

**WATER AUTHORITY
OF GREAT NECK NORTH
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

Water Authority of Great Neck North
Year Ended December 31, 2015 and December 31, 2014

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WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis

For Years Ended December 31, 2015 and 2014

(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, 2015 by \$30,799,982 (net position). Of this amount, \$9,293,161 (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 2015 fiscal year was an increase of \$1,430,593 compared with the 2014 increase of \$1,384,611. This increase was offset by the adoption of new accounting standards of \$53,403 and is discussed further below.
- Water sales in the current year increased by \$481,133 or 6.0% from \$7,950,810 from 2014 to \$8,431,943 for the current fiscal year.
- In the current year, the Authority had adopted and implemented GASB Statement No. 68, amended by GASB Statement No. 71 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. This standard required that the Authority to report as an asset or liability its portion of the collective net pension asset or liability in the New York State Employees Retirement System. As allowed by the standard, the Authority has not retrospectively adjusted its financial statements, due to the fact that certain assumptions and estimates cannot be reasonably determined in the prior years. Thus only the net effect of the adoption is reflected in the opening net position. As of January 1, 2015 net position was decreased for the net effect of this adoption. The details of the pronouncement have been discussed in Note 1U in the accompanying notes to the financial statements.
- During the current fiscal year, the Authority evaluated a previously executed agreement with Lockheed Martin Corporation, ("LMC") and determined that the costs previously anticipated to be reimbursed by LMC and recorded as a receivable were infact, not collectible and resulted in a reduction of receivables of \$375,909. The details of the circumstances are discussed further in Note 3 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.

WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis
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(Unaudited)

The Statements 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 Statements 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, 2015 and 2014. 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

	2015	2014	2013
Assets:			
Current and other assets	\$ 10,972,819	\$ 12,532,502	\$ 12,371,286
Restricted assets and noncurrent assets	11,796,091	11,457,642	12,352,077
Capital assets	41,720,471	39,491,757	38,895,628
Deferred outflows of resources	778,404	565,200	678,240
Total assets and deferred outflows	<u>65,267,785</u>	<u>64,047,101</u>	<u>64,297,231</u>
Liabilities:			
Current liabilities	1,708,886	1,751,148	1,831,959
Non-current liabilities	32,758,917	32,873,161	34,427,091
Total liabilities	<u>34,467,803</u>	<u>34,624,309</u>	<u>36,259,050</u>
Net position:			
Net investment in capital assets	16,845,855	13,080,597	12,138,683
Restricted	4,660,966	4,584,816	4,514,257
Unrestricted	9,293,161	11,757,379	11,385,241
Total net position (restated)	<u>\$ 30,799,982</u>	<u>\$ 29,422,792</u>	<u>\$ 28,038,181</u>

WATER AUTHORITY OF GREAT NECK NORTH

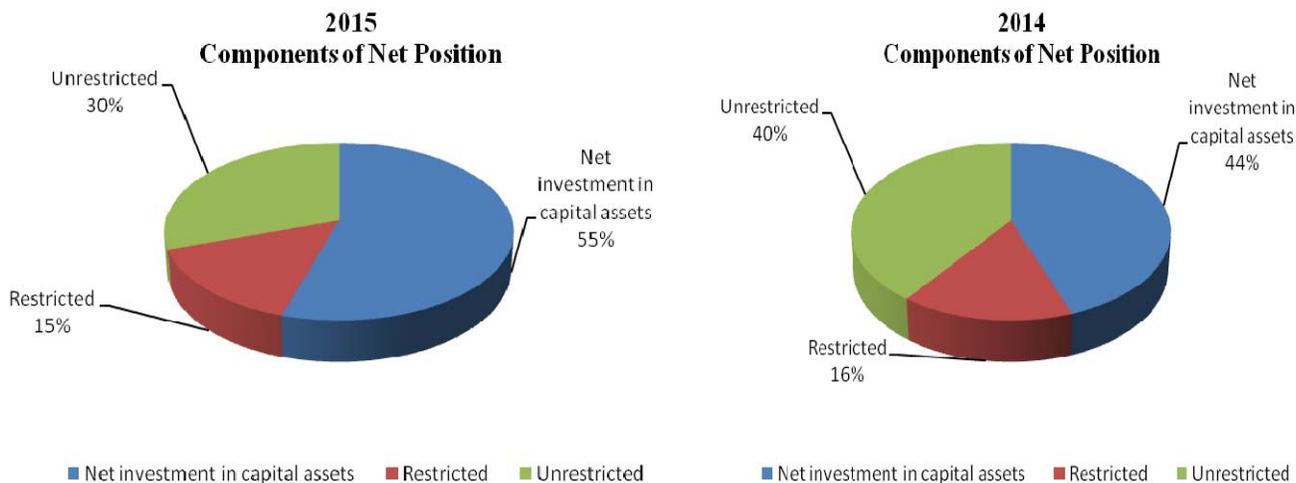
Management's Discussion and Analysis
For Years Ended December 31, 2015 and 2014
(Unaudited)

The Authority's total assets and deferred outflows at December 31, 2015 were \$65,267,785, an increase of \$1,220,684 over the 2014 year. Total liabilities at December 31, 2015 were \$34,467,803, a decrease of \$156,506 from the 2014 year. Accordingly, total net position of the Authority at December 31, 2015 was \$30,799,982, which included a decrease to the January 1, 2015 opening balance of \$53,403 to reflect the net effect of GASB No. 68 and 71. The net increase in net position, included the effects of this standard, was \$1,377,190 over the 2014 year. Of the Authority's net position at December 31, 2015, the net investment in capital assets was \$16,845,855, \$4,660,966 was restricted for debt service and \$9,293,161 was unrestricted.

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 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.

As of December 31, 2015 and 2014, 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, 2015 and 2014:



WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis
For Years Ended December 31, 2015 and 2014
(Unaudited)

Summary of Revenues, Expenses, and Changes in Net Position

	<u>Year ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Water service revenues	\$ 8,431,943	\$ 7,950,810	\$ 8,099,653
Operating expenses	6,443,887	5,860,987	5,978,424
Operating income	1,988,056	2,089,823	2,121,229
Non-operating revenues	557,301	584,136	568,636
Costs to be recovered from future revenues	256,145	149,611	305,303
Non-operating expenses	(1,441,859)	(1,518,359)	(1,591,358)
Income before capital contributions	1,359,643	1,305,211	1,403,810
Capital contributions	70,950	79,400	56,350
Change in net position	1,430,593	1,384,611	1,460,160
NET POSITION - BEGINNING (Restated)	29,369,389	28,038,181	26,578,021
NET POSITION - ENDING	\$ 30,799,982	\$ 29,422,792	\$ 28,038,181

Water service revenues increased \$481,133 or 6.0% during the current year from \$7,950,810 in 2014 to \$8,431,943 in 2015. In the prior year, water service revenues decreased \$148,843 or 1.8% in 2014 from \$8,099,653 in 2013. Variances year over year 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. There were no change in rates over these 3 comparable years.

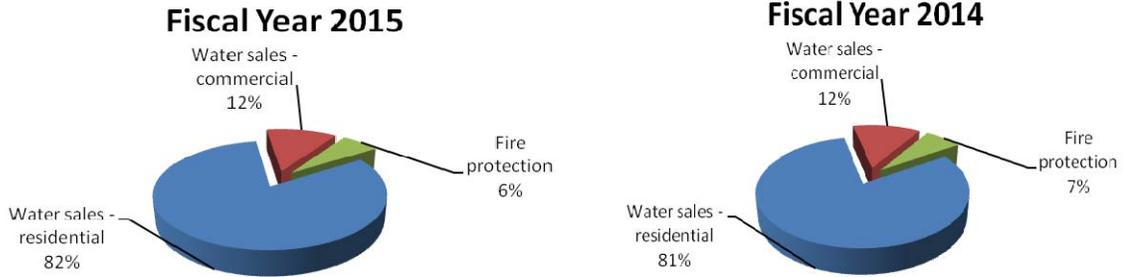
Operating expenses increased \$582,900 or 9.9% from \$5,860,987 in 2014 to \$6,443,887 for 2015. The most notable variances over the prior year were related to the increase in depreciation expense (\$257,212), due to the completion of various large capital projects during the current year, as well as the write off of receivables from Lockheed Martin (\$375,909) for costs related to operating expenses which were anticipated to be reimbursed. During renegotiations in 2015, management had determined that these fees would not be reimbursed and were written off. The Authority experienced various decreases in operating expenses such as supply and power expenses and overall pension expense which offset these increases.

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 the cost of electricity, 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.

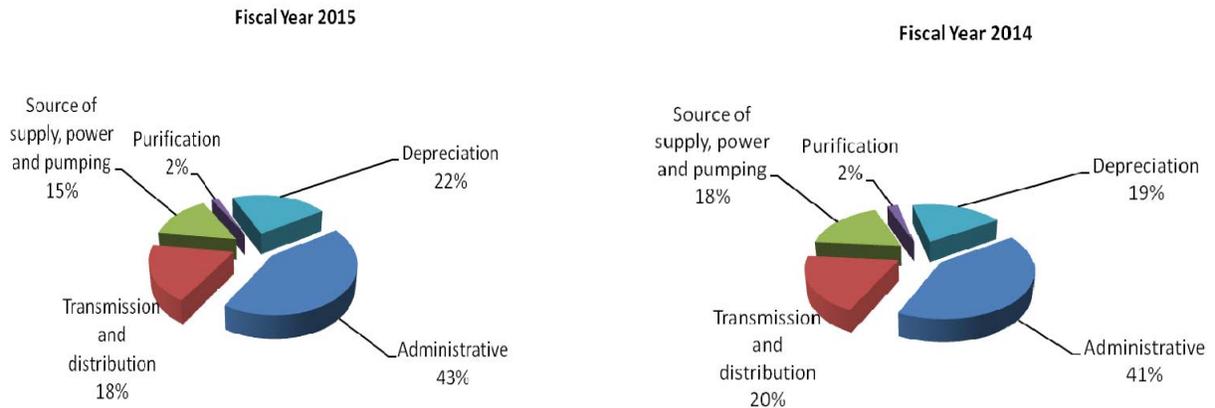
WATER AUTHORITY OF GREAT NECK NORTH

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(Unaudited)

Revenue Percentages by Major Category For the Fiscal Years Ended December 31, 2015 and 2014



Operating Expenses Expressed as a Percentage by Major Type For the Fiscal Years Ended December 31, 2015 and 2014



Costs to be recovered from future revenues of \$256,145 and \$149,611 for the years ending December 31, 2015 and 2014, respectively, 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 those fiscal years. 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
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(Unaudited)

2015 Operating Budget Highlights

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Negative)</u>
Operating Revenues:			
Water service	\$ 7,887,121	\$ 7,530,000	\$ 357,121
Fire protection	544,822	542,000	2,822
Total operating revenues	<u>8,431,943</u>	<u>8,072,000</u>	<u>359,943</u>
Operating Expenses:			
Administrative	2,878,507	2,502,000	(376,507)
Transmission and distribution	1,156,399	1,160,750	4,351
Source of supply, power and pumping (purification)	1,015,512	1,195,000	179,488
Depreciation	<u>1,393,469</u>	<u>1,200,000</u>	<u>(193,469)</u>
Total operating expenses	<u>6,443,887</u>	<u>6,057,750</u>	<u>(386,137)</u>
Operating income	<u>\$ 1,988,056</u>	<u>\$ 2,014,250</u>	<u>\$ (26,194)</u>

Water service revenues are projected based on average historical usage. This year's operating revenues were approximately less than 4.5% over budget. Actual operating expenses overall were approximately 6.4% above 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, 2015 and 2014, include a liability in the amount of \$2,091,261 and \$1,835,116, respectively, that represent 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.

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Management's Discussion and Analysis
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(Unaudited)

Capital Assets at Year-End Net of Accumulated Depreciation

For the years ended December 31 ,	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Land	\$ 639,639	\$ 639,639	\$ -
Construction in progress	2,948,027	10,475,490	(7,527,463)
Buildings	1,138,519	1,173,351	(34,832)
Transportation equipment	2,765,774	324,238	2,441,536
Other equipment	70,498	64,223	6,275
Organization and acquisition	108,850	133,038	(24,188)
Infrastructure:			
Pumping and purification	16,988,258	10,574,224	6,414,034
Transmission and distribution	17,060,906	16,107,554	953,352
Total capital assets net of depreciation	<u>\$ 41,720,471</u>	<u>\$ 39,491,757</u>	<u>\$ 2,228,714</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, 2015 and 2014, the Authority has water revenue bonds outstanding totaling \$29,540,000 and \$31,070,000, respectively.

In July 2015, the Authority participated in the New York State Drinking Water Program, which includes funds from a state drinking water revolving fund (the Revolving Fund) that are to be used for purposes of the Safe Drinking Water Act. This program allows the Authority to receive an interest free loan in the maximum amount of \$11,175,500 (Series 2015A Notes) and a maximum grant of \$3,862,500 for purposes of improving the current water supply and distribution infrastructure. The total amount advanced was \$1,034,484 as of December 31, 2015.

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:

2016	\$	6,620,783
2017	\$	6,907,350
2018	\$	6,226,667
2019	\$	3,250,000
2020	\$	2,750,000

WATER AUTHORITY OF GREAT NECK NORTH

Management's Discussion and Analysis

For Years Ended December 31, 2015 and 2014

(Unaudited)

CREDIT RATINGS

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

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.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Water Authority of Great Neck North
Great Neck, NY

Report on the Financial Statements

We have audited the accompanying financial statements of the Water Authority of Great Neck North (the "Authority") (a public benefit corporation of the State of New York) which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of December 31, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1U to the financial statements, the Authority has adopted GASB Statement No. 68, amended by GASB Statement No. 71 – *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 1 through 8, the Schedule of Funding Progress for Other Post Employment Benefits on page 32, The Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 33, and the Schedule of the Authority's Contributions on page 34, be presented to supplement the basic financial statements. Such information, although are not 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water Authority of Great Neck North's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2016, on our consideration of the Water Authority of Great Neck North'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* in considering the Water Authority of Great Neck North's internal control over financial reporting and compliance.



Satty, Levine & Ciacco, CPAs, P.C.
Jericho, New York
March 10, 2016

WATER AUTHORITY OF GREAT NECK NORTH
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,138,197	\$ 9,338,902
Investments	1,697,533	1,699,642
Accounts receivable	261,215	248,032
Accrued unbilled revenue	595,571	578,879
Interest and other receivables	58,643	359,921
Prepaid expenses and other assets	55,935	139,111
Inventory of materials and supplies	165,725	168,015
TOTAL CURRENT ASSETS	<u>10,972,819</u>	<u>12,532,502</u>
NON-CURRENT ASSETS:		
Restricted cash and cash equivalents		
Cash construction fund	5,043,864	5,037,710
Bond fund and bond reserve fund-held by trustee	4,660,966	4,584,816
Total restricted cash	<u>9,704,830</u>	<u>9,622,526</u>
Costs to be recovered from future revenue:	2,091,261	1,835,116
Capital assets:		
Nondepreciable	2,948,027	10,475,490
Depreciable (net)	38,772,444	29,016,267
Total capital assets	<u>41,720,471</u>	<u>39,491,757</u>
TOTAL NONCURRENT ASSETS	<u>53,516,562</u>	<u>50,949,399</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Loss on advanced refunding of debt	452,160	565,200
Pension contributions made after the measurement date	326,244	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>778,404</u>	<u>565,200</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 65,267,785</u>	<u>\$ 64,047,101</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 41,287	\$ 78,540
Retainage payable	640	80,016
Unearned revenue	61,959	62,592
Current portion of water revenue bonds (due within one year)	1,605,000	1,530,000
TOTAL CURRENT LIABILITIES	<u>1,708,886</u>	<u>1,751,148</u>
NON-CURRENT LIABILITIES:		
Water revenue bonds	27,935,000	29,540,000
EFC financing bonds	1,030,484	-
Premium on refunding net of accumulated amortization	830,640	944,070
Customer deposits payable	623,665	553,975
Post-employment benefits	2,091,261	1,835,116
Net pension liability - proportionate share	247,867	-
TOTAL NON-CURRENT LIABILITIES	<u>32,758,917</u>	<u>32,873,161</u>
TOTAL LIABILITIES	<u>34,467,803</u>	<u>34,624,309</u>
NET POSITION:		
Net investment in capital assets	16,845,855	13,080,597
Restricted	4,660,966	4,584,816
Unrestricted	9,293,161	11,757,379
TOTAL NET POSITION	<u>30,799,982</u>	<u>29,422,792</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 65,267,785</u>	<u>\$ 64,047,101</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:		
Water sales - residential and apartments	\$ 6,892,250	\$ 6,422,219
Water sales - commercial and municipal	994,871	986,019
Fire protection	544,822	542,572
	<u>8,431,943</u>	<u>7,950,810</u>
OPERATING EXPENSES:		
Administrative	2,878,507	2,411,297
Transmission and distribution	1,156,399	1,137,737
Source of supply, power and pumping	917,888	1,039,645
Purification	97,624	136,051
Depreciation	1,393,469	1,136,257
	<u>6,443,887</u>	<u>5,860,987</u>
TOTAL OPERATING EXPENSES	<u>6,443,887</u>	<u>5,860,987</u>
OPERATING INCOME	<u>1,988,056</u>	<u>2,089,823</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest and other non-operating revenue	217,041	226,534
Amortization of bond premium and gain/loss on refunding	(113,040)	(113,040)
Rental of real property	340,260	357,602
Interest on water system revenue bonds	(1,328,819)	(1,405,319)
Costs to be recovered from future revenues	256,145	149,611
	<u>(628,413)</u>	<u>(784,612)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(628,413)</u>	<u>(784,612)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,359,643	1,305,211
CAPITAL CONTRIBUTIONS		
Developers and customers	70,950	79,400
CHANGES IN NET POSITION	1,430,593	1,384,611
NET POSITION - BEGINNING (RESTATED)	<u>29,369,389</u>	<u>28,038,181</u>
NET POSITION - ENDING	<u>\$ 30,799,982</u>	<u>\$ 29,422,792</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 8,390,877	\$ 7,759,157
Payments to suppliers for goods and services	(1,511,099)	(1,795,685)
Payments to employees for services and benefits	(3,064,591)	(2,946,241)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,815,187</u>	<u>3,017,231</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets (net)	(3,622,183)	(1,732,386)
Contributions for capital assets	70,950	79,400
Payments on revenue bonds	(1,530,000)	(1,460,000)
Proceeds from EFC notes	1,030,484	-
Interest paid	(1,442,250)	(1,518,749)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(5,492,999)</u>	<u>(4,631,735)</u>
CASH FLOWS FROM INVESTING AND OTHER NON-OPERATING ACTIVITIES		
Decrease (increase) in investments - unrestricted	2,109	(208)
(Increase) decrease in construction fund - restricted	(6,154)	1,114,605
Increase in restricted assets held by trustee	(76,150)	(70,559)
Rental income received	340,260	357,602
Interest and dividends received	217,042	226,534
NET CASH PROVIDED BY INVESTING AND OTHER NON-OPERATING ACTIVITIES	477,107	1,627,974
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,200,705)	13,470
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,338,902</u>	<u>9,325,432</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,138,197</u>	<u>\$ 9,338,902</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income	\$ 1,988,056	\$ 2,089,823
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	1,393,469	1,136,257
Bad debt expense	379,316	-
Net decrease in nonoperating net position	(51,403)	-
(Increase) in accounts receivable	(93,221)	(170,451)
(Increase) decrease in accrued unbilled revenue	(16,692)	31,525
Decrease (increase) in prepaid expense and other assets	83,176	(18,731)
Decrease in inventory, materials and supplies	2,290	10,119
(Increase) in deferred outflows for pension related benefits	(326,244)	-
Increase in the net pension liability	247,867	-
Increase in costs to be recovered from future revenues	256,145	149,611
(Decrease) increase in accounts payable and accrued expenses	(37,253)	6,548
(Decrease) in retainage payable	(79,376)	(164,951)
(Decrease) increase in unearned revenue	(633)	7,592
Increase (decrease) in customer deposits	69,690	(60,111)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,815,187</u>	<u>\$ 3,017,231</u>

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

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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, Kings Point, Saddle Rock, 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.”

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 \$452,160 and \$565,200 as of December 31, 2015 and 2014, respectively, in the accompanying statements of net position.

L. Unearned Revenue

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 the accumulated unfunded OPEB obligation over the amount paid during the fiscal year. The costs will be recovered through future revenues in accordance with the Authority's rate model.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 reports two items which qualify for reporting in this category, a) a deferred charge on refunding, and the pension contributions made subsequent to the pension plan's measurement date but prior to the fiscal year end. 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 debt or new refunding debt. Pension contributions made after the measurement date will be reflected as a change in the pension liability in the years for which the contribution pertains to. 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, 2015, and 2014, 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, 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.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

T. ADOPTED ACCOUNTING PRONOUNCEMENTS (continued)

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.

Effective January 1, 2015, the Authority adopted GASB Statement No. 68, amended by GASB Statement No. 71 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. The implementation of the Statements requires the Authority to report as an asset and/or liability its portion of the collective net pension asset and/or liability in the New York State Employees Retirement System. The implementation also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the District’s proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority’s contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included in deferred outflows, are the Authority’s contributions to the pension system subsequent to the measurement date. The effects of this standard required a restatement to the beginning balance for the cumulative effect of adoption which is discussed in Note 1U.

U. Prior Period Adjustments

During the year ended December 31, 2015 the following affected the beginning net position of the Authority:

	<u>2015</u>
Changes were made to reflect the effect of implementing GASB Statement N. 68, as amended by GASB Statement 71. This Statement requires that the cumulative effect of adoption be shown as a restatement to the beginning balance of net position.	<u>\$ 53,403</u>
Total prior period adjustment on the Statement of Activities	<u>\$ 53,403</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, 2015.

See independent auditors’ report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 are recorded as follows:

	2015	2014
Cash and cash equivalents	\$ 8,595,853	\$ 9,434,510
Renewal and replacement fund	1,297,743	1,299,686
Rate stabilization fund	399,790	399,956
Construction fund-restricted	5,107,913	5,063,315
Deposits held by Trustee	4,660,966	4,584,816
	<u>\$ 20,062,265</u>	<u>\$ 20,782,283</u>
Demand and time deposits banks	\$ 18,364,732	\$ 19,082,641
Investments - United States Treasury Bill and Notes	1,697,533	1,699,642
	<u>\$ 20,062,265</u>	<u>\$ 20,782,283</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, 2015 and 2014 the Authority's bank deposit balances (including amounts held with trustee) were \$18,364,732 and \$19,082,641 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, 2015 and 2014 the total bank deposits Authority also had restricted deposits held by the Trustee in the Bond Reserve Fund in the amount of \$4,660,966 and \$4,584,816, respectively.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2. Cash, Cash equivalents and Investments (continued)

As of December 31, 2015 and 2014, the Authority held \$1,697,533 and \$1,699,642 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.

NOTE 3. Lockheed Martin Agreement

An agreement, dated May 21, 2013, was executed between Lockheed Martin Corporation (“LMC”) and the Authority, whereas Lockheed Martin will continue to pay for the treatment of the groundwater being pumped by the Water Authority of Great Neck North in its Community Drive wells, otherwise known as wells 12, 13, and 14. LMC will pay for the related operation and maintenance costs (defined by the agreement) until testing of the water conducted by both LMC and the Authority, concludes that site-related compounds are not detected in the wells, and treatment is no longer required.

The effectiveness of this Agreement is conditioned upon the DEC’s issuing a record of decision selecting remedial option 2b, as described and delineated in the Unisys Site No. 130045 Operable Unit-2 Feasibility Study. The DEC issued a record of decision (“ROD”) on December 23, 2014, selecting the FS Recommended Option 2B.

As a result of the ROD, the Authority determined that costs, previous to the DEC’s decision would not be reimbursed by LMC, and therefore reduced the receivable for costs expected to be reimbursed by \$375,909, thus reducing receivable to \$58,643 as of December 31, 2015, and representing all costs incurred subsequent to the ROD and related to the costs of operations and treatment of wells 12,13, and 14.

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 4. Capital Assets (Property and Equipment)

A summary of capital asset transactions for the year ended December 31, 2015 and 2014 is as follows:

	Beginning Balance 1/1/2015	Addition / Transfers	Retirements / Transfers	Ending Balance 12/31/15
Non Depreciable Capital Assets				
Land	\$ 639,639	\$ -	\$ -	\$ 639,639
Construction in Progress	10,475,490	3,622,183	(11,149,646)	2,948,027
Total Non Depreciable Capital Assets	<u>11,115,129</u>	<u>3,622,183</u>	<u>(11,149,646)</u>	<u>3,587,666</u>
Depreciable Capital Assets				
Buildings	1,706,903	440		1,707,343
Transportation equipment	868,104	2,570,000	(63,053)	3,375,051
Other equipment	980,161	32,553		1,012,714
Organization and acquisition	725,646			725,646
Infrastructure:				-
Pumping and purification	19,014,058	7,022,745		26,036,803
Transmission and distribution	22,055,741	1,523,908		23,579,649
Total Depreciable Capital Assets	<u>45,350,613</u>	<u>11,149,646</u>	<u>(63,053)</u>	<u>56,437,206</u>
Less: Accumulated depreciation for:				
Buildings	533,552	35,272		568,824
Transportation equipment	543,866	128,464	(63,053)	609,277
Other equipment	915,938	26,277		942,215
Organization and acquisition	592,608	24,188		616,796
Infrastructure:				-
Pumping and purification	8,439,834	608,710		9,048,544
Transmission and distribution	5,948,187	570,557		6,518,744
Total Accumulated Depreciation	<u>16,973,985</u>	<u>\$ 1,393,469</u>	<u>\$ (63,053)</u>	<u>18,304,401</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>28,376,628</u>			<u>38,132,805</u>
Total Net Capital Assets	<u>\$ 39,491,757</u>			<u>\$ 41,720,471</u>

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 4. Capital Assets (Property and Equipment) (continued)

	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	10,508,279	1,732,804	(1,125,954)	11,115,129
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	44,295,676	1,125,954	(71,017)	45,350,613
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	15,908,327	\$ 1,136,257	\$ (70,599)	16,973,985
Depreciable Capital Assets, Net of Accumulated Depreciation	28,387,349			28,376,628
Total Net Capital Assets	\$ 38,895,628			\$ 39,491,757

Depreciation of capital assets totaled \$1,393,469 and \$1,136,257 for the years ended December 31, 2015 and 2014, respectively.

NOTE 5. 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 Fund and Bond Reserve Fund are held by the Trustee and are required to maintain on deposit amounts sufficient to cover the annual debt service.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 5. Water System Revenue Bonds (continued)

The State of New York has established a State Drinking Water Program, which includes a state drinking water revolving fund (the Revolving Fund) to be used for purposes of the Safe Drinking Water Act. The New York State Environmental Facilities Corporation (NYSEFC) is responsible for administering the Revolving Fund and providing financial assistance from the Revolving Fund. In July 2015, this program allows the Authority to receive an interest free loan in the maximum amount of \$11,175,500 (Series 2015A Notes), and a maximum grant of \$3,862,500. The loan principal repayments are scheduled to begin July 2017 and mature July 2020 at which time, the Authority may choose to issue a 30-year note to the EFC at 0% interest, or pay the principal due. As of December 31, 2015 and 2014 the total amount advanced under these notes was \$1,034,484 and \$0, respectively. No grant funds were received for either fiscal year.

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, 2015, and 2014 the Authority is in compliance with its financial covenants.

The following is a schedule of water revenue bonds and other long term debt:

	Beginning Balance 1/1/2015	Additions	Reductions	Ending Balance 12/31/15	Due in One Year
Bonds:					
2015A EFC Facility Notes	\$ -	\$ 1,030,484	\$ -	\$ 1,030,484	\$ -
2008 Series Water Revenue Bonds	31,070,000	-	(1,530,000)	29,540,000	1,605,000
Premium on issuance date	944,070	-	(113,430)	830,640	113,430
Less: Deferred amount on refunding, unamortized bond discount and deferred issuance costs	(565,200)	-	113,040	(452,160)	(113,040)
Total water revenue bonds payable	<u>\$ 31,448,870</u>	<u>\$ 1,030,484</u>	<u>\$ (1,530,390)</u>	<u>\$ 30,948,964</u>	<u>\$ 1,605,390</u>
	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>

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 5. Water System Revenue Bonds (continued)

Future principal and interest payments to maturity are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,605,000	\$ 1,362,000	\$ 2,967,000
2017	1,717,483	1,277,500	2,994,983
2018	1,797,483	1,189,000	2,986,483
2019	1,887,483	1,119,249	3,006,732
2020	2,878,035	1,022,750	3,900,785
2021-2025	4,100,000	4,524,375	8,624,375
2026-2030	5,180,000	3,394,250	8,574,250
2031-2035	6,600,000	1,893,250	8,493,250
2036-2038	4,805,000	248,000	5,053,000
	<u>\$ 30,570,484</u>	<u>\$ 16,030,374</u>	<u>\$ 46,600,858</u>

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 6. 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 percent 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

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6. Pension Plan (continued)

Funding Policy (continued)

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:

2015	\$	263,625
2014	\$	373,538
2013	\$	298,781

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

At December 31, 2015, the Authority reported a liability of \$247,867 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2014. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System to the Authority.

	<u>ERS</u>
Actuarial valuation date	April 1, 2014
Net pension liability	\$ 247,867
Authority's portion of the Plan's total net pension liability	.0073372%

For the year ended December 31, 2015 and 2014 the Authority recognized pension expense of \$227,230 and \$354,849, respectively. At December 31, 2015 and 2014, the Authority reported deferred outflows of resources related to pensions from the following sources:

	<u>ERS</u>
Differences between expected and actual earnings on pension plan investments	\$ 7,935
Net difference between projected and actual investment earnings on pension plan investments	43,051
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,633
Employer contributions subsequent to the measurement date	<u>263,625</u>
Total deferred outflows of resources	<u><u>\$ 326,244</u></u>

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6. Pension Plan (continued)

The Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

For the years ended December 31,	<u>ERS</u>
2016	\$ 15,655
2017	15,655
2018	15,655
2019	15,655
2020	-
Thereafter	-
	<u>\$ 62,620</u>

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuation were as follows:

	<u>ERS</u>
Interest rate	7.5%
Salary scale	4.9%
Decrement tables	April 1, 2005-March 31, 2010 System's Experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6. Pension Plan (continued)

<u>Asset Type</u>	<u>Target Allocation</u>	<u>LongTerm Expected Real Rate of Return</u>
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Real estate	8.00%	8.25%
Alternative investments	19.00%	6.75-11.00%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation index bonds	2.00%	4.00%
	<u>100.00%</u>	

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

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

	<u>1% Decrease (6.5%)</u>	<u>Current Assumptions (7.5%)</u>	<u>1% Increase (8.5%)</u>
Authority's proportionate share of the net pension liability/(asset)	\$ 1,652,143	\$ 247,867	\$ (937,689)

Pension Plan Fiduciary Net Position

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

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6. Pension Plan (continued)

	Employees'
	Retirement System
	<i>(Dollars in Thousands)</i>
Employers' total pension liability	\$ (164,591,504)
Plan net position	<u>161,213,259</u>
Employers' net pension assets/(liability)	<u>\$ (3,378,245)</u>
Ration of plan net position to the employers' total pension liability	97.95%

NOTE 7. 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.

NOTE 8. 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 and are actively employed by the Authority at the time of retirement. 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 (47.1%) 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.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8. Postemployment Health Care Benefits (continued)

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, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Annual required contribution (ARC)	\$ 319,880	\$ 319,880
Interest on net OPEB obligation	73,405	67,420
Adjustment to Annual Required contribution	-	(93,743)
Annual OPEB cost (expense)	393,285	293,557
Age adjusted contributions made	(137,140)	(143,946)
Change in net OPEB obligation	256,145	149,611
Net OPEB obligation - beginning of year	1,835,116	1,685,505
Net OPEB obligation - end of year	<u>\$ 2,091,261</u>	<u>\$ 1,835,116</u>

As of December 31, 2015 and 2014, the actuarial accrued liability of benefits was \$3,524,940, all of which was unfunded. For December 31, 2015 and 2014 the covered payrolls (annual payrolls of active employees covered by the plan) were \$1,667,718 for each year. The ratio of unfunded actuarial liability to the covered payroll for each of the years were 2.11.

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 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.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8. Postemployment Health Care Benefits (continued)

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, 2015 was 23 years.

NOTE 9. 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 year is expected to be:

<u>Years</u>	<u>Income</u>
2016	\$ 284,547
2017	281,052
2018	225,204
2019	231,559
2020	238,169
Thereafter	412,303
	<u>\$ 1,672,834</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.

NOTE 10. Subsequent Events

Management has evaluated subsequent events through March 10, 2016, 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.

See independent auditors' report

WATER AUTHORITY OF GREAT NECK NORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 11. Recent Accounting Pronouncements

The GASB has issued the following Statement which will be effective in future years:

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement redefines fair value, requires new measurement approaches and enhanced disclosures to fair value measurements. The requirements of Statement No. 72 are effective for financial statements with periods beginning after June 15, 2015. The Authority is evaluating the impact of these standards on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for pension plans that are not administered through a trust. The requirements of Statement No. 73 are effective for financial statements with periods beginning after June 15, 2015. The Authority is in the process of evaluating the impact of this standard on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This Statement replaces GASB Statement No. 43 and expands certain note disclosures and requires certain postemployment benefits to be reported in a government's fiduciary funds. The requirements of Statement No. 74 are effective for financial statements with periods beginning after June 15, 2016. The Authority is in the process of evaluating the impact of this standard on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement replaces GASB Statement No. 45 and re-establishes criteria that requires a government to report liabilities on the face of the financial statements. In addition, GASB No. 75 expands previously required disclosures and required supplementary information ("RSI") as it pertains to OPEBs. The requirements of Statement No. 75 are effective for financial statements with periods beginning after June 15, 2017. The Authority is in the process of evaluating the impact of this standard on its financial statements.

WATER AUTHORITY OF GREAT NECK NORTH
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
(Unaudited)
DECEMBER 31, 2015 AND 2014

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.

**WATER AUTHORITY OF GREAT NECK NORTH
REQUIRED SUPPLEMENTAL INFORMATION (Unaudited)
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY OF THE NYSLRS PENSION PLAN
AS OF DECEMBER 31,**

	2015	2014
Authority's proportion of the net pension liability	0.0073372%	0.0073372%
Authority's proportionate share of the net pension liability	\$ 247,867	\$ 331,556
Authority's covered-employee payroll	\$ 1,747,774	\$ 1,856,851
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.18%	17.86%
Plan fiduciary net position as a percentage of the total pension liability	97.95%	97.20%

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

WATER AUTHORITY OF GREAT NECK NORTH
REQUIRED SUPPLEMENTAL INFORMATION (Unaudited)
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO THE NYSLRS PENSION PLAN
FOR THE YEARS ENDED DECEMBER 31,

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 373,538	\$ 298,781	\$ 367,756	\$ 258,822	\$ 177,293	\$ 148,985	\$ 155,747	\$ 156,785	amounts not readily available	
Contributions in relation to the contractually required contribution	<u>373,538</u>	<u>298,781</u>	<u>367,756</u>	<u>258,822</u>	<u>177,293</u>	<u>148,985</u>	<u>155,747</u>	<u>156,785</u>	amounts not readily available	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Authority's covered-employee payroll	\$ 1,747,774	\$ 1,604,829	\$ 1,407,347	\$ 1,375,604	\$ 1,340,233	\$ 1,266,193	\$ 1,261,724	\$ 1,153,824	amounts not readily available	
Contributions as a percentage of covered-employee payroll	21.4%	18.6%	26.1%	18.8%	13.2%	11.8%	12.3%	13.6%	N/A	N/A

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

**WATER AUTHORITY OF GREAT NECK NORTH
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 DECEMBER 31, 2015**

Federal Grantor/Pass Through Grantor/ Program or Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	14-1499804	\$ 1,030,484
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,030,484

See independent auditors' report.

WATER AUTHORITY OF GREAT NECK NORTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Water Authority of Great Neck North (the "Authority"), under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not represent the financial position, changes in financial position or cash flows of the Authority.

NOTE 2. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Pass-through entity identifying numbers are presented where available.

See independent auditors' report.



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

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**INDEPENDENT AUDITOR'S 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 of
Water Authority of Great Neck North
Great Neck, NY

We have audited, in accordance with the 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, the financial statements of the Water Authority of Great Neck North (the "Authority"), which comprise the statement of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Authority of Great Neck North's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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. Accordingly, we do not express an opinion on the effectiveness of the Water Authority of Great Neck North's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

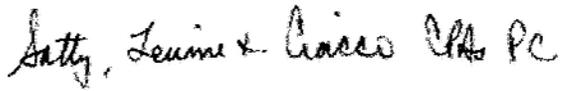
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority of Great Neck North's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Satty, Levine & Ciacco, CPAs, P.C.
Jericho, New York
March 10, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Water Authority of Great Neck North
Great Neck, NY

Report on Compliance for Each Major Federal Program

We have audited the Water Authority of Great Neck North's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Water Authority of Great Neck North's major federal programs for the year ended December 31, 2015. The Water Authority of Great Neck North's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Water Authority of Great Neck North's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Water Authority of Great Neck North's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Water Authority of Great Neck North's compliance.

Opinion on Each Major Federal Program

In our opinion, the Water Authority of Great Neck North complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

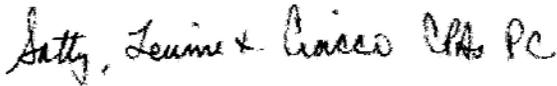
Report on Internal Control over Compliance

Management of the Water Authority of Great Neck North is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Water Authority of Great Neck North's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Water Authority of Great Neck North's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Satty, Levine & Ciacco, CPAs, P.C.
Jericho, New York
March 10, 2016

**WATER AUTHORITY OF GREAT NECK NORTH
COUNTY OF NASSAU - STATE OF NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

SECTION 1 – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

The auditors’ report expresses an unqualified opinion on the basic financial statements of the Water Authority of Great Neck North

Internal Control over Financial Reporting:

- Material weakness identified _____ YES √ NO
- Significant deficiencies identified that are not considered to be material weaknesses _____ YES √ NO
- Non-compliance material to financial statements noted _____ YES √ NO

Federal Awards

Internal Control over Major Programs:

- Material weakness identified _____ YES √ NO
- Significant deficiencies identified that are not considered to be material weaknesses _____ YES √ NO

The auditors’ report expresses an unqualified opinion on compliance for major programs of the Water Authority of Great Neck North

Any audit findings disclosed that are required to be reprinted in accordance with Section 510(a) Identification of major programs _____ YES √ NO

CFDA Number
66.468

Name of Federal Program
Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as a low risk auditee _____ YES √ NO

**WATER AUTHORITY OF GREAT NECK NORTH
COUNTY OF NASSAU - STATE OF NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiencies:

None

SECTION III – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies:

None