-
Add: Outstanding Encumbrances - Year End	-	-	-	-	-	-
Adjusted Expenditures - 2009	(2,088,776)	(252,553)	-	-	-	(2,341,329)
Transfer From Capital Projects Fund					3,629	3,629
Balance - December 31, 2009	\$ 278,099	\$ 721,299	\$ -	\$ 79,334	\$ 76,598	\$ 1,155,330

See paragraph on supplementary schedules included in the Auditors' Report



# Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

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## ***Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing***

*The Board of Commissioners  
Carle Place Water District  
Carle Place, New York*

*We have audited the financial statements of the governmental activities and each major fund of the Carle Place Water District, a component unit of the Town of North Hempstead, as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.*

### ***Internal Control over Financial Reporting***

*In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.*

*A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.*

*Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.*

### ***Compliance and Other Matters***

*As part of obtaining reasonable assurance about whether the Carle Place Water District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.*

*We noted certain other matters that we have reported to the Board of Commissioners and management of the Carle Place Water District in a separate letter dated February 23, 2010.*

***This report is intended solely for the information of the Board of Commissioners, District management and the Town of North Hempstead and is not intended to be and should not be used by anyone other than these specified parties.***

*Pappas & Company*

March 2, 2010  
Commack, New York