

**GREAT NECK WATER POLLUTION
CONTROL DISTRICT**
TOWN OF NORTH HEMPSTEAD - STATE OF NEW YORK

FINANCIAL STATEMENTS
Year Ended December 31, 2014



GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
Year Ended December 31, 2014

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GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2014

As management of the Great Neck Water Pollution Control District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2014.

FINANCIAL HIGHLIGHTS

As reflected in the government-wide financial statements, the assets of the District exceeded its liabilities at December 31, 2014 fiscal year by \$13,747,564 (net position), of which there is a negative balance of \$352,125 in the unrestricted amount of net assets, which means the District must meet its ongoing obligations to citizens and creditors from future revenue. This deficit is caused by properly recording the liability for future non-pension postemployment benefits, which is required by GASB 45.

As reflected in the fund financial statements as of the close of the current fiscal year, the District's government funds reported an ending fund balance of \$3,114,635 (a decrease of \$3,226,501 in comparison with the prior year). Of this amount, \$168,298 is nonspendable, \$1,243,146 is restricted, and \$1,703,191 is unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

Both of the government-wide financial statements distinguish function and programs of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The governmental activities of the District include sewer service for more than 25,000 residents and businesses in the Villages of Saddle Rock, Kensington, the Village of Great Neck and those parts of Thomaston, Great Neck Plaza east of Middle Neck Road, as well as all unincorporated areas north of the railroad and a part of Manhasset.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same function and programs reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Fund and Debt Service Fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

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

The fiduciary fund financial statement can be found on page 16 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 – 30 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Great Neck Water Pollution Control District assets exceeded liabilities by \$13,747,564 at the close of the most recent fiscal year.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2014

The District has an investment in capital assets, net of related debt totaling \$13,515,054, at December 31, 2014.

The remaining balance of unrestricted net position deficit totaling \$352,125 means the District must meet its ongoing obligations to citizens and creditors from future revenue.

DISTRICT'S NET POSITION

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current and Other Assets	\$ 4,401,831	\$ 9,777,597	\$ (5,375,766)
Capital Assets	<u>64,739,079</u>	<u>62,766,970</u>	<u>1,972,109</u>
Total Assets	<u>69,140,910</u>	<u>72,544,567</u>	<u>(3,403,657)</u>
Other Liabilities	3,347,521	3,586,572	(239,051)
Long Term Liabilities	<u>52,045,825</u>	<u>55,452,691</u>	<u>(3,406,866)</u>
Total Liabilities	<u>55,393,346</u>	<u>59,039,263</u>	<u>(3,645,917)</u>
Net Position:			
Invested in Capital Assets, Net of Related Debt	13,515,054	15,628,731	(2,113,677)
Restricted	584,635	582,483	2,152
Unrestricted	<u>(352,125)</u>	<u>(2,705,910)</u>	<u>2,353,785</u>
Total Net Position	<u>\$13,747,564</u>	<u>\$13,505,304</u>	<u>\$ 242,260</u>

Currently, the largest portion of the District's net position of \$13,515,054 reflects its investment in capital assets (e.g. land, buildings, improvements and machinery and equipment.) Capital assets are used to provide service to citizens; consequently these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The net investment in capital assets decreased over the prior year by \$2,113,677 primarily as a result of additions to capital assets during the current fiscal year, as well as the reduction of the capital related debt, offset by current depreciation.

A portion of the District's net position, \$584,635, represents resources that are subject to external restriction on how they may be used.

The remaining balance of the District's net position deficit of \$352,125 means the District must meet its ongoing obligations to citizens and creditors from future revenue.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2014

DISTRICT'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues/Charges for Services	\$ 2,818,174	\$ 2,427,208	\$ 390,966
Capital Grants	824,411	229,659	594,752
General Revenues:			
Property Taxes	6,431,509	4,111,286	2,320,223
Interest Earnings	7,476	8,936	(1,460)
Forfeitures of Deposits	1,350	3,050	(1,700)
Licenses and Permits	11,650	-	11,650
Insurance Recoveries	118,023	20,000	98,023
Miscellaneous	75,887	673,831	(597,944)
(Loss) on Capital Asset Dispositions	<u>(137,024)</u>	<u>(1,236,092)</u>	<u>1,099,068</u>
Total Revenues	<u>10,151,456</u>	<u>6,237,878</u>	<u>3,913,578</u>
Expenses:			
Sewer Administration	1,856,183	1,341,944	514,239
Sanitary Sewers	1,837,270	1,531,658	305,612
Sewage Treatment	5,466,966	2,000,005	3,466,961
Interest on Long-Term Debt	<u>748,777</u>	<u>801,623</u>	<u>(52,846)</u>
Total Expenses	<u>9,909,196</u>	<u>5,675,230</u>	<u>4,233,966</u>
Change in Net Position	242,260	562,648	(320,388)
Net Position – Beginning	<u>13,505,304</u>	<u>12,942,656</u>	<u>562,648</u>
Net Position – Ending	<u>\$13,747,564</u>	<u>\$13,505,304</u>	<u>\$ 242,260</u>

Revenue Categories:

Program Revenues – includes charges for services which provide a direct benefit to the purchaser, including fees for sewer administration and treatment. Revenue contributed by external governments that are restricted to supporting these types of programs are also classified as program grants.

General Revenues – includes revenues that are available to fund the overall government and to provide a benefit to all taxpayers in the District. This includes real property taxes miscellaneous funds that may be generated during the course of the year such as sales on excess equipment and insurance property loss claims received.

The District's revenues increased by \$3,913,578. This is primarily due to an increase in real property tax collections and due to the annexation of the Village of Great Neck and a reduction in capital asset losses in the prior year.

Expense Categories:

The District's expenses increased by \$4,233,966. This increase is primarily directly related to the increase in sewage treatment due to due take-over of the Village of Great Neck.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,114,635, a decrease of \$3,226,501 in comparison to the prior year. Of this total amount \$1,703,191 constitutes unassigned fund balance, which is available for spending at the government's discretion.

General Fund – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,703,191, while total fund balance reached \$2,447,520. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20% of total fund expenditures, while total fund balance represents 28% of that total fund expenditures.

The fund balance of the District's General Fund decreased during the current fiscal year by \$291,059 to \$2,447,520. The key factor in this was a \$1,000,000 transfer to the Capital Projects Fund.

Capital Projects Fund – The fund balance in the Capital Projects Fund decreased during the current fiscal year by \$2,936,960 to \$658,511. The key factor in this was \$4,879,646 in capital outlay expenditures.

Debt Service Fund – The fund balance in the Debt Service Fund increased during the current fiscal year by \$1,518 to \$8,604. The key factor was interest earnings received during the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's General Fund adopted budget for the year ended December 31, 2014 was \$8,826,555.

The budget was funded through a combination of revenues. The major funding sources were real property taxes \$6,431,506, and sewer charges and connections \$2,381,049.

The General Fund performed favorably compared to budgeted revenues.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2014

Actual revenues of \$9,344,218 were more than the original budget of \$8,826,555 with a positive variance of \$517,663. Sewer charges and connections of \$2,818,174 were received during the year when \$2,381,049 was anticipated.

Actual expenditures for the year were \$9,635,277 compared to the original budget of \$8,826,555 with a negative variance to budget of \$808,722. This variance is primarily the result of transfers to the capital fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets for its governmental activities as of December 31, 2014, amounts to \$64,739,079 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, and construction in progress.

As of the year ended December 31,	<u>2014</u>	<u>2013</u>
Land	\$ 1,070,002	\$ 1,070,002
Buildings	18,606,410	3,534,399
Improvements Other Than Buildings	33,103,355	1,059,540
Machinery and Equipment	1,107,743	918,026
Construction in Progress	<u>10,851,569</u>	<u>56,185,003</u>
Total	<u>\$64,739,079</u>	<u>\$62,766,970</u>

Additional information on the District's capital assets is shown in Note 6 on page 26 of this report.

DEBT ADMINISTRATION

The District borrows money in order to acquire land or equipment or construct buildings and improvements or infrastructure. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The District pledges its full faith and credit for the payment of principal and interest.

	<u>2014</u>	<u>2013</u>
Serial Bonds	\$51,875,077	\$53,801,080
Compensated Absences	35,709	28,542
Postemployment Benefits	<u>2,056,977</u>	<u>1,623,069</u>
Total	<u>\$53,967,763</u>	<u>\$55,452,691</u>

Additional information on the District's outstanding debt is shown in Note 7 on pages 26-27 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2015 budget appropriations are \$9,082,978 which is about 2.97% more than the current year's budget. This increase is primarily related to an increase in sewage treatment and disposal expenditures related to the larger plant because of the expansion of service area. Property tax collections will increase by \$179,351 (2.8%).

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any information provided in this report should be addressed to the District at 236 East Shore Road, Great Neck, NY 11023.



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SATTY, LEVINE & CIACCO, CPAS, P.C.
Certified Public Accountants & Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Commissioners
of the Great Neck Water Pollution Control District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Great Neck Water Pollution Control District ("the District"), a component unit of the Town of North Hempstead, New York, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Great Neck Water Pollution Control District as of December 31, 2014 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 7 and the budgetary comparison information on page 32 and the schedule of funding progress other postemployment benefits on page 31, 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.



Satty, Levine & Ciacco, CPAs, P.C.
Jericho, New York
May 1, 2015

GREAT NECK WATER POLLUTION CONTROL DISTRICT
A COMPONENT UNIT OF THE TOWN OF NORTH HEMPSTEAD - STATE OF NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2014

2014

ASSETS

Cash	\$	3,424,571
Restricted Cash		576,031
Accounts Receivable		231,545
Prepaid Expenses		168,298
Due From the Town		1,386
Capital Assets:		
Land		1,070,002
Other Capital Assets, Net of Accumulated Depreciation		63,669,077
		<hr/>
TOTAL ASSETS	\$	<u><u>69,140,910</u></u>

LIABILITIES AND NET POSITION

LIABILITIES:

Accounts Payable	\$	793,528
Retained Percentages, Contracts Payable		377,199
Contract Deposits		23,827
Due to Other Governments		25,000
Accrued Payroll and Benefits		67,642
Unearned Premium		7,879
Accrued Interest		130,508
Due Within One Year		1,921,938
Due In More Than One Year		52,045,825
		<hr/>

TOTAL LIABILITIES 55,393,346

NET POSITION:

Net Investment in Capital Assets		13,515,054
Restricted for:		
Capital Repairs		576,031
Debt Service		8,604
Unrestricted		(352,125)
		<hr/>

TOTAL NET POSITION 13,747,564

TOTAL LIABILITIES AND NET POSITION \$ 69,140,910

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

GREAT NECK WATER POLLUTION CONTROL DISTRICT
A COMPONENT UNIT OF THE TOWN OF NORTH HEMPSTEAD - STATE OF NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Capital Grants</u>	<u>Net (Expense) Revenue and Changes In Net Position Governmental Activities</u>
Governmental Activities:				
Sewer Administration	\$ 1,856,183	\$ -	\$ -	\$ (1,856,183)
Sanitary Sewers	1,837,270	-	-	(1,837,270)
Sewage Treatment	5,466,966	2,818,174	824,411	(1,824,381)
Interest on Long-Term Debt	748,777	-	-	748,777
Total Governmental Activities	\$ 9,909,196	\$ 2,818,174	\$ 824,411	(6,266,611)
General Revenues:				
Taxes:				
Property Taxes-levied for general purposes				6,431,509
Interest Earnings				7,476
Forfeitures of Deposits				1,350
Licences and Permits				11,650
Insurance Recoveries				118,023
Miscellaneous				75,887
Loss on the disposal of capital assets				(137,024)
Total General Revenues				6,508,871
Change In Net Position				242,260
Net Position - Beginning				13,505,304
Net Position - Ending				\$ 13,747,564

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

GREAT NECK WATER POLLUTION CONTROL DISTRICT
A COMPONENT UNIT OF THE TOWN OF NORTH HEMPSTEAD - STATE OF NEW YORK
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2014

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash	\$ 1,264,210	\$ 2,153,333	\$ 7,028	\$ 3,424,571
Restricted Cash	576,031	-	-	576,031
Accounts Receivable	193,343	37,500	-	230,843
Prepaid Expenses	168,298	-	-	168,298
Due From Other Funds	1,296,830	288,137	1,576	1,586,543
Due from Fiduciary	62	-	-	62
Due From Primary Government	1,386	-	-	1,386
Deposits	640	-	-	640
TOTAL ASSETS	\$ 3,500,800	\$ 2,478,970	\$ 8,604	\$ 5,988,374
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 648,674	\$ 144,854	\$ -	\$ 793,528
Retained Percentages, Contracts Payable	-	377,199	-	377,199
Contract Deposits	23,827	-	-	23,827
Accrued Liabilities	67,642	-	-	67,642
Due to Other Governments	25,000	-	-	25,000
Due to Other Funds	288,137	1,298,406	-	1,586,543
Total Liabilities	1,053,280	1,820,459	-	2,873,739
Fund Balances:				
Nonspendable:				
Prepaid Items	168,298	-	-	168,298
Restricted:				
Debt Service	-	-	8,604	8,604
Capital Projects	576,031	658,511	-	1,234,542
Unassigned Fund Balance	1,703,191	-	-	1,703,191
Total Fund Balance	2,447,520	658,511	8,604	3,114,635
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,500,800	\$ 2,478,970	\$ 8,604	\$ 5,988,374

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

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
A COMPONENT UNIT OF THE TOWN OF NORTH HEMPSTEAD - STATE OF NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014**

Total fund balance - total governmental funds	\$ 3,114,635
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	64,739,079
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(130,508)
Deferred charges net of accumulated amortized balances resulting from the excess amounts paid over the principal amounts of the issuance of debt obligations are reported as a deferred charge, net of the related amortization on the Statement of Net Position.	(7,879)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	<u>(53,967,763)</u>
Net position of governmental activities	<u>\$ 13,747,564</u>

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

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
A COMPONENT UNIT OF THE TOWN OF NORTH HEMPSTEAD - STATE OF NEW YORK
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2014**

	Governmental Fund Types			
	General	Capital Projects	Debt Service	Totals
Revenues:				
Real Property Taxes	\$ 6,431,509	\$ -	\$ -	\$ 6,431,509
Sewer Charges and Connections	2,818,174	-	-	2,818,174
Insurance Recoveries	-	118,023	-	118,023
Interest, Rents and Commissions	5,648	252	1,576	7,476
Licenses and Permits	11,650	-	-	11,650
Forfeitures of Deposits	1,350	-	-	1,350
Miscellaneous Local Sources	75,887	-	-	75,887
State Aid - Grant	-	824,411	-	824,411
	<u>9,344,218</u>	<u>942,686</u>	<u>1,576</u>	<u>10,288,480</u>
Total Revenues				
Expenditures:				
Current:				
Sewer Administration	734,461	-	-	734,461
Sanitary Sewers	1,294,428	-	-	1,294,428
Sewage Treatment and Disposal	2,736,061	-	-	2,736,061
Insurance	187,562	-	-	187,562
Employee Benefits	839,537	-	-	839,537
Total Current	<u>5,792,049</u>	<u>-</u>	<u>-</u>	<u>5,792,049</u>
Debt Service	2,843,228	-	58	2,843,286
Capital Outlay	-	4,879,646	-	4,879,646
Total Expenditures	<u>8,635,277</u>	<u>4,879,646</u>	<u>58</u>	<u>13,514,981</u>
Excess (Deficiency) of Revenues over Expenditures	<u>708,941</u>	<u>(3,936,960)</u>	<u>1,518</u>	<u>(3,226,501)</u>
Other Financing Sources and (Uses)				
Proceeds from Bond Refunding	-	-	90,621	90,621
Premium on Bonds	-	-	9,455	9,455
Payments to Escrow Agent	-	-	(100,076)	(100,076)
Operating Transfers In (Out)	(1,000,000)	1,000,000	-	-
Total Other Financing Sources	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
(Deficiency) Excess of Revenues and Other Sources over Expenditures and Other Uses	<u>(291,059)</u>	<u>(2,936,960)</u>	<u>1,518</u>	<u>(3,226,501)</u>
Fund Balance - Beginning of Year	<u>2,738,579</u>	<u>3,595,471</u>	<u>7,086</u>	<u>6,341,136</u>
Fund Balance - End of Year	<u>\$ 2,447,520</u>	<u>\$ 658,511</u>	<u>\$ 8,604</u>	<u>\$ 3,114,635</u>

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

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
A COMPONENT UNIT OF THE TOWN OF NORTH HEMPSTEAD - STATE OF NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds	\$ (3,226,501)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	4,878,822
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(2,769,689)
Losses on the disposal of assets are reported in the government-wide statement of activities, but are not recorded to the governmental funds.	(137,024)
On the statement of activities the actual and projected long term expenditures for postemployment benefits are reported whereas on the funds only the actual expenditures are recorded for postemployment benefits.	(433,908)
The current year net effect of amortization of premiums, discounts and bond issuance costs from deferred charges are reported activities on the Statement of Activities.	(421)
Payment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,918,544
Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. The change in the liability is recognized.	19,603
Some expenses in the Statement of Activites do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in Long-term Compensated Absences	<u>(7,166)</u>
Change in net position of governmental activities	<u>\$ 242,260</u>

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

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
A COMPONENT UNIT OF THE TOWN OF NORTH HEMPSTEAD - STATE OF NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014**

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 33,346
TOTAL ASSETS	<u>\$ 33,346</u>
<u>LIABILITIES</u>	
Deposits Held and Due To Others	\$ 33,346
TOTAL LIABILITIES	<u>\$ 33,346</u>

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

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1. Summary of Significant Accounting Policies

A. Organization

The Great Neck Water Pollution Control District (“District”) was founded approximately in 1914. The District serves more than 25,000 residents and businesses in the Villages of Saddle Rock, Kensington, the Village of Great Neck and those parts of Thomaston, Great Neck Plaza east of Middle Neck Road, as well as all unincorporated areas north of the railroad and a part of Manhasset.

The financial statements of the District were prepared in accordance with generally accepted accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing governmental accounting and financial reporting principals for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Financial Reporting Entity

Great Neck Water Pollution Control District is a component unit of the Town of North Hempstead. The Town approves the District budget, levies and collects the Real Property Taxes, maintains the District’s debt service and capital disbursements. In addition, Town approval is required for all debt issues.

Subject to the provisions of the State Constitution, the District is a political subdivision of the State of New York and operates pursuant to the Town Law, the Local Finance Law and other general laws of the State of New York.

The legislative power of the District is vested in the Board of Commissioners. There are three members of the Board, each of whom is elected for a term of three years.

All governmental activities and function/programs performed for the Great Neck Water Pollution Control District are its direct responsibility.

The financial reporting entity consists of (a) the District (b) organizations for which the District is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 61.

C. Basis of Presentation

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transaction are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the Statement of Activities, compared with the current financial measurement focus of the governmental funds.

Government-wide Financial Statements

The Government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. The effect of interfund activity, within the governmental column has been removed from these statements.

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net position is reported in three components-net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

See independent auditors’ report.

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

- a. General fund is the general operating fund of the DMA. It is used to account for and report all financial resources except those required to be accounted for in another fund.
- b. Capital fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including for the acquisition or construction of major capital assets.
- c. Debt service fund is used to account for and report the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income and financial position. All assets and liabilities are included on the Statement of Fiduciary Net Position. These activities are not included in the government-wide financial statements because their resources are not available to be used. The District has presented the following Fiduciary Fund:

1. Agency Funds account for assets held by the District in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. Agency Funds consist of deposits held by the District.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured (i.e. expenditures or expenses.)

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

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences such as vacation and sick leave which vests or accumulates, are charged as an expenditure when paid.

E. Budgetary Data

Budgets are adopted annually. All budget amounts provided in this report have been modified where necessary. The District's procedures in establishing the budgetary data reflected in the financial statements are as follows:

- a. On or before September 20th, the budget officer prepares estimates for each administrative unit.
- b. A public hearing is conducted to obtain taxpayers comments. Prior to September 30th, the Board submits a tentative budget to the Town Board of the Town of North Hempstead for the fiscal year commencing the following January 1st. This budget includes proposed expenditures and the means of financing for the General Fund.
- c. A public hearing is conducted by the Town Board of the Town of North Hempstead to obtain comments.
- d. No later than November 20th, the Town Board of the Town of North Hempstead adopts the budget of the Great Neck Water Pollution Control District.

All modifications of the budget must be approved by the Town Board of the Town of North Hempstead.

F. Cash, Cash Equivalents and Investments

The District primarily maintains its cash and investments in individual segregated accounts grouped by fund. All investments with an original maturity of three months or less when purchased are considered cash equivalents. Cash on deposit with financial institutions is collateralized in accordance with state's statutes.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets 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 these estimates.

H. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

See independent auditors' report.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

H. Interfund Transactions (Continued)

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is provided subsequently in these Notes.

I. Receivables

Receivables include amounts due from Federal, State and other governments or entities for services provided by the District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

J. Prepaid Items

Prepaid items in the fund and government-wide statements represent expenses paid that will benefit the subsequent period.

K. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets purchased or acquired with an original cost of \$1,000 or more and an estimated useful life in excess of one year are reported at historical cost or estimated historical cost if the actual historical cost is not available. Contributed assets are reported at a fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure assets for governmental activities after December 31, 1980, consisting of certain improvements other than buildings, including roads, curbs, sidewalks, drainage system, street lighting and sewer system are capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10-50 years
Improvements Other Than Buildings	5-50 years
Machinery and Equipment	5-50 years

The District evaluated prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At December 31, 2014, the District has not recorded any such impairment losses.

L. Collections in Advance

Collections in advance represent a liability for fees which pertain to services that will be provided by the District in the next fiscal year.

M. Grant Advances

Grant advances represent a liability for grant revenues collected in advance of eligible grant expenditures.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

N. Deferred Inflows of Resources

In addition to liabilities, the Statement of New Position and Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. 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. The District reports only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. The governmental funds report unavailable revenues for real property taxes. This amount is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

O. Compensated Absences

District employees are granted vacation and sick leave. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limitations. The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent obligations in the government-wide statements. In the fund financial statements only the compensated absence liability payable from expendable available resources is incurred. In accordance with the provisions of GASB Statement No 16 entitled *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

P. Other Benefits

Eligible District employees participate in the New York State Employees' Retirement System.

In addition to providing pension benefits, the District provides post-employment health insurance coverage for retired employees. The District accounts for these postemployment benefits in accordance with GASB Statement No. 45 (GASB 45) Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. In the government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting. The cost of providing these benefits is recorded as an expenditure in governmental funds in the year paid.

Q. Short-Term Debt

The District may issue Bond Anticipation Notes (BAN's) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

R. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long-term liabilities are liquidated through future budgetary appropriations of the general fund.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due within one year or due in more than one year in the Statement of Net Position.

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

S. Insurance

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

T. Equity Classifications

Government-wide Statements

In the government-wide statements there are three classes of net position:

Net investment in capital assets— consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports all other net position that do not meet the definition of “restricted” or net invested in capital assets, and are deemed to be available for general use by the District.

Governmental Fund Financial Statements

Under GASB 54, the fund balance now consists of five classifications; however the District only utilizes the following three:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, prepaid amounts.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted fund balances, including reserves in accordance with New York State law, are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund.

Restricted reserves currently in use by the District include the following:

Capital Projects – the capital project fund is restricted to the individual purpose for which bonds were issued or funds have been accumulated.

Reserve for Debt – the reserve for debt is a mandatory reserve and represents the interest earnings on proceeds for capital projects which use is limited to debt service on the related debt. This reserve also includes unspent debt-financed capital project funds, which use is also restricted to debt service on the related debt.

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

T. Equity Classifications (Continued)

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

The Board of Directors shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

S. Newly Adopted Accounting Principles

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of Statement No. 65 are effective for financial statements for periods beginning after December 15, 2012. The implementation of this statement resulted in a change in the presentation of the balance sheets for the governmental funds.

In March of 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. This statement has no effect on the financial statements.

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 2. Budget Basis of Accounting

District Management prepares a proposed budget for approval by the Board of Commissioners for the General Fund, the only fund with a legally adopted budget. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized in the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists, which was not determined at the time the budget was adopted. During the year, the Board approved additional appropriations of \$1,000,000, for Capital Fund transfers.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual Capital Project Fund expenditures as approved by the Board. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Note 3. Real Property Taxes

Real property taxes are collected on behalf of the District by the Town of North Hempstead. The County of Nassau is responsible for remitting 100% of the annual tax levy to the Town of North Hempstead. All unpaid taxes then become the responsibility of the County of Nassau.

Note 4. Cash And Investments

The District investment policies are governed by state statutes. In addition, the District has its own written investment policy. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. treasury and U.S. agencies, repurchase agreements, and obligations of New YorkState or its localities.

Collateral is required for demand deposits and certificates of deposit at 100 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 100 percent of the cost of the repurchase agreement.

Deposits and investments at year-end were entirely covered by federal deposit insurance and/or by collateral held by a custodial bank in the District's name.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 4. Cash And Investments (Continued)

Cash and investments at December 31, 2014 consisted of:

Checking - Interest Bearing	\$ 349,101
Money Market – Interest Bearing	1,814,714
On Deposit With the Comptroller, Town of North Hempstead	<u>1,882,626</u>
 Total Balances	 <u>\$4,046,441</u>
 Amount FDIC Insured	 \$2,163,815
On Deposit With the Comptroller, Town of North Hempstead	<u>1,882,626</u>
	 <u>\$4,046,441</u>

Custodial credit risk for deposits exist when, in the event of the failure of a depository financial institution, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

Collateral is required for that portion of deposits not covered by Federal Deposit Insurance Corporation or security in the form of a letter of credit (LOC) from the Federal Home Loan Bank (FHLB) is required. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

At December 31, 2014 the cash in banks were entirely collateralized by the FDIC insurance, FHLB/LOC or securities held by the bank, in trust or third party, in the name of the District.

Note 5. Interfund Receivables and Payables

The composition of the General Fund interfund balances at December 31, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$1,296,830
Capital Projects Fund	General Fund	288,137
Debt Service Fund	Capital Projects Fund	1,576
General Fund	Trust Fund	<u>62</u>
Total – Fund Financial Statements		1,586,605
Less: Fund eliminations		<u>(1,586,605)</u>
Total Interfund Balances – Government Wide Statement of Net Position		<u>\$ -</u>

See independent auditors' report.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 6. Change in Capital Assets

Capital assets transactions for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ 1,070,002	\$ -	\$ -	\$ 1,070,002
Construction in Progress	<u>56,185,003</u>	<u>4,879,646</u>	<u>(50,213,080)</u>	<u>10,851,569</u>
Total Non Depreciable Capital Assets	<u>57,255,005</u>	<u>4,879,646</u>	<u>(50,213,080)</u>	<u>11,921,571</u>
Depreciable Capital Assets				
Buildings	8,390,212	15,503,409	(146,349)	23,747,272
Improvements Other Than Buildings	7,851,705	32,937,742	(610,554)	40,178,893
Machinery and Equipment	<u>1,894,457</u>	<u>1,771,105</u>	<u>(126,313)</u>	<u>3,539,249</u>
Total Depreciable Capital Assets	<u>18,136,374</u>	<u>50,212,256</u>	<u>(883,216)</u>	<u>67,465,414</u>
Less Accumulated Depreciation				
Buildings	4,855,813	365,342	(80,293)	5,140,862
Improvements Other Than Buildings	6,792,165	832,573	(549,200)	7,075,538
Machinery and Equipment	<u>976,431</u>	<u>1,571,774</u>	<u>(116,699)</u>	<u>2,431,506</u>
Total Accumulated Depreciation	<u>12,624,409</u>	<u>2,769,689</u>	<u>(746,192)</u>	<u>14,647,906</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>5,511,965</u>			<u>52,817,508</u>
Total Net Capital Assets	<u>\$62,766,970</u>			<u>\$64,739,079</u>
Sewer Administration				\$ 18,245
Sanitary Sewers				20,539
Sewage Treatment and Disposal				<u>2,730,905</u>
Total governmental activities depreciation expense				<u>\$ 2,769,689</u>

Note 7. Long-Term Debt

The following is a summary of changes in long-term liabilities for the period ended December 31, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Serial Bonds	\$53,801,080	\$ 90,621	\$2,016,624	\$51,875,077	\$1,921,938
Compensated Absences	28,542	7,167	-	35,709	-
Postemployment Benefits	<u>1,623,069</u>	<u>521,175</u>	<u>87,267</u>	<u>2,056,977</u>	<u>-</u>
Totals	<u>\$55,452,691</u>	<u>\$ 618,963</u>	<u>\$2,103,891</u>	<u>\$53,967,763</u>	<u>\$1,921,938</u>

Increases and decreases to compensated absences are shown net since it is impractical to determine these items separately.

See independent auditors' report.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 7. Long-Term Debt

Serial Bonds - The District borrows money in order to acquire land, and equipment, to construct roads and other improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of these capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

The following is a schedule of general obligation and revenue bonds:

<u>Description of Issue</u>	<u>Original Issue</u>	<u>Issued Date</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount Outstanding</u>
1992 Waste Water Treatment Works	\$ 8,192,000	11/92	11/16	2.9%-6.4%	\$ 724,000
2003 Various Purpose (2014 Refunding)	224,315	7/14	7/19	2%-5%	76,077
2012 Improvement Bonds	54,148,000	10/12	10/42	1.3%-2.5%	<u>51,075,000</u>
Total Serial Bonds					<u>\$51,875,077</u>

Future principal and interest payments to maturity are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,921,938	\$ 742,264	\$ 2,664,202
2016	1,925,497	714,776	2,640,273
2017	1,565,197	697,935	2,263,132
2018	1,570,896	691,138	2,262,034
2019	1,581,549	683,045	2,264,594
2020-2024	8,005,000	3,226,526	11,231,526
2025-2029	8,560,000	2,706,700	11,266,700
2030-2034	9,400,000	1,980,433	11,380,433
2035-2039	10,475,000	1,158,459	11,633,459
2040-2042	<u>6,870,000</u>	<u>258,723</u>	<u>7,128,723</u>
	<u>\$51,875,077</u>	<u>\$12,859,999</u>	<u>\$64,735,076</u>

Advanced Refunding - During the fiscal year ended December 31, 2014, the primary government issued \$11,545,000 of Series B - Refunding Serial Bonds of which \$90,621 was issued on behalf of the District, bearing interest rates of 2.00% to 5.00% and has a final maturity date of July 15, 2022. Proceeds of \$99,504 for the District were placed in an irrevocable trust to provide for all future debt service payments related to the advanced refunding of the 2004 General Obligation Bonds plus accrued interest at the time of the defeasance. The remaining amount of the 2014 issuance was utilized for payment of the related ancillary charges inclusive of bond issuance costs and related discount/premiums.

The issuance of new debt and the related payment of principal and interest are recorded in the fund level statements as proceeds of debt and payment to escrow respectively. Accordingly, the aforementioned trust account asset and liability for the defeased bonds are not included in the District's financial statements. As of December 31, 2014 the 2004 General Obligation Bonds are considered defeased and the outstanding principal amount of the defeased bonds is \$98,079 as of December 31, 2014.

As a result of the refunding, the District will decrease its total debt service requirement by \$10,660, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of approximately \$9,000, or 9.5% of the principal amount being refunded. The unamortized balance for the defeased bonds was \$0 at the time of the defeasance. The deferred charges and issuance premium were immaterial to the District's financial statements.

See independent auditors' report.

**GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 8. Pension Plan

**State Wide Local Government Retirement System
Plan Description**

The District participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan collectively known as NYSLRS. These are cost-sharing multiple-employer retirement systems. 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 funds. 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. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially rates expressly used in computing the employers' contributions based on salaries paid during the NYSLRS fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2014	\$219,866
2013	\$219,892
2012	\$139,964

Note 9. Other Postemployment Benefits – (OPEB)

Plan Description

The District 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 (NYSHIP) (the "Plan"). Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. The District does not issue a publicly available financial report for the plan; however, the financial activities of NYSHIP are included with the financial statements of the State of New York.

Funding Policy

The Plan provides a specified percentage of the retiree health premium (and, if applicable, the retiree's spouse's premium) charged by the insurance carrier is paid by the District. The District will pay 100% of the individual employee's health premium.

At this time there is no New York State statute providing local governments with the authority for establishing a postemployment benefits trust. Since the District cannot fund the OPEB liability at this time, the required contribution is based on a projected pay-as-you-go financing requirements. The contribution requirements of Plan members and the District are established by the Board of Commissioners. For the year ended December 31, 2014, the District recognized a general fund expenditure of \$87,267 for currently enrolled retirees.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 9. Other Postemployment Benefits – (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in District's net OPEB obligation to the retiree:

Annual required contribution (ARC)	\$ 610,696
Interest on net OPEB obligation	31,418
Adjustment to Annual required contribution	<u>(120,939)</u>
Annual OPEB cost (expense)	521,175
Contributions made	<u>(87,267)</u>
Change in net OPEB obligation	433,908
Net OPEB obligation - beginning of year	<u>1,623,069</u>
Net OPEB obligation - end of year	<u>\$2,056,977</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$610,696	\$521,175	\$87,267	17%	\$2,056,977
2013	\$493,915	\$517,742	\$86,009	17%	\$1,623,069
2012	\$493,915	\$475,019	\$78,185	16%	\$1,191,336

Note 10. Commitments and Contingencies

Federal and State Grants

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

Other

The District 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 a material effect on the financial statements.

Note 11. Subsequent Events

The District has evaluated events and transactions that occurred through May 1, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
(A Component Unit of the Town of North Hempstead, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 12. Recent Accounting Principles

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

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. GASB No. 67 and No. 68 changes how governments calculate and report the costs and obligations associated with pensions and improve the decision-usefulness of reported pension information and increase the transparency, consistency, and comparability of pension information. Statement No. 67 will take effect for periods beginning after June 15, 2013. Statement No. 68 will take effect for periods beginning after June 15, 2014. The District does not believe these statements will have a material impact on its financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2014.

In January 2013, GASB issued 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 District does not believe this statement will have a material impact on its financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

The District is currently evaluating the impact, if any, of the above pronouncements.

GREAT NECK WATER POLLUTION CONTROL DISTRICT

(A Component Unit of the Town of North Hempstead, New York)

SCHEDULE OF FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFITS (Unaudited)

Year Ended December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/14	\$ -	\$4,724,504	\$4,724,504	0.0%	\$1,104,010	428%
1/1/12	\$ -	\$4,005,281	\$4,005,281	0.0%	\$1,083,693	370%
12/31/10	\$ -	\$2,999,546	\$2,999,546	0.0%	\$1,027,234	292%
12/31/08	<u>\$ -</u>	<u>\$1,651,849</u>	<u>\$1,651,849</u>	<u>0.0%</u>	<u>\$ 778,426</u>	<u>212%</u>

Next valuation date will be at 12/31/15.

GREAT NECK WATER POLLUTION CONTROL DISTRICT
A COMPONENT UNIT OF THE TOWN OF NORTH HEMPSTEAD - STATE OF NEW YORK
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Real Property Taxes	\$ 6,431,506	\$ 6,431,506	\$ 6,431,509		\$ 3
Sewer Charges and Connections	2,381,049	2,381,049	2,818,174		437,125
Interest, Rents and Commissions	10,000	10,000	5,648		(4,352)
Licenses and Perits	4,000	4,000	11,650		7,650
Forfeitures of Deposits	-	-	1,350		1,350
Miscellaneous Local Sources	-	-	75,887		75,887
Total Revenues	<u>\$ 8,826,555</u>	<u>\$ 8,826,555</u>	<u>\$ 9,344,218</u>		<u>\$ 517,663</u>
Other Financing Sources:					
Appropriated Fund Balance	<u>-</u>	<u>1,000,000</u>			
Total Revenues and Other Sources	<u>\$ 8,826,555</u>	<u>\$ 9,826,555</u>			
Expenditures:					
Current:					
Sewer Administration	\$ 765,500	\$ 765,500	\$ 734,461	\$ -	\$ 31,039
Sanitary Sewers	1,778,200	1,308,200	1,294,428	-	13,772
Sewage Treatment and Disposal	2,266,890	2,736,890	2,736,061	-	829
Insurance	225,000	225,000	187,562	-	37,438
Employee Benefits	971,500	947,737	839,537	-	108,200
Total Current	<u>6,007,090</u>	<u>5,983,327</u>	<u>5,792,049</u>	<u>-</u>	<u>191,278</u>
Debt Service	<u>2,819,465</u>	<u>2,843,228</u>	<u>2,843,228</u>	<u>-</u>	<u>-</u>
Other Financing Sources:					
Transfer to Capital Fund	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 8,826,555</u>	<u>\$ 9,826,555</u>	<u>\$ 9,635,277</u>	<u>\$ -</u>	<u>\$ 191,278</u>

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