

HICKSVILLE WATER DISTRICT
ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT
December 31, 2009

HICKSVILLE WATER DISTRICT
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December 31, 2009

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RYNKAR, VAIL & BARRETT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

22 JERICHO TURNPIKE
MINEOLA, NEW YORK 11501

TELEPHONE: (516) 747-0110

FACSIMILE: (516) 746-7505

E-MAIL: cpa@rynkarc.com

JOHN A. ALIFANO, C.P.A.
WILLIAM A. BARRETT, C.P.A.
ROBERT D. RYNKAR, C.P.A.
WARREN J. RYNKAR, C.P.A.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
Hicksville Water District
4 Dean Street
Hicksville, New York 11802

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Hicksville Water District, a component unit of the Town of Oyster Bay, New York, (the "District") 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 Hicksville Water 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

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

Management's discussion and analysis, the budgetary comparison information and the schedule of funding progress on pages 3 through 11 and 33 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hicksville Water District's, basic financial statements. The Other Supplementary Information as 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 Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

Mineola, New York
June 4, 2010

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Hicksville Water District's (District) discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

A. The District's total net assets, as reflected in the district-wide financial statements were \$21,536,399 at December 31, 2009. This balance represents a \$615,790 increase (2.94%) over the prior year as follows:

Capital assets, net of related debt, which includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of the capital assets increased by \$2,054,633 to \$17,376,283.

Unrestricted net assets, which represent the portion available to maintain the District's continuing obligation to its taxpayers, customers and creditors decreased by \$2,436,422 to \$2,048,158.

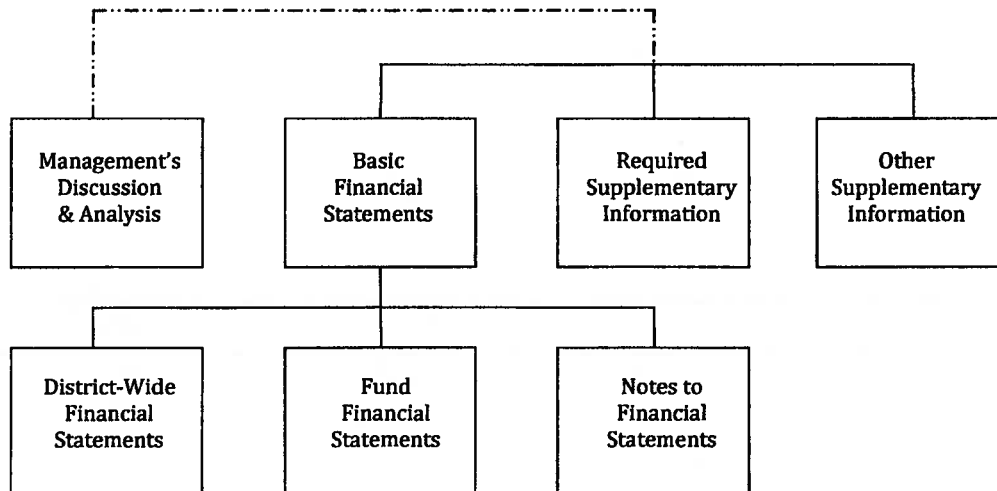
B. The District's general fund fund balance, as reflected in the fund financial statements, was \$3,943,255 at December 31, 2009. This balance represents a \$1,002,716 increase (34.10%) over the prior year as follows:

Reserved fund balances, excluding encumbrances, increased \$999,288 to \$2,121,295 primarily as the District provided additional funding for the capital reserve and the reserve for employee benefit accrued liability.

Unreserved fund balances increased \$55,451 to \$1,815,876 of which \$500,000 is designated to fund the 2010 budget \$500,000 is designated for bond payments and \$815,876 is undesignated.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial statements and notes to those statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

A. District-Wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Assets and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Assets

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

The Statement of Activities

The Statement of Activities presents information showing the change in net assets during the fiscal year. All changes in net assets are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. District total net assets increased by \$615,790 between fiscal year 2008 and 2009. A summary of the District's Statement of Net Assets for December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>Restated 2008</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and other assets	\$ 7,502,564	\$ 7,698,919	\$ (196,355)	(2.55)%
Capital assets, net	<u>20,206,282</u>	<u>18,366,649</u>	<u>1,839,633</u>	10.02 %
Total Assets	<u>27,708,846</u>	<u>26,065,568</u>	<u>1,643,278</u>	6.30 %
Current and other liabilities	1,245,344	480,492	764,852	159.18 %
Long-term liabilities	3,725,258	3,864,217	(138,959)	(3.60)%
Net other postemployment benefits	<u>1,201,845</u>	<u>800,250</u>	<u>401,595</u>	50.18 %
Total Liabilities	<u>6,172,447</u>	<u>5,144,959</u>	<u>1,027,488</u>	19.97 %
Net Assets				
Invested in capital assets, net of related debt	17,376,283	15,321,650	2,054,633	13.41 %
Restricted	2,111,958	1,114,379	997,579	89.52 %
Unrestricted	<u>2,048,158</u>	<u>4,484,580</u>	<u>(2,436,422)</u>	(54.33)%
Total Net Assets	<u>\$ 21,536,399</u>	<u>\$ 20,920,609</u>	<u>\$ 615,790</u>	2.94 %

Current and other assets decreased by \$196,355, as compared to the prior year. The decrease is primarily related to a reduction in the amount due from other governments for water lines and PILOT.

Capital assets, net increased by \$1,839,633, as compared to the prior year. This increase is primarily due to capital assets placed in service, net of accumulated depreciation expense. The accompanying Notes to Financial Statements, Note 5 "Capital Assets" provides additional information.

Current and other liabilities increased by \$764,852, as compared to the prior year. This increase was related to an increase in accounts payable for road patches and capital projects.

Long-term liabilities decreased by \$138,959, as compared to the prior year. This decrease is the result of bond principal payments of \$215,000 net of an increase in the compensated absences liability of \$76,041.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Net other postemployment benefits increased by \$401,595, as compared to the prior year. This increase is related to the amortization of one additional year of unfunded liability. The accompanying notes to financial statements, Note 9 "Other Postemployment Benefits" provides additional information.

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as land; construction in progress; buildings and improvements; land improvements; furniture and equipment; and infrastructure, net of depreciation. This number increased over the prior year by \$2,054,633 as follows:

	Increase (Decrease)
Capital asset additions	\$ 2,830,799
Principal debt reduction on construction bonds	215,000
Depreciation expense	(991,166)
	\$ 2,054,633

The restricted net assets in the amount of \$2,111,958 relates to the District's capital reserve. The increase in the reserve is due to the allocation of tower rental revenues to the reserve and a planned increase in funding to the reserve for \$500,000.

The unrestricted net assets in the amount of \$2,048,158 relates to the balance of the District's other reserves and fund balances. This amount decreased from the prior year by \$2,456,422

The District's total net assets increased by \$615,790 or 2.94%; \$21,536,399 at December 31, 2009, compared to \$20,920,609 at December 31, 2008.

B. Changes in Net Assets

The results of this year's operations as a whole are reported in the Statement of Activities in the accompanying financial statements. A summary of this statement for the years ended December 31, 2009 and 2008 is as follows:

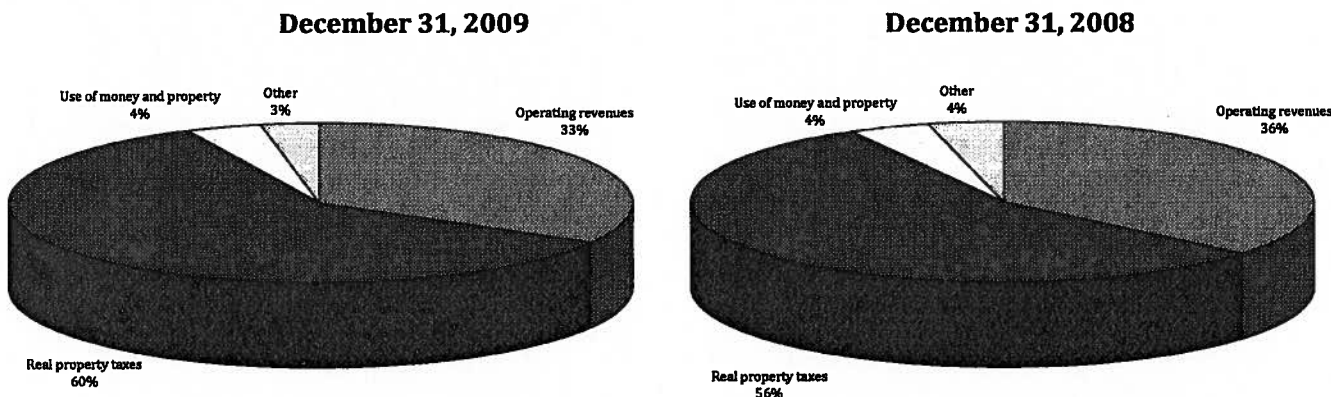
	2009	2008	Increase (Decrease)	Percentage Change
Revenues				
Operating revenues	\$ 2,526,698	\$ 2,823,014	\$ (296,316)	(10.50)%
Non-operating revenues				
Real property taxes	4,417,240	4,405,345	11,895	0.27 %
Use of money and property	272,870	331,804	(58,934)	(17.76)%
Other	221,752	311,329	(89,577)	(28.77)%
Total Revenues	7,438,560	7,871,492	(432,932)	(5.50)%
Expenses				
Operating expenses				
Water administration	1,273,314	1,342,358	(69,044)	(5.14)%
Source of supply, power & pumping	2,004,153	1,964,595	39,558	2.01 %
Transmission and distribution	2,403,090	2,158,155	244,935	11.35 %
Depreciation expense	1,013,448	1,015,721	(2,273)	(0.22)%
Non-operating expenses				
Debt service - interest	128,765	138,547	(9,782)	(7.06)%
Total Expenses	6,822,770	6,619,376	203,394	3.07 %
Change in Net Assets	\$ 615,790	\$ 1,252,116	\$ (636,326)	(50.82)%

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District's net assets increased by \$615,790 and \$1,252,116 for the years ended December 31, 2009 and 2008, respectively. These increases are primarily the result of revenues in excess of expenses for both years.

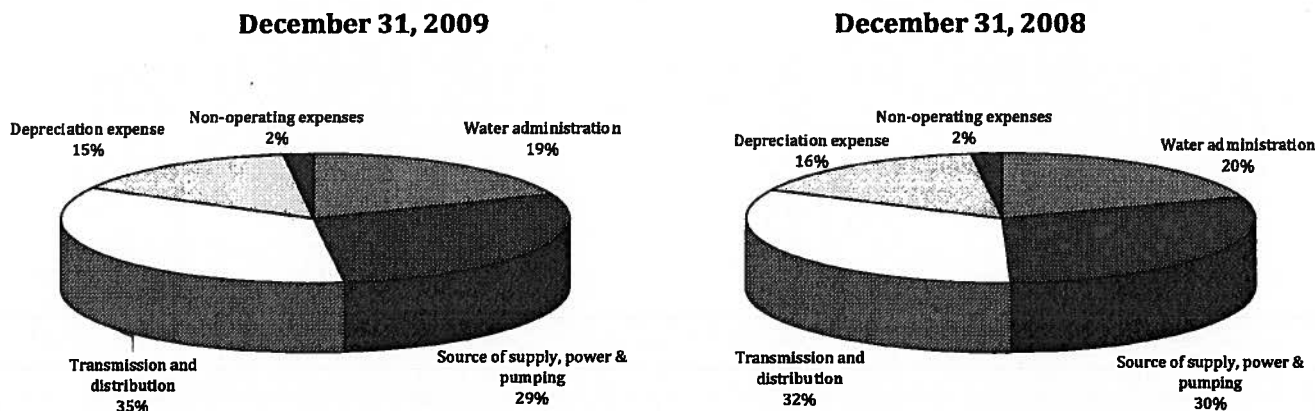
The net decrease in total revenues in 2009, as compared to 2008, was \$432,932 as shown above. Real property taxes were effectively unchanged in accordance with the Board approved 2009 budget. The decrease in use of money and property can be attributed to declining interest rates. The decrease in operating revenues is attributable to metered water sales, its largest component. Metered water sales decreased by 10.50% from the prior year. The net increase in expenditures was \$203,394 as shown above. The increase was primarily due to the increase in the District's net other postemployment benefits obligation in the amount of \$401,595.

A graphic display of the distribution of revenues for the two years follows:



As graphically portrayed above, the District primarily relies on operating revenues and real property taxes to support government operations. Collectively, they provided 93% and 92% of the District's revenues in fiscal years 2009 and 2008, respectively.

A graphic display of the distribution of expenses for the two years follows:



As graphically portrayed above, the District's proportionate share of revenues and expenses was substantially consistent between 2009 and 2008.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of December 31, 2009, the governmental funds reported a combined fund balance of \$5,976,494, a decrease of \$978,921 or 14.07% compared to the prior year. A summary of the change in fund balance by fund is as follows:

	2009	2008	Changes	Percentage Change
General Fund				
Reserved for encumbrances	\$ 6,084	\$ 58,107	\$ (52,023)	(89.53)%
Reserved for inventories	9,337	7,628	1,709	22.40 %
Reserved - capital, buildings and grounds	1,707,926	960,847	747,079	77.75 %
Reserved - employee benefit accrued liability	404,032	153,532	250,500	163.16 %
Unreserved - designated for:				
Bond payments	500,000	-	500,000	100.00 %
Subsequent year's expenditures	500,000	500,000	-	0.00 %
Unreserved - undesignated	815,876	1,260,425	(444,549)	(35.27)%
	<u>3,943,255</u>	<u>2,940,539</u>	<u>1,002,716</u>	<u>34.10 %</u>
Capital Projects Fund				
Reserved for encumbrances	465,015	15,360	449,655	2927.44 %
Unreserved - undesignated	1,568,224	3,999,516	(2,431,292)	(60.79)%
	<u>2,033,239</u>	<u>4,014,876</u>	<u>(1,981,637)</u>	<u>(49.36)%</u>
 Total Governmental Funds Fund Balance	 <u>\$ 5,976,494</u>	 <u>\$ 6,955,415</u>	 <u>\$ (978,921)</u>	 <u>(14.07)%</u>

A. General Fund

The general fund is the principal operating fund of the District. For the year, the fund balance increased in the amount of \$1,002,716 as revenues of \$7,425,736 exceeded expenditures and other uses of \$6,423,020. The 2009 revenues were a 7.26% decrease from the 2008 balances. The 2009 expenditures and other uses were a 14.86% decrease from the 2008 balances.

During 2009, the Commissioners approved funding of the capital reserve in the amount of \$500,000 and the employee benefit accrued liability reserve for \$250,000. The balance of the increase in the capital reserve is tower rental income of \$243,927 and interest of \$3,152. The employee benefit accrued liability reserve earned interest of \$500.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

B. Capital Projects Fund

The capital projects fund is used to account for financial resources earmarked for specific capital projects. For the year, the fund balance decreased by \$1,981,637 as capital expenditures of \$2,891,637 exceeded an operating transfer from the general fund of \$910,000.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2009 Budget

The District's general fund approved budget for the year ended December 31, 2009 was \$8,223,098. This amount was increased by encumbrances carried forward from the prior year in the amount of \$58,107 for a total final budget of \$8,281,205.

The budget was funded through a combination of estimated revenues of \$7,723,098; carryover encumbrances of \$58,107; and designated fund balance of \$500,000.

B. Change in General Fund's Unreserved - Undesignated Fund Balance (Budget to Actual)

The general fund's unreserved - undesignated fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and the designation to fund the subsequent year's budget. It is this balance that is commonly referred to as "the Fund Balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unreserved - Undesignated Fund Balance	\$ 1,260,425
Revenues Under Budget	(297,362)
Expenditures and Encumbrances Under Budget	1,852,101
Increase in Reserves	(999,288)
Appropriation to Fund the 2010 Budget	<u>(1,000,000)</u>
Closing, Unreserved - Undesignated Fund Balance	<u><u>\$ 815,876</u></u>

Opening, Unreserved - Undesignated Fund Balance

The \$1,260,425 shown in the table is the portion of the District's December 31, 2008 fund balance that was retained as undesignated.

Revenues Under Budget

The 2009 budget for revenues was \$7,723,098. Actual revenues received for the year were \$7,425,736. Actual revenues were less than the estimated or budgeted revenues by \$297,362. This change contributes directly to the change in the undesignated portion of the general fund fund balance from December 31, 2008 to December 31, 2009.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Expenditures and Encumbrances Under Budget

Actual expenditures for the year were \$6,423,020 and open encumbrances at December 31, 2009 were \$6,084. The combined expenditures and open encumbrances total \$6,429,104 and were \$1,852,101 under the final budget of \$8,281,205. This under expenditure contributes to the change to the undesignated portion of the general fund fund balance from December 31, 2008 to December 31, 2009.

Increase in Reserves

The net increase of \$999,288 to reserves increased the balance in the reserve for inventories (\$1,709), the capital reserve for buildings and grounds (\$747,079), and the reserve for the employee benefit accrued liability (\$250,000). The increase in the reserves similarly decreased the undesignated portion of the general fund fund balance at December 31, 2009.

Appropriated Fund Balance

The District has chosen to use \$500,000 of the available December 31, 2009 fund balance to partially fund the 2010 approved operating budget and \$500,000 was designated for bond payments. As such, the undesignated portion of the December 31, 2009 fund balance must be reduced by this amount.

Closing. Unreserved - Undesignated Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2010 fiscal year with an undesignated fund balance of \$815,876. This is a decrease of \$444,549 in the undesignated balance from the prior year.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At December 31, 2009, the District had invested in a broad range of capital assets as indicated in the table below. The net increase in capital assets is due to capital additions in excess of depreciation recorded for the year. A summary of the District's capital assets, net of depreciation at December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Land	\$ 362,937	\$ 362,937	\$ -
Construction in progress	4,155,109	1,382,921	2,772,188
Buildings and improvements	9,799,165	10,075,749	(276,584)
Land improvements	621,895	691,359	(69,464)
Furniture and equipment	2,684,916	3,124,638	(439,722)
Infrastructure	<u>2,582,260</u>	<u>2,729,045</u>	<u>(146,785)</u>
Capital assets, net	<u>\$ 20,206,282</u>	<u>\$ 18,366,649</u>	<u>\$ 1,839,633</u>

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District's additions to capital assets in 2009 totaled \$2,708,161 and were funded by transfers from the general fund. The majority of the additions were related to the following projects:

- VOC removal at Plant # 11
- Clearwell and nitrate treatment at Plant #8
- Nitrate and caustic at Plants #1, 5, 6 and 8
- Access control system upgrade
- Web based facility data management

Decreases in capital assets were due to depreciation of \$991,166.

B. Debt Administration

At December 31, 2009, the District had total bonds payable of \$2,830,000. The bonds were issued in 1999 for construction of an air stripper at Plant 9. The decrease in outstanding debt noted in the summary below represents scheduled principal payments. There were no new issuances of bonded indebtedness during the year ended December 31, 2009. A summary of the outstanding debt at December 31, 2009 and 2008 is as follows:

Issue Date	Interest Rate	2009	2008	Increase (Decrease)	Percentage Change
1999	4.50 - 4.55%	<u>\$ 2,830,000</u>	<u>\$ 3,045,000</u>	<u>\$ (215,000)</u>	(7.06)%

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Commissioners adopted the District's 2010 budget on September 8, 2009. The 2010 budget of \$8,099,774 represents a \$123,324 (1.50%) decrease from the 2009 budget. The District expects to maintain the quality level of service to its taxpayers and customers as it has historically provided. The 2010 budget contains decreases in discretionary areas in order to mitigate normal contractual increases. Funding for the budget will be provided by a combination of a \$500,000 designation of the December 31, 2009 fund balance and estimated revenues of \$7,599,774. Revenues other than real property taxes are estimated to decrease \$123,324 (3.73%), and the resulting real property tax levy will effectively remain unchanged.

The District's water rates are reviewed by the Board of Commissioners on an annual basis.

8. ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's taxpayers, customers and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Hicksville Water District's Superintendent at Hicksville Water District, 4 Dean Street, Hicksville, New York 11802.

HICKSVILLE WATER DISTRICT
Statement of Net Assets
December 31, 2009

ASSETS	
Cash	\$ 6,672,129
Receivables	
Customer accounts receivable	606,986
Due from fiduciary fund	470
Due from other governments	182,526
Inventories	9,337
Prepaid expenses	31,116
Capital assets not being depreciated	4,518,046
Capital assets being depreciated, net of accumulated depreciation	<u>15,688,236</u>
 Total Assets	 <u><u>\$ 27,708,846</u></u>
 LIABILITIES	
Payables	
Accounts payable	\$ 1,012,420
Accrued liabilities	95,286
Retainable payable	122,638
Deferred credits	
Deferred revenues	15,000
Long-term liabilities	
Due within one year	
Bonds payable	225,000
Due after one year	
Bonds payable	2,605,000
Compensated absences payable	895,258
Net other postemployment benefits obligation	<u>1,201,845</u>
 Total Liabilities	 <u><u>6,172,447</u></u>
 NET ASSETS	
Investment in capital assets, net of related debt	17,376,283
Restricted for:	
Capital, buildings and grounds	1,707,926
Employee benefit accrued liability	404,032
Unrestricted	<u>2,048,158</u>
 Total Net Assets	 <u><u>21,536,399</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 27,708,846</u></u>

HICKSVILLE WATER DISTRICT
Statement of Activities
For the Year Ended December 31, 2009

Operating Revenues	<u>\$ 2,526,698</u>
Operating Expenses	
Water administration	1,273,314
Source of supply, power & pumping	2,004,153
Transmission and distribution	2,403,090
Depreciation - unallocated	<u>1,013,448</u>
Total Operating Expenses	<u>6,694,005</u>
Operating Income (Loss)	<u>(4,167,307)</u>
Non-operating Revenues (Expenses)	
Real property taxes	4,417,240
Other tax items	71,299
Use of money and property	272,870
Sale of property and compensation for loss	86,213
Miscellaneous	64,240
Debt service - interest	<u>(128,765)</u>
Total Non-operating Revenues (Expenses)	<u>4,783,097</u>
Increase in Net Assets	615,790
Net Assets - Beginning of Year	<u>20,920,609</u>
Net Assets - End of Year	<u>\$ 21,536,399</u>

HICKSVILLE WATER DISTRICT
Balance Sheet - Governmental Funds
December 31, 2009

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash	\$ 4,219,954	\$ 2,452,175	\$ 6,672,129
Receivables			
Customer accounts receivable	261,877		261,877
Due from other funds	11,293		11,293
Due from other governments	182,526		182,526
Inventories	9,337		9,337
Prepaid expenditures	31,116		31,116
Total Assets	\$ 4,716,103	\$ 2,452,175	\$ 7,168,278
LIABILITIES			
Payables			
Accounts payable	\$ 726,945	\$ 285,475	\$ 1,012,420
Accrued liabilities	30,903		30,903
Retainage payable		122,638	122,638
Due to other funds		10,823	10,823
Deferred credits			
Deferred revenues	15,000		15,000
Total Liabilities	772,848	418,936	1,191,784
FUND BALANCES			
Reserved for:			
Encumbrances	6,084	465,015	471,099
Inventories	9,337		9,337
Capital, buildings and grounds	1,707,926		1,707,926
Employee benefit accrued liability	404,032		404,032
Unreserved - Designated for:			
Bond payments	500,000		500,000
Subsequent year's expenditures	500,000		500,000
Unreserved - Undesignated	815,876	1,568,224	2,384,100
Total Fund Balances	3,943,255	2,033,239	5,976,494
Total Liabilities and Fund Balances	\$ 4,716,103	\$ 2,452,175	\$ 7,168,278

HICKSVILLE WATER DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2009

Total fund balances of governmental funds \$ 5,976,494

The costs of constructing and acquiring capital assets (land, buildings, equipment, and infrastructure) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives. Balances at December 31, 2009 were:

Original cost of capital assets	41,056,249
Accumulated depreciation	<u>(20,849,967)</u>
Capital assets, net	<u>20,206,282</u>

Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds statement. Balances at December 31, 2009, were:

Customer accounts receivable	<u>345,109</u>
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Long-term liabilities are reported in the Statement of Net Assets but not in the governmental funds because they are not due and payable in the current period. Balances at December 31, 2009, were:

Accrued interest on bonds payable	(64,383)
Bonds payable	(2,830,000)
Compensated absences	(895,258)
Net other postemployment benefits obligation	<u>(1,201,845)</u>
Long-term and related liabilities	<u>(4,991,486)</u>

Net assets of governmental activities	<u>\$ 21,536,399</u>
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HICKSVILLE WATER DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Real property taxes	\$ 4,417,240	\$	\$ 4,417,240
Other tax items	71,299		71,299
Operating revenues	2,513,874		2,513,874
Use of money and property	272,870		272,870
Sale of property and compensation for loss	86,213		86,213
Miscellaneous	64,240		64,240
Total Revenues	<u>7,425,736</u>	<u>-</u>	<u>7,425,736</u>
Expenditures			
Water administration	918,857		918,857
Source of supply, power and pumping	1,720,460		1,720,460
Transmission and distribution	1,700,856		1,700,856
Employee benefits	824,191		824,191
Debt service			
Serial bonds - principal	215,000		215,000
Serial bonds - interest	133,656		133,656
Capital outlay		2,891,637	2,891,637
Total Expenditures	<u>5,513,020</u>	<u>2,891,637</u>	<u>8,404,657</u>
Excess (Deficiency) of			
Revenues over Expenditures	<u>1,912,716</u>	<u>(2,891,637)</u>	<u>(978,921)</u>
Other Financing Sources and (Uses)			
Operating transfers in		910,000	910,000
Operating transfers out	<u>(910,000)</u>		<u>(910,000)</u>
Total Other Financing Sources and (Uses)	<u>(910,000)</u>	<u>910,000</u>	<u>-</u>
Net Change in Fund Balances	1,002,716	(1,981,637)	(978,921)
Fund Balances - Beginning of Year	<u>2,940,539</u>	<u>4,014,876</u>	<u>6,955,415</u>
Fund Balances - End of Year	<u>\$ 3,943,255</u>	<u>\$ 2,033,239</u>	<u>\$ 5,976,494</u>

HICKSVILLE WATER DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2009

Net Change in Fund Balances	<u>\$ (978,921)</u>
<u>Long-term revenue and expense differences</u>	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Increase in accounts receivable	<u>12,823</u>
Certain operating expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Increase in compensated absences payable	(76,041)
Increase in net other postemployment benefits obligation	<u>(401,595)</u>
	<u>(477,636)</u>
<u>Capital related differences</u>	
Capital outlays to purchase, build or improve capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Assets and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceed depreciation in the period.	
Capital outlays	2,830,799
Depreciation expense	<u>(991,166)</u>
	<u>1,839,633</u>
<u>Long-term debt transactions</u>	
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	
	215,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from December 31, 2008 to December 31, 2009.	
	4,891
	<u>219,891</u>
Increase in net assets of governmental activities	<u><u>\$ 615,790</u></u>

HICKSVILLE WATER DISTRICT
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds
December 31, 2009

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 52,794</u>
LIABILITIES	
Accounts payable	\$ 2,193
Due to other funds	470
Guarantee and bid deposits	<u>50,131</u>
Total Liabilities	<u>\$ 52,794</u>

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hicksville Water District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Commissioners. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no component units or other entities included in the District's reporting entity.

The District is a component unit of the Town of Oyster Bay, New York.

In addition to the Town of Oyster Bay, the District has a financial and operational association with the Town of Hempstead, New York. The District receives its property tax revenue through the aforementioned Towns' tax levies. Approximately 90% of the District's total property taxes are received from the Town of Oyster Bay and approximately 10% from the Town of Hempstead. Additionally, the District borrows through bonds and bond anticipation notes issued by the respective Towns.

B. Basis of Presentation

District-Wide Statements

The Statement of Net Assets and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, operating revenues, and other exchange and non-exchange transactions.

The Statement of Net Assets presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between operating revenues and expenses for each function of the District's governmental activities. Operating expenses are those that are specifically associated with and are clearly identifiable to a particular function. Operating revenues include charges to customers for water usage. Revenues that are not classified as operating revenues, including all taxes, are presented as non-operating revenues.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major fund categories:

Governmental Funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Capital Projects Fund: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities or equipment.

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used.

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various groups and for payroll or employee withholding.

C. Basis of Accounting and Measurement Focus

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes and grants. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied.

The governmental fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Real Property Taxes

Real property taxes for the Towns of Oyster Bay and Hempstead are levied annually by the Town Boards. The taxes are due in two installments of 50% on January 1 and July 1 without penalty to February 10 and August 10, respectively. Late payments are subject to penalties. The taxes are collected by the Towns and subsequently forwarded to the District. Uncollected taxes are subsequently enforced by Nassau County.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Water sales that go uncollected for three months are turned over to the Towns for collection. These balances become liens on the respective delinquent properties. The Towns remit to the District the amount of the receivables plus interest, regardless of their ability to collect on the liens.

E. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

F. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

G. 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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

H. Cash and Investments

The District's cash consist of cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

Investments are reported at fair value based on quoted market price.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Accounts Receivable

Accounts receivable are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

J. Inventories and Prepaid Items

Inventories consist of supply type items available for sale to contractors and are recorded at cost on a first-in, first-out basis. These items are recorded as expenditures at the time of purchase in the general fund using the consumption method.

A reserve for these non-liquid assets (inventories) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Assets or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

K. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

Capitalization thresholds, (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 500	Straight line	30-40 years
Land improvements	500	Straight line	15-30 years
Furniture and equipment	500	Straight line	5-20 years
Infrastructure	500	Straight line	20-50 years

L. Deferred Revenues

Deferred revenues in the governmental funds arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Vested Employee Benefits - Compensated Absences

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the fund financial statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

N. Other Postemployment Benefits

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

In addition to providing pension benefits through the New York State Employees' Retirement System, 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 benefits are provided through plans whose premiums are based on the benefits paid during the year. The District accounts for these postemployment benefits in accordance with GASB Statement No. 45, *Accounting for Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (OPEB)*.

O. Accrued Liabilities and Long-Term Obligations

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

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due and payable within one year or due and payable after one year in the Statement of Net Assets.

P. Equity Classifications

District-Wide Statements

In the district-wide statements there are three classes of net assets:

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

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Unrestricted net assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Statements

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent year's budget. The undesignated portion reports remaining fund balance that has not been designated or reserved.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

Reserve for Encumbrances

Reserve for encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. The reserve is accounted for in the general and capital projects funds.

Reserve for Inventories

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

Reserve for Capital

Reserve for capital (GML §6-c) is used to pay the cost for improvements of the District's buildings and grounds. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. 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.

Q. Reclassifications

Certain items in the financial statements for December 31, 2008 have been reclassified to conform with the current year presentation. Such reclassifications had no effect on net assets.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN DISTRICT-WIDE STATEMENTS AND GOVERNMENTAL FUND STATEMENTS

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

A. Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities

Total fund balances of the District's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental funds Balance Sheet.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown represent:

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Assets. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Policies

Budgets are adopted annually on a basis consistent with GAAP. The District's procedures for establishing its budget are as follows:

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

- The District's administration prepares a proposed budget for the general fund and submits it to the Board of Commissioners for approval.
- The proposed budget for the general fund is then submitted to the Oyster Bay and Hempstead Town Boards for approval.
- Appropriations are adopted at the function/object level.
- Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.
- Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them, because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are established and used for individual capital projects funds expenditures as approved by the Board. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Budget Summary

The following is a summary of the District's general fund budget for 2009.

Approved budget	\$ 8,223,098
Encumbrances from prior year	<u>58,107</u>
Final budget	<u>\$ 8,281,205</u>

C. 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 as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Expenditures for such commitments are recorded in the period in which the liability is incurred.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. 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 and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

The District did not have any investments at year end or during the year. Consequently, the District was not exposed to any material interest rate risk.

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets that are not depreciated:				
Land	\$ 362,937	\$	\$	\$ 362,937
Construction in progress	1,382,921	2,819,662	(47,474)	4,155,109
	<u>1,745,858</u>	<u>2,819,662</u>	<u>(47,474)</u>	<u>4,518,046</u>
Capital assets that are depreciated:				
Buildings and improvements	14,536,105	47,474		14,583,579
Land improvements	1,301,088			1,301,088
Furniture and equipment	7,876,325	11,137		7,887,462
Infrastructure	12,766,074			12,766,074
Total depreciable historical cost	<u>36,479,592</u>	<u>58,611</u>	<u>-</u>	<u>36,538,203</u>
Less accumulated depreciation:				
Buildings and improvements	4,460,356	324,058		4,784,414
Land improvements	609,729	69,464		679,193
Furniture and equipment	4,751,687	450,859		5,202,546
Infrastructure	10,037,029	146,785		10,183,814
Total accumulated depreciation	<u>19,858,801</u>	<u>991,166</u>	<u>-</u>	<u>20,849,967</u>
Total capital assets being depreciated, net	<u>16,620,791</u>	<u>(932,555)</u>	<u>-</u>	<u>15,688,236</u>
Capital assets, net	<u>\$ 18,366,649</u>	<u>\$ 1,887,107</u>	<u>\$ (47,474)</u>	<u>\$ 20,206,282</u>

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM DEBT

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Long-term liabilities:					
Bonds payable					
General obligation debt					
1999 serial bonds	\$ 3,045,000	\$	\$ (215,000)	\$ 2,830,000	\$ 225,000
Other long-term liabilities:					
Compensated absences	819,217	76,041		895,258	-
	<u>\$ 3,864,217</u>	<u>\$ 76,041</u>	<u>\$ (215,000)</u>	<u>\$ 3,725,258</u>	<u>\$ 225,000</u>

The general fund is used to liquidate other long-term liabilities.

Bonds payable is comprised of the following:

	Issue Date	Final Maturity	Interest Rate	Outstanding at Year-End
Public improvement serial bonds	1999	2019	4.50 - 4.55%	<u>\$ 2,830,000</u>

The following is a summary of debt service requirements:

Fiscal year ending December 31.	Principal	Interest	Total
2010	\$ 225,000	\$ 123,646	\$ 348,646
2011	240,000	113,068	353,068
2012	250,000	101,920	351,920
2013	260,000	90,317	350,317
2014	275,000	78,146	353,146
2015 - 2019	1,580,000	186,095	1,766,095
	<u>\$ 2,830,000</u>	<u>\$ 693,192</u>	<u>\$ 3,523,192</u>

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

Interest paid	\$ 133,656
Less interest accrued in the prior year	(69,274)
Plus interest accrued in the current year	<u>64,383</u>
Total expense	<u>\$ 128,765</u>

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. INTERFUND BALANCES AND ACTIVITY

Interfund balances and activity at December 31, 2009 are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 11,293	\$	\$	\$ 910,000
Capital Projects Fund		10,823	910,000	
Total governmental activities	<u>11,293</u>	<u>10,823</u>	<u>910,000</u>	<u>910,000</u>
Fiduciary Agency Fund		470		
Totals	<u>\$ 11,293</u>	<u>\$ 11,293</u>	<u>\$ 910,000</u>	<u>\$ 910,000</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets.

The District typically transfers from the general fund to the capital projects fund, to provide funding for planned capital projects.

All interfund payables are expected to be repaid within one year.

8. PENSION PLANS

The District participates in the New York State and Local Employees' Retirement System (NYSERS). This is a cost-sharing multiple employer, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. The New York State Comptroller certifies the rates expressed as proportions of members' payroll annually, which are 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 District contributions made to the System were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2009	\$ 124,055
2008	145,581
2007	168,270

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The District, as a single-employer defined benefit OPEB plan, per its contracts with employees, will pay the full premium costs for medical insurance coverage for the employee and spouse for the lifetime of the employee. The District will also reimburse retirees, spouses and surviving spouses for the full premium costs for Medicare Part B payments. These contracts will be renegotiated at various times in the future. All financial activities of the Plan are included in the financial statements of the District. The Plan does not issue a separate financial report. As of January 1, 2009, the most recent actuarial valuation there were 33 active and retired employees (including surviving spouses) participating in the Districts OPEB plan.

B. Funding Policy

The District assumes the full cost of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are made. Currently, there is no provision in the law to permit the District to fund OPEB by any means other than the "pay as you go" method.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 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 the District's net OPEB obligation.

Annual required contribution (ARC)	\$ 606,567
Interest on net OPEB obligation	32,010
Adjustment to ARC	<u>(34,382)</u>
Annual OPEB cost	604,195
Contribution made	<u>(202,600)</u>
Increase in OPEB obligation	401,595
Net OPEB obligation - beginning of year	<u>800,250</u>
Net OPEB obligation - end of year	<u>\$ 1,201,845</u>

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

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 565,260	29.2%	\$ 400,267
12/31/2008	597,113	33.0%	800,250
12/31/2009	604,195	33.5%	1,201,845

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$9,042,097 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,042,097. The covered payroll (annual payroll of active employees covered by the plan) was \$1,725,624, and the ratio of the UAAL to the covered payroll was 524%.

Actuarial valuations of an ongoing plan involved 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 required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections for 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 of 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 entry age actuarial cost method was used. The actuarial assumptions included a 4% funding interest rate and the medical/drug trend rate of 8% - 10% initially, reduced by decrements to an ultimate rate of 5% after years 2012/2013. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2009, was 28 years.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

11. FUND BALANCES - UNRESERVED - DESIGNATED FOR SUBSEQUENT YEAR'S EXPENDITURES

The amount of \$500,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending December 31, 2010 and \$500,000 was designated for bond payments.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$7,412. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 7,939
2011	7,939
2012	<u>6,357</u>
	<u>\$ 22,235</u>

13. SUBSEQUENT EVENTS

On February 18, 2010, the District re-funded the 1999 serial bonds. The re-funded bonds were issued for \$2,500,000 bearing interest rates from 2.00% to 5.00%. The bonds will mature January 19, 2019.

HICKSVILLE WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Revenues				
Real property taxes	\$ 4,417,244	\$ 4,417,244	\$ 4,417,240	\$ (4)
Other tax items			71,299	71,299
Operating revenues				
Metered water sales	2,585,000	2,585,000	2,218,494	(366,506)
Hydrant rentals	114,380	114,380	103,040	(11,340)
Sprinkler fees	139,200	139,200	144,533	5,333
Hydrant fees	480	480	480	-
Water service charges and miscellaneous	15,000	15,000	17,138	2,138
Penalties on water sales	20,000	20,000	30,189	10,189
	<u>2,874,060</u>	<u>2,874,060</u>	<u>2,513,874</u>	<u>(360,186)</u>
Use of money and property				
Interest	59,500	59,500	28,844	(30,656)
Rental income	233,676	233,676	244,026	10,350
	<u>293,176</u>	<u>293,176</u>	<u>272,870</u>	<u>(20,306)</u>
Sale of property and compensation for loss				
Sale of equipment			3,656	3,656
Insurance recovery			41,963	41,963
Sale of supplies	30,000	30,000	40,594	10,594
	<u>30,000</u>	<u>30,000</u>	<u>86,213</u>	<u>56,213</u>
Miscellaneous				
Energy load shedding	100,000	100,000	35,165	(64,835)
Miscellaneous	8,618	8,618	29,075	20,457
	<u>108,618</u>	<u>108,618</u>	<u>64,240</u>	<u>(44,378)</u>
Total Revenues	<u>7,723,098</u>	<u>7,723,098</u>	<u>7,425,736</u>	<u>\$ (297,362)</u>
Expenditures				
Water Administration				
Commissioner fees	37,176	37,176	20,800	\$ 16,376
Superintendent salary	185,723	185,723	180,043	5,680
Office salaries	325,467	325,467	287,309	38,158
Educational	20,000	20,000	12,512	7,488
Administrative assistant	14,040	14,040	13,842	198
Equipment	5,000	6,631	6,631	-
Miscellaneous contingencies	7,000	9,864	9,864	-
Auto expenses	3,500	3,500	3,121	379
Liability insurance	25,039	25,039	20,933	4,106
Repairs and maintenance - bldgs. & grou	51,515	58,623	58,623	-
Office supplies	20,000	20,000	15,639	4,361
Other office expenditures	3,000	3,000	1,580	1,420
Notices and advertising	1,500	7,752	7,752	-
Office heat	45,000	45,000	34,998	10,002
Legal fees	25,000	25,000	20,400	4,600
Accounting fees	59,940	59,940	40,135	19,805
Postage	40,000	40,000	35,935	4,065
Service contracts - hardware	101,442	101,442	95,957	1,825 3,660
Service contracts - software	70,000	70,000	52,783	17,217
Total Water Administration	<u>1,040,342</u>	<u>1,058,197</u>	<u>918,857</u>	<u>1,825 137,515</u>

HICKSVILLE WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund, Continued
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Actual & Encumbrances
Source of Supply, Power & Pumping					
Plant operator	\$ 107,109	\$ 107,109	\$ 107,109	\$	\$ -
Water servicemen	179,866	179,866	179,674		192
Additional salaries and increases	55,000	55,000	54,547		453
Educational	1,100	1,100	175		925
Uniforms	2,000	2,000	1,261		739
Electric and gas	1,150,000	909,000	908,966		34
Equipment	41,207	41,207	9,557		31,650
Auto expense	3,500	3,500	2,795		705
Liability insurance	42,009	42,009	40,478		1,531
Repairs and maintenance	84,220	189,214	185,729	3,485	-
Communication	32,688	32,688	22,288		10,400
Analysis	145,000	145,000	138,054		6,946
Lease line charge	45,984	46,865	46,865		-
Water conservation	45,000	45,000	22,962		22,038
Total Source of Supply, Power & Pumping	1,934,683	1,799,558	1,720,460	3,485	75,613
Transmission and Distribution					
Servicemen	208,762	209,135	209,135		-
Skilled labor	484,681	484,681	481,493		3,188
Meter reader	82,621	82,621	82,621		-
Mechanic	72,990				-
Additional salaries and increases	120,000	120,000	109,051		10,949
Educational	5,000	5,000	2,234		2,766
Uniforms	6,500	6,500	3,758		2,742
Equipment		6,120	6,120		-
Auto expenses	30,000	30,000	28,982		1,018
Liability insurance	133,856	133,856	116,433		17,423
Repairs and maintenance					
Mains	68,354	359,520	358,764	756	-
Hydrants	20,609	20,609	18,039		2,570
Meters	1,000	1,000	375		625
Service lines	20,545	20,545	7,722		12,823
Miscellaneous	10,000	10,000	7,966		2,034
Consumer supplies	17,000	32,675	32,675		-
Oil and grease	1,000	1,000			1,000
Chemicals	145,000	145,000	119,649		25,351
Tools	20,000	20,000	12,161	18	7,821
Engineering	180,000	104,000	103,678		322
Total Transmission and Distribution	1,627,918	1,792,262	1,700,856	774	90,632

HICKSVILLE WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund, Continued
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Actual & Encumbrances
Employee Benefits					
NYS Employees' retirement system	\$ 165,309	\$ 165,309	\$ 128,373	\$	\$ 36,936
Social security	143,318	143,318	124,109		19,209
Workers' compensation	59,506	60,002	60,002		-
Unemployment	5,000	5,000	2,251		2,749
NY metro commuter tax			4,877		(4,877)
NYS health insurance plan	388,856	338,893	338,696		197
Dental plan	37,740	37,740	33,968		3,772
Optical plan	15,000	15,000	11,590		3,410
Disability	30,000	30,000	25,834		4,166
Medi-gap	44,100	44,720	44,720		-
Cancer plan	14,000	14,000	12,817		1,183
Reimburse unused sick time	33,101	33,101	35,181		(2,080)
Tuition aid reimbursement		1,773	1,773		-
Total Employee Benefits	935,930	888,856	824,191	-	64,665
Debt Service					
Serial bonds - principal	215,000	215,000	215,000		-
Serial bonds - interest	133,656	133,656	133,656		-
Total Debt Service	348,656	348,656	348,656	-	-
Total Expenditures	5,887,529	5,887,529	5,513,020	6,084	368,425
Other Uses					
Operating transfer out	2,393,676	2,393,676	910,000		1,483,676
Total Expenditures and Other Uses	8,281,205	8,281,205	6,423,020	\$ 6,084	\$ 1,852,101
Net Change in Fund Balances	(558,107)	(558,107)	1,002,716		
Fund Balances - Beginning of Year	558,107	558,107	2,940,539		
Fund Balances - End of Year	\$ -	\$ -	\$ 3,943,255		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

HICKSVILLE WATER DISTRICT
Schedule of Funding Progress by Valuation Date - Other Post-Employment Benefits
For the Year Ended December 31, 2009

Valuation Date	Actuarial		Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability (AAL) Entry Age				
1/1/2007	\$ -	\$ 8,131,577	\$ 8,131,577	0%	\$ 1,690,826	481%
1/1/2009	\$ -	\$ 9,042,097	\$ 9,042,097	0%	\$ 1,725,624	524%

HICKSVILLE WATER DISTRICT
Schedule of Capital Projects
For the Year Ended December 31, 2009

PROJECT	Fund Balance 12/30/08	Revenues and Transfers	Available Funding	Expenditures	Fund Balance 12/31/09
Meter replacement	\$ 30,743	\$ 500,000	\$ 530,743	\$ 13,675	\$ 517,068
Pending capital project cost	17,500	(17,500)	-	-	-
R&M pumphouse interior	32,209	80,000	112,209	19,075	93,134
R&M pumphouse exterior	(25,929)	99,096	73,167	9,003	64,164
SCADA system			-	-	-
Upgrade - Plant 7			-	-	-
Electric upgrade - Plant 8			-	-	-
Tablet chlorine - Plants 1, 5, 7, 8 and 11			-	-	-
Site signage			-	-	-
Security cameras	21,961	20,000	41,961	-	41,961
Painting tank - Plant 1	21,399	(21,399)	-	-	-
File area - Admin bldg			-	-	-
New well - Plant 3	932	(932)	-	-	-
Replace well pump 5-2			-	-	-
Chlorinator ventilation	5,197	(5,197)	-	-	-
Well pump replacement - Plant 6 and 11	746	(746)	-	-	-
Replace well pump 8-3			-	-	-
Water main replacement	150,000	253,164	403,164	-	403,164
Test well - Plant 7	4,972	(4,972)	-	-	-
Interconnection with adjoining District	69,026	(69,026)	-	-	-
Nitrate and caustic - Plants 1,5,6, and 8	13,217		13,217	-	13,217
Web based facility data management	(1,838)	34,338	32,500	21,931	10,569
PH analyzer - Plant 4	(519)	6,051	5,532	-	5,532
Leak detection program	1,219	14,999	16,218	-	16,218
Motorola VHF portable radios	46	(46)	-	-	-
Clearwell & nitrate treatment - plant 8	2,338,035	1,000,000	3,338,035	2,698,668	639,367
VOC removal - plant 11	1,271,587	(1,155,330)	116,257	418	115,839
Access control system upgrade	64,373	50,000	114,373	79,849	34,524
New roof plant 4		35,000	35,000	18,795	16,205
Fire hydrant replacement		75,000	75,000	27,723	47,277
Upgrade GIS		17,500	17,500	2,500	15,000
	<u>\$ 4,014,876</u>	<u>\$ 910,000</u>	<u>\$ 4,924,876</u>	<u>\$ 2,891,637</u>	<u>\$ 2,033,239</u>