

**WATER AUTHORITY
OF GREAT NECK NORTH
FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

Water Authority of Great Neck North
Year Ended December 31, 2014 and December 31, 2013

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WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis

For Years Ended December 31, 2014 and 2013

(Unaudited)

The Water Authority of Great Neck North (the "Authority") was established to provide potable water to the northern area of Great Neck peninsula which encompasses the Villages of Great Neck, Great Neck Estates, Kensington, Kings Point, Saddle Rock and portions of Great Neck Plaza, and Thomaston. The service area also includes portions of the unincorporated areas of the Town of North Hempstead within the service territory.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Authority exceeded its liabilities as of December 31, 2014 by \$29,422,792 (net position). Of this amount, \$11,757,379 (unrestricted component of net position) may be used to meet the Authority's ongoing operations.
- The change in net position of the Authority for the 2014 fiscal year was an increase of \$1,384,611 compared with the 2013 increase of \$1,460,160.
- Water sales in the current year decreased by \$148,843 or 1.8% from \$8,099,653 from 2013 to \$7,950,810 for the current fiscal year.
- In the previous year, the Authority had adopted and implemented GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This standard required that certain transactions related to previously issued debt refunding(s) be retroactively expensed upon the adoption of the standard. Thus the fiscal year December 31, 2012, where presented, has been appropriately adjusted for the effect of the application of GASB No. 65. The details of the pronouncement have been discussed in Note 1U in the accompanying notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Authority include the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position, the Statements of Cash Flows, and related notes to the financial statements. The Statement of Net Position, or balance sheet, provides information about the nature and amounts of investments, resources, and deferred outflows (assets) and the obligations to the Authority's creditors and deferred inflows (liabilities), with the difference between the two reported as net position.

The Statement of Revenue, Expenses and Changes in Net Position, or income statement, shows how the Authority's net position changed during the year. It accounts for all the year's revenues/inflows and expenses/outflows, measures the financial results of the Authority's operations for the year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments and net changes in cash resulting from operations, financing and investing activities.

WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis
For Years Ended December 31, 2014 and 2013
(Unaudited)

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments and net changes in cash resulting from operations, financing and investing activities.

The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Authority's accounting methods and policies.

Management provides the following discussion and analysis (MD&A) of the Authority's financial position and activities. This overview is provided for the years ended December 31, 2014 and 2013. The information contained in this analysis should be used by the reader in conjunction with the information contained in our audited financial statements and the notes to those financial statements, all of which follow this narrative on the subsequent pages.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net position is an indication of the Authority's financial strength. Our analysis focuses on the net position and changes in net position of the Authority as a whole. As noted earlier, net position may serve over time as a useful indicator of the Authority's financial strength.

Summary Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current and other assets	\$ 12,532,502	\$ 12,371,286	\$ 11,568,427
Restricted assets and noncurrent assets	11,457,642	12,352,077	13,884,485
Capital assets	39,491,757	38,895,628	37,754,625
Deferred outflows of resources	565,200	678,240	791,280
Total assets and deferred outflows	<u>64,047,101</u>	<u>64,297,231</u>	<u>63,998,817</u>
Liabilities:			
Current liabilities	1,751,148	1,831,959	1,802,560
Non-current liabilities	32,873,161	34,427,091	35,618,236
Total liabilities	<u>34,624,309</u>	<u>36,259,050</u>	<u>37,420,796</u>
Net position:			
Net investment in capital assets	13,080,597	12,138,683	11,497,006
Restricted	4,584,816	4,514,257	4,452,250
Unrestricted	11,757,379	11,385,241	10,628,765
Total net position	<u>\$ 29,422,792</u>	<u>\$ 28,038,181</u>	<u>\$ 26,578,021</u>

The Authority's total assets and deferred outflows at December 31, 2014 were \$64,047,101, a decrease of \$250,130 over 2013. Total liabilities at December 31, 2014 were \$34,624,309, a decrease of \$1,634,741 from the 2013 year. Accordingly, the total net position of the Authority at December 31, 2014 was \$29,422,792, an increase of \$1,384,611 over the 2013 year. Of the Authority's total net position at December 31, 2014, the

WATER AUTHORITY OF GREAT NECK NORTH

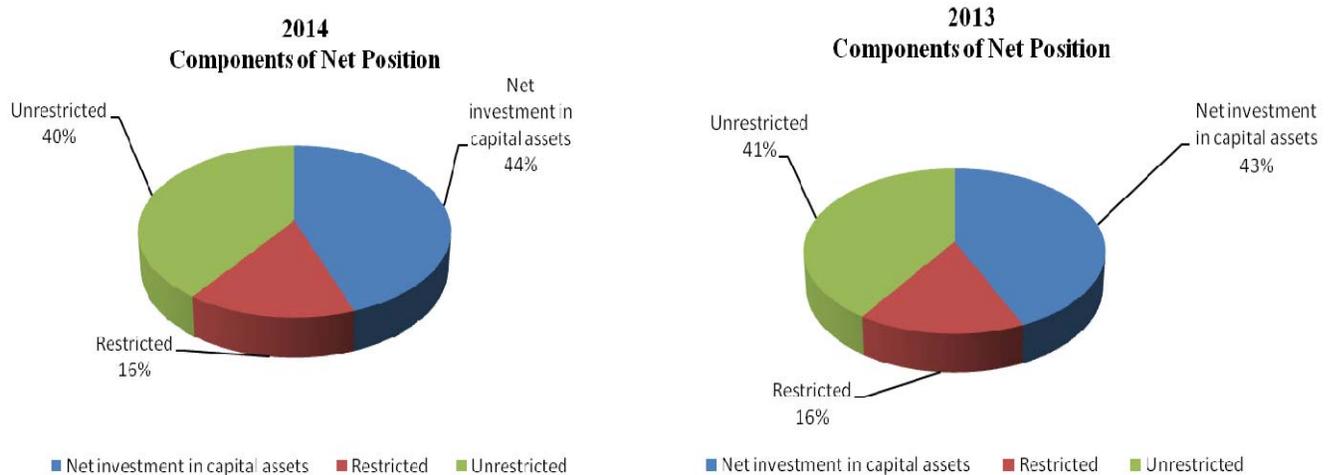
Management's Discussion and Analysis
For Years Ended December 31, 2014 and 2013
(Unaudited)

net investment in capital assets was \$13,080,597, \$4,584,816 was restricted for debt service and the remaining amount of \$11,757,379 was unrestricted.

The Authority's total assets and deferred outflows at December 31, 2013, were \$64,297,231, an increase of \$298,414 over the 2012 year. Total liabilities at December 31, 2013 were \$36,259,050, a decrease of \$1,161,746 from the 2012 year. Accordingly, total net position of the Authority at December 31, 2013 was \$28,038,181, an increase of \$1,460,160 over the 2012 year. Of the Authority's net position at December 31, 2013, the net investment in capital assets was \$12,138,683, \$4,514,257 was restricted for debt service and \$11,385,241 was unrestricted.

As of December 31, 2014 and 2013, the Authority is able to report a positive balance in all three components of the net position.

The components of net position for the Authority, shown as a proportion of total net position, is as follows as of December 31, 2014 and 2013:



WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis
For Years Ended December 31, 2014 and 2013
(Unaudited)

Summary of Revenues, Expenses, and Changes in Net Position

	Year ended December 31,		
	2014	2013	2012
Water service revenues	\$ 7,950,810	\$ 8,099,653	\$ 8,084,949
Operating expenses	5,860,987	5,978,424	5,568,280
Operating income	2,089,823	2,121,229	2,516,669
Non-operating revenues	584,136	568,636	616,459
Costs to be recovered from future revenues	149,611	305,303	171,780
Non-operating expenses	(1,518,359)	(1,591,358)	(1,647,360)
Income before capital contributions	1,305,211	1,403,810	1,657,548
Capital contributions	79,400	56,350	325,268
Change in net position	1,384,611	1,460,160	1,982,816
NET POSITION - BEGINNING	28,038,181	26,578,021	24,595,205
NET POSITION - ENDING	\$ 29,422,792	\$ 28,038,181	\$ 26,578,021

Water service revenues decreased \$148,843 or 1.8% during the current year from \$8,099,653 in 2013 to \$7,950,810 in 2014. Variances are due to precipitation or rainfalls for the area when compared year over year, as well as average temperature changes year over year. Hotter dryer weather will trigger the need for additional water usage.

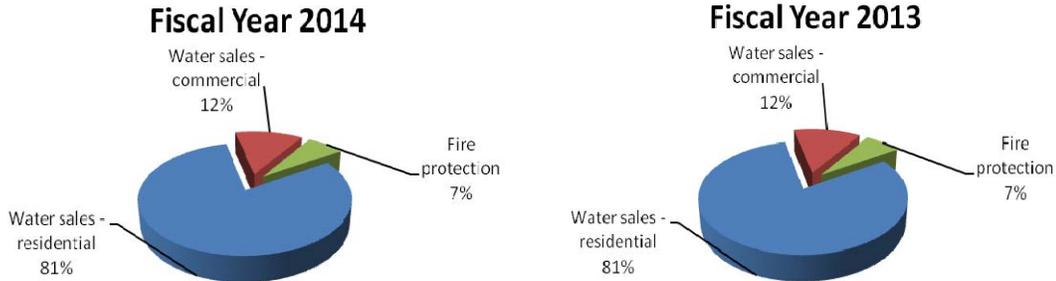
Water service revenues remained fairly consistent noting a modest increase of \$14,704 or less than 1% during 2013 from \$8,084,949 in 2012 to \$8,099,653 in 2013. This was the result in consistent water usage through the 2013 year when compared to usage in 2012.

Operating expenses decreased \$117,437 or 2.0% from \$5,978,424 in 2013 to \$5,860,987 for 2014. The most notable variances over the prior year were related to the decrease in postemployment benefits other than pensions ("OPEB"), as well as decreases in utilities (electric), offset by slight increases in payroll due to raises in compensation. Additional details regarding employee benefits and capital assets including depreciation may be found in the notes to the financial statements.

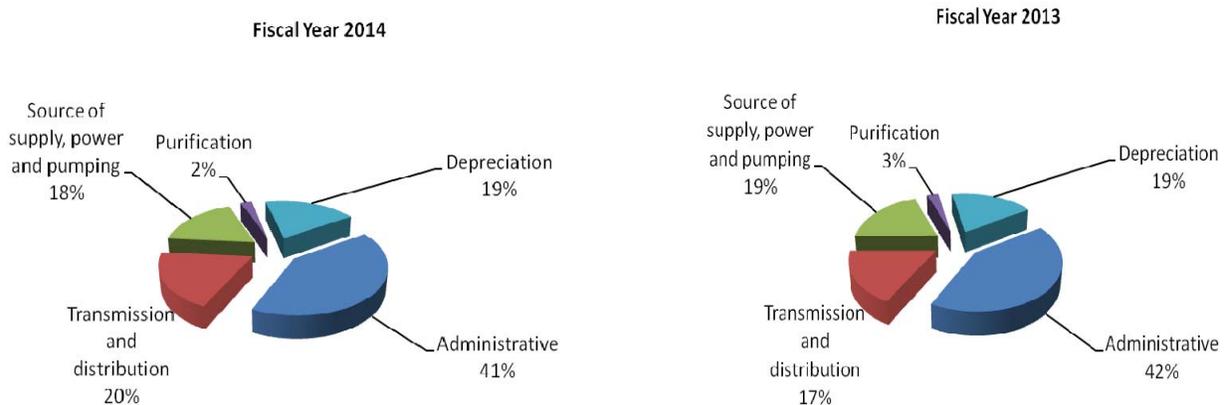
Operating expenses increased \$410,144 or 7% from \$5,568,280 in 2012 to \$5,978,424 for 2013. The most notable variances over the prior year were seen in payroll and payroll related expenses, included OPEB expenses, depreciation and utilities expenses. Additional details regarding employee benefits and capital assets including depreciation may be found in the notes to the financial statements.

WATER AUTHORITY OF GREAT NECK NORTH
 Management's Discussion and Analysis
 For Years Ended December 31, 2014 and 2013
 (Unaudited)

**Revenue Percentages by Major Category
 For the Fiscal Years Ended December 31, 2014 and 2013**



**Operating Expenses Expressed as a Percentage by Major Type
 For the Fiscal Years Ended December 31, 2014 and 2013**



Costs to be recovered from future revenues of \$149,611, represent the difference between the Authority’s annual required contribution for postemployment benefits other than pensions (“OPEB”) as required by GASB Statement No. 45 and the amount paid out for such benefits by the Authority during fiscal year 2014. In accordance with the accounting authoritative guidance GASB No. 62, the Authority has deferred the excess of the annual required contributions over the amount paid during the fiscal year. The deferred costs will be recovered through future revenues in accordance with the Authority’s rate model.

WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis
For Years Ended December 31, 2014 and 2013
(Unaudited)

2014 Operating Budget Highlights

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Negative)</u>
Operating Revenues:			
Water service	\$ 7,408,238	\$ 7,465,000	\$ (56,762)
Fire protection	542,572	540,500	2,072
Total operating revenues	<u>7,950,810</u>	<u>8,005,500</u>	<u>(54,690)</u>
Operating Expenses:			
Administrative	2,411,297	2,525,100	113,803
Transmission and distribution	1,137,737	1,116,250	(21,487)
Source of supply, power and pumping (purification)	1,175,696	1,275,000	99,304
Depreciation	1,136,257	1,000,000	(136,257)
Total operating expenses	<u>5,860,987</u>	<u>5,916,350</u>	<u>55,363</u>
Operating income	<u>\$ 2,089,823</u>	<u>\$ 2,089,150</u>	<u>\$ 673</u>

Water service revenues are projected based on average historical usage. This year's operating revenues were approximately less than 1% under budget. Actual operating expenses overall were less than 1% below budget while the total budget was in line with the actual operating results.

Postemployment Benefits Other than Pensions

GASB Statement No. 45 establishes guidance for the financial reporting of OPEB cost over a period that approximates employees' years of service. Under GASB Statement No.45, based on the actuarial valuation, an annual required contribution ("ARC") is determined by the Authority. The ARC is the sum of (a) the normal cost of the year (present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. To the extent that the Authority contributes an amount less than the ARC, a net incremental OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB Statement No. 45 does not require that the unfunded liability actually be funded, only that the Authority account for unfunded accrued liability. Current regulations do not permit the Authority to fund the liability. The financial statements at December 31, 2014 include a liability in the amount of \$1,835,116 that represents the Authority's unfunded liability.

Capital Assets

The Authority owns and maintains over 117 miles of various types and sizes of water mains, and pumping stations, tanks, water treatment plants, three storage facilities, two emergency interconnections with Manhasset-Lakeville Water District, land and other facilities required in the treatment and distribution of portable water to its customers. Additional information regarding the Authority's capital assets may be found in Note 3 in the accompanying financial statements.

WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis
For Years Ended December 31, 2014 and 2013
(Unaudited)

Capital Assets at Year-End Net of Accumulated Depreciation

For the years ended December 31 ,	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Land	\$ 639,639	\$ 639,639	\$ -
Construction in progress	10,475,490	9,868,641	606,849
Buildings	1,173,351	1,198,300	(24,949)
Transportation equipment	324,238	303,598	20,640
Other equipment	64,223	96,331	(32,108)
Organization and acquisition	133,038	157,226	(24,188)
Infrastructure:			
Pumping and purification	10,574,224	10,078,139	496,085
Transmission and distribution	16,107,554	16,553,754	(446,200)
Total capital assets net of depreciation	<u>\$ 39,491,757</u>	<u>\$ 38,895,628</u>	<u>\$ 596,129</u>

Debt Administration

On June 5, 2008, the Authority issued \$38,850,000 of Series 2008 Water System Revenue Bonds. The Series 2008 Bonds were issued in part to refinance the Authority's 1993 Series A Water System Revenue Bonds outstanding of \$18,700,000 and the balance to finance the costs of improvements to the Authority's water system. As of December 31, 2014, the Authority has water revenue bonds outstanding totaling \$31,070,000.

The Authority is committed to the long-term maintenance of the water system and currently has plans for capital improvements to the system on a regular basis. The Authority currently has a five year capital budget with expenditures estimated as follows:

2015	\$	2,350,000
2016	\$	2,550,000
2017	\$	2,625,000
2018	\$	2,625,000
2019	\$	2,625,000

CREDIT RATINGS

The Authority is the recipient of a very favorable AA+ credit rating assigned to its revenue bonds from Standard & Poors.

WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis

For Years Ended December 31, 2014 and 2013

(Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S PLAN AND RATES

The Authority derives a significant portion of its operating revenues from metered water sales. Water revenues are dependent on the amount of rainfall particularly during the summer months. As a result, these revenues are unpredictable and very volatile. Water revenues for the Authority 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 estimates. The Authority also believes that such adverse weather conditions can easily recur consequently over two or more years running. Water rates are set annually in concurrence with the adoption of its annual operating budget. The Authority is required to set rates and fees sufficient to cover all its operating and capital expenses as well as meeting debt service covenant requirements.

REQUEST FOR INFORMATION

This financial report is designed to provide our readers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Water Authority's Superintendent at 50 Watermill Lane, Great Neck, New York, 11021.



SATTY, LEVINE & CIACCO, CPAs, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Water Authority of Great Neck North
Great Neck, New York

Report on the Financial Statements

We have audited the accompanying statements of net position of the Water Authority of Great Neck North (the "Authority") (a public benefit corporation of the State of New York) as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority'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 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.

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

estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2014 and 2013, and the changes in net position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 8 and the Schedule of Funding Progress for the Other Postemployment Benefits on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Satty, Levine + Ciacco, CPAs, P.C.

Satty, Levine & Ciacco, CPAs, P.C.
Jericho, New York
March 17, 2015

WATER AUTHORITY OF GREAT NECK NORTH
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,338,902	\$ 9,325,432
Investments	1,699,642	1,699,434
Accounts receivable	248,032	369,315
Accrued unbilled revenue	578,879	610,404
Interest and other receivables	359,921	68,187
Prepaid expenses and other assets	139,111	120,380
Inventory of materials and supplies	168,015	178,134
TOTAL CURRENT ASSETS	<u>12,532,502</u>	<u>12,371,286</u>
NON-CURRENT ASSETS:		
Restricted cash and cash equivalents		
Cash construction fund	5,037,710	6,152,315
Bond fund and bond reserve fund-held by trustee	4,584,816	4,514,257
Total restricted cash	<u>9,622,526</u>	<u>10,666,572</u>
Costs to be recovered from future revenues	1,835,116	1,685,505
Capital assets:		
Nondepreciable	10,475,490	9,868,641
Depreciable (net)	29,016,267	29,026,987
Total capital assets	<u>39,491,757</u>	<u>38,895,628</u>
TOTAL NONCURRENT ASSETS	<u>50,949,399</u>	<u>51,247,705</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Loss on advanced refunding of debt	565,200	678,240
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>565,200</u>	<u>678,240</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 64,047,101</u>	<u>\$ 64,297,231</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 78,540	\$ 71,992
Retainage payable	80,016	244,967
Unearned revenue	62,592	55,000
Current portion of water revenue bonds (due within one year):	1,530,000	1,460,000
TOTAL CURRENT LIABILITIES	<u>1,751,148</u>	<u>1,831,959</u>
NON-CURRENT LIABILITIES:		
Water revenue bonds	29,540,000	31,070,000
Premium on refunding net of accumulated amortization	944,070	1,057,500
Customer deposits payable	553,975	614,086
Post-employment benefits other than pensions	1,835,116	1,685,505
TOTAL NON-CURRENT LIABILITIES	<u>32,873,161</u>	<u>34,427,091</u>
TOTAL LIABILITIES	<u>34,624,309</u>	<u>36,259,050</u>
NET POSITION:		
Net investment in capital assets	13,080,597	12,138,683
Restricted	4,584,816	4,514,257
Unrestricted	11,757,379	11,385,241
TOTAL NET POSITION	<u>29,422,792</u>	<u>28,038,181</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 64,047,101</u>	<u>\$ 64,297,231</u>

See independent auditors' report and notes to the financial statements.

WATER AUTHORITY OF GREAT NECK NORTH
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Water sales - residential and apartments	\$ 6,422,219	\$ 6,545,107
Water sales - commercial and municipal	986,019	1,013,112
Fire protection	542,572	541,434
	<u>7,950,810</u>	<u>8,099,653</u>
OPERATING EXPENSES:		
Administrative	2,411,297	2,501,508
Transmission and distribution	1,137,737	1,033,766
Source of supply, power and pumping	1,039,645	1,166,783
Purification	136,051	159,982
Depreciation	1,136,257	1,116,385
	<u>5,860,987</u>	<u>5,978,424</u>
TOTAL OPERATING EXPENSES	<u>5,860,987</u>	<u>5,978,424</u>
OPERATING INCOME	<u>2,089,823</u>	<u>2,121,229</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest and other non-operating revenue	226,534	222,789
Amortization of bond premium and gain/loss on refunding	(113,040)	(113,040)
Rental of real property	357,602	345,847
Interest on water system revenue bonds	(1,405,319)	(1,478,318)
Costs to be recovered from future revenues	149,611	305,303
	<u>(784,612)</u>	<u>(717,419)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(784,612)</u>	<u>(717,419)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,305,211	1,403,810
CAPITAL CONTRIBUTIONS		
Developers and customers	79,400	56,350
CHANGES IN NET POSITION	1,384,611	1,460,160
NET POSITION - BEGINNING	<u>28,038,181</u>	<u>26,578,021</u>
NET POSITION - ENDING	<u>\$ 29,422,792</u>	<u>\$ 28,038,181</u>

See independent auditors' report and notes to the financial statements.

**WATER AUTHORITY OF GREAT NECK NORTH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 7,759,157	\$ 8,045,081
Payments to suppliers for goods and services	(1,795,685)	(1,741,936)
Payments to employees for services and benefits	(2,946,241)	(2,841,937)
	<u>3,017,231</u>	<u>3,461,208</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets (net)	(1,732,386)	(2,257,387)
Contributions for capital assets	79,400	56,350
Payments on revenue bonds	(1,460,000)	(1,400,000)
Interest paid	(1,518,749)	(1,591,748)
	<u>(4,631,735)</u>	<u>(5,192,785)</u>
CASH FLOWS FROM INVESTING AND OTHER NON-OPERATING ACTIVITIES		
(Increase) in investments - unrestricted	(208)	(285)
Decrease in construction fund - restricted	1,114,605	1,899,718
Increase in restricted assets held by trustee	(70,559)	(62,007)
Rental income received	357,602	345,847
Interest and dividends received	226,534	222,788
	<u>1,627,974</u>	<u>2,406,061</u>
NET CASH PROVIDED BY INVESTING AND OTHER NON-OPERATING ACTIVITIES	1,627,974	2,406,061
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,470	674,484
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,325,432</u>	<u>8,650,948</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,338,902</u>	<u>\$ 9,325,432</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income	\$ 2,089,823	\$ 2,121,229
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	1,136,257	1,116,385
(Increase) in accounts receivable	(170,451)	(72,663)
(Increase) decrease in accrued unbilled revenue	31,525	(58,198)
(Increase) decrease in prepaid expense and other assets	(18,731)	15,578
(Increase) decrease in inventory, materials and supplies	10,119	(12,987)
Decrease in costs to be recovered from future revenues	149,611	305,303
Increase in accounts payable and accrued expenses	6,548	29,418
(Decrease) in retainage payable	(164,951)	(60,019)
Increase in unearned revenue	7,592	-
Increase (decrease) in customer deposits	(60,111)	76,982
	<u>(60,111)</u>	<u>76,982</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,017,231</u>	<u>\$ 3,461,028</u>

See independent auditors' report and notes to the financial statements.

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1. Summary of Significant Accounting Policies

A. Organization

The Water Authority of Great Neck North (the “Authority”) is a public benefit corporation created in 1985 under Public Authorities Law of the State of New York. The Authority was created to acquire, construct, finance, operate and maintain the supply and distribution system for the benefit of the residents within the boundaries of the Water Authority of Great Neck North. The Authority commenced operations in 1989 and currently provides water service to approximately 32,400 customers.

The Authority is governed by a board of directors consisting of eight members. The chief executive officers of the Incorporated Villages of Great Neck, Great Neck Estates, Great Neck Plaza, Kensington, Saddle Rock, Kings Point, Thomaston and the Town of North Hempstead appoint one director.

B. Basis of Accounting

The accompanying financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles. The Authority is engaged only in business-type activities as defined in GASB Statement No. 34, amended by GASB No. 62. Prior to the adoption of GASB No. 62, the Authority had elected to adopt private sector standards of accounting and financial reporting issued prior to December 1, 1989, which generally followed enterprise fund financial statements to the extent that those standards did not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority’s adoption of GASB No. 62 has been incorporated the aforementioned provisions, and eliminated the requirement to make such election.

C. Basis of Presentation

GASB Statement No. 34 as amended by GASB Statement No. 63 requires resources be classified for accounting and financial reporting purposes into the following three components:

- a) Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and deferred outflows of resources attributable to the acquisition, construction, or improvement of those assets. These assets are reduced by the outstanding balances of any bonds, notes, or other borrowings and deferred inflows that may be attributable to the respective capital assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, the portion of the debt is included in the same asset component as the unspent proceeds.
- b) Restricted —Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation, including those provisions which are enacted by the Authority’s own governing body.
- c) Unrestricted –All other net assets that do not meet the definition of “restricted” or “Net investment in capital assets.”

See independent auditors’ report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Cash and Cash Equivalents and Investments

Funds held by the Authority are administered in accordance with the Authority's investment guidelines pursuant to Section 2925 of the New York State Public Authorities Law. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities. Certain investments and cash and cash equivalents have been designated by the Authority's Board of Directors to be used for specific purposes, including rate stabilization, debt service, and capital expenditures. Investments' carrying values are reported at fair market value.

Investments with original maturities of 90 days or less when purchased are considered cash equivalents. Investments with original maturities of longer than 90 days when purchased are reported as investments and are carried at fair value, except for certificates of deposit. Certificates of deposit are valued at cost, which approximates fair value.

E. Accrued Unbilled Revenues

Accrued unbilled revenues represent revenue earned in the current year but not billed to customers until future dates, usually three months, and based on billings occurring in the first two months of the succeeding year using historical trends.

F. Materials and Supplies

Materials and supplies are stated at cost, which approximates lower of cost or market on a first in first out basis. The Authority maintains a perpetual inventory system.

G. Capital Assets (Property and Equipment)

Capital assets are carried at cost. Improvements, renewals and significant repairs that extend the life of the asset are capitalized, other repairs and maintenance costs are expensed as incurred. The capitalized cost of additions to property and equipment includes construction costs such as labor and materials. Depreciation is provided on the straight-line basis using the various lives for each asset which range between 5 and 50 years. Organization and acquisition costs are amortized on the straight-line basis over 30 years. When assets are retired or otherwise disposed of, the related assets and accumulated depreciation is written off and any unrelated gains or losses are recorded.

H. Bond Fund and Bond Fund Reserve Funds Held By Trustee

The Authority's bond resolution authorizing the Series 2008 bond issue establishes a Bond Fund and Bond Reserve Fund to be maintained by a trustee. The debt service is to be paid out of the Bond Fund. As additional security of the bonds, the Authority must maintain an amount equal to the maximum amount of principal and interest coming due during the current or any future years in the Bond Reserve Fund. Amounts held in the Bond Fund and Bond Reserve fund are recorded as restricted assets in the accompanying statements of net position.

I. Cash Construction Fund

The Authority's bond resolution authorizing the Series 2008 bond issue establishes a Construction Fund in which the proceeds of the bond are deposited. Amounts paid from the Construction Fund are restricted to the cost of improvements or the replacement of the water system specified in the bond resolution. Amounts held in the Construction Fund are recorded as restricted assets in the accompanying statements of net position.

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WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

J. Renewal and Replacement Fund

In accordance with the Authority's bond resolution, monies in the Renewal and Replacement Fund may be applied to the cost of improvements or betterment to, or the replacement of the water system. Deposits to the Renewal and Replacement Fund are set forth in the annual budget. Amounts held in the Renewal and Replacement Fund are recorded as investments in the accompanying statements of net position.

K. Debt Issuance Costs, Bond Discount and Premiums, and Other Bond Related Costs

As of January 1 2013, the Authority had adopted GASB No. 65 which requires bond discounts or premiums to be amortized over the life of the related bond issues and are reported net of accumulated amortization. Debt issuance costs are expensed when incurred and \$1,445,046 was adjusted beginning net position as of January 1, 2013. Losses on refunding are reported as a deferred outflows of resources with the adoption of GASB No. 65, the balance of which was \$565,200 and \$678,240 as of December 31, 2014 and 2013, respectively, in the accompanying statements of net position.

L. Unearned Revenue

Deferred revenues/unearned revenues are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met. Such amounts have been deemed to be "measurable" but not "available" pursuant to GAAP.

M. Revenue Recognition

Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings. Billings for water service are generally rendered on a quarterly basis except for certain consumers, which are billed monthly since they generally use large volumes of water. The Authority has the power to independently set rates and charges, which are sufficient to meet its obligations, and is not subject to the regulation of any department or commission, including the State Public Service Commission. The Authority has elected to record bad-debts using the direct write-off method. GAAP requires the allowance method to be used to recognize bad debts, however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

N. Operating and Non-Operating Revenues and Expenses

Operating revenue consists of water revenue and other related revenue. The Authority defined non-operating revenue as interest earnings on investments, realized gains or losses on sales of investments, miscellaneous rental income and any other revenue not defined as operating revenue. Non-operating expenditures are defined as interest expense on long-term debt, gain/losses on disposals of capital assets and any other expenditure not defined as operating.

O. Costs To Be Recovered From Future Revenues

The Authority's cost recovery rate model used to establish rates, fees and charges includes an amount for postemployment benefits other than pensions that are expected to be paid out during the fiscal year, but not for the amount of the annual required contribution as calculated under GASB Statement No. 45, Accounting and Financial reporting by Employers for Postemployment Benefits Other than Pensions. In accordance with FASB ASC 980, Regulated Operations (previously FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation), the Authority has deferred the excess of current annual required contribution over the amount paid during the 2010 - 2011 fiscal year. The costs will be recovered through future revenues in accordance with the Authority's rate model.

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WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

P. Income Taxes

As a public benefit corporation, the Authority is exempt from federal and state income taxes, as well as state and local property and sales tax.

Q. Insurance

The Authority purchases insurance against liability for most risk including, but not limited to, property damage and personal injury. 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.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows, and liabilities and disclosure of contingent assets and deferred outflows, and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of capital assets; allowances for and inventory, the valuation of financial instruments other than cash, accrued water services and fire protection revenues, accrued employee welfare costs, workers' compensation and postemployment benefits, and other uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

S. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority only has one item that qualifies for reporting in this category which is a deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. As of the years ended December 31, 2014, and 2013, the Authority did not have any items that have met the criteria to be reported as a deferred inflow.

T. Adoption of New Accounting Standards

Effective January 1, 2013, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of the adoption, prior year "deferred charges " of \$1,445,045 decreased the beginning balance of net position as of January 1, 2013 as explained in Note 1U.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

T. ADOPTED ACCOUNTING PRONOUNCEMENTS (continued)

In addition, \$565,200 and \$678,240, as of December 31, 2014 and 2013, respectively representing the difference between the reacquisition price and the net carrying amount of the old debt on the current year's refunding, has been reported as "deferred outflows of resources" and will be recognized as a component of interest expense over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

Effective January 1, 2013, the Authority adopted GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this adoption had no effect on the financials statements.

Effective January 1, 2014, the Authority adopted GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. GASB No. 67 changes how governments calculate and report the costs and obligations associated with pensions and improve the decision-usefulness of reported pension information and increase the transparency, consistency, and comparability of pension information. The provisions of this adoption had no effect on the financials statements.

Effective January 1, 2014, the Authority adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The provisions of this adoption had no effect on the financials statements.

Effective January 1, 2014, the Authority adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires governments which are party to an intermunicipal agreement for the repayment of certain obligations (defined in the pronouncement) to establish a liability and/or disclose elements of the nonexchange transaction(s) in the notes to the financial statements. The provisions of this adoption had no effect on the financials statements.

U. Prior Period Adjustments

During the year ended December 31, 2013 the following affected the beginning net position of the Authority:

	<u>2013</u>
Changes were made to reflect the effect of implementing GASB Statement N. 65 – <i>Items Previously Reported as Assets and Liabilities</i> . This Statement requires that bond issue costs be shown as current-period outflows of resources (expenses).	\$1,445,045
Total prior period adjustment on the Statement of Activities	<u>\$1,445,045</u>

The net prior period adjustment is shown as a decrease in the beginning net position in the Statement of Activities to the beginning balance as of January 1, 2013.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2. Cash, cash equivalents and investments

The guidelines established by the Authority permit the investment of funds held by the Authority and funds held in trust for the Authority to be invested in accordance with New York State Public Authority Law. Investments must be in the form of obligations of the State of New York, or in general obligations of its political subdivisions, obligations of the United States or its agencies whose principal and interest payments are fully guaranteed by the federal government, and in collateralized time deposits or certificates of deposits issued by a commercial bank or trust company, which is a member of the Federal Deposit Insurance Corporation (FDIC).

The Authority's investment policy limits its deposits and investment activity to time deposits, demand deposits, certificates of deposit issued by banks or trust companies and direct obligations of the United States of America.

It is the Authority's policy to require its demand deposits, money market deposits and certificates of deposit, not controlled by the Trustee, U.S. Bank, to be fully collateralized by federal deposit insurance or other collateral held in the name of the Authority or to be secured by a letter of credit. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States of America and its agencies.

Cash, cash equivalents and investments not controlled by the Trustee are recorded as follows:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 9,434,510	\$ 9,469,991
Renewal and replacement fund	1,299,686	1,299,434
Rate stabilization fund	399,956	400,000
Construction fund-restricted	5,063,315	6,183,325
	<u>\$ 16,197,468</u>	<u>\$ 17,352,750</u>
Demand and time deposits banks	\$ 14,497,826	\$ 15,653,316
Investments - United States Treasury Bill and Notes	1,699,642	1,699,434
	<u>\$ 16,197,468</u>	<u>\$ 17,352,750</u>

Custodial Credit Risk-Deposits/Investments- Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover the deposits, or recover collateral securities that are in possession of an outside counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

At December 31, 2014 and 2013 the Authority's bank deposit balances were \$19,082,642 and \$20,167,573 of which \$500,000 for both years was covered by the Federal Deposit Insurance Corporation and the remainder was covered by collateral held by the Authority's agent, a third-party financial institution in the Authority's name.

At December 31, 2014 and 2013 the Authority also had restricted deposits held by the Trustee in the Bond Reserve Fund in the amount of \$4,584,816 and \$4,514,257, respectively.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2. Cash, cash equivalents and investments (continued)

As of December 31, 2014 and 2013, the Authority held \$1,699,642 and \$1,699,434 in United States Treasury notes which had a maturity of less than one year and were recorded at the fair market value as of the balance sheet date.

Credit Risk- State law limits investments to those authorized by State statutes. The Authority has a written investment policy that is in conformity with those statutes.

Concentration of Credit Risk-Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of five percent or more in securities of a single issuer

The Authority did not have any investments subject to credit risk, interest rate risk or concentration of credit risk.

Interest Rate Risk- Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if the interest rate substantially increases, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 3. Capital Assets (Property and Equipment)

A summary of capital asset transactions for the year ended December 31, 2014 and 2013 is as follows:

	Beginning Balance 1/1/2014	Addition / Transfers	Retirements / Transfers	Ending Balance 12/31/14
Non Depreciable Capital Assets				
Land	\$ 639,639	\$ -	\$ -	\$ 639,639
Construction in Progress	9,868,640	1,732,804	(1,125,954)	10,475,490
Total Non Depreciable Capital Assets	<u>10,508,279</u>	<u>1,732,804</u>	<u>(1,125,954)</u>	<u>11,115,129</u>
Depreciable Capital Assets				
Buildings	1,697,110	9,793	-	1,706,903
Transportation equipment	849,846	89,275	(71,017)	868,104
Other equipment	980,007	154	-	980,161
Organization and acquisition	725,646	-	-	725,646
Infrastructure:				
Pumping and purification	18,078,009	936,049	-	19,014,058
Transmission and distribution	21,965,058	90,683	-	22,055,741
Total Depreciable Capital Assets	<u>44,295,676</u>	<u>1,125,954</u>	<u>(71,017)</u>	<u>45,350,613</u>
Less: Accumulated depreciation for:				
Buildings	498,810	34,742		533,552
Transportation equipment	546,247	68,218	(70,599)	543,866
Other equipment	883,676	32,262		915,938
Organization and acquisition	568,420	24,188		592,608
Infrastructure:				
Pumping and purification	7,999,870	439,964		8,439,834
Transmission and distribution	5,411,304	536,883		5,948,187
Total Accumulated Depreciation	<u>15,908,327</u>	<u>\$ 1,136,257</u>	<u>\$ (70,599)</u>	<u>16,973,985</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>28,387,349</u>			<u>28,376,628</u>
Total Net Capital Assets	<u>\$ 38,895,628</u>			<u>\$39,491,757</u>

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 3. Capital Assets (Property and Equipment) (continued)

	Beginning Balance 1/1/2013	Addition / Transfers	Retirements / Transfers	Ending Balance 12/31/13
Non Depreciable Capital Assets				
Land	\$ 639,639	\$ -	\$ -	\$ 639,639
Construction in Progress	9,236,412	1,980,311	(1,348,083)	9,868,640
Total Non Depreciable Capital Assets	9,876,051	1,980,311	(1,348,083)	10,508,279
Depreciable Capital Assets				
Buildings	1,697,110	-	-	1,697,110
Transportation equipment	794,603	105,741	(50,498)	849,846
Other equipment	928,161	51,846	-	980,007
Organization and acquisition	725,646	-	-	725,646
Infrastructure:				
Pumping and purification	17,684,596	393,413	-	18,078,009
Transmission and distribution	20,890,898	1,074,160	-	21,965,058
Total Depreciable Capital Assets	42,721,014	1,625,160	(50,498)	44,295,676
Less: Accumulated depreciation for:				
Buildings	464,562	34,248	-	498,810
Transportation equipment	545,322	51,423	(50,498)	546,247
Other equipment	836,341	47,335	-	883,676
Organization and acquisition	544,232	24,188	-	568,420
Infrastructure:				
Pumping and purification	7,557,315	442,555	-	7,999,870
Transmission and distribution	4,894,668	516,636	-	5,411,304
Total Accumulated Depreciation	14,842,440	\$ 1,116,385	\$ (50,498)	15,908,327
Depreciable Capital Assets, Net of Accumulated Depreciation	27,878,574			28,387,349
Total Net Capital Assets	\$ 37,754,625			\$ 38,895,628

Depreciation of capital assets totaled \$1,136,257 and \$1,116,385 for the years ended December 31, 2014 and 2013, respectively.

NOTE 4. Water System Revenue Bonds

On June 5, 2008, the Authority issued \$38,850,000 of 2008 Series Water Revenue Bonds. The bonds which bear interest at rates ranging from 3.0% to 5.0% have a final maturity date of January 1, 2038. Proceeds of the new debt were used in part to retire existing 1993 Series A bonds in the amount of \$18,700,000. The balance of the proceeds have been and will be used for several major capital projects as specified in the bond resolution. The bond resolution required that various funds be established including a Bond Fund, Bond Reserve Fund, Renewal and Replacement Fund and a Construction Fund. The Bond and Bond Reserve Fund are held by the Trustee and are required to maintain on deposit amounts sufficient to cover the annual debt service.

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WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 4. Water System Revenue Bonds (continued)

The Authority covenants in its Bond Resolution that it will establish water rates so that each year net revenues shall equal the greater of (1) the sum of its aggregate debt service on all bonds outstanding plus the deposits required to fund the Bond Fund and Renewal and Replacement Fund as stated in the Bond Resolution or (2) 110% of the sum of the aggregate debt service. Net revenues are defined as revenues for any period less operating expenses used to maintain reasonable and necessary working capital and operating reserves for such period. As of December 31, 2014, the Authority is in compliance with its financial covenants.

The following is a schedule of water revenue bonds:

	Beginning Balance 1/1/2014	Additions	Reductions	Ending Balance 12/31/14	Due in One Year
Bonds:					
2008 Series Water Revenue Bonds	\$ 32,530,000	\$ -	\$ (1,460,000)	\$ 31,070,000	\$ 1,530,000
Premium on issuance date	1,057,500	-	(113,430)	944,070	113,430
Less: Deferred amount on refunding, unamortized bond discount and deferred issuance costs	(678,240)	-	113,040	(565,200)	(113,040)
Total water revenue bonds payable	<u>\$ 32,909,260</u>	<u>\$ -</u>	<u>\$ (1,460,390)</u>	<u>\$ 31,448,870</u>	<u>\$ 1,530,390</u>

	*Restated Beginning Balance 1/1/2013	Additions	Reductions	Ending Balance 12/31/12	Due in One Year
Bonds:					
2008 Series Water Revenue Bonds	\$ 33,930,000	\$ -	\$ (1,400,000)	\$ 32,530,000	\$ 1,460,000
Premium on issuance date	1,170,930	-	(113,430)	1,057,500	113,430
Less: Deferred amount on refunding, unamortized bond discount and deferred issuance costs	(791,280)	-	113,040	(678,240)	(113,040)
Total water revenue bonds payable	<u>\$ 34,309,650</u>	<u>\$ -</u>	<u>\$ (1,400,390)</u>	<u>\$ 32,909,260</u>	<u>\$ 1,460,390</u>

Future principal and interest payments to maturity are as follows:

Year Ending December 31,	General Obligation		
	Principal	Interest	Total
2015	\$ 1,530,000	\$ 1,442,250	\$ 2,972,250
2016	1,605,000	1,362,000	2,967,000
2017	1,690,000	1,277,500	2,967,500
2018	1,770,000	1,189,000	2,959,000
2019	1,860,000	1,119,249	2,979,249
2020-2024	5,130,000	4,723,750	9,853,750
2025-2029	4,940,000	3,647,375	8,587,375
2030-2034	6,290,000	2,223,250	8,513,250
2035-2038	6,255,000	488,250	6,743,250
	<u>\$ 31,070,000</u>	<u>\$ 17,472,624</u>	<u>\$ 48,542,624</u>

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WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 4. Water System Revenue Bonds (continued)

In prior years, the Authority defeased certain debt obligations by placing the proceeds of new bonds and its own funds in an irrevocable trust to provide for all future debt service payments on the old bonds. Subsequently the deposited funds were used to redeem the 1993 Series A Bond in full. This refunding resulted in a deferred loss on the early extinguishment of debt of \$2,967,300. The deferred loss is being amortized over the remaining life of the 1993 Series A bonds.

NOTE 5. Pension Plan

Plan Description

The Authority participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan collectively known as NYSLRS. This is a cost-sharing multiple-employer retirement system. The NYSLRS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its fund. The NYSLRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

The NYSLRS is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for their first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Those joining after April 1, 2012 are required to contribute between 3 and 6 percent depending upon their salary, throughout active membership. Under the authority of the NYSLRS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSLRS fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2014	\$	354,849
2013	\$	316,025
2012	\$	340,523

NOTE 6. Compensated Absences

Employees of the Authority earn vacation leave each month at a schedule rate in accordance with their years of service at a rate of one day per month. Unused vacation days and personal days for all employees cannot be carried forward to next year.

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WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 7. Postemployment Health Care Benefits

The Authority sponsors a single employer health care plan that provides postemployment medical benefits for eligible retirees and their spouses through the New York State Health Insurance Plan. Substantially all the Authority's employees may become eligible for these benefits if they reach normal retirement age and 15 years of service while working for the Authority. The Authority does not issue a publicly available financial report for the plan.

Benefit provisions for the plan are established and amended through the Authority's Board of Directors and there is no statutory requirement for the Authority to continue this plan for future Authority employees. For eligible employees the Authority will pay fifty percent (50%) of the individual coverage. For eligible employees who have retired before January 1, 2014, the Authority shall pay thirty-five percent (35%) of the additional cost of family coverage, plus an additional five percent (5%) of the cost for family coverage toward the medical plan. Subsequent to January 1, 2014, the Authority shall pay forty-seven percent (47%) of the family premium plus \$4,000 a year. For those eligible employees retiring before December 31, 2014, the Authority will pay an additional benefit of \$2,000 per annum for individual coverage (prorated for each monthly premium payment) and \$4,000 per annum for family coverage (prorated for each monthly premium payment).

The Authority accounts for its OPEB obligations, in accordance with GASB Statement No. 45 *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions*. The Statement establishes guidance for the financial reporting of OPEB cost over a period that approximates employees' years of service and providing information about actuarially calculated liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

In accordance with this standard, the Authority's annual OPEB cost for the plan is calculated based on the annual required contribution of the employer (ARC). The Authority has elected to calculate ARC and related information using the alternative measurement method permitted in GASB Statement No. 45 for employers with fewer than one hundred total plan members. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Authority's annual OPEB cost of the year, the amount contributed to the plans, and changes in the authority's net OPEB obligation for the years ended December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Annual required contribution (ARC)	\$ 319,880	\$ 330,820
Interest on net OPEB obligation	67,420	45,607
Adjustment to Annual Required contribution	<u>(93,743)</u>	<u>-</u>
Annual OPEB cost (expense)	293,557	376,427
Age adjusted contributions made	<u>(143,946)</u>	<u>(71,124)</u>
Change in net OPEB obligation	149,611	305,303
Net OPEB obligation - beginning of year	<u>1,685,505</u>	<u>1,380,202</u>
Net OPEB obligation - end of year	<u>\$ 1,835,116</u>	<u>\$ 1,685,505</u>

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WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 7. Postemployment Health Care Benefits (continued)

As of December 31, 2014 and 2013 the actuarial accrued liability of benefits was \$3,524,940, all of which was unfunded. For December 31, 2014 and 2013 the covered payrolls (annual payrolls of active employees covered by the plan) were \$1,667,718 and \$1,860,897, respectively. The ratio of unfunded actuarial liability to the covered payroll for each of the years were 2.11 and 2.07, respectively.

The actuarial valuation date is January 1, 2014. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplemental information provides multiyear information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the 2014 actuarial valuation, the alternate measurement method was used. The actuarial assumptions included 4% discount rate and an annual health care cost trend rate of 10.0% and grading down to an ultimate rate of 5%, Medicare Part B Premiums at a rate of 8.0% trending down to 5.0%. The unfunded actuarial accrued liability is being amortized over 30 years using the level dollar amortization method. The remaining amortization period at December 31, 2014 was 24 years.

NOTE 8. Commitments and Contingencies

Commitments

The Authority leases space for telecommunication transmission equipment to various telecommunication companies. Under the lease agreements, the initial lease term is 10 years, with the option to extend for 5 years. The Authority currently has five lease agreements. Annual lease income from these agreements for the next two years is expected to be:

<u>Years</u>	<u>Income</u>
2015	\$ 176,602
2016	19,410
	<u>\$ 196,012</u>

Contingencies

The Authority has various insurance policies with third party carriers related to property protection, casualty and statutory and non-statutory employee protection.

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have material adverse affect on the financial condition of the Authority.

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WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 9. Subsequent Events

Management has evaluated subsequent events through March 17, 2015, which is the date the financial statements were available to be issued and determined that there were no additional items requiring recognition or disclosure in these financial statements.

NOTE 10. Recent Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, amended by GASB Statement No. 71 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. GASB No. 68 changes how governments calculate and report the costs and obligations associated with pensions and improve the decision-usefulness of reported pension information and increase the transparency, consistency, and comparability of pension information. Statement No. 68 will take effect for periods beginning after June 15, 2014. The Authority does not believe these statements will have a material impact on its financial statements.

WATER AUTHORITY OF GREAT NECK NORTH
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
(Unaudited)
DECEMBER 31, 2014 AND 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	\$ -	\$ 3,524,940	\$ 3,524,940	0%	\$ 1,667,718	211.36%
1/1/2013	\$ -	\$ 3,365,416	\$ 3,365,416	0%	\$ 1,860,897	180.85%
1/1/2009	\$ -	\$ 3,742,696	\$ 3,742,696	0%	\$ 1,832,365	204.25%

The next valuation will be at January 1, 2017.



SATTY, LEVINE & CIACCO, CPAs, P.C.

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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 STANDARDS**

To the Board of Directors
Water Authority of Great Neck North
Great Neck, New York

We have audited the financial statements of the Water Authority of Great Neck North, New York as of December 31, 2014 and for the year then ended, as listed in the table of contents and have issued our report thereon date March 17, 2015. 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 Water Authority of Great Neck North'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 Water Authority of Great Neck North's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water Authority of Great Neck North'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 Water Authority of Great Neck North's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Satty, Levine & Ciacco, CPAs, P.C.

Satty, Levine & Ciacco, CPAs, P.C.
Jericho, New York
March 17, 2015