

PORT WASHINGTON
WATER POLLUTION CONTROL DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2015

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Port Washington Water Pollution
Control District
Port Washington, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Washington 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Washington Water Pollution Control District, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, as well as Management's Discussion and Analysis ("MD&A"), in 2015, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The adoption of these statements resulted in a prior-period adjustment. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information, on pages 3-9, and 35-43 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements including the capital projects fund by project and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements including the capital projects fund by project and the Schedule of Expenditures of Federal Awards are the responsibility of management and were 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 combining fund financial statements including the capital projects fund by project and the Schedule of Expenditures of Federal Awards are 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 May 17, 2016, on our consideration of Port Washington Water Pollution Control District'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 Port Washington Water Pollution Control District's internal control over financial reporting and compliance.

Don Angelo and Associates, CPAs P.C.

Melville, New York
May 17, 2016

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015**

This section of the Port Washington Water Pollution Control District's (the "District") annual financial report presents an overview of the District's financial activities during the year 2015. This information is presented in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$15.9 million at December 31, 2015, an increase of \$497,000 or 3.2 percent from the previous year.
- The District's governmental funds reported combined ending fund balances of \$1,723,000, a decrease of \$471,000 in comparison with the previous year. The decrease is primarily attributable to decreases in the fund balances of the general fund of \$334,000 and in the debt service fund of \$285,000 plus an increase in the capital projects fund of \$148,000.
- Revenues for the District increased by \$781,000 or 13.4 percent in 2015.
- Expenses for the District increased by \$125,000 or 1.7 percent in 2015.
- The District issued \$600,000 Bond Anticipation Notes in the prior year to finance the engineering cost of the capital project to replace the 60 year old 12-inch and 14-inch siphon line system of which \$300,000 was paid down in 2015.
- The District received an interest free loan from the New York State Storm Mitigation Loan Program through the NYS Environmental Facilities Corporation and a 25% grant of total eligible project costs. Funds from the loan and the grant were utilized for the Sandy Hollow Road Siphon Line Rehabilitation.
- See the Analysis sections of this MD&A for more details.
- On the Government-Wide and Fund Financial Statements, the District has adopted Governmental Accounting Standards Board ("GASB") Statement 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," for the year ended December 31, 2015. The adoption of this principle resulted in a restatement of the District's opening net position as of January 1, 2015, in the amount of \$196,079, as indicated in Note 16 to the financial statements. Prior year balances reflected in MD&A have been updated, for comparison purposes, to reflect the change where indicated.

USING THESE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis, the basic financial statements and Other Required Supplementary Information. The financial statements also include notes, which explain in more detail some of the information in the financial statements.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015**

BASIC FINANCIAL STATEMENTS

The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a similar perspective to that found in the private sector with its basis on full accrual accounting and certain eliminations.

The first of these government-wide statements is the Statement of Net Position, on page 10. This is the District-wide statement of net position presenting information that includes all of the District's assets and liabilities, with the difference reported as Net Position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall financial health of the District would extend to other nonfinancial factors such as changes in the District's property tax base and the condition of the District's buildings, equipment and infrastructure.

The second government-wide statement is the Statement of Activities, on page 13, which reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the District's activities on revenues provided by the District's taxpayers.

In the Statement of Activities the District presents a single activity that is governmental activities. The District's sole function is to provide sewer services to the public. There are no proprietary funds.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole.

Governmental funds are reported in the fund financial statements and include the same functions reported as governmental activities in the government-wide financial statements. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services that it provides. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term. The governmental funds financial statements can be found on pages 11 and 14 of this report.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insights into the long-term impact of short-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Revenues, Expenditures and Changes in the Fund Balances Statement provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives. The reconciliations can be found on pages 12 and 15 of this report.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015**

Budgetary comparisons are included in the basic financial statements for the General Fund, on pages 39 through 44 of this report. The comparisons demonstrate compliance with the District's adopted and adjusted budget.

Notes to the financial statements 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 16 through 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

SUMMARY OF NET POSITION

	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 4,378,295	\$ 3,503,861
Capital Assets	<u>34,193,694</u>	<u>34,336,496</u>
Total Assets	38,571,989	37,840,357
Deferred Outflow of Resources	<u>221,198</u>	<u>42,091</u>
Total Assets and Deferred Outflow of Resources	<u>38,793,187</u>	<u>37,882,448</u>
Long-Term Liabilities	19,066,724	19,976,056
Other Liabilities	<u>3,788,296</u>	<u>2,454,237</u>
Total Liabilities	<u>22,855,020</u>	<u>22,430,293</u>
Deferred Inflow of Resources	<u>39,428</u>	<u>50,693</u>
Total Liabilities and Deferred Inflow of Resources	<u>22,894,448</u>	<u>22,480,986</u>
Invested in Capital Assets, Net of Related Debt	11,667,472	13,609,200
Restricted	158,426	633,453
Unrestricted	<u>4,072,841</u>	<u>1,158,809</u>
Total Net Position	\$ <u>15,898,739</u>	\$ <u>15,401,462</u>

ANALYSIS OF OVERALL FINANCIAL POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$15.9 million at December 31, 2015. By far the most significant portion (73%) of the District's total assets reflects its investment in capital assets (e.g., land, buildings, sewers lines, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should not be used to liquidate these liabilities. An additional portion of the District's total assets (1%) represents resources that are partially subject to external restrictions on how they may be used. The District's total net position increased by \$497,000 or 3.2% from the prior year.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015**

The following provides an explanation of assets and liabilities that changed significantly from the previous year:

- Current and other assets-The \$874,000 increase is mainly due to an increase in Cash of \$1,004,000, an increase in Accounts Receivable-Other of \$205,000, offset by a decrease in Restricted Cash of \$394,000.
- Capital Assets-The \$143,000 decrease is mainly due to new machinery and equipment and the capitalization of infrastructure from construction in progress, which is less than depreciation for the year.
- Long-term liabilities-The \$909,000 decrease is mostly attributable to the increase in other post employment benefits offset by payment of outstanding debt and a decrease in the proportionate share of net pension liability.
- Other liabilities-The \$1,334,000 increase is mostly attributable to increases in Notes Payable offset by a decrease in Bond Anticipation Notes Payable and a decrease in Contracts Payable.
- Net Position (Restricted and Unrestricted)-The \$2,439,000 increase is largely attributable to the increases in Cash and Accounts Receivable-Other, and Other liabilities, offset by decreases in Restricted Cash and Long-term liabilities.

SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues		
Departmental Income	\$ <u>991,199</u>	\$ <u>1,041,840</u>
Subtotal Program Revenues	<u>991,199</u>	<u>1,041,840</u>
General Revenues		
Real Property Taxes	4,839,697	4,782,303
Interest	8,374	10,610
Refund of Prior Years Expenditures	4,326	4,738
Sale of Equipment	10,190	-
Federal Aid-Emergency Disaster Assistance	54,453	-
Federal Grant Aid	712,357	-
Other Unclassified Revenue	-	36
Subtotal General Revenues	<u>5,629,397</u>	<u>4,797,687</u>
Total Revenues	<u>6,620,596</u>	<u>5,839,527</u>
Expenditures		
Salaries and Benefits	2,463,422	2,935,230
Operations	1,619,263	1,552,177
Depreciation	1,695,060	1,577,694
Debt Service	<u>255,143</u>	<u>415,327</u>
Total Expenditures	<u>6,032,888</u>	<u>6,480,428</u>
Other Financial Sources (Uses):		
Refunding Bond Issuance Costs	-	(3,408)
Fiscal Agent Fees	<u>(90,431)</u>	<u>(80,701)</u>
Total Other Financial Sources (Uses)	<u>(90,431)</u>	<u>(84,109)</u>
Increase (Decrease) in Net Position	497,277	(725,010)
Net Position – beginning	<u>15,401,462</u>	<u>16,126,472</u>
Net Position – ending	\$ <u>15,898,739</u>	\$ <u>15,401,462</u>

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015**

ANALYSIS OF RESULTS OF OPERATIONS

Total revenues increased by \$781,000 or 13.4%. The majority of the positive variance is attributable to increases in Federal Aid-Emergency Disaster Assistance of \$54,000 and in Federal Grant Aid of \$712,000.

The decrease in expenditures of \$448,000 or 7.0 % was principally due to the decreases in salaries and benefits and debt service, offset by increases in operations and depreciation.

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The fund balances of the District's governmental funds decreased by \$471,000. The majority of the decrease is attributable to a decrease in the Debt Service Fund as a result of the depletion of debt service reserve. The net decrease in the General Fund Balance of \$334,000 or 10.0% is mainly due to a decrease in salaries and benefits; increases in Federal Aid-Emergency Disaster Assistance that are offset by increases in debt service payments and transfers to other funds. The net increase in the Capital Projects Fund of \$148,000 or 10.2% is mainly due to an increase in Federal Grant Aid.

GENERAL FUND BUDGETARY HIGHLIGHTS

The decrease of \$3,000 in the original adopted budget and the modified budget represents net savings resulting from decreases in personal services, and increases in capital outlay, auditing and legal in the Sewer Administration Department.

The decrease of \$134,000 in the adjusted budget of the Sanitary Sewers Department is primarily due to savings in personal services, capital outlay, lighting, heating, engineering, and gas, oil, etc., offset by increases in repairs and maintenance of plant and grounds.

The decrease of \$49,000 in the Sewage Treatment and Disposal Department is attributable to positive variances in light and power and treatment and disposal of sewage and sludge, offset by increases in engineering and repairs and maintenance of plant and grounds.

The \$106,000 decrease in Employee Benefits is due to decreases in state retirement benefits, workers compensation, unallocated insurance and social security and Medicare.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At the end of 2015, the District had \$34.2 million invested in land, buildings, equipment, sewer lines and pumping stations. There was a net decrease in capital assets of about \$143,000. The District added \$3,035,000 in new fixed assets, and completion of construction in progress of \$1,483,000. Depreciation recorded for 2015 was \$1,695,000. The District has a capitalization policy of \$5,000 and expenses all items under \$5,000. Some items costing under \$5,000 were included in capital assets before the \$5,000 capitalization policy was implemented.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015**

**CAPITAL ASSETS
NET OF DEPRECIATION**

	<u>2015</u>	<u>2014</u>
Land	\$ 3,838,223	\$ 3,838,223
Buildings	1,769,486	1,846,090
Improvements	1,899,316	1,946,496
Equipment	534,127	1,058,470
Infrastructure	26,152,542	24,164,680
Construction in Progress	<u>-</u>	<u>1,482,537</u>
Total	<u>\$ 34,193,694</u>	<u>\$ 34,336,496</u>

See Note 3 Capital Assets on page 24 for a summary of changes and Note 8 Capital Projects on page 32 for additional information.

The District is not authorized to bond debt directly. The Town of North Hempstead (the "Town") borrows funds for the benefit of the District. Since the District has no bond rating of its own, the Town's credit rating is used. The Town has refunded various bonds, including some bonds of the District in April 2015.

On September 10, 2013, the Town Board approved appropriating \$5.7 million for the replacement of 12-inch and 14-inch siphon line system project and the replacement of emergency generators at pump stations G, K & O. Construction of the siphon line project started in July 2014 and was completed in June 2015.

This year's expenditures were primarily devoted to the Sandy Hollow Road Siphon Line Rehabilitation.

OUTSTANDING DEBT

	<u>2015</u>	<u>2014</u>
Serial Bonds	\$ 2,197,100	\$ 2,757,860
Environmental Facilities Corp. Bonds	13,325,000	13,870,000
NYS EFC Grid Note	2,121,644	-
Short Term Borrowing	<u>300,000</u>	<u>600,000</u>
	<u>\$17,943,744</u>	<u>\$17,227,860</u>

See Note 9 Long Term Debt on pages 33 and 34, and Note 10 Bond Anticipation Notes Payable and Other Short Term Borrowings on page 35, if any, for additional information.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Since the main source of revenue for the District is real property taxes, the financial stability of real estate values and the resulting assessed valuation are very important to the District. Although the District has ample capacity to handle additional wastewater flows, the District's tax base is rather mature and does not foresee a major increase in its taxable valuation.

The District's budget for 2016 has decreased by \$472,796 or 7.3%. The real estate tax levy has been increased by \$667 or .01%. The amount of appropriated fund balance for 2016 is \$135,073, a decrease of \$437,796 from 2015. The 2016 budget's Operation and Maintenance appropriations increased by .4% while Debt Service appropriation increased by 29.0%.

The District has incorporated a benefit basis component in its tax rate structure since 2007. The benefit basis calculation measures and charges the benefit received by each household according to the water used and discharged into the collection systems during the dry months, typically the first quarter of the year.

The national economy still continues to have a negative impact on virtually every municipal budget.

The "Tax Levy Limitation Law" which was enacted on June 24, 2011, restricts the amount of property taxes that may be levied by or on behalf of a district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult.

Increases in the cost of health insurance and contributions to the retirement systems continue to place a burden on the District's finances. New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System will be lower in 2015-2016. Employer contributions to the State Retirement Systems are one of the exemptions to the "Tax Levy Limitation Law." The NYS Health Insurance Program that provides medical coverage for District employees has become a self-insured program effective January 1, 2014. The projected increase in net insurance premium for 2016 is 9.1%, in aggregate, for The Empire Plan and 9.0%, in aggregate, for The Excelsior Plan.

GASB Statement 45 will continue to place a greater obligation on the District's taxpayers in the upcoming fiscal years as retiree health benefits are now recognized over periods that approximate the employees' years of active service.

CONTACTING DISTRICT MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact the District's management at 70 Harbor Road, Port Washington, New York 11050.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	General Fund	Other Funds	Total	Adjustments	Statement of Net Position
ASSETS					
Cash	\$ 2,802,346	\$ 500,000	\$ 3,302,346	\$ -	\$ 3,302,346
Accounts Receivable-Other	1,648	5	1,653	825,358	827,011
Interfund Receivables	167,628	3,697	171,325	(171,325)	-
Due From Other Governments	32,908	792,450	825,358	(825,358)	-
Prepaid Expense	162,387	-	162,387	-	162,387
Inventory	86,551	-	86,551	-	86,551
Land	-	-	-	3,838,223	3,838,223
Capital Assets, Net of Depreciation	-	-	-	30,355,471	30,355,471
Total Assets	<u>3,253,468</u>	<u>1,296,152</u>	<u>4,549,620</u>	<u>34,022,369</u>	<u>38,571,989</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Expense Bond Refunding of 2003	-	-	-	33,673	33,673
Deferred Outflows of Resources - NYSERS pension related	-	-	-	187,525	187,525
Total Assets and Deferred Outflows of Resources	<u>3,253,468</u>	<u>1,296,152</u>	<u>4,549,620</u>	<u>34,243,567</u>	<u>38,793,187</u>
LIABILITIES					
Accounts Payable/Contracts Payable	-	1,935	1,935	-	1,935
Retained Percentages, Contracts Payable	-	-	-	-	-
Accruals	231,462	-	231,462	95,172	326,634
Interfund Payables	-	171,325	171,325	(171,325)	-
Due to Other Governments	-	229	229	-	229
Deferred Revenue	-	-	-	-	-
Bond and Note Payable	-	2,421,644	2,421,644	-	2,421,644
Long-Term Balances - Due Within One Year	-	-	-	1,037,854	1,037,854
Long-Term Balances - Due After One Year	-	-	-	19,066,724	19,066,724
Total Liabilities	<u>231,462</u>	<u>2,595,133</u>	<u>2,826,595</u>	<u>20,028,425</u>	<u>22,855,020</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Income Bond Refunding of 2014	-	-	-	39,428	39,428
Total Liabilities and Deferred Inflows of Resources	<u>231,462</u>	<u>2,595,133</u>	<u>2,826,595</u>	<u>20,067,853</u>	<u>22,894,448</u>
FUND BALANCE/NET POSITION					
Fund Balances:					
Nonspendable	248,938	-	248,938	(248,938)	-
Restricted	154,958	3,468	158,426	(158,426)	-
Assigned	265,073	-	265,073	(265,073)	-
Unassigned	2,353,037	(1,302,449)	1,050,588	(1,050,588)	-
Total Fund Balances	<u>3,022,006</u>	<u>(1,298,981)</u>	<u>1,723,025</u>	<u>(1,723,025)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,253,468</u>	<u>\$ 1,296,152</u>	<u>\$ 4,549,620</u>		
NET POSITION:					
Net investment in capital assets				11,667,472	11,667,472
Restricted for:					
Employee Benefits Accrued Liability				154,958	154,958
Debt Service				3,468	3,468
Unrestricted				4,072,841	4,072,841
Total Net Position				<u>\$ 15,898,739</u>	<u>\$ 15,898,739</u>

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

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

ASSETS	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Cash	\$ 2,802,346	\$ -	\$ 500,000	\$ 3,302,346
Accounts Receivable-Other	1,648	-	5	1,653
Due From Other Funds	167,628	3,697	-	171,325
Due From Other Governments	32,908	-	792,450	825,358
Prepaid Expenses	162,387	-	-	162,387
Restricted Cash	-	-	-	-
Inventory	86,551	-	-	86,551
TOTAL ASSETS	\$ 3,253,468	\$ 3,697	\$ 1,292,455	\$ 4,549,620
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable/Contracts Payable	\$ -	\$ -	\$ 1,935	\$ 1,935
Retained Percentages, Contracts Payable	-	-	-	-
Accruals	231,462	-	-	231,462
Due to Other Funds	-	-	171,325	171,325
Due to Other Governments	-	229	-	229
Deferred Revenue	-	-	-	-
Bond and Note Payable	-	-	2,421,644	2,421,644
TOTAL LIABILITIES	231,462	229	2,594,904	2,826,595
Fund Balances:				
Nonspendable	248,938	-	-	248,938
Restricted	154,958	3,468	-	158,426
Assigned	265,073	-	-	265,073
Unassigned	2,353,037	-	(1,302,449)	1,050,588
TOTAL FUND BALANCES	3,022,006	3,468	(1,302,449)	1,723,025
TOTAL LIABILITIES & FUND BALANCES	\$ 3,253,468	\$ 3,697	\$ 1,292,455	\$ 4,549,620

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

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
DECEMBER 31, 2015**

\$ 1,723,025

Total fund balances - governmental funds

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 current financial resources in the governmental funds balance sheet. 34,193,694

Interest payable on long-term debt does not require current financial resources. Therefore,
the accrual is not reported as a liability in the governmental funds balance sheet. (95,172)

Deferred outflows of resources represents future amortization of net refunding expense are
not reported in governmental funds. 33,673

Deferred outflows of resources - NYSERS pension related 187,525

Proportionate share of net pension liability - NYSERS (146,586)

Deferred inflows of resources represents future amortization of net refunding expense are
not reported in governmental funds. (39,428)

Long-term liabilities are not due in the current period and therefore, are not reported in the
governmental funds balance sheet:

Due within one year

\$ 1,037,854

Due in more than one year

18,920,138

(19,957,992)

\$ \$15,898,739

Total net position of governmental activities

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

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DECEMBER 31, 2015**

	General Fund	Other Funds	Total	Adjustments	Statement of Activities
Expenditures and Expenses: Sewer Services					
Salaries & Benefits	\$ 2,439,570	\$ -	\$ 2,439,570	\$ 23,852	\$ 2,463,422
Capital Outlay	156,619	1,395,641	1,552,260	(1,552,260)	-
Operations	1,619,263	-	1,619,263	1,695,060	3,314,323
Debt Service:					
Principal	300,000	1,022,904	1,322,904	(1,322,904)	-
Interest and Other Charges	2,629	376,852	379,481	(124,338)	255,143
Total Expenditures/Expense	<u>4,518,081</u>	<u>2,795,397</u>	<u>7,313,478</u>	<u>(1,280,590)</u>	<u>6,032,888</u>
Program Revenues:					
Departmental Income	991,199	-	991,199	-	991,199
Net Program Expense					<u>5,041,689</u>
General Revenues:					
Real Property Taxes	4,839,697	-	4,839,697	-	4,839,697
Interest Earnings	4,970	3,404	8,374	-	8,374
Refund of Prior Years Expenditures	4,326	-	4,326	-	4,326
Sale of Equipment	10,190	-	10,190	-	10,190
Federal Aid-Emergency Disaster Assistance	54,453	-	54,453	-	54,453
Federal Grant Aid	-	712,357	712,357	-	712,357
Total General Revenues	<u>4,913,636</u>	<u>715,761</u>	<u>5,629,397</u>	<u>-</u>	<u>5,629,397</u>
Other Financing Sources (Uses):					
Operating Transfers	(1,720,893)	1,720,893	-	-	-
Premium on Refunding Bonds	-	144,159	144,159	(144,159)	-
Proceeds from Refunding Bonds	-	1,142,688	1,142,688	(1,142,688)	-
BAN's Redeemed by Appropriation	-	300,000	300,000	(300,000)	-
Payment to Escrow Agent	-	(1,274,381)	(1,274,381)	1,274,381	-
Fiscal Agent Fees	-	(90,431)	(90,431)	-	(90,431)
Total Other Financing Sources (Uses)	<u>(1,720,893)</u>	<u>1,942,928</u>	<u>222,035</u>	<u>(312,466)</u>	<u>(90,431)</u>
Total General Revenues and Other Financing Sources (Uses)	<u>3,192,743</u>	<u>2,658,689</u>	<u>5,851,432</u>	<u>(312,466)</u>	<u>5,538,966</u>
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	(334,139)	(136,708)	(470,847)	470,847	-
Change in Net Position				497,277	497,277
Fund Balances/Net Position:					
Beginning of the year	3,356,145	(1,162,273)	2,193,872	13,207,590	15,401,462
End of the year	<u>\$ 3,022,006</u>	<u>\$ (1,298,981)</u>	<u>\$ 1,723,025</u>	<u>\$ 14,175,714</u>	<u>\$ 15,898,739</u>

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

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND NET POSITION
DECEMBER 31, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues:				
Real Property Taxes	\$ 4,839,697	\$ -	\$ -	\$ 4,839,697
Departmental Income:				
Sewer Rents	169,365	-	-	169,365
Sewer Service Charges	19,811	-	-	19,811
Sewer Services to Other Governments	802,023	-	-	802,023
Interest Earnings	4,557	-	5	4,562
Interest Earnings - Reserves	413	3,399	-	3,812
Refund of Prior Years Expenditures	4,326	-	-	4,326
Sale of Equipment	10,190	-	-	10,190
Federal Aid-Emergency Disaster Assistance	54,453	-	-	54,453
Federal Grant Aid	-	-	712,357	712,357
Other Unclassified Revenue	-	-	-	-
Total Revenues	<u>5,904,835</u>	<u>3,399</u>	<u>712,362</u>	<u>6,620,596</u>
Expenditures:				
Sewer Administration	362,915	-	-	362,915
Sanitary Sewers	1,043,963	-	-	1,043,963
Sewage Treatment and Disposal	1,712,850	-	-	1,712,850
Employee Benefits	1,095,724	-	-	1,095,724
Capital Projects	-	-	1,395,641	1,395,641
Debt Service:				
Serial Bonds - Principal	-	1,022,904	-	1,022,904
Serial Bonds - Interest	-	376,852	-	376,852
Bond Anticipation Notes - Principal	300,000	-	-	300,000
Bond Anticipation Notes - Interest	2,629	-	-	2,629
Fiscal Agent Fees	-	90,431	-	90,431
Subtotal of Expenditures	<u>4,518,081</u>	<u>1,490,187</u>	<u>1,395,641</u>	<u>7,403,909</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,386,754</u>	<u>(1,486,788)</u>	<u>(683,279)</u>	<u>(783,313)</u>
Other Financing Sources (Uses):				
Operating Transfers	(1,720,893)	1,189,701	531,192	-
Premium on Refunding Bonds	-	144,159	-	144,159
Payment of Escrow to Refunding Agent	-	(1,274,381)	-	(1,274,381)
BAN's Redeemed by Appropriation	-	-	300,000	300,000
Proceeds from Refunding Bonds	-	1,142,688	-	1,142,688
Total Other Financing Sources (Uses)	<u>(1,720,893)</u>	<u>1,202,167</u>	<u>831,192</u>	<u>312,466</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(334,139)</u>	<u>(284,621)</u>	<u>147,913</u>	<u>(470,847)</u>
Fund Balances January 1, 2015	<u>3,356,145</u>	<u>288,089</u>	<u>(1,450,362)</u>	<u>2,193,872</u>
Fund Balances December 31, 2015	<u>\$ 3,022,006</u>	<u>\$ 3,468</u>	<u>\$ (1,302,449)</u>	<u>\$ 1,723,025</u>

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

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Net change in fund balances - governmental funds			(\$470,847)
Amounts reported for governmental activities in the statement of net position 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 some of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the period.		1,552,260	
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 governmental funds.		(1,695,060)	
Governmental funds report debt principal as expenditures. However, in the government-wide statement of net position, these expenditures are considered reductions of liabilities.		1,322,904	
Repayment of bond anticipation notes is an expenditure in the governmental funds but reduces the liability in the statement of net position.		(300,000)	
Proceeds from the issuance of advanced refunding bonds are recorded as revenues in the governmental funds, however these proceeds represent an increase in liabilities in the statement of net position.		(1,286,847)	
Payment to the escrow agent for refunded bonds is an expenditure in the governmental funds, but the payment reduced long-term liabilities in the statement of net position.		1,274,381	
On the statement of activities, the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.		(248,920)	
Change of compensated absence expense is reported as reduction of salary in the statement of activities and changes in net position, but does not provide the use of current resources, and therefore is not reported as a revenue in governmental funds.		(11,950)	
Accrued interest expense and deferred interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current resources; therefore, accrued interest is not reported as an expenditure in governmental funds.		124,338	
(Increases) decreases in the proportionate share of net pension asset/liability reported in the statement activities and changes in net position do not provide for or require use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds:			
Change in deferred outflows of resources - NYSERS pension related	187,525		
Proportionate share of net pension liability - NYSERS	49,493	237,018	
		<u>\$497,277</u>	
Total net change in net position of governmental activities			

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

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port Washington Water Pollution Control District's (the "District") financial statements are prepared in accordance with generally accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict. The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

The Port Washington Water Pollution Control District was established in 1915 as a Special Improvement District in accordance with the provision of Article 12 of the Town Law of the State of New York. It is a Commissioner-operated Special District in the Town of North Hempstead, Nassau County (the "Town"). The Commissioners, of which there are three, are elected by the voters of the District. The District operates its own budget, which is substantially funded through real property tax revenues. The Town collects the tax levy or notes are issued by the Town (and guaranteed by them) on behalf of the District to be paid by the taxpayers of the District. Under Governmental Accounting Standards Board (GASB) Statement 14, amended by GASB Statement 61, the District is a Component Unit of the Town of North Hempstead. These financial statements are included in the financial statements of the Town.

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Assets, the governmental activities columns: (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – Net investment in capital assets, Restricted for debt service, Restricted for capital, and Unrestricted.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are supported by general tax levies and contracts with users not in the District. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Capital grants, when received, are generally for capital projects.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. These funds are in conformity with the Uniform System of Accounts for Towns prescribed by the Comptroller of the State of New York, pursuant to Article 3, section 36 of General Municipal Law of the State of New York.

GOVERNMENTAL FUNDS

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District.

GENERAL FUND

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for acquisition of construction of major capital facilities. Resources provided by bonded debt are administered by the Town on behalf of and at the direction of the District.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. ACCRUAL

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

2. MODIFIED ACCRUAL

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available (within the next 60 days) as net current assets. If expenditures are the primary factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures are recognized when the related fund liability is incurred. Exceptions to this rule are prepaid expenses and inventory type items which are recognized at the time of expenditure, compensated absences, amounts due the New York Retirement System, and principal and interest on long-term debt which are recognized as expenditures when due.

E. BUDGETS AND BUDGETARY ACCOUNTING

The District prepares its budget, then takes appropriate input and approval measures to comply with legal statutes.

The prior year encumbrances are included in the columns "Adjusted Budget." During the year, the Commissioners approve the transfer of the line item appropriations within the budget.

Unrestricted resources are used first when expenses are incurred. If it is determined appropriate, the Commissioners will approve a resolution to repay the expense with restricted resources.

F. FINANCIAL STATEMENT AMOUNTS

1. CASH

The District's funds are governed by state statutes and the District's own written investment policy. At December 31, 2015, the deposits of the District were covered by federal depository insurance or secured by collateral held by a third party agent in the District's name.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at 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.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-25 years
Water and sewer system	20-25 years
Machinery and equipment	5-10 years
Improvements	10-25 years
Other infrastructure	10-25 years

Infrastructure assets include sewer lines. These assets are the largest asset class of the District. See Note 3 Capital Assets, Summary Changes in Capital Assets on page 23 of this report.

3. EXPENDITURES

Expenditures are recognized when the related fund liability is incurred.

4. PROPERTY TAX REVENUE RECOGNITION

Revenues from real property taxes are recognized when assessed and due from taxpayers. They become an enforceable lien on January 1. They are paid semiannually on January 1 and July 1 each year. Real property taxes are collected by the Town of North Hempstead and disbursed to the District except for amounts paid for debt service by the Town on behalf of the District.

5. DEPARTMENTAL INCOME

Departmental income consists of sewer rental income, sewer service charges and sewer services provided to other governments.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. COMPENSATED ABSENCES

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for the governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

7. INTERFUND ACTIVITY

Interfund activity is reported as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

8. DEFERRED OUTFLOWS

Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to future periods. The government has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the District-wide Statement of Net Position. Discounts related to the issuance of long-term debt and any loss on the early retirement of refunded debt are amortized on a straight-line basis over the life of the later issue, and are presented net of accumulated amortization, in the District-wide financial statements as deferred outflows of resources. Bond issuance costs are not amortized. In the fund financial statements, bond issuance costs are recognized during the current period as expenditures. The second item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly, is the District contributions to the pension systems (New York State Employees' Retirement System ("NYSERS")) subsequent to the measurement date.

9. DEFERRED INFLOWS

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows are reported when potential revenues do not meet both the measureable and available criteria for recognition in the current period. Deferred inflows also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the deferred inflow is removed and revenues are recorded. In addition, deferred inflows may also arise when reporting on pensions in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriation, is employed as a control in preventing over expenditure of established appropriations. Encumbrances and commitments of the various capital projects are summarized in Note 8 Capital Projects on page 28 and in the Required Supplementary Schedule of General Fund Revenues, Expenditures, Changes in Fund Balances, Encumbrances and Transfers-Budget and Actual on pages 35-40.

11. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

12. FUND BALANCE-RESERVES AND DESIGNATIONS

Portions of fund balance are reserved or designated to either satisfy legal restrictions or to plan for future expenditures. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained. Currently, New York State uses the terminology "reserves" and districts are only allowed to use such reserves authorized by law. The following is a description of reserves utilized by the District and classified as restricted or nonspendable for reporting purposes.

Reserve for Inventory

Reserve for Inventory is used to restrict that portion of the fund balance, which is not available for appropriation. The reserve is accounted for in the general fund as nonspendable.

Prepaid Expenses

Prepaid Expenses are used to restrict that portion of the fund balance, which is not available for appropriation. Prepaid Expenses are accounted for in the general fund as nonspendable.

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for the payment of compensated absences upon an employee's separation from the District. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund as spendable-restricted.

13. ORDER OF USE OF FUND BALANCE

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned balance.

G. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions (Amendment to GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of the statements requires the District to report as an asset and/or liability its portion of the collective net pension's asset and liability in the NYERS systems. The implementation of the Statements also requires the District 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 District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also, included as a deferred outflow is the District contributions to the pension systems subsequent to the measurement date. See Note 16 for the financial statement impact of implementation of the statements.

H. NEW ACCOUNTING STANDARDS

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable which were effective for the year ended December 31, 2015. The District is currently studying the following Statements and plans on adoption when required, which will be for the December 31, 2016, financial statements:

- GASB Statement 72, *Fair Value Measurement and Application* – provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* -- establishes new accounting and financial reporting requirements for OPEB plans.
- GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local*

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Governments* -- identifies the hierarchy of generally accepted accounting principles (GAAP).
- GASB Statement 77, *Tax Abatement Disclosures* -- requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.
- GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* -- amends the scope and applicability of Statement 68.
- GASB Statement 79, *Certain External Investment Pools and Pool Participants* -- establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

The District is currently studying the following Statements and plans on adoption when required, which will be for the December 31, 2018, financial statements:

- GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* -- improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions and also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

2. CASH AND INVESTMENTS

As required by New York State Local Finance Law, District deposits are secured at 102 percent by collateral valued at market less amounts insured by the Federal Deposit Insurance Corporation.

At December 31, 2015, the District's bank balances totaled \$3,345,965. In addition, there was \$100 of petty cash. The bank balances can be categorized as follows:

	<u>Bank Balances</u>
Category 1 Deposits covered by federal deposit insurance or collateralized with securities held by the District or by its agent in the District's name	\$ 3,345,965
Category 2 Collateralized with securities held by the pledging institution, its trust department or agency but not in the District's name	-
Category 3 Uncollateralized	<u>\$ 3,345,965</u>

The District had no investments as of December 31, 2015.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

3. CAPITAL ASSETS

A summary of changes in Capital Assets are as follows:

	Balance January 1, 2015	Adjustments and Additions	Adjustments and Deletions	Balance December 31, 2015
Land	\$ 3,838,223	\$ -	\$ -	\$ 3,838,223
Buildings	14,171,657	-	-	14,171,657
Machinery and Equipment	12,349,271	130,727	-	12,479,998
Improvements other than Buildings	4,050,343	-	-	4,050,343
Infrastructure	44,941,076	2,904,068	-	47,845,144
Construction in Progress	<u>1,482,537</u>	<u>-</u>	<u>(1,482,537)</u>	<u>-</u>
	<u>80,833,107</u>	<u>3,034,795</u>	<u>(1,482,537)</u>	<u>82,385,365</u>
Less: Accumulated Depreciation				
Buildings	12,325,567	76,604	-	12,402,171
Machinery and Equipment	11,290,801	655,070	-	11,945,871
Improvements other than Buildings	2,103,847	47,180	-	2,151,027
Infrastructure	<u>20,776,396</u>	<u>916,206</u>	<u>-</u>	<u>21,692,602</u>
	<u>46,496,611</u>	<u>1,695,060</u>	<u>-</u>	<u>48,191,671</u>
	<u>\$ 34,336,496</u>	<u>\$ 1,339,736</u>	<u>\$ (1,482,537)</u>	<u>\$ 34,193,694</u>

Depreciation expense for the year ended December 31, 2015 was \$1,695,060.

4. PENSION PLANS

PLAN DESCRIPTION

The District participates in the New York State and Local Employees' Retirement System and Public Employees' Group Life Plan (here in called Systems). These are cost-sharing multiple-employer retirement systems. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). These Systems offer a wide range of retirement benefits as well as death and disability benefits. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) is the sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the N.Y. State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

EMPLOYEE GROUPS COVERED

Nearly all of the District's employees are eligible for membership in the systems. All employees employed in a full-time position who commenced employment after June 30, 1976, are mandatory members. Employees who joined the Employees' Retirement System after July 27, 1976, contribute 3% of their salary for the first 10 years of their employment, employees who joined on or after January 1, 2010, contribute 3% of their salary for the entire length of service, and employees who joined on or after April 1, 2012, contribute 3%-6% of their salary, depending on their annual wages, for the entire

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

4. PENSION PLANS (CONTINUED)

length of service. For employees who joined the System before July 28, 1976, no contributions are required.

PAYMENTS AND FUNDING STATUS

Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension fund.

The District is required to contribute at an actuarially determined rate. The required contributions for the current and two preceding years were:

2015	\$192,134
2014	251,711
2013	264,438

The District's contributions were equal to 100 percent of the contributions required for the year. The contribution to the Systems is for the Systems' year ended March 31, 2016.

The Systems bills all participating employers by November each year. Billings are based on salaries paid during the Systems' fiscal year which ends on March 31 of the previous calendar year and in accordance with funding requirements determined by the Systems' actuary. The Systems offers a discount if paid by December 15, which the District takes advantage of. The full payment is required by February 1.

There are no balances due under any amortization plan.

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS AND
INFLOWS OF RESOURCES RELATED TO PENSIONS**

The net pension asset/(liability) was measured as of March 31, 2015, for NYSERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSERS Systems in reports provided to the District.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

4. PENSION PLANS (CONTINUED)

At December 31, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for the Systems.

Actuarial valuation date	April 1, 2014
Net pension asset/(liability)	(\$146,586)
District's portion of the Plan's total net pension asset/(liability)	0.0043391%

For the year ended December 31, 2015, the District recognized pension expense of \$192,134. The District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected experience and actual experience	\$ 4,692	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	25,460	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	26,642	-
Employer contributions subsequent to the measurement date	<u>130,731</u>	<u>-</u>
	<u>\$ 187,525</u>	<u>\$ -</u>

District 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 and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:

2016	\$ 14,199
2017	14,199
2018	14,199
2019	14,199
2020	-
Thereafter	-

ACTUARIAL ASSUMPTIONS

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

4. PENSION PLANS (CONTINUED)

Significant actuarial assumptions used in the valuation were as follows:

Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.5%
Salary scale	4.9%
Decrement tables	April 1, 2005 to March 31, 2010 System's Experience
Inflation rate	2.7%

The annuitant mortality rates are based on April 1, 2005 – March 31, 2010, system's experience with adjustments for mortality improvements based on MP-2014. The actuarial assumptions used in the April 1, 2014, valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010. The long-term 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 each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	March 31, 2015
Asset type:	
Absolute return strategies	3.0%
Bonds and mortgages	18.0%
Cash	2.0%
Domestic equity	38.0%
Inflation-indexed bonds	2.0%
International equity	13.0%
Opportunistic portfolio	3.0%
Private equity	10.0%
Real assets	3.0%
Real estate	8.0%
	<u>100.0%</u>

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

4. PENSION PLANS (CONTINUED)

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 Systems' 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 District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.5%) or 1-percentagepoint higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Assumption (7.5%)	1% Increase <u>(8.5%)</u>
Employer's proportionate share of the net pension asset/(liability)	(\$ 977,061)	(\$146,586)	\$ 554,541

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension asset/(liability) of the employers as of the valuation date, were as follows:

Valuation date	April 1, 2014
Employers' total pension asset/(liability)	\$ 164,591,504
Plan net position	<u>(161,213,259)</u>
Employers' net pension asset/(liability)	\$ <u>3,378,245</u>
Ratio of plan net position to the employers' total pension asset/(liability)	97.9%

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

4. PENSION PLANS (CONTINUED)

PAYABLES TO THE PENSION PLAN

Employer contributions are paid annually based on the Systems' fiscal year which ends March 31st. Accrued retirement contributions as of December 31, 2015, represent the projected employer contribution for the period of April 1, 2015, through December 31, 2015, based on paid NYSEERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2015, amounted to \$3,742.

5. OTHER POSTEMPLOYMENT BENEFITS

Pursuant to a collective bargaining agreement with Local 808, International Brotherhood of Teamsters and Chauffeurs, union members are entitled to postemployment benefits. Non-union employees are also entitled to the same benefits. Postemployment benefits include medical insurance for the retirees and their families; it does not include dental or optical coverage. For employees hired on or before December 31, 1993, the District pays 100% of their medical insurance coverage. All employees hired after December 31, 1993, are entitled to the same postemployment benefits but are required to contribute towards the medical insurance premiums. Costs associated with postemployment benefits are charged to the General Fund as incurred.

There were thirteen retirees and family members receiving postemployment benefits. The cost to the District in 2015 was \$216,756.

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 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 not to exceed 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 plan:

Annual required contribution	\$ 526,636
Interest on net OPEB obligation (zero in transition year)	156,134
Actuarial adjustment to annual required contribution	<u>(217,094)</u>
Annual OPEB cost (expense)	\$ 465,676
Contributions made	<u>(216,756)</u>
Increase in net OPEB obligation	\$ 248,920
Net OPEB obligation- beginning of year	<u>3,903,357</u>
Net OPEB obligation- end of year	<u>\$ 4,152,277</u>

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

5. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the preceding fiscal years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contribution</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
2007		N/A- Transition Date is 12/31/08		
2008	\$691,576	\$115,289	16.67%	\$576,287
2009	677,578	112,885	16.66%	564,693
2010	723,988	102,781	14.20%	621,207
2011	857,477	118,709	13.80%	738,768
2012	785,813	121,829	15.50%	663,984
2013	623,722	149,884	24.03%	473,839
2014	469,808	205,229	43.68%	264,579
2015	465,676	216,756	46.55%	248,920

As of December 31, 2015, the actuarial accrued liability for benefits was \$6,722,704, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,094,414 and the ratio of unfunded actuarial liability to the covered payroll was 6.14. The plan is being funded on a pay-as-you-go basis.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

5. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The following simplifying assumptions were made:

Retirement age for active employees- Rates were based on the experience of the New York State and Local Retirement System.

Marital status- Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality- Life expectancies were based on mortality tables from the 2009 United States Life Tables, extended to age 110. Separate mortality was used for males and females.

Turnover- Rates were based on the experience of the New York State and Local Retirement System.

Healthcare cost trend rate- The expected rate of increase in healthcare insurance premiums was based on projections from the Department of Health Human Services Office of the Actuary. A rate of 9.0 percent initially, reduced to an ultimate rate of 5.0 percent in year nine, was used.

Health insurance premiums- 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, the projected unit actuarial cost method was used to value the actuarial accrued liability and normal cost. The unfunded actuarial accrued liability is being amortized by the level dollar amortization method. The remaining amortization period at December 31, 2015, is twenty-two years.

6. COMPENSATED ABSENCES

Compensated absences generally are accrued vacation, sick leave, and the fringe benefits associated with such compensation. Under the terms of the District's collective bargaining agreement and policies, District employees earn vacation which may either be taken or accumulated with certain restrictions. Employees may accumulate 20 days of vacation regardless of date of hire. Accumulated sick leave is subject to a maximum of 165 days with percentage restrictions for certain employees hired after August 31, 1994.

Under GASB 34, compensated absences are expensed currently in the government-wide financial statements. The total compensated absences liability at the beginning of the year was \$271,665. The increases were due to the regular leave accumulations. The decreases were for leave time taken and a reduction of leave for amounts that must be applied toward service credit in the state retirement system. No amount is expected to be paid within the next year. The portion of the expense that is included as long term obligations due in more than one year is \$283,615 at December 31, 2015. In the fund financial statements, when compensated absences are due the amounts are recorded as salary.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. RISK RETENTION

The District is a member of the Public Employer Risk Management Association, Inc. (PERMA); a non-profit, tax-exempt group workers' compensation plan established solely for the benefit of municipal entities in New York State. Memberships are generally available to any town, village, city, county, or district corporation. The PERMA provides its members with Claims Administration Services.

The District retains the services of an independent risk management consultant, RMI Consulting Inc., to evaluate its insurance program, including cost, coverage, and service.

8. CAPITAL PROJECTS

CONSTRUCTION COMMITMENTS

The District had the following two active and one approved but not started projects in 2015:

SCHEDULE OF ACCUMULATED EXPENDITURES

Accumulated expenditures for the active projects at December 31, 2015, are as follows:

	<u>Total</u>	<u>Sludge Building Fund</u>	<u>Sandy Hollow Road Siphon Line Rehabilitation</u>	<u>Collective Systems Improvements</u>
Authorization	<u>\$ 7,535,603</u>	<u>\$ 1,835,603</u>	<u>\$ 5,700,000</u>	<u>\$ 500,000</u>
Project expenditures to December 31, 2014	3,178,376	1,722,145	1,456,231	-
Current year expenditures	<u>1,395,641</u>	<u>-</u>	<u>1,395,641</u>	<u>-</u>
Project expenditures to December 31, 2015	<u>4,574,017</u>	<u>1,722,145</u>	<u>2,851,872</u>	<u>-</u>
Commitments and Encumbrances	<u>20,400</u>	<u>-</u>	<u>20,400</u>	<u>-</u>
	<u>\$ 4,594,417</u>	<u>\$ 1,722,145</u>	<u>\$ 2,872,272</u>	<u>\$ -</u>

In December 2009 the incinerator suffered an explosion due to an accident, rendering the incinerator inoperable. The District conducted a cost benefit study which found no savings in continued incineration of sludge as opposed to hauling of sludge. In addition, the NYS EPA new emissions standards may require additional cost if the incinerator were to be rebuilt. The District has adopted a resolution on November 2, 2010, to transfer unused insurance proceeds received for the damaged biosolids incinerator to the Capital Projects fund in the amount of \$1,336,603. On June 12, 2012, the Board of Commissioners adopted a resolution to transfer \$499,000 from the General Fund to the Sludge Building Fund. The proceeds were used for the design and construction of the new sludge processing building.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. CAPITAL PROJECTS (CONTINUED)

The District and the Town of North Hempstead have adopted a bond resolution on September 10, 2013, in the amount of \$5,700,000 for the relocation of the 12 inch and 14 inch siphon line system and the replacement of emergency generators at pump stations G, K and O.

Collective Systems Improvements represents overall improvements to the District's sanitary sewers and sewage pump stations.

9. LONG TERM DEBT

All of the District's debt relates to governmental activities.

Outstanding serial bonds payable at December 31, 2015, consisted of the following:

<u>Issue Number or Name</u>	<u>Year of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Interest Payable in Future Periods</u>
Town of North Hempstead					
CA-'84	1992	2016	6.02%	\$ 141,000	\$ 4,512
CA-'84	1992	2017	6.02%	270,000	17,216
Morewood Refunding	2010	2022	2.0-2.75%	176,192	18,022
Series B Refunding	2014	2019	4.696%	370,188	44,453
Series A Refunding	2015	2026	2.125-5.0%	<u>1,239,720</u>	<u>277,910</u>
				<u>\$ 2,197,100</u>	<u>\$ 362,113</u>
State Bonds – EFC					
#CI96	1999	2018	4.464%	\$ 305,000	9,390
BNR	2008	2038	4.27%	540,000	142,725
NYSEFC 2010C	2010	2039	.286-4.603%	<u>12,480,000</u>	<u>3,575,760</u>
				<u>\$13,325,000</u>	<u>\$ 3,727,875</u>

Interest on long-term debt for the year was comprised of:

Interest paid	\$ 376,852
Less: interest accrued in prior year	(129,760)
Plus: interest accrued in current year	<u>103,590</u>
Interest expense	<u>\$ 350,682</u>

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

9. LONG TERM DEBT (CONTINUED)

The following is summary of long term liabilities of the District for the year:

	<u>Total</u>	<u>Serial Bonds</u>	<u>State Bonds-EFC</u>	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>	<u>Proportionate Share of Net Pension Liability - NYSERS</u>
Balance at January 1, 2015	\$20,998,961	\$ 2,757,860	\$13,870,000	\$ 271,665	\$ 3,903,357	\$ 196,079
Additions	260,870	-	-	11,950	248,920	-
Redemptions	<u>1,155,253</u>	<u>560,760</u>	<u>545,000</u>	<u>-</u>	<u>-</u>	<u>49,493</u>
Balance at December 31, 2015	<u>\$20,104,578</u>	<u>\$ 2,197,100</u>	<u>\$13,325,000</u>	<u>\$ 283,615</u>	<u>\$ 4,152,277</u>	<u>\$ 146,586</u>

The annual requirement to amortize all debt outstanding as of December 31, 2015, including interest payments net of interest subsidies on State EFC bonds, was:

<u>Year Ending December 31,</u>	<u>Total</u>	<u>TNH Serial Bonds Principal</u>	<u>TNH Serial Bonds Interest</u>	<u>EFC State Bonds Principal</u>	<u>EFC State Bonds Interest</u>
2016	\$ 1,388,856	\$ 482,854	\$ 89,624	\$ 555,000	\$ 261,378
2017	1,222,984	340,779	67,257	560,000	254,948
2018	1,082,225	216,316	53,200	565,000	247,709
2019	979,091	225,500	43,669	470,000	239,922
2020	873,918	132,794	32,920	475,000	233,204
2021-2025	4,254,435	664,282	73,929	2,470,000	1,046,224
2026-2030	3,641,451	134,575	1,514	2,705,000	800,362
2031-2035	3,452,057	-	-	2,955,000	497,057
2036-2039	<u>2,717,071</u>	<u>-</u>	<u>-</u>	<u>2,570,000</u>	<u>147,071</u>
	<u>\$ 19,612,088</u>	<u>\$ 2,197,100</u>	<u>\$ 362,113</u>	<u>\$13,325,000</u>	<u>\$ 3,727,875</u>

DEFEASANCE OF DEBT

In April 2015, the Town of North Hempstead, issued refunding bonds of \$1,142,688 with an average interest rate of 3.82% to partially advance refund three 2006 serial bonds in the amount of \$1,225,544 with rates of 4.375% & 4.50%. Net proceeds of \$1,252,771 were deposited into an irrevocable trust with an escrow agent to provide debt service payments or call the old bonds. The issuance costs of \$12,465 were included in the transaction. As a result of the advanced refunding, the District reduced its total debt service requirements by \$154,539 which resulted in an economic gain (difference between the present value of the debt service on the old and new debt) of \$151,981. Certain costs associated with the refunding have been deferred in the government-wide financial statements.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

10. BOND ANTICIPATION NOTES PAYABLE AND OTHER SHORT TERM BORROWINGS

Bond Anticipation Notes payable and Other Short-Term Borrowings at December 31, 2015, consisted of the following:

Bond Anticipation Notes and Short-Term Borrowings, January 1, 2015	\$ 600,000
Retired Bond Anticipation Notes	(300,000)
NYS EFC Grid Note	<u>2,121,644</u>
Bond Anticipation Notes and Short-Term Borrowings, December 31, 2015	\$ <u>2,421,644</u>

11. INTERFUND RECEIVABLES AND PAYABLES

Interfund Receivables and Payables at December 31, 2015, were as follows:

Due to	General Fund	Capital Projects	Due from Debt Service	Agency	Total
General Fund	\$ -	\$ 167,628	\$ -	\$ -	\$ 167,628
Capital Projects	-	-	-	-	-
Debt Service	-	3,697	-	-	3,697
Agency	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 171,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,325</u>

12. DEFERRED COMPENSATION PLAN

In October 1997, the Governmental Accounting Standards Board issued Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Service Code (IRC) Section 457 Deferred Compensation Plans." This statement established accounting and financial reporting standards for IRC section 457 deferred compensation plans.

On October 1, 1997, the New York State Deferred Compensation Board (Board) created a Trust and Custody agreement naming Bank of New York Mellon the Trustee and Custodian of the Plan. Consequently, statement No. 32 became effective for the New York State Deferred Compensation Plan, in which the District participates. Since neither the Board nor the District are trustees of the plan, the plan does not meet the criteria for inclusion in the District's financial statements.

As of December 31, 2015, the market value of the plan assets totaled \$752,342.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

13. LEASE COMMITMENTS

The District holds non-cancelable operating leases for the rental and maintenance of a photocopy machine and a postage meter. The operating lease expense for the postage meter was \$381 during 2015. It expired as of December 31, 2013, and was rented on a month to month basis. The District entered into a new 36 month lease for the photocopy machine as of January 1, 2016.

Future minimum payments are as follows:

2016	\$	1,238
2017		1,238
2018		<u>1,238</u>
	\$	<u>3,714</u>

14. FUND BALANCE REPORTING

GASB 54 provides for two major types of fund balance, which are nonspendable and spendable. Non spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories. The District has inventories that are considered nonspendable. GASB 54 has provided a hierarchy of spendable fund balances based on spending constraints that impact the District.

Nonspendable

General Fund:	
Prepaid Expenses	\$ 162,387
Inventory	<u>86,551</u>
	<u>\$ 248,938</u>

Spendable

Restricted

Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

General Fund:	
Employee Benefits Accrued Liability	\$ 154,958
Debt Service Fund:	
Designated for future debt service reduction	<u>3,468</u>
	<u>\$ 158,426</u>

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

14. FUND BALANCE REPORTING (CONTINUED)

Committed

Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The District has no funds classified as Committed.

Assigned

Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. Intent is expressed by the Board of Commissioners or an official or body to which the Board delegates authority.

General Fund:	
Designated for subsequent year's expenditures	\$ <u>265,073</u>

Unassigned

This includes all other general fund net assets that do not meet the definition of the above four classifications. It may be offset by negative fund balances in other funds.

General Fund:	\$ 2,353,037
Sludge hauling	-
Debt Service Fund:	<u>(1,302,449)</u>
Capital Projects Fund:	\$ <u>1,050,588</u>

The following is a summary of total fund balance as of December 31, 2015:

	\$ 248,938
Nonspendable:	
Spendable:	158,426
Restricted	-
Committed	265,073
Assigned	<u>1,050,588</u>
Unassigned	\$ <u>1,723,025</u>
Total	

15. CONTINGENCIES

The District is occasionally a recipient of a number of 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 rules and regulations of the respective agency for each grant.

The District is a defendant in a number of claims which the District does not believe, either individually or in the aggregate will have a material effect on the financial condition of the District. Except for deductibles, the District is insured against any possible loss.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

16. PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

For the year ended December 31, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions (Amendment to GASB Statement No. 27). The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Employees' retirement systems. The District's net position has been restated as follows:

Balance as of January 1, 2015, as previously stated	\$ 15,597,541
GASB Statement No. 68 implementation:	
Less: Beginning system liability - Employees' Retirement System	<u>(196,079)</u>
Balance as of January 1, 2015, as restated	<u>\$ 15,401,462</u>

16. SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 17, 2016, which is the date these financial statements were available to be issued. The short term NYS EFC grid note was converted to permanent financing in May 2016. No other events have occurred subsequent to the statement of financial position date through May 17, 2016, that would require adjustment or disclosure in the financial statements.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DECEMBER 31, 2015

	GENERAL FUND					Capital Projects Fund	Debt Service Fund	Favorable [Unfavorable]	Actual	Total	Actual 2014
	Adjusted Budget										
Revenues:											
Real Property Taxes	\$ 4,839,696	\$ 4,839,697	\$ 1	\$					\$ 4,839,697	\$ 4,782,303	
Departmental Income:											
Sewer Rents	169,365	169,365	-						169,365	162,024	
Sewer Service Charges	19,800	19,811	11						19,811	21,619	
Sewer Services to Other Governments	802,100	802,023	(77)						802,023	858,197	
Interest Earnings	4,600	4,557	(43)					5	4,562	8,128	
Interest Earnings - Reserves	415	413	(2)				3,399		3,812	2,482	
Federal Aid-Emergency Disaster Assistance	55,500	54,453	(1,047)						54,453	4,738	
Refund of Prior Years Expenditures	4,330	4,326	(4)						4,326	-	
Sale of Equipment	9,000	10,190	1,190						10,190	-	
Federal Grant Aid	-	-	-			712,357			712,357	-	
Total Revenues	5,904,806	5,904,835	29			712,362	3,399		6,620,596	5,839,527	
Expenditures:											
Sewer Administration	364,188	362,915	1,273						362,915	354,472	
Sanitary Sewers	1,047,101	1,043,963	3,138						1,043,963	1,128,553	
Sewage Treatment and Disposal	1,716,884	1,712,850	4,034						1,712,850	1,679,436	
Employee Benefits	1,096,205	1,095,724	481						1,095,724	1,134,351	
Capital Projects	-	-	-			1,395,641			1,395,641	1,462,193	
Debt Service:											
Serial Bonds - Principal	-	-	-				1,022,904		1,022,904	1,025,485	
Serial Bonds - Interest	-	-	-				376,852		376,852	414,063	
Bond Anticipation Notes - Principal	300,000	300,000	-				-		300,000	-	
Bond Anticipation Notes - Interest	2,629	2,629	-				-		2,629	-	
Fiscal Agent Fees	-	-	-				90,431		90,431	80,701	
	4,527,007	4,518,081	8,926			1,395,641	1,490,187		7,403,909	7,279,254	
Excess (Deficiency) of Revenues Over Expenditures	1,377,799	1,386,754	8,955			(683,279)	(1,486,788)		(783,313)	(1,439,727)	

See independent auditor's report.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2015

	GENERAL FUND					Capital Projects Fund	Debt Service Fund	Total	Actual 2014
	Adjusted Budget	Actual	Favorable [Unfavorable]						
Excess (Deficiency) of Revenues Over Expenditures	1,377,799	1,386,754	8,955			(683,279)	(1,486,788)	(783,313)	(1,439,727)
Other Financing Sources (Uses):									
Operating Transfers	(1,720,991)	(1,720,893)	98		531,192		1,189,701	-	-
Premium on Refunding Bonds	-	-	-		-		144,159	144,159	-
Proceeds from Refunding Bonds	-	-	-		-		1,142,688	1,142,688	544,320
BAN's Redeemed by Appropriation	-	-	-		-	300,000		300,000	-
Payment to Escrow Agent	-	-	-		-	-	(1,274,381)	(1,274,381)	(544,320)
Total Other Financing Sources (Uses)	(1,720,991)	(1,720,893)	98		831,192		1,202,167	312,466	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(343,192)	(334,139)	\$ 9,053		147,913		(284,621)	(470,847)	(1,439,727)
Appropriated Fund Balance Encumbrances	343,192								
Fund Balances January 1, 2015	-	3,356,145			(1,450,362)		288,089	2,193,872	3,633,599
Fund Balances December 31, 2015	\$ -	\$ 3,022,006			\$ (1,302,449)		\$ 3,468	\$ 1,723,025	\$ 2,193,872

See independent auditor's report.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES
AND TRANSFERS - BUDGET AND ACTUAL
DECEMBER 31, 2015

	2015				2014	
	Adopted Budget	Adjusted Budget	Expenditures	Encumbrances	Unencumbered Balance	Expenditures & Encumbrances
Sewer Administration						
Personal Services	\$ 220,200	\$ 192,528	\$ 192,492	\$ -	36	\$ 216,246
Commissioners Fees	21,000	18,700	18,640	-	60	18,560
	<u>241,200</u>	<u>211,228</u>	<u>211,132</u>	<u>-</u>	<u>96</u>	<u>234,806</u>
Capital Outlay	10,000	22,840	22,840	-	-	7,851
Contractual Expenditures:						
Stationery & Printing	500	-	-	-	-	666
Postage	1,000	1,000	827	-	173	1,042
Books, Publications, etc.	100	100	28	-	72	-
Office, Supplies and Expenses	4,500	4,100	4,050	-	50	4,544
Telephone & Communications	3,000	3,502	3,501	-	1	3,612
Light and Power	1,550	1,550	1,466	-	84	1,558
Water	350	350	350	-	-	-
Equipment - Rental	-	-	-	-	-	-
Assessment Rolls	4,500	4,500	4,500	-	-	4,500
Legal Notices	1,000	320	320	-	-	544
Conferences, Meetings, etc.	1,000	1,134	1,133	-	1	1,420
Election Expense	2,000	2,000	1,848	-	152	1,679
Engineering	2,000	5,816	5,816	-	-	4,987
Auditing	34,000	37,666	37,665	-	1	30,967
Custodial	2,000	500	498	-	2	696
Legal	45,000	53,178	53,176	-	2	42,280
Other Professional Services	10,000	11,943	11,942	-	1	9,997
Gas, Oil, etc.	900	900	529	-	371	955
Repairs & Maintenance:						
Alarm Systems	950	950	683	-	267	1,023
Operating Equipment	1,200	-	-	-	-	460
Other	600	611	611	-	-	885
	<u>116,150</u>	<u>130,120</u>	<u>128,943</u>	<u>-</u>	<u>1,177</u>	<u>111,815</u>
	<u>367,350</u>	<u>364,188</u>	<u>362,915</u>	<u>-</u>	<u>1,273</u>	<u>354,472</u>

See independent auditor's report.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES
AND TRANSFERS - BUDGET AND ACTUAL (CONTINUED)
DECEMBER 31, 2015

DECEMBER 31, 2015

	2015				2014	
	Adopted Budget	Adjusted Budget	Expenditures	Encumbrances	Unencumbered Balance	Expenditures & Encumbrances
Sanitary Sewers	572,000	532,140	532,077	-	63	516,009
Personal Services	152,000	82,655	82,654	-	1	194,212
Capital Outlay						
Contractual Expenditures:						
Telephone & Communications	9,100	7,170	7,169	-	1	7,182
Light and Power	175,000	157,700	157,700	-	-	172,539
Water	7,500	4,480	4,478	-	2	5,833
Heating	30,000	20,480	20,476	-	4	20,469
Equipment Rental	1,000	-	-	-	-	-
Conferences, Meetings, etc.	6,500	7,075	7,074	-	1	6,553
Engineering	30,000	15,000	14,362	-	638	15,112
Custodial	4,500	3,000	2,970	-	30	3,121
Medical	1,500	1,500	1,383	-	117	2,333
Uniforms and Laundry	5,500	5,500	5,150	-	350	5,870
Gas, Oil, etc.	21,000	14,000	13,598	-	402	19,643
Chemicals, Testing & Chlorine	15,000	9,600	9,531	-	69	11,659
Tools, Parts & Supplies:						
Plant & Grounds	-	-	-	-	-	-
Trunk Lines & Laterals	-	-	-	-	-	-
Repairs & Maintenance:						
Alarm Systems	11,000	6,779	6,749	-	30	8,696
Operating Equipment	30,000	30,724	29,344	-	1,380	23,562
Plant & Grounds	110,000	149,298	149,248	-	50	115,760
Trunk Lines & Laterals	-	-	-	-	-	-
	457,600	432,306	429,232	-	3,074	418,332
	1,181,600	1,047,101	1,043,963	-	3,138	1,128,553

See independent auditor's report.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES
AND TRANSFERS - BUDGET AND ACTUAL (CONTINUED)
DECEMBER 31, 2015

	2015				2014	
	Adopted Budget	Adjusted Budget	Expenditures	Encumbrances	Unencumbered Balance	Expenditures & Encumbrances
Sewage Treatment and Disposal	606,500	603,020	601,759	-	1,261	651,075
Personal Services						
Capital Outlay	45,000	51,148	51,125	-	23	7,520
Contractual Expenditures:						
Telephone & Communications	3,750	4,390	4,389	-	1	4,115
Light and Power	345,000	300,010	299,957	-	53	345,622
Water	17,500	19,435	19,431	-	4	15,522
Heating	20,000	13,750	13,192	-	558	15,345
Equipment Rental	1,500	-	-	-	-	-
Conferences, Meetings, etc.	6,500	6,605	6,591	-	14	6,378
Engineering	50,000	63,565	63,541	-	24	63,502
Custodial	3,000	1,816	1,747	-	69	2,047
Legal	-	-	-	-	-	1,462
Medical	1,500	100	73	-	27	120
Uniforms & Laundry	3,000	2,010	1,380	-	630	1,568
Gas, Oil, etc.	4,500	2,000	1,609	-	391	2,629
Chemicals & Testing:						
Analysis	40,000	42,035	42,032	-	3	39,908
Chemicals & Chlorine	95,000	84,700	84,572	-	128	64,352
Tools, Parts and Supplies:						
Plant and Grounds	-	-	-	-	-	-
Repairs & Maintenance	1,800	1,800	1,423	-	377	903
Alarm System	20,000	7,200	7,118	-	82	1,018
Operating Equipment	90,000	130,600	130,267	-	333	79,446
Plant & Grounds						
Treatment and Disposal of	400,000	373,100	373,064	-	36	367,545
Sewage & Sludge	11,000	9,600	9,580	-	20	9,359
Permit Fees	1,114,050	1,062,716	1,059,966	-	2,750	1,020,841
	1,765,550	1,716,884	1,712,850	-	4,034	1,679,436

See independent auditor's report.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES
AND TRANSFERS - BUDGET AND ACTUAL (CONTINUED)
DECEMBER 31, 2015

DECEMBER 31, 2013

	2015				2014	
	Adopted Budget	Adjusted Budget	Expenditures	Encumbrances	Unencumbered Balance	Expenditures & Encumbrances
Employee Benefits						
State Retirement	255,000	192,200	192,134	-	66	251,711
Social Security and Medicare	110,000	99,000	98,685	-	315	104,636
Workers' Compensation	55,000	48,100	48,045	-	55	48,469
Unemployment Insurance	-	-	-	-	-	1,245
Hospital and Medical Insurance	581,000	583,455	583,451	-	4	552,782
Metro Commuter Transportation Tax	1,600	1,150	1,122	-	28	1,189
Unallocated Insurance	200,000	172,300	172,287	-	13	174,319
	<u>1,202,600</u>	<u>1,096,205</u>	<u>1,095,724</u>	<u>-</u>	<u>481</u>	<u>1,134,351</u>
Bond Anticipation Notes						
Principal	343,000	300,000	300,000	-	-	-
Interest	2,629	2,629	2,629	-	-	-
	<u>345,629</u>	<u>302,629</u>	<u>302,629</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers						
Debt Service Fund	1,589,336	1,183,891	1,183,833	-	58	1,404,962
Capital Projects Fund	-	537,100	537,060	-	40	59,594
	<u>1,589,336</u>	<u>1,720,991</u>	<u>1,720,893</u>	<u>-</u>	<u>98</u>	<u>1,464,556</u>
	<u>\$ 6,452,065</u>	<u>\$ 6,247,998</u>	<u>\$ 6,238,974</u>	<u>\$ -</u>	<u>\$ 9,024</u>	<u>\$ 5,761,368</u>

See independent auditor's report.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
DECEMBER 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	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)
12/31/07						
	N/A - Transition Date is 12/31/08					
12/31/08	\$ -	\$ 8,206,745	\$ 8,206,745	0.0%	\$ 2,204,447	372.3%
12/31/09	\$ -	\$ 8,176,229	\$ 8,176,229	0.0%	\$ 2,439,570	335.2%
12/31/10	\$ -	\$ 8,728,815	\$ 8,728,815	0.0%	\$ 1,454,728	600.0%
12/31/11	\$ -	\$ 9,930,602	\$ 9,930,602	0.0%	\$ 1,567,486	633.5%
12/31/12	\$ -	\$ 9,502,925	\$ 9,502,925	0.0%	\$ 1,573,436	604.0%
12/31/13	\$ -	\$ 7,041,812	\$ 7,041,812	0.0%	\$ 1,483,797	474.6%
12/31/14	\$ -	\$ 6,722,704	\$ 6,722,704	0.0%	\$ 988,500	680.1%
12/31/15	\$ -	\$ 6,722,704	\$ 6,722,704	0.0%	\$ 1,094,414	614.3%

See independent auditor's report

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET POSITION LIABILITY-NYSERS
LAST TEN FISCAL YEARS*
DECEMBER 31, 2015

	2015	2014	**2013	**2012	**2011	**2010	**2009	**2008	**2007	**2006
District's proportionate share of the net pension liability	0.0043391%	0.0043391%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 146,586	\$ 196,079	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$1,227,586	\$1,431,870	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of covered payroll	11.94%	13.69%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	97.90%	97.20%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*The amounts presented for each fiscal year were determined as of March 31.

Not available= N/A

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See independent auditor's report.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYERS
LAST TEN FISCAL YEARS*
DECEMBER 31, 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$ 174,308	\$ 245,611	\$ 264,438	\$ 244,056	\$ 233,074	\$ 162,502	\$ 104,298	\$ 107,736	\$ 118,036	\$ 91,075
Contractually required contribution										
Contributions in relation to the contractually required contribution	174,308	245,611	264,438	244,056	233,074	162,502	104,298	107,736	118,036	91,075
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,227,586	\$ 1,431,870	\$ 1,483,797	\$ 1,573,436	\$ 1,567,486	\$ 1,454,728	\$ 1,399,413	\$ 1,308,484	\$ 1,307,418	\$ 1,418,115
Contributions as a percentage of covered-employee payroll	14.20%	17.15%	17.82%	15.51%	14.87%	11.17%	7.45%	8.23%	9.03%	6.42%

*The amounts presented for each fiscal year were determined as of March 31.

See independent auditor's report.

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF BALANCE SHEETS
CAPITAL PROJECTS FUND - BY PROJECT
DECEMBER 31, 2015

	BNR Project	Sandy Hollow Road Siphon CT116	Collective Systems Improvement	2015	Total 2014
ASSETS					
Cash	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 5,868
Accounts Receivable-Other	-	-	5	5	-
Due from Town of North Hempstead	-	365,450	-	365,450	494,766
Due from NYSDEC	-	-	-	-	-
Federal Grant Aid Receivable	-	427,000	-	427,000	-
TOTAL ASSETS	\$ -	\$ 792,450	\$ 500,005	\$ 1,292,455	\$ 500,634
LIABILITIES AND FUND BALANCES					
Accounts Payable/Contracts Payable	\$ -	\$ 1,935	-	\$ 1,935	\$ 426,152
Retained Percentages, Contracts Payable	-	-	-	-	-
Reserve for Interest on Temp Invest	-	3,697	-	3,697	1,910
Due to Other Funds	-	167,628	-	167,628	922,934
Bond Anticipation Notes Payable	-	2,421,644	-	2,421,644	600,000
TOTAL LIABILITIES	-	2,594,904	-	2,594,904	1,950,996
Fund Balances:					
Restricted	-	-	-	-	-
Assigned Unappropriated Fund Balance	-	-	-	-	-
Unassigned	-	(1,802,454)	500,005	(1,302,449)	(1,450,362)
TOTAL FUND BALANCES	-	(1,802,454)	500,005	(1,302,449)	(1,450,362)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 792,450	\$ 500,005	\$ 1,292,455	\$ 500,634

See independent auditor's report

PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES CAPITAL PROJECTS FUND - BY PROJECT
DECEMBER 31, 2015

	BNR Project	Sandy Hollow Road Siphon Line Rehabilitation CT116	Collective Systems Improvement	Total 2015	2014
Revenues:					
Interest Earnings	\$ -	\$ -	\$ 5	\$ -	-
Insurance Recovery	-	-	-	-	-
Federal Grant Aid	-	712,357	-	712,357	-
Refund of Prior Year Expenses	-	-	-	-	-
Total Revenues	\$ -	\$ 712,357	\$ 5	\$ 712,362	\$ -
Expenditures:					
Contractual	-	1,395,641	-	1,395,641	1,462,193
Total Expenditures	-	1,395,641	-	1,395,641	1,462,193
Excess (Deficiency) of Revenues Over Expenditures	-	(683,284)	5	(683,279)	(1,462,193)
Other Financial Sources (Uses):					
Transfers from General Fund	-	37,060	500,000	537,060	59,594
BAN's Redeemed by Appropriation	-	300,000	-	300,000	-
Intrafund Transfers	-	-	-	-	-
Transfers to Debt Service Fund	(5,868)	-	-	(5,868)	(20,000)
Total Other Financial Sources (Uses):	(5,868)	337,060	500,000	831,192	39,594
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(5,868)	(346,224)	500,005	147,913	(1,422,599)
Fund Balances, January 1, 2015	5,868	(1,456,230)	-	(1,450,362)	(27,763)
Fund Balances, December 31, 2015	\$ -	\$ (1,802,454)	\$ 500,005	\$ (1,302,449)	\$ (1,450,362)

See independent auditor's report.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015**

<u>Federal Grantor/ Pass – Through Grantor/ Project Title/Application Title</u>	<u>Federal CFDA Number</u>	<u>Project Number/ Public Assistance Identifying Number</u>	<u>Total Program/ Grant Award</u>	<u>Expenditures</u>
<u>U.S. Environmental Protection Agency</u>				
<u>Passed – Through Programs From:</u>				
New York State Environmental Facilities Corporation:				
Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds				
Storm Mitigation Loan Program	66.482	C1-5153-17-75	\$ 2,834,459	\$ 1,395,641
Total U.S. Environmental Protection Agency				
<u>U.S. Department of Homeland Security</u>				
<u>Passed – Through Programs From:</u>				
New York State Office of Emergency Management Public Assistance Program:				
Hazard Mitigation Grant	97.039	059-UVLO8-00	328,778	25,000
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	059-UVLO8-00	36,484	-
Flood Mitigation Assistance	97.029	059-UVLO8-00	24,060	-
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	059-UVLO8-00	4,000	-
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	059-UVLO8-00	2,450	-
Total U.S. Department of Homeland Security				<u>25,000</u>
Total Federal Financial Assistance				<u>\$ 1,420,641</u>

The accompanying notes should be read in conjunction with this schedule.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal awards programs administered by the Port Washington Water Pollution Control District (the "District"), an entity as defined in Note 1 to the District's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed-through from other government agencies, are included on the Schedule of Federal Awards.

A. FEDERAL FINANCIAL ASSISTANCE

Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156), OMB Circular A-133, which was superseded by 2 CFR part 200, subpart F, Uniform Guidance, (effective for federal awards made on or after December 26, 2014), federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, that nonfederal entities receive or administer, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, or direct appropriations.

B. CATALOG OF FEDERAL DOMESTIC ASSISTANCE

OMB Circular A-133 requires the Schedule to present the total expenditures for each of the District's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (the "CFDA"). The CFDA is a government-wide compendium of individual federal programs.

2. BASIS OF ACCOUNTING

Expenditures included the Schedule are reported using the cash basis of accounting. The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

3. SHORT TERM BORROWINGS

Financial assistance has been made available through the Storm Mitigation Loan Program to make treatment works more resilient to future storms and sea-level rise in counties declared for public assistance by Hurricane Sandy and is funded through the Clean Water State Revolving Fund (the "CWSRF"). The Town of North Hempstead is indebted on behalf of the District (to be paid by the taxpayers of the District) to the New York State Environmental Facilities Corporation in the amount of \$2,121,644 as of July 30, 2015, as a short-term Bond Anticipation Note (the "BAN"). Interest shall not accrue on the unpaid principal amount. The BAN will be converted to a long-term 30 year note in May 2016, which will mature in 2045.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015**

4. MAJOR PROGRAM DETERMINATION

The District has determined that all federal programs with expenditures of \$750,000 or more are Type A programs for purposes of determining Major Programs.

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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 Commissioners
of the Port Washington Water Pollution Control District
Port Washington, New York

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Washington Water Pollution Control District (the "District") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 17, 2016. Our report includes a reference to the fact the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions (Amendment to GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, effective January 1, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant

deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 District'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Don Angelo and Associates, CPAs P.C.

Melville, New York
May 17, 2016

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

To the Board of Commissioners
of the Port Washington Water Pollution Control District
Port Washington, New York

Report on Compliance for Each Major Federal Program

We have audited Port Washington Water Pollution Control District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Port Washington Water Pollution Control District's major federal programs for the year ended December 31, 2015. Port Washington Water Pollution Control District'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Port Washington Water Pollution Control District'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 (CFR) 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 Port Washington Water Pollution Control District'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 Port Washington Water Pollution Control District's compliance.

Opinion on Each Major Federal Program

In our opinion, Port Washington Water Pollution Control District 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 Port Washington Water Pollution Control District 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 Port Washington Water Pollution Control District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 Port Washington Water Pollution Control District'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 might 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.

Don Angelo and Associates, CPAs P.C.

Melville, New York
May 17, 2016

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Identification of major federal programs:		
<u>CFDA Number</u>	<u>Name of federal program</u>	
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds	
97.039	Hazard Mitigation Grant	
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	
97.029	Flood Mitigation Assistance	
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>	
Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Section II: Financial Statement Findings

None reported.

Section III: Federal Awards Findings

None reported.

**PORT WASHINGTON WATER POLLUTION CONTROL DISTRICT
FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015**

This section presents findings and recommendations noted during the audit of the financial statements of the Port Washington Water Pollution Control District as of and for the year ended December 31, 2015.

CURRENT YEAR RECOMMENDATIONS:

None.