

PLAINVIEW WATER DISTRICT
ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT

December 31, 2010

PLAINVIEW WATER DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Plainview Water District
Plainview, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Plainview Water District, a component unit of the Town of Oyster Bay, New York as of and for the year ended December 31, 2010, which collectively comprise the Plainview Water District, New York's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plainview Water District, New York'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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Plainview Water District as of December 31, 2010, and the respective changes in financial position, thereof 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 and budgetary comparison information 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express and 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.

PERSONAL SERVICE. TRUSTED ADVICE.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plainview Water District, New York's financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary data are the responsibility of management and were derived from and relate 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 statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Albrecht, Veggiaro, Zurek & Co., P.C.

Hauppauge, New York
June 24, 2011

PLAINVIEW WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

This section of the Plainview Water District (District) annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This information should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

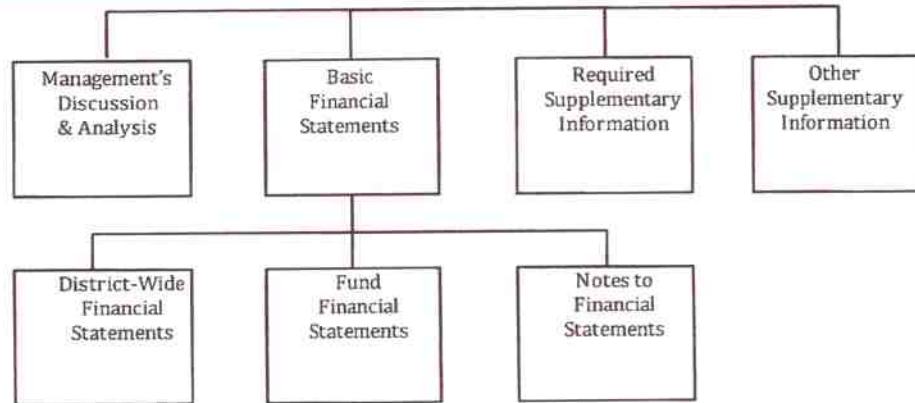
Key financial highlights for the fiscal year 2010 are as follows:

- A. The District's net assets, as reflected in the district-wide financial statements were \$13,534,976 at December 31, 2010. This balance represents a \$1,282,572 increase (10.47%) over the prior year.
Investment in capital assets, net of related debt, increased by \$2,410,934 to \$9,990,384.
Unrestricted net assets, which represent the portion available to maintain the District's continuing obligation to its taxpayers, customers and creditors decreased by \$1,138,389 to \$796,164.
- B. The District's general fund-fund balance, as reflected in the fund financial statements, was \$5,331,581 at December 31, 2010. This balance represents a \$162,224 increase (3.14%) over the prior year.
Unreserved fund balances increased \$357,743 to \$2,349,383 of which \$312,700 is designated to fund the 2011 budget, \$742,048 is designated for contaminants and \$1,294,635 is undesignated.
- C. During 2010, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$14,334,600 for improvements to the District's infrastructure. Work has begun on the projects and subsequent to year-end, \$1,000,000 in bond anticipation notes were issued as short-term financing for the projects.
- D. During 2010, the District settled a Methyl Tertiary Butyl Ether (MTBE) class action products liability litigation. As of December 31, 2010, the District has received \$742,048 related to this settlement.
- E. The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB) during the prior year. Under the accrual basis of accounting, the District is required to record, as a current year expense, the cost of providing health retirement benefits to active and retired employees. During the year ended December 31, 2010, the District recorded an increase in the net OPEB obligation of \$306,185 relating to these benefits, and a total net OPEB obligations of \$1,190,152 at December 31, 2010.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves. A graphic display of the relationship of these statements follows:

PLAINVIEW 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.

PLAINVIEW WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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 fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The District's total net assets increased by \$1,282,572 between fiscal year 2010 and 2009. A summary of the District's Statement of Net Assets for December 31, 2010 and 2009 is as follows:

	2010	2009	Increase (Decrease)	Percentage Change
Current and other assets	\$ 6,290,503	\$ 6,161,522	\$ 128,981	2.09 %
Capital assets, net	18,637,510	16,880,817	1,756,693	10.41 %
Total Assets	<u>24,928,013</u>	<u>23,042,339</u>	<u>1,885,674</u>	8.18 %
Current and other liabilities	1,373,975	1,366,390	7,585	0.56 %
Long-term liabilities	8,828,910	8,539,578	289,332	3.39 %
Net other postemployment benefits	1,190,152	883,967	306,185	34.64 %
Total Liabilities	<u>11,393,037</u>	<u>10,789,935</u>	<u>603,102</u>	5.59 %
Net Assets				
Investment in capital assets net of related debt	9,990,384	7,579,450	2,410,934	31.81 %
Restricted	2,748,428	2,738,401	10,027	0.37 %
Unrestricted	796,164	1,934,553	(1,138,389)	(58.85)%
Total Net Assets	<u>\$ 13,534,976</u>	<u>\$ 12,252,404</u>	<u>\$ 1,282,572</u>	10.47 %

PLAINVIEW WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Current and other assets increased by \$128,981, as compared to the prior year. The increase is primarily related to the increase in receivables.

Capital assets, net increased by \$1,756,693, as compared to the prior year. This increase is primarily due to current year additions exceeding current year depreciation expense. The accompanying Notes to Financial Statements, Note 5 "Capital Assets" provides additional information.

Current and other liabilities increased by \$7,585, as compared to the prior year. This increase was related to an increase in accounts payable and accrued liabilities net of the bond anticipation note payable (BAN) which matured in the current year...

Long-term liabilities increased by \$289,332, as compared to the prior year. This increase is primarily due to the issuance of \$865,000 in bonds to redeem the BAN which matured less the current year principal payments.

Net other postemployment benefits increased by \$306,185, as compared to the prior year. This increase is related to the amortization of one additional year of unfunded liability. The accompanying notes to the financial statements, Note 10 "Other Postemployment Benefits" provides additional information.

The investment in capital assets, net of related debt, in the amount of \$9,990,384, relates to capital assets at cost less depreciation and related debt. This number increased over the prior year by \$2,410,934 as follows:

	Increase (Decrease)
Capital asset additions - total	\$ 2,298,076
Principal debt reduction of construction bonds - payments	654,241
Depreciation expense	(541,383)
	\$ 2,410,934

The restricted net assets in the amount of \$2,748,428 relates to the District's reserve for capital improvements. This number increased over the prior year by \$10,027 due to interest earned on the reserve.

The unrestricted net assets in the amount of \$796,164 relate to the balance of the District's other reserves and fund balances. This amount decreased from the prior year by \$1,138,389. The District is incurring an expense and liability for other postemployment benefits as required by GASB No. 45. The net increase of long term liability represents the portion of the expense in excess of the "pay as you go" portion and is approximately \$300,000 per year. This is directly contributing to the decrease in the District's unrestricted net assets. 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.

The District's total net assets increased by \$1,282,572 or 10.47%; \$13,534,976 at December 31, 2010, compared to \$12,252,404 at December 31, 2009.

PLAINVIEW WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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, 2010 and 2009 is as follows:

	2010	Restated 2009	Increase (Decrease)	Percentage Change
Revenues				
Operating revenues	\$ 2,905,126	\$ 2,420,974	\$ 484,152	20.00 %
Non-operating revenues				
Real property taxes	3,310,127	3,312,962	(2,835)	(0.09)%
Use of money and property	26,267	32,783	(6,516)	(19.88)%
Other	796,333	129,874	666,459	513.16 %
Total Revenues	<u>7,037,853</u>	<u>5,896,593</u>	<u>1,141,260</u>	19.35 %
Expenses				
Operating expenses				
Water administration	1,464,376	1,306,172	158,204	12.11 %
Source of supply, power and pumping	984,516	717,107	267,409	37.29 %
Purification	1,010,116	738,524	271,592	36.77 %
Transmission and distribution	1,407,180	1,772,036	(364,856)	(20.59)%
Depreciation expense	541,383	508,819	32,564	6.40 %
Non-operating expenses				
Debt service - interest	347,710	379,890	(32,180)	(8.47)%
Total Expenses	<u>5,755,281</u>	<u>5,422,549</u>	<u>332,733</u>	6.14 %
Total Change in Net Assets	<u>\$ 1,282,572</u>	<u>\$ 474,044</u>	<u>\$ 808,527</u>	170.56 %

The District's net assets increased by \$1,282,572 and \$474,044 for the years ended December 31, 2010 and 2009, respectively. These increases are the result of revenues in excess of expenses for both years.

The net increase in total revenues in 2010, as compared to 2009, was \$1,141,260, as shown above. Real property taxes were approximately the same as the prior year in accordance with the Board approved 2010 budget. The decrease in use of money and property can be attributed to declining interest rates. The increase in operating revenues is attributable to an increase in metered water sales due to dry weather conditions in 2010, which resulted in higher pumpage for irrigation. Other revenue includes \$742,048 related to a settlement of a Methyl Tertiary Butyl Ether (MTBE) class action products liability litigation. Note 12 to the financial statements provide additional information.

The net increase in expenditures was \$332,733, as shown above. The increase was primarily in salaries and the purchase of meters. Additionally, the District reclassified certain expenditures in 2010 from source of supply, power and pumping to water administration, purification and transmission and distribution, primarily salaries and related benefits. The 2009 expenditures were restated to reflect this change in classification and had no impact on net assets.

