

**SOUTH FARMINGDALE WATER DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

Year ended December 31, 2009

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INDEPENDENT AUDITORS' REPORT


Board of Commissioners  
South Farmingdale Water District  
Farmingdale, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Farmingdale Water District, a component unit of the Town of Oyster Bay, New York as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Farmingdale Water District, New York as of December 31, 2009, and the respective changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress, as listed in the table of contents, 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 inquires 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.

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INDEPENDENT MEMBER OF BKR INTERNATIONAL

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Farmingdale Water District, New York's basic financial statements. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The detailed schedule of expenditures and interfund transfers is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

*Albrecht, Vignaino, Jurech & Co., P.C.*

Hauppauge, New York  
April 28, 2010

**SOUTH FARMINGDALE WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year ended December 31, 2009

Our discussion and analysis of the South Farmingdale Water District, a component unit of the Town of Oyster Bay, New York (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2009. Please read it in conjunction with the District's financial statements and notes to financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of two sets of financial statements.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities - Government-Wide provide information about the activities of the District as a whole and present a longer-term view of the District's finances. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Governmental Fund Financial Statements

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds tell how services were financed in the short-term as well as what remains for future spending. Governmental fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund and capital projects fund. The District's basic services are reported in funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations at the bottom of the fund financial statements.

**SOUTH FARMINGDALE WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 Year ended December 31, 2009

**CONDENSED FINANCIAL INFORMATION**

Our analysis below focuses on the net assets and changes in net assets as set forth in the following condensed financial statements (in thousands):

Condensed Statement of Net Assets  
 as of December 31,

	2009	2008
<b>Assets</b>		
Current and other assets	\$ 4,017	\$ 3,868
Capital assets	8,966	8,524
	<b>Total Assets</b>	<b>12,392</b>
<b>Liabilities</b>		
Current liabilities	1,422	795
Noncurrent liabilities	6,829	6,606
	<b>Total Liabilities</b>	<b>7,401</b>
<b>Net assets</b>		
Invested in capital assets	3,057	2,419
Unrestricted	1,675	2,572
	<b>Total Net Assets</b>	<b>\$ 4,932</b>

Changes in Net Assets  
 for the years ended December 31,

	2009	2008
Program Revenues		
Charges for services	\$ 2,149	\$ 2,457
General Revenues		
Real property taxes	1,783	1,712
Other general revenues	504	404
	<b>Total Revenues</b>	<b>4,573</b>
Expenses - Water supply services	4,695	4,369
<b>Changes in Net Assets</b>	(259)	204
<b>Net Assets - beginning of the year</b>	4,991	4,787
<b>Net Assets - end of the year</b>	\$ 4,732	\$ 4,991

**SOUTH FARMINGDALE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year ended December 31, 2009**

**FINANCIAL HIGHLIGHTS**

The District's net assets at December 31, 2009 were approximately \$4.73 million, a decrease of approximately \$260,000 from the prior year. Of the Districts total net assets, \$3.06 million were invested in capital assets, while approximately \$1.68 million were unrestricted.

These financial statements include a liability for other postemployment benefits (OPEB) as required by GASB Statement No. 45. Under GASB Statement No. 45 the OPEB cost must now be recognized during the period of the employees' years of service and for benefits already earned by current and former employees, amortized over a period of 30 years. It is not currently required that this liability for OPEB actually be funded, accordingly, unrestricted net assets will continue to decrease in subsequent years due to the recognition of this liability for OPEB.

**BUDGETARY HIGHLIGHTS**

The District reported budget and actual in the general fund as follows:

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance
Revenues	\$ 4,457,889	\$ 4,457,889	\$ 4,157,731		\$ (300,158)
Expenditures	4,432,889	4,673,683	4,260,072	\$ 6,993	(406,618)
Other Financing Sources (Uses)	(25,000)	215,794	215,794		-0-
	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 113,453</u>	<u>\$ (6,993)</u>	<u>\$ 106,460</u>

The general fund reported revenues in excess of expenditures and other financing uses and other sources this year of approximately \$113,000 increasing the general fund balance to approximately \$1.28 million. Budgeted revenues fell short of actual revenues by approximately \$300,000; however, total expenditures were less than expected by approximately \$407,000.

**CAPITAL ASSETS AND LONG-TERM DEBT**

The District has been financing all capital expenditures from proceeds of serial bonds, bond anticipation notes, and annual budgetary appropriations. During 2009, the District purchased capital assets and made improvements to the water system, including construction in progress, totaling \$895,147.

Wells, water tanks and structures	\$ 790,436
Machinery and equipment	58,894
Equipment	29,099
Office, furniture and equipment	<u>16,718</u>
Total Costs	<u>\$ 895,147</u>

At year-end the District had \$5,909,397 of serial bonds outstanding.

**SOUTH FARMINGDALE WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year ended December 31, 2009

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District derives a substantial portion of its operating revenues from metered water sales. For water utilities, water revenues are dependent on the amount of rainfall particularly during the summer months. As such these revenues are unpredictable and very volatile. Water revenues for the District can vary significantly from a rainy year to a dry year. Water revenues are budgeted on the conservative side, which is in anticipation of a rainy year. However, actual water revenues can still fall far short of estimates. The District also believes that such adverse weather conditions can easily recur consecutively over two years or more. Gallons pumped and water revenues for the past five years are as follows:

	<u>Gallons pumped In millions</u>		<u>Water Revenue Recognized in the General Fund In thousands</u>
2009	1,577	\$	1,873
2008	1,692		2,185
2007	1,767		2,215
2006	1,645		1,969
2005	1,904		2,265

In addition to the capital improvements described above the District is committed to the long-term maintenance of the water system and plans significant capital expenditures on a regular basis. The District maintains a running three-year capital budget to plan for these expenditures estimated as follows:

2010	\$ 8,314,000
2011	5,500,000
2012	5,500,000

**LEGAL SETTLEMENT**

The Water District is a plaintiff member in a class action lawsuit against most major petroleum companies for contamination related to the gasoline additive Methyl Tertiary Butyl Ether ("MTBE"). This lawsuit is ongoing however amounts of any other future settlements at this time are unknown.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Business Manager at South Farmingdale Water District, 40 Langdon Road, P.O. Box 3319, Farmingdale, NY 11735.

**BASIC FINANCIAL STATEMENTS**

**SOUTH FARMINGDALE WATER DISTRICT**  
**STATEMENT OF NET ASSETS**  
**GOVERNMENT-WIDE**  
December 31, 2009

**Assets**

Current assets:

Cash and investments	\$ 3,272,593
Accounts receivable	646,768
Due from Town of Oyster Bay	1,881
Prepaid expenses	80,819
Inventory of materials and supplies	14,741

Total Current Assets 4,016,802

Noncurrent assets:

Non-depreciable capital assets	1,183,488
Depreciable capital assets, net of depreciation	7,783,307

Total Noncurrent Assets 8,966,795

Total Assets 12,983,597

**Liabilities**

Current liabilities:

Accounts payable and accrued expenses	208,916
Developer deposits	263,179
Due to Town of Oyster Bay	626,766
Noncurrent liabilities due within one year:	
Compensated absences payable	25,907
General obligation bonds payable	297,400

Total Current Liabilities 1,422,168

Noncurrent liabilities:

Compensated absences payable	492,231
Other postemployment benefits payable	724,565
General obligation bonds payable	5,611,997

Total Noncurrent Liabilities 6,828,793

Total Liabilities 8,250,961

**Net Assets**

Invested in capital assets, net of related debt	3,057,398
Unrestricted	1,675,238

Total Net Assets \$ 4,732,636

**SOUTH FARMINGDALE WATER DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**GOVERNMENT-WIDE**  
Year ended December 31, 2009

**Governmental Activities**

<b>Expenses - Water Supply Services</b>	\$ 4,695,195
Program revenues - charges for services	<u>2,149,227</u>
Net Program Expense	(2,545,968)
<b>General Revenues</b>	
Real property taxes	1,782,915
Use of money and property	263,030
Sale of property and compensation for loss	19,767
Other local sources	<u>221,572</u>
Total General Revenues	<u>2,287,284</u>
<b>Change in Net Assets</b>	(258,684)
<b>Net assets - Beginning of the Year</b>	<u>4,991,320</u>
<b>Net assets - End of the Year</b>	<u><u>\$ 4,732,636</u></u>

**SOUTH FARMINGDALE WATER DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 December 31, 2009

	General	Capital Projects	Total
<b>Assets</b>			
Cash and investments	\$ 1,373,621	\$ 1,898,972	\$ 3,272,593
Accounts receivable	416,868		416,868
Prepaid expenses and other assets	61,078		61,078
Due from other fund		218,663	218,663
Due from Town of Oyster Bay	1,881		1,881
Inventory of materials and supplies	14,741		14,741
Total Assets	\$ 1,868,189	\$ 2,117,635	\$ 3,985,824
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 105,037	\$ 17,764	\$ 122,801
Developer deposits	263,179		263,179
Due to other fund	218,663		218,663
Due To Town of Oyster Bay		626,766	626,766
Total Liabilities	586,879	644,530	1,231,409
<b>Fund Equity (Deficit)</b>			
Fund Balances:			
Reserved for:			
Inventory of materials and supplies	14,741		14,741
Prepaid expenses	61,078		61,078
Encumbrances	6,993	565,192	572,185
Repairs	397,266		397,266
Capital		1,567,489	1,567,489
Unreserved:			
Undesignated	801,232	(659,576)	141,656
Total Fund Equity	1,281,310	1,473,105	2,754,415
Total Liabilities and Fund Equity	\$ 1,868,189	\$ 2,117,635	\$ 3,985,824

**Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets**

Total Governmental Fund Balances	\$ 2,754,415
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,966,795
Prepaid assets are not current financial resources and therefore are not reported in the funds.	19,741
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(518,138)
Other postemployment benefits payable	(724,565)
General obligation bonds payable	(5,909,397)
Accrued interest expense	(86,115)
Revenue that was not accrued on the fund statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Assets.	229,900
Net Assets of Governmental Activities	\$ 4,732,636

**SOUTH FARMINGDALE WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
 Year ended December 31, 2009

	General	Capital Projects	Total
<b>Revenues</b>			
Real property taxes	\$ 1,782,915		\$ 1,782,915
Departmental income	2,027,547		2,027,547
Use of money and property	258,921	\$ 4,109	263,030
Sale of property and compensation for loss	77,768		77,768
Miscellaneous local sources	10,580	31,798	42,378
Total Revenues	4,157,731	35,907	4,193,638
<b>Expenditures</b>			
Home and Community Service - Water Supply Services			
Administration	956,829		956,829
Source of supply, power and pumping	715,471		715,471
Purification	560,380		560,380
Transmission and distribution	660,712		660,712
Employee benefits	606,158		606,158
Debt service	760,522		760,522
Capital outlay		864,075	864,075
Total Expenditures	4,260,072	864,075	5,124,147
<b>Other Financing Sources (Uses)</b>			
Refunding bond proceeds	2,108,200		2,108,200
Premium on bonds	179,194		179,194
Payment to refunded debt escrow agent	(2,046,600)		(2,046,600)
Interfund Transfers In (Out)	(25,000)	25,000	-
Total Other Financing Sources (Uses)	215,794	25,000	240,794
Net Change in Fund Balance	113,453	(803,168)	(689,715)
Fund Balance - Beginning of Year	1,167,857	2,276,273	3,444,130
Fund Balance-End of Year	\$ 1,281,310	\$ 1,473,105	\$ 2,754,415

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**

Net Changes in Fund Balances - Total Governmental Funds amounts reported for governmental activities in the Statement of Activities are different because: \$ (689,715)

Governmental funds report capital outlays as expenditures while in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital assets purchases capitalized	895,147
Depreciation expense	(452,921)

The issuance of a serial bond provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The following amounts are the effect of these differences in the treatment of long-term debt and related items:

Refunding Bonds Issued	(2,108,200)
Repayment of bond principal	2,303,835
Accrued interest	47,359

Some revenues will not be collected for several months after the District's year end.

These are not considered "available" revenues in the governmental funds until received. 63,680

Some expenses reported in the Statement of Activities, such as compensated absences, other postemployment benefits and prepaids do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (317,869)

Change in Net Assets of Governmental Activities \$ (258,684)

**NOTES TO FINANCIAL STATEMENTS**

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**A. Summary of Significant Accounting Policies**

The South Farmingdale Water District (The "District") is governed by Town Law and other general laws of the State of New York. The Board of Commissioners is the legislative body responsible for overall operations. The Board of Commissioners consists of three members, all of whom are elected by the residents of the District for terms of three years. The primary function of the District is to provide water service to district residents.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District's more significant accounting policies are described below.

**1. Financial Reporting**

The Town of Oyster Bay, New York is financially accountable as a result of fiscal dependency for the South Farmingdale Water District. Long-term debt of the District, which is backed by the full faith and credit of the Town, and other fiscal matters results in a fiscal interdependency with the Town. Accordingly, the South Farmingdale Water District has been determined to be a component unit of the Town of Oyster Bay, New York.

**2. Basis of Presentation**

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).

**Government-wide Financial Statements**

The government-wide financial statements report information on the District as a whole.

In the government-wide Statement of Net Assets, the District's governmental activities are presented on a consolidated basis and 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's function (home and community service – water supply services), which are otherwise supported by general revenues (property, use and money, sale of property and compensation for loss, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants to produce the net cost of each program. Program revenues include (a) charges for services and (b) operating and capital grants and contributions that are directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost is normally covered by general revenues.

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.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**A. Summary of Significant Accounting Policies (continued)**

**2. Basis of Presentation (continued)**

**Fund Financial Statements**

The fund financial statements are similar to the financial statements presented in the previous model. The new emphasis is on the major funds in the fund financial statements.

The accounts of the District are organized on the basis of funds, 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 balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Accordingly, the District maintains the following funds:

**Governmental Funds** - Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Government funds are further classified as major funds.

The District reports the following major governmental funds:

General Fund - is the principal operating fund of the District. This fund is used to account for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund - is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**3. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide Statement of Net Assets and the Statement of Activities governmental activities are presented using the economic resources measurement focus and are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Interfund transactions have been eliminated from the government-wide financial statements.

In the Funds Statements - The governmental activities use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**A. Summary of Significant Accounting Policies (continued)**

**3. Measurement Focus/Basis of Accounting (continued)**

Expenditures are recorded when incurred except that:

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

**4. Property Taxes and Delinquent Water Bills**

Property taxes and delinquent water bills are collected by the Town of Oyster Bay Receiver of Taxes on behalf of the District. The Town of Oyster Bay Receiver of Taxes collects all real property taxes for the Town, Nassau County, Town Special Districts and School Districts. Town and County taxes are levied on January 1, and are due in two installments payable by February 10 and August 10. The Town remits 100% of the amount of real property tax levied and the delinquent water bills to the District. Responsibility for collection of unpaid taxes is assumed by Nassau County.

**5. Budgetary Data**

**Budget Policies** - The budget policies are as follows:

The District prepares an annual budget for the general fund, which is approved by the Board of Commissioners. The budget is then submitted to the Town of Oyster Bay for inclusion in the Town Budget and a public hearing is held thereon. The budget is not subject to referendum. The annual budget lapses at year-end and any revisions to the annual budget are adopted by resolution of the Board of Commissioners.

**Budget Basis of Accounting**

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances (if any) carried forward from the prior year.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general and capital projects funds. Encumbrances are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

**6. Investments**

Investments are stated at cost, which approximates market.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**A. Summary of Significant Accounting Policies (continued)**

**7. Customer Receivables**

Receivables include amounts due from customers. Receivables are recorded and revenues recognized as earned. Revenue from unbilled water usage at year end is recognized in the government-wide financial statements.

**8. Prepaids**

Prepaids in the fund and government-wide financials represent insurance premiums and retirement benefits that will benefit a future period.

**9. Interfund Receivables, Payables and Transfers**

Interfund receivable and payable balances for the District represent primarily the payment of financing sources and uses that will be reimbursed subsequent to year end. Interfund transfer balances represent the funding of capital expenditures through general fund appropriations.

**10. Inventory**

The District records inventory using the consumption method. Inventory is valued at cost utilizing the latest invoice price, which approximates the first-in, first-out method.

**11. Property, Plant and Equipment**

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost if actual is unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation. Subsequent to December 31, 1980, infrastructure assets consisting of water mains have been reported at historical cost.

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements	20 years
Wells, water tanks and structures	40 years
Water main	50 years
Machinery and equipment	10-20 years
Office furniture and equipment	5 years
Vehicles	8 years

In the fund financial statements, fixed assets are accounted for as capital expenditures of the governmental fund upon acquisition.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**A. Summary of Significant Accounting Policies (continued)**

**12. Deferred Revenue/Unearned Revenue**

Deferred revenue/unearned revenue are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met. Such amounts include collections in advance, unearned income and amounts deemed to be "measurable" but not "available" to finance current expenses pursuant to generally accepted accounting principles. Accordingly, such amounts, if any, have been recorded as deferred revenue in the funds statements and unearned revenue in the government-wide statements.

**13. Long-Term Debt**

All long-term debt is reported as liabilities in the government-wide statements. The long-term debt consists of general obligation bonds, compensated absences and other post employment benefits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The liabilities for all long-term debt are liquidated through future budgetary appropriations in the general fund.

**14. Compensated Absences**

District employees earn vacation and sick leave in varying amounts. In the event of separation from service (except termination for cause), employees are paid for accumulated unused vacation and sick leave subject to certain limitations.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. Compensated absence liability and expense are reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

**15. Postemployment Benefits**

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially, all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care and survivor's benefits are in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), and are provided through the New York State Empire Plan (the "Empire Plan") whose premiums are based on the benefits paid throughout the State during the year.

The District recognizes the cost of providing benefits by recording its share of insurance premiums as expenditure in the governmental funds in the year paid. The liability for these other postemployment benefits payable is recorded as long-term debt in the government-wide statements.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**A. Summary of Significant Accounting Policies (continued)**

**16. Insurance**

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

**17. Equity Classifications**

In government-wide statements equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Portions of fund equity are segregated for future use and therefore not available for future appropriation or expenditure. Amounts reserved for encumbrances and capital reserve represent portions of fund equity which are required to be segregated in accordance with state law or GAAP. Designations of fund balances in governmental funds indicate the utilization of these resources in the subsequent year's budget or tentative plans for future use.

**18. Use of Estimates**

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**B. Cash and Investments**

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

Collateral is required for demand deposits and time deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, and obligations of the State and its municipalities.

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

Deposits and investments are categorized according to custodial credit risk as either (a) insured or collateralized with securities held by the District or by its agent in the District's name, (b) collateralized with securities held by the pledging financial institution's trust department or agent in the District's name, or (c) uncollateralized.

At December 31, 2009, the District's bank deposit balances were \$2,800,863. Of this balance, \$810,229 was covered by the Federal Deposit Insurance Corporation and \$1,990,634 was covered by collateral held by the District's agent, a third-party financial institution, in the District's name.

In addition, the District had investments, consisting of U.S. Treasury obligations and repurchase agreements relating to Treasury obligations totaling \$644,088.

As of December 31, 2009 the South Farmingdale Water District did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2009

**C. Property, Plant and Equipment**

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance 1/1/09	Additions	Deletions	Balance 12/31/09
Capital assets not being depreciated:				
Land	\$ 320,309			\$ 320,309
Construction in progress	24,311	\$ 864,075	\$ 25,207	863,179
Total capital assets not being depreciated	<u>344,620</u>	<u>864,075</u>	<u>25,207</u>	<u>1,183,488</u>
Depreciable capital assets				
Building	776,075			776,075
Improvements	1,131,857			1,131,857
Wells, water tanks and structures	3,834,512	728		3,835,240
Machinery and equipment	2,828,544	9,734		2,838,278
Equipment	106,617	29,099		135,716
Office, furniture and equipment	140,538	16,718		157,256
Vehicles	496,820		29,960	466,860
Water mains	7,713,122			7,713,122
Total depreciable capital assets	<u>17,028,085</u>	<u>56,279</u>	<u>29,960</u>	<u>17,054,404</u>
Accumulated Depreciation				
Building	467,105	14,142		481,247
Improvements	712,325	25,378		737,703
Wells, water tanks and structures	1,103,445	103,078		1,206,523
Machinery and equipment	1,337,602	142,733		1,480,335
Equipment	72,939	6,843		79,782
Office, furniture and equipment	114,218	14,069		128,287
Vehicles	273,168	51,005	29,960	294,213
Water mains	4,767,334	95,673		4,863,007
Total accumulated depreciation	<u>\$ 8,848,136</u>	<u>\$ 452,921</u>	<u>\$ 29,960</u>	<u>9,271,097</u>
Total net depreciable capital assets				<u>7,783,307</u>
Total capital assets				<u>\$ 8,966,795</u>

Depreciation expense of \$452,921 was charged to water supply services expense for the year ended December 31, 2009.

South Farmingdale Water District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At December 31, 2009, the District has not recorded any such impairment losses.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**D. Indebtedness**

**Long-Term Debt**

General Obligation Bonds

The District periodically borrows money through general obligation serial bonds in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the Town of Oyster Bay, bear interest at rates ranging from 2.5 to 5.0 percent.

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2009 are as follows:

	Principal	Interest	Total Principal and Interest
Years ending December 31, 2010	\$ 297,400	\$ 238,522	\$ 535,922
2011	305,774	227,865	533,639
2012	318,207	215,695	533,902
2013	333,338	202,880	536,218
2014	346,513	189,443	535,956
2015-2019	1,649,145	719,841	2,368,986
2020-2024	1,467,180	403,895	1,871,075
2025-2028	1,191,840	91,795	1,283,635
	<u>\$ 5,909,397</u>	<u>\$ 2,289,936</u>	<u>\$ 8,199,333</u>

Interest expense of \$262,493 on bonded debt and bond anticipation notes has been included in the direct expenses of the expenses - water supply services on the government-wide statement of activities.

Advance Refunding of Bonds

On April 16, 2009, the Town of Oyster Bay on behalf of the District issued \$2,108,200 in Public Improvement Refunding Bonds with interest rates ranging from 2.00% to 5.00% and annual maturities through February 15, 2028. The net proceeds of \$2,046,600 (the par amount of the bonds plus a premium of \$179,194 less Underwriter's fees, insurance and other issuance costs of \$240,794) were used to advance refund \$2,046,600 of outstanding 2001 Public Improvement Serial Bonds with interest rates ranging from 4.50-5.00%.

The net proceeds were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the non-current governmental liabilities column of the statement of net assets. At December 31, 2009, \$2,046,600 of outstanding bonds are considered defeased.

The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the District's total debt service payments by \$64,064.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2009

**D. Indebtedness (continued)**

**Long-Term Debt (continued)**

Other Non-Current Liabilities

Compensated Absences - Represents the value of the earned and unused portion of the liability for compensated absences.

Other Postemployment Liability - Represents the accumulated cost of postemployment benefits liability required to be accrued under GASB Statement No. 45.

The following is a summary of changes in non-current liabilities for the year ended December 31, 2009:

	Balance 1/01/2009	Increases	Reductions	Balance 12/31/2009	Noncurrent Liabilities Due Within One Year
Serial bonds	\$ 6,105,032	\$ 2,108,200	\$(2,303,835)	\$ 5,909,397	\$ 297,400
Other postemployment benefits	451,631	399,416	(126,482)	724,565	
Compensated absences	468,690	124,050	(74,602)	518,138	25,907
	<u>\$ 7,025,353</u>	<u>\$ 2,631,666</u>	<u>\$(2,504,919)</u>	<u>\$ 7,152,100</u>	<u>\$ 323,307</u>

**E. Retirement System**

Plan Description

The South Farmingdale Water District participates in the New York State and Local Employees' Retirement System (ERS), which is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**E. Retirement System (continued)**

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, and who have less than ten years of membership and less than ten years of credited service with a retirement system under the provisions of article fourteen or fifteen of the NYSRSSL, who contribute 3% of their salary. Prior to October 1, 2000, all employees who joined the System after July 27, 1976 were required to contribute 3% of their salary. 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 accumulation fund.

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

	Annual Required Contribution	Early Retirement Incentive	Amortization, Reconciliation, & Miscellaneous Adjustments	Total Payment
2009	\$ 75,212	\$ -0-	\$ 3,753	\$ 78,965
2008	78,043	-0-	(17,136)	60,907
2007	98,018	14,793	6,326	119,137

The District's contributions to the System were equal to 100 percent of the contributions required for each year.

**F. Postemployment Benefits (Obligations for Health Insurance)**

In the government-wide financial statements, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The District recognizes the costs of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability.

Plan Description

The District, per its contracts with employees, will pay 100% for non-union employees and 90% for union employees in premium costs for the medical insurance coverage (currently provided by Empire Plan Plus Enhancements of the New York State Government Employees Health Insurance Program) and 100% of dental premium costs for an employee of the District at retirement, provided the employee has reach ages of 50 or 55, respectively, and has been employed by the District for at least 20 years prior to the date of retirement. Commissioners may become eligible for these benefits if they reach age 50 with 9 years of service while working for the District. These contracts will be renegotiated at various times in the future. Upon death of an active employee with ten years of service, the District will pay seventy-five percent, or an amount determined by the Commissioners based on the circumstances of the District, of the cost to continue coverage for the non-remarried spouse and dependents of the employee.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**F. Postemployment Benefits (Obligations for Health Insurance) (continued)**

Plan Description (continued)

The retiree is also eligible for Medicare reimbursement in the amount of \$1,157 per year.

The number of participants as of January 1, 2009, the effective date of the most recent OPEB valuation, follows. There have been no significant changes in the number or the type of coverage since that date.

Active employees	20
Retired employees	<u>13</u>
Total	<u><u>33</u></u>

Funding Policy

The District currently pays for postemployment health care benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2009, the District's annual other postemployment benefits cost (expenses) were \$399,416. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$126,482 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$272,934 for the year ended December 31, 2009.

Benefit Obligations and Normal Cost

	<u>Medical</u>	<u>Medicare B</u>	<u>Dental</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)				
Retired employees	\$ 1,433,874	\$ 317,130	\$ 175,759	\$ 1,926,763
Active employees	<u>1,782,639</u>	<u>355,917</u>	<u>215,266</u>	<u>2,353,822</u>
Unfunded actuarial accrued liability (AAL)	<u><u>\$ 3,216,513</u></u>	<u><u>\$ 673,047</u></u>	<u><u>\$ 391,025</u></u>	<u><u>\$ 4,280,585</u></u>

The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2009

**F. Postemployment Benefits (Obligations for Health Insurance) (continued)**

Benefit Obligations and Normal Cost (continued)

The following table shows the components of the District's other postemployment benefits liability:

Level Percentage of Projected Pay Amortization Calculation of ARC under the Entry Age Method

	Medical	Medicare B	Dental	Total
Normal Cost	\$ 153,647	\$ 31,258	\$ 18,827	\$ 203,732
Amortization of unfunded actuarial liability (UAAL) over 30 years	138,604	28,997	16,617	184,218
Interest	9,656	2,063	1,128	12,847
Annual required contribution (ARC)	301,907	62,318	36,572	400,797
Interest on Net OPEB Obligation	14,090	3,020	955	18,065
Adjustment to ARC	(15,179)	(3,252)	(1,015)	(19,446)
OPEB Cost	300,818	62,086	36,512	399,416
Contribution for fiscal year ended December 31, 2009	(94,309)	(16,966)	(15,207)	(126,482)
Increase in other post-employment liability	206,509	45,120	21,305	272,934
Other post-employment benefits liability at December 31, 2008	357,665	75,178	18,788	451,631
Other postemployment benefits liability at December 31, 2009	<u>\$ 564,174</u>	<u>\$ 120,298</u>	<u>\$ 40,093</u>	<u>\$ 724,565</u>
Percent of annual OPEB cost contributed	31.35%	27.33%	41.65%	31.67%

The District's annual OPEB cost, the percent of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2009 and two preceding years are as follows:

	Annual OPEB Cost	Percent of annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 399,416	31.67%	\$ 724,565
2008	365,596	35.61%	451,631
2007	347,127	37.71%	216,210

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**F. Postemployment Benefits (Obligations for Health Insurance) (continued)**

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2009 (date of the most recent actuarial valuation) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
1/1/2009	\$ -0-	\$ 4,280,585	\$ 4,280,585	0.0%	\$ 1,085,888	394.20%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the January 1, 2009 actuarial valuation, the liabilities were computed using the entry age actuarial cost method and level percentage of projected payroll of active plan members on a closed basis. The actuarial assumptions utilized a 4.00% discount rate and a 2.50% payroll growth rate. The valuation assumes an 8.00 -10.00% healthcare cost trend increase for year ended 2009, reduced decrements to a rate of 5% after six years. The remaining amortization period at December 31, 2009 was twenty seven years.

**G. Capital and Repair Reserves**

The Board of Commissioners established a reserve for major repairs to water mains and/or equipment. A summary of activity in the Reserve for Repair Fund for 2009 is as follows:

Balance - beginning	\$ 397,345
Interest earned on reserve cash	953
Appropriation of reserve	<u>(1,032)</u>
Balance - ending	<u>\$ 397,266</u>

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**G. Capital and Repair Reserves (continued)**

The Board of Commissioners established a capital reserve to finance the cost of improvements to the water distribution system. A summary of activity in the capital reserve fund for 2009 is as follows:

Balance - beginning	\$ 2,176,089
Increase to reserve	25,000
Interest earned on reserve cash	4,109
Appropriation of reserve	<u>(637,709)</u>
Balance - ending	<u>\$ 1,567,489</u>

**H. Developer Deposits**

Developer deposits represent funds advanced from real estate developers for the installation of new water mains and connection to the District's Water Distribution System. Any funds remaining after the installation is completed are refunded to the developer.

**I. Commitments and Contingencies**

Legal Settlements - US Navy

The District has been in negotiations and is pursuing a settlement with the United States Navy relating to their responsibility for soil and groundwater contamination while the Navy operated the Naval Weapons Industrial Reserve Plant in Bethpage, New York. The US Navy has agreed that if contamination was identified in outpost from their monitoring wells site that they would pay for all future costs that the water suppliers would incur for the required treatment facilities or abandonment and replacement of the respective wells.

Although the District anticipates that the US Navy will cooperate fully in providing funds necessary for the construction of the proposed water treatment systems, the District has authorized and has obtained approval for bonds up to \$18 million to begin design and construction of the necessary treatment facilities.

Legal Settlement - MTBE

The Water District is a plaintiff member in a class action lawsuit against most major petroleum Companies for contamination related to the gasoline additive Methyl Tertiary Butyl Ether ("MTBE"). The District is current negotiating for settlements from the defendants in this MTBE litigation the amounts of which are uncertain at this time.

Pollution Remediation

The Governmental Auditing Standards Board (GASB) issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This Statement establishes specific guidance on the measurement and recognition of pollution remediation obligations or responsibilities. The guidance lists what events must occur for a government to be required to calculate and report a pollution remediation liability. The District adopted GASB statement No. 49 in fiscal year ended 2008, which had no effect on the accompanying financial statements.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**J. New Pronouncements**

The GASB has issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This statement established accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement become effective for the District for the year ended December 31, 2010.

The GASB has issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This statement addressed the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement become effective for the District for the year ended December 31, 2010.

The District is currently evaluating the impact of the above pronouncements.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
THE MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Notes to Required Supplementary Information**

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The capital projects are budgeted on a project basis.

**SOUTH FARMINGDALE WATER DISTRICT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
 Year ended December 31, 2009

	Budget Amounts		Actual Amounts Budget Basis	Encum- brances	Variance Positive (Negative)
	Original	Final			
<b>Revenues</b>					
Real property taxes	\$ 1,783,043	\$ 1,783,043	\$ 1,782,915		\$ (128)
Departmental income	2,324,718	2,324,718	2,027,547		(297,171)
Use of money and property	330,128	330,128	258,921		(71,207)
Sale of property and compensation for loss	18,000	18,000	77,768		59,768
Other miscellaneous receipts	2,000	2,000	10,580		8,580
Total Revenues	<u>4,457,889</u>	<u>4,457,889</u>	<u>4,157,731</u>		<u>(300,158)</u>
<b>Expenditures</b>					
Home and Community Service - Water Supply Services					
Administration	1,004,753	1,008,253	956,829	\$ 4,229	47,195
Source of supply, power and pumping	835,270	835,270	715,471		119,799
Purification	582,700	582,700	560,380		22,320
Transmission and distribution	717,224	717,224	660,712	2,764	53,748
Employee benefits	754,199	750,699	606,158		144,541
Debt service	538,743	779,537	760,522		19,015
Total Expenditures	<u>4,432,889</u>	<u>4,673,683</u>	<u>4,260,072</u>	<u>6,993</u>	<u>406,618</u>
<b>Other Financing Sources (Uses)</b>					
Refunding bond proceeds		2,108,200	2,108,200		-0-
Premium on bonds		179,194	179,194		-0-
Payment to refunded debt escrow agent		(2,046,600)	(2,046,600)		-0-
Interfund transfers out - Capital projects	(25,000)	(25,000)	(25,000)		-0-
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>215,794</u>	<u>215,794</u>	<u>-0-</u>	<u>-0-</u>
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>113,453</u>	<u>\$ (6,993)</u>	<u>\$ 106,460</u>
<b>Fund Balance at Beginning of Year</b>			<u>1,167,857</u>		
Fund Balance at End of Year			<u>\$ 1,281,310</u>		

**SOUTH FARMINGDALE WATER DISTRICT**  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
Year ended December 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
1/1/2009	\$ -0-	\$ 4,280,585	\$ 4,280,585	0.0%	\$ 1,085,888	394%
1/1/2007	\$ -0-	\$ 4,068,978	\$ 4,068,978	0.0%	N/A	N/A

**OTHER SUPPLEMENTARY INFORMATION**

**SOUTH FARMINGDALE WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL**  
 Year ended December 31, 2009

	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>Real property taxes</b>	<u>\$ 1,783,043</u>	<u>\$ 1,783,043</u>	<u>\$ 1,782,915</u>	<u>\$ (128)</u>
<b>Departmental income</b>				
Metered water sales	2,177,131	2,177,131	1,873,114	(304,017)
Unmetered water sales	106,000	106,000	103,758	(2,242)
Water service charges	8,000	8,000	13,586	5,586
Interest and penalties - water rents	33,587	33,587	37,089	3,502
Total Departmental Income	<u>2,324,718</u>	<u>2,324,718</u>	<u>2,027,547</u>	<u>(297,171)</u>
<b>Use of money and property</b>				
Interest earnings	80,000	80,000	7,836	(72,164)
Rental of real property	250,128	250,128	251,085	957
Total Use of Money and Property	<u>330,128</u>	<u>330,128</u>	<u>258,921</u>	<u>(71,207)</u>
<b>Sale of property and compensation for loss</b>				
Sale of water supplies	5,000	5,000	10,337	5,337
Sale of equipment	11,000	11,000	2,500	(8,500)
Insurance recoveries	1,000	1,000	6,837	5,837
Other Compensation for loss	1,000	1,000	58,094	57,094
Total Sale of Property and Compensation for Loss	<u>18,000</u>	<u>18,000</u>	<u>77,768</u>	<u>59,768</u>
<b>Miscellaneous local sources</b>				
Refund of prior year expenditures	-0-	-0-	9,763	9,763
Other miscellaneous receipts	2,000	2,000	817	(1,183)
Total Miscellaneous Local Sources	<u>2,000</u>	<u>2,000</u>	<u>10,580</u>	<u>8,580</u>
Total Revenues	<u>\$ 4,457,889</u>	<u>\$ 4,457,889</u>	<u>\$ 4,157,731</u>	<u>\$ (300,158)</u>

**SOUTH FARMINGDALE WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
 Year ended December 31, 2009

	Budget Amounts		Actual Amounts Budget Basis	Encum- brances	Variance Positive (Negative)
	Original	Final			
<b>EXPENDITURES</b>					
<b>Administration</b>					
Personal services:					
Commissioners fees	\$ 42,000	\$ 42,000	\$ 31,943		\$ 10,057
Office salaries	421,253	370,253	369,642		611
Equipment and capital outlay:					
Office equipment	15,000	15,000	12,082		2,918
Other expenditures:					
Engineering services	60,000	68,000	67,901		99
Legal services	65,000	81,000	80,207		793
Computer consulting services	70,000	64,000	49,862	\$ 4,229	9,909
Auditing and accounting services	36,000	50,000	49,488		512
Public relations services	15,000	15,000	8,135		6,865
Insurance	100,000	100,000	98,525		1,475
Telephone	31,000	35,000	34,540		460
Office maintenance	13,500	13,500	6,600		6,900
Office supplies and expenses	59,000	59,000	55,216		3,784
Education and election	66,500	79,500	79,333		167
Advertising	2,500	2,500	603		1,897
MTA payroll tax	-0-	3,500	3,056		444
Other miscellaneous expenditures	8,000	10,000	9,696		304
Total Administration	1,004,753	1,008,253	956,829	4,229	47,195
<b>Source of Supply, Power and Pumping</b>					
Supervision and labor	188,305	193,305	192,426		879
Equipment and capital outlay:					
Pumping equipment	60,000	60,000	9,318		50,682
Repair reserve projects	-0-	2,000	1,032		968
Other expenditures:					
Maintenance - pump units	92,965	85,965	48,535		37,430
Maintenance - water tower	2,000	2,000	-0-		2,000
Maintenance - buildings and grounds	167,000	81,000	80,516		484
Heat, light and power - electric	265,000	357,000	356,073		927
Heat, light and power - gas	60,000	54,000	27,571		26,429
Total Source of Supply, Power and Pumping	835,270	835,270	715,471		119,799
<b>Purification</b>					
Chemicals	422,700	423,700	422,827		873
Testing and analysis	160,000	159,000	137,553		21,447
Total Purification	582,700	582,700	560,380		22,320
<b>Transmission and Distribution</b>					
Supervision and labor	523,224	523,224	491,877		31,347
Equipment and capital outlay:					
Purchase of equipment	15,000	15,000	12,998		2,002
Auto and trucks	70,000	6,000	70		5,930
Meters and supplies	7,000	7,000	6,307		693
Other expenditures:					
Maintenance - mains and hydrants	50,000	110,000	105,894	2,764	1,342
Maintenance - autos and trucks	15,000	19,000	18,794		206
Maintenance - other equipment	6,000	6,000	4,887		1,113
Small tools and shop supplies	6,000	6,000	3,131		2,869
Gas and oil	25,000	25,000	16,754		8,246
Total Transmission and Distribution	717,224	717,224	660,712	2,764	53,748

**SOUTH FARMINGDALE WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
 Year ended December 31, 2009

	Budget Amounts		Actual Amounts Budget Basis	Encum- brances	Variance Positive (Negative)
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Employee Benefits</b>					
State retirement	140,974	140,974	78,965		62,009
Social security	89,871	89,871	81,911		7,960
Workers compensation insurance	75,000	75,000	60,157		14,843
Life insurance	21,000	22,000	21,928		72
Unemployment insurance	500	500	-0-		500
Disability insurance	2,500	2,500	80		2,420
Hospital and medical insurance	414,354	409,854	363,117		46,737
Other employee benefits	10,000	10,000	-0-		10,000
Total Employee Benefits	<u>754,199</u>	<u>750,699</u>	<u>606,158</u>		<u>144,541</u>
<b>Debt Service</b>					
Serial bonds - principal	257,235	257,235	257,235		-0-
Serial bonds - interest	281,508	281,508	262,493		19,015
Bond issuance costs		14,778	14,778		-0-
Advance refunding escrow		226,016	226,016		-0-
Total Debt Service	<u>538,743</u>	<u>779,537</u>	<u>760,522</u>		<u>19,015</u>
Total Expenditures	<u>4,432,889</u>	<u>4,673,683</u>	<u>4,260,072</u>	<u>6,993</u>	<u>406,618</u>
<b>Other Financing Sources (Uses)</b>					
Refunding bond proceeds		2,108,200	2,108,200		-0-
Premium on bonds		179,194	179,194		-0-
Payment to refunded debt escrow agent		(2,046,600)	(2,046,600)		-0-
Capital projects fund	(25,000)	(25,000)	(25,000)		-0-
Total Expenditures and Other Financing Sources (Uses)	<u>\$ 4,407,889</u>	<u>\$ 4,889,477</u>	<u>\$ 4,475,866</u>	<u>\$ 6,993</u>	<u>\$ 406,618</u>

**SOUTH FARMINGDALE WATER DISTRICT**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT EXPENDITURES**  
Year ended December 31, 2009

Capital Projects	Expenditures		Encum- brances	Total
	Prior Years	Current Year		
<b>Bonded Capital Projects</b>				
Replacement of Well 1-2	\$ 24,311	\$ 175,008	\$ 72,957	\$ 272,276
VOC Treatment Plant 1		578,400		578,400
New Generators Plant 1		38,150		38,150
<b>Projects paid from appropriations</b>				
Plant 1 Gas Tank	202,843			202,843
GAC at Plant 5	453,798	728		454,526
Radio Communications Upgrade		11,010	165,000	176,010
Plant 5 GAC Maintenance Changeout		4,500	85,000	89,500
Surge Suppression Additions		10,629	34,760	45,389
Container Purchase		13,850		13,850
Stop and Shop Water Main		31,800	207,475	239,275
Total expenditures	<u>\$ 680,952</u>	<u>\$ 864,075</u>	<u>\$ 565,192</u>	<u>\$ 2,110,219</u>