

PLAINVIEW WATER DISTRICT

ANNUAL FINANCIAL REPORT

WITH INDEPENDENT AUDITORS' REPORT

December 31, 2017

PLAINVIEW WATER DISTRICT
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Plainview Water District (the "District"), a component unit of the Town of Oyster Bay, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

BEYOND THE NUMBERS...

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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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District has elected to change its method of accounting for unbilled metered water sales at December 31, 2017, as presented in the fund financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information other than the management's discussion and analysis as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion nor provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plainview Water District's basic financial statements. The schedule of expenditures and financing sources – capital projects fund is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures and financing sources – capital projects fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and financing sources – capital projects fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Albert Vignone, Zweck and Company, P.C.

Hauppauge, New York
June 27, 2018

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

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, 2017 in comparison with the year ended December 31, 2016, with emphasis on the current year. This information should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017 fiscal year are as follows:

- A. The District's total net position, as reflected in the district-wide financial statements, was \$16,262,116 at December 31, 2017. This balance represents an increase of \$1,760,451 (12.14%) over the prior year.
- B. The District's general fund-fund balance, as reflected in the fund financial statements, was \$6,516,728 at December 31, 2017. This balance represents a \$1,569,828 increase (31.73%) over the prior year as follows:
 - Nonspendable fund balance increased by \$47,814, which represents the change in inventory and prepaid expenses.
 - Restricted fund balances increased by \$1,738,108 due to the funding of reserves and interest allocated to the reserves, offset by the use of reserves to fund a capital project.
 - Unassigned fund balance decreased by \$216,094 to \$2,234,046.
- 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. However, as of December 31, 2017, the District will only need \$14,287,434 of the original authorization to complete the project. Serial bonds in the amount of \$13,900,000 and bond anticipation notes (BAN) in the amount of \$300,000 have been issued to provide funding for the project and \$87,434 remains unissued. It is anticipated that the project will be completed in 2018 and the District will not require the Town to issue the remaining unissued debt.
- D. The District's 2017 property tax levy of \$4,060,609 was a 6.18% increase over the 2016 tax levy, which exceeded the tax cap and was approved by the Board of Commissioners. The District's tax cap was an increase of 1.32%.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial 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:



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 Position 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 Position

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

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. 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 as governmental funds and fiduciary funds.

Governmental Funds

Governmental funds 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 in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, retainage, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

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.

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

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 Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds: general fund and capital projects fund. 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, 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 and utilize the accrual basis of accounting. Fiduciary activities are reported in a separate statement. The fiduciary activities are 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 Position

The District's total net position increased by \$1,760,451 between fiscal year December 31, 2017 and 2016. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2017	2016	Increase (Decrease)	Percentage Change
Assets				
Current and other assets	\$ 8,343,596	\$ 6,524,738	\$ 1,818,858	27.88 %
Capital assets, net	29,006,471	29,666,829	(660,358)	(2.23)%
Total Assets	<u>37,350,067</u>	<u>36,191,567</u>	<u>1,158,500</u>	3.20 %
Deferred Outflows of Resources	<u>554,617</u>	<u>1,208,756</u>	<u>(654,139)</u>	(54.12)%
Liabilities				
Current and other liabilities	\$ 1,587,839	\$ 1,275,706	\$ 312,133	24.47 %
Long-term liabilities	15,282,262	16,668,175	(1,385,913)	(8.31)%
Net OPEB obligation	4,070,797	3,669,142	401,655	10.95 %
Net pension liability - proportionate share	<u>577,297</u>	<u>1,143,753</u>	<u>(566,456)</u>	(49.53)%
Total Liabilities	<u>21,518,195</u>	<u>22,756,776</u>	<u>(1,238,581)</u>	(5.44)%
Deferred Inflows of Resources	<u>124,373</u>	<u>141,882</u>	<u>(17,509)</u>	(12.34)%
Net Position				
Net investment in capital assets	13,574,325	13,233,785	340,540	2.57 %
Restricted	3,946,809	2,208,701	1,738,108	78.69 %
Unrestricted (deficit)	<u>(1,259,018)</u>	<u>(940,821)</u>	<u>(318,197)</u>	33.82 %
Total Net Position	<u>\$ 16,262,116</u>	<u>\$ 14,501,665</u>	<u>\$ 1,760,451</u>	12.14 %

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

Current and other assets increased by \$1,818,858, as compared to the prior year. The increase is primarily related to increases in cash and accounts receivable. The increase in cash is due to an increase in current and other liabilities along with an increase in cash collections of other revenues. The increase in accounts receivable is due to an increase in unpaid customer accounts at year end.

Capital assets, net decreased by \$660,358, as compared to the prior year. This decrease is due to current year depreciation expense exceeding current year additions. The accompanying Notes to Financial Statements, Note 6 "Capital Assets" provides additional information.

Deferred outflows of resources of \$554,617 represents contributions to the retirement plan subsequent to the measurement date and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities increased by \$312,133, as compared to the prior year. This increase resulted from increases in amounts due to vendors for goods and services provided by year end, new BANs payable and funds collected in advance, offset by decreases in accrued liabilities and amounts due to other governments.

Long-term liabilities decreased by \$1,385,913, as compared to the prior year. This decrease is the result of the repayment of the current maturity of bond indebtedness and a decrease in the compensated absences liability primarily as a result of retirement payouts.

Net other postemployment benefits (OPEB) obligation increased by \$401,655, as compared to the prior year. Under the current NYS laws there is no provision to fund this obligation by any means other than the "pay as you go" method, as reported in the funds. The accompanying notes to the financial statements, Note 12 "Postemployment Healthcare Benefits" provides additional information.

Net pension liability – proportionate share decreased by \$566,456 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources of \$124,373 represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets, relates to the investment in capital assets at cost such as land; buildings and improvements; furniture and equipment; and infrastructure, net of depreciation and related outstanding debt. This number increased over the prior year by \$340,540 as follows:

	Increase (Decrease)
Capital asset additions - total	\$ 332,732
Capital asset additions financed by debt	(354,934)
Principal debt reduction of construction bonds - payments	1,355,832
Depreciation expense	(993,090)
	\$ 340,540

The restricted component of net position in the amount of \$3,946,809 relates to the District's reserves for capital improvements. This balance increased over the prior year by \$1,738,108 due to the funding of reserves and interest allocated to the reserves, offset by the use of reserves to fund capital asset additions.

The unrestricted deficit component of net position in the amount of \$(1,259,018) relates to the balance of the District's net position. This deficit increased over the prior year by \$318,197. This balance does not

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

include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation.

B. Changes in Net Position

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, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)	Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 4,807,232	\$ 4,508,385	\$ 298,847	6.63 %
General revenues				
Real property taxes	4,060,609	3,824,222	236,387	6.18 %
Other tax items	190,110	154,482	35,628	23.06 %
Use of money and property	29,704	15,400	14,304	92.88 %
Other	33,187	9,042	24,145	267.03 %
Total Revenues	<u>9,120,842</u>	<u>8,511,531</u>	<u>609,311</u>	7.16 %
Expenses				
Program expenses				
Water administration	1,735,143	1,925,121	(189,978)	(9.87)%
Source of supply, power and pumping	875,371	1,021,017	(145,646)	(14.26)%
Purification	1,526,531	1,414,114	112,417	7.95 %
Transmission and distribution	1,677,937	1,418,715	259,222	18.27 %
Depreciation - unallocated	993,090	991,722	1,368	0.14 %
Debt service - interest	552,319	602,303	(49,984)	(8.30)%
Total Expenses	<u>7,360,391</u>	<u>7,372,992</u>	<u>(12,601)</u>	(0.17)%
Total Change in Net Position	<u>\$ 1,760,451</u>	<u>\$ 1,138,539</u>	<u>\$ 621,912</u>	54.62 %

The District's net position increased by \$1,760,451 and \$1,138,539 for the years ended December 31, 2017 and 2016, respectively.

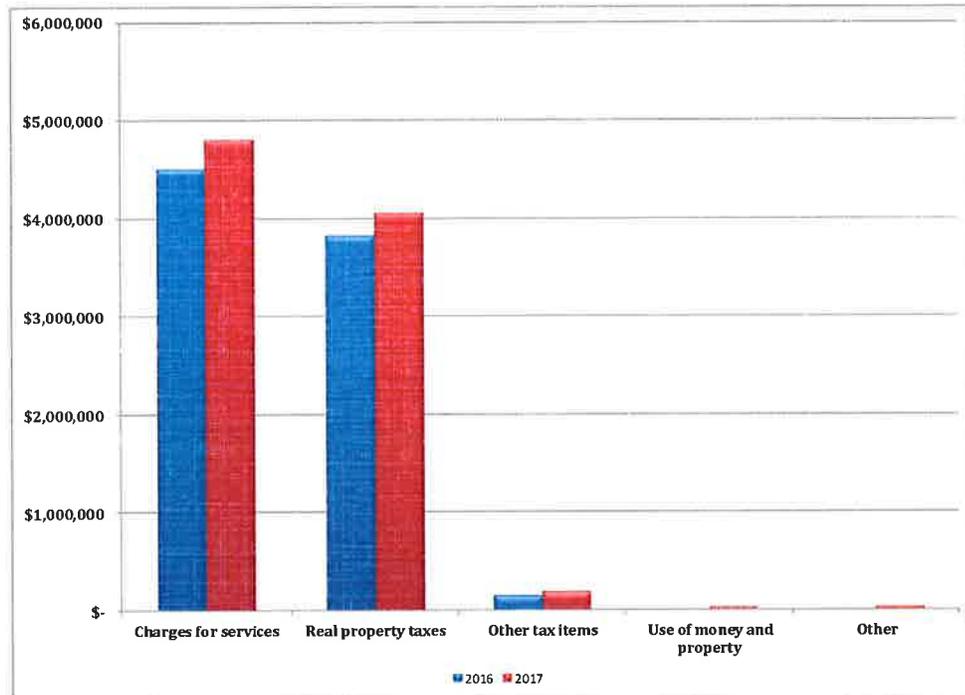
The net increase in total revenues in 2017, as compared to 2016, was \$609,311, as shown above. This increase was due to increases in program revenues, real property taxes and other tax items. The increase in program revenues is primarily due to funds received for construction water charges (\$417,476), offset by a decrease in metered water sales (\$162,483). In total, real property taxes and other tax items increased by \$272,015 over 2016 amounts.

The District's expenses for the year decreased by \$12,601 or 0.17%. The decrease in water administration was the result of a decrease in salary expense due to retirements. The decrease in the District's source of supply, power and pumping was due to a decrease in electricity charges incurred by the District. The debt service interest expense decreased in accordance with the repayment schedules. These decreases are offset by increases to purification, transmission and distribution expenses. The increase to purification was due to increased purchases of lime and additional water analysis related to the pinhole leak investigation project that was conducted to determine the cause of these occurrences. The increase in transmission and distribution was due to increases in equipment purchases for service installs relating to new construction or demolished homes and repairs to water mains. Contractors are required to purchase the equipment from the District.

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

As graphically portrayed below, the District primarily relies on water use charges and real property taxes to support government operations. Collectively, they provided 97.23% and 97.90% of the District's revenues in fiscal years 2017 and 2016, respectively.

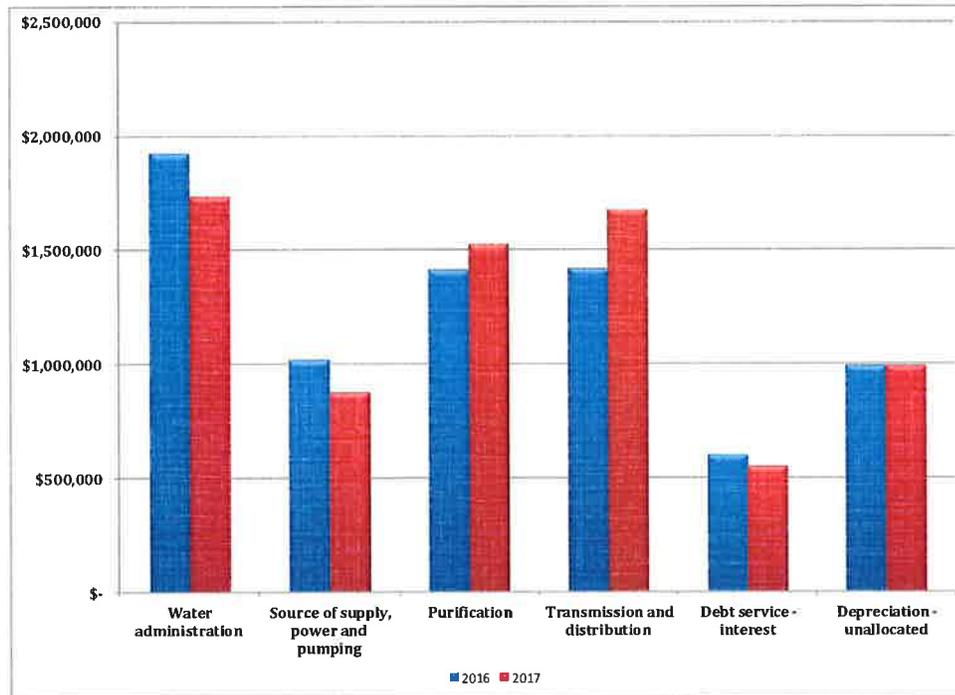
A graphic display of the distribution of revenues for the two years follows:



	Charges for services	Real property taxes	Other tax items	Use of money and property	Other
2016	52.97%	44.93%	1.81%	0.18%	0.11%
2017	52.71%	44.52%	2.08%	0.33%	0.36%

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

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



	Water administration	Source of supply, power and pumping	Purification	Transmission and distribution	Debt service - interest	Depreciation - unallocated
2016	26.11%	13.85%	19.18%	19.24%	8.17%	13.45%
2017	23.57%	11.90%	20.74%	22.80%	7.50%	13.49%

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, unassigned 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, 2017, the governmental funds reported a combined fund balance of \$6,247,469; an increase of \$1,410,026 over the prior year, as restated. The December 31, 2016 general fund - fund balance has been restated to reflect a change in the treatment of prepaids. For additional information on the restatement, see the accompanying Notes to Financial Statements, Note 16, "Restatement of Fund Balances." A summary of the change in fund balance by fund is as follows:

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

	2017	As Restated 2016	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable:				
Inventory	\$ 121,341	\$ 112,963	\$ 8,378	7.42 %
Prepays	214,532	175,096	39,436	22.52 %
Restricted Capital reserves:				
General	2,382,782	656,143	1,726,639	263.15 %
Contaminants	1,269,041	1,258,836	10,205	0.81 %
Infrastructure	269,133	268,073	1,060	0.40 %
Meter replacement	25,853	25,649	204	0.80 %
Unassigned: Fund balance	<u>2,234,046</u>	<u>2,450,140</u>	<u>(216,094)</u>	(8.82)%
	6,516,728	4,946,900	1,569,828	31.73 %
Capital Fund				
Unassigned: Fund balance (deficit)	<u>(269,259)</u>	<u>(109,457)</u>	<u>(159,802)</u>	(146.00)%
Total Governmental Funds				
Fund Balance	<u>\$ 6,247,469</u>	<u>\$ 4,837,443</u>	<u>\$ 1,410,026</u>	29.15 %

A. General Fund

The general fund is the principal operating fund of the District. For the year, the fund balance increased by \$1,569,828, as revenues and other financing sources of \$9,201,418, exceeded expenditures of \$7,631,590, compared to a fund balance increase of \$1,122,448 for fiscal 2016. Revenues and other financing sources increased by \$712,952 (8.40%) over fiscal 2016. The increase was primarily due to increases in real property taxes (\$236,387), other tax items (\$35,628) and program revenues (\$285,444). The increase in program revenues is the result of receiving funds for construction water charges, offset by a decrease in metered water usage.

Expenditures and other uses increased by \$265,572 or 3.61% over fiscal 2016 totals. This increase was primarily due to increases in purification, transmission and distribution and employee benefit expenditures, offset by decreases in water administration, source of supply, power and pumping and debt service expenditures. The increase in purification was due to increases in lime purchases and water analysis due to the pinhole leak investigation. The increase in transmission and distribution is due to an increase in service installs, repairs and the purchase of meters. The increase in employee benefits is due to an increase in health insurance expenditures. The decrease in water administration was the result of a decrease in salary expenditures due to retirements. The decrease in the District's source of supply, power and pumping was due to a decrease in electricity charges incurred by the District. The debt service expenditures decreased in accordance with the repayment schedules.

The restricted fund balances increased by \$1,738,108 compared to the prior year. This increase is due to the board approved funding of reserves and allocation of interest to the reserves, offset by the use of general capital reserve to fund capital project expenditures.

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 deficit increase in the amount of \$159,802 resulted from operating transfers to the general fund for unexpended capital reserve funds on completed projects. The resulting deficit unassigned fund balance will be eliminated when the District issues permanent financing in the form of serial bonds.

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017 Budget

The District's general fund approved budget for the year ended December 31, 2017 was \$8,653,295. This amount was increased by budget revisions in the amount of \$313,592, for rehabilitation of plant no. 6, for a final budget of \$8,966,887.

The final budget was funded by \$4,173,462 in estimated property taxes and other items, \$4,465,333 in estimated program revenues, \$14,500 in other revenues and \$313,592 appropriated from restricted reserves.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned 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 amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 2,450,140
Revenues Over Budget	548,123
Expenditures Under Budget	1,335,297
Net Change in Nonspendable Fund Balance	(47,814)
Allocation to Reserves	<u>(2,051,700)</u>
Closing, Unassigned Fund Balance	<u>\$ 2,234,046</u>

Opening, Unassigned Fund Balance

The \$2,450,140 shown in the table is the District's December 31, 2016 unassigned fund balance.

Revenues Over Budget

The 2017 final budget for revenues was \$8,653,295. Actual revenues received for the year were \$9,201,418. The excess of actual revenue over estimated or budgeted revenue was \$548,123. This was due to the District receiving more than anticipated in other tax items (PILOT), construction water charges, miscellaneous charges and the transfer from the capital projects fund, offset by a shortage in metered water sales. This change contributes directly to the change in the unassigned portion of the general fund-fund balance from December 31, 2016 to December 31, 2017.

Expenditures Under Budget

The 2017 final budget for expenditures and other financing uses was \$8,966,887. Actual expenditures and other financing uses for the year were \$7,631,590. The total expenditures and other financing uses were \$1,335,297 under the final budget, which contributes to the change to the unassigned portion of the general fund-fund balance from December 31, 2016 to December 31, 2017.

Net Change in Nonspendable Fund Balance

The District prepaid three months of NYS and Local Employees' Retirement System required contributions, staff professional dues, insurance payments and one month of health insurance, and had inventories for supplies and materials at December 31, 2017. The resulting balance sheet assets (prepaids and inventories)

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

cannot be spent because they are not in spendable form. Accordingly, an equal amount of fund balance is classified as nonspendable. The \$47,814 increase in nonspendable fund balance decreases unassigned fund balance.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The (\$2,051,700) shown in the above table represents a transfer to the general capital reserve of \$2,035,183 plus interest earnings of \$16,517 that were allocated to the reserves.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2018 fiscal year with an unassigned fund balance of \$2,234,046. This is a decrease of \$216,094 in the unassigned balance from the prior year.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At December 31, 2017, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation in excess of capital additions for the year. A summary of the District's capital assets, net of depreciation at December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Land	\$ 302,792	\$ 302,792	\$ -
Buildings and improvements	10,723,720	11,084,670	(360,950)
Furniture and equipment	674,167	798,695	(124,528)
Infrastructure	<u>17,305,792</u>	<u>17,480,672</u>	<u>(174,880)</u>
Capital assets, net	<u>\$ 29,006,471</u>	<u>\$ 29,666,829</u>	<u>\$ (660,358)</u>

The District's additions to capital assets in 2017 totaled \$332,732. The majority of the additions were related to building improvements, fire hydrant installation, purchase of equipment, and water main replacements.

Additions to capital assets were offset by depreciation of \$993,090.

B. Debt Administration

At December 31, 2017, the District had total bonds payable of \$15,077,212. The bonds were issued for major improvements to the District's infrastructure and facilities. The decrease in outstanding debt resulted from principal payments made during the current year. A summary of the outstanding debt at December 31, 2017 and 2016 is as follows:

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

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
2003	3.00 - 4.50%	\$ 49,412	\$ 74,555	\$ (25,143)
2008	3.50 - 4.125%	2,399,230	2,592,980	(193,750)
2009	2.50 - 5.00%	273,900	534,600	(260,700)
2009	2.50 - 4.00%	132,000	177,000	(45,000)
2010	3.00 - 4.00%	545,170	595,780	(50,610)
2011	2.00 - 5.00%	25,882	39,596	(13,714)
2014	2.00 - 5.00%	228,618	255,533	(26,915)
2014	3.00 - 4.00%	4,765,000	5,126,000	(361,000)
2014	3.25 - 4.00%	6,658,000	7,037,000	(379,000)
		<u>\$ 15,077,212</u>	<u>\$ 16,433,044</u>	<u>\$ (1,355,832)</u>

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. However, as of December 31, 2017, the District will only need \$14,287,434 of the original authorization to complete the project. Serial bonds in the amount of \$13,900,000 and BANs in the amount of \$300,000 have been issued to provide funding for the projects and \$87,434 remains unissued.

In addition, during 2017, the Town issued \$66,750 in BANs related to a 2004 authorization for infrastructure improvements. This project was completed in prior years.

Additional information on the District's debt can be found in Note 7 "Short-Term Debt" and Note 8 "Long-Term Liabilities" of the Notes to Financial Statements.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are estimated amounts due for compensated absences, net other postemployment benefits obligation and net pension liability proportionate share. The compensated absences liability is based on employment contracts. The net other postemployment benefits obligation and the net pension liability - proportionate share are based on actuarial valuations.

	2017	2016	Increase (Decrease)
Compensated absences payable	\$ 205,050	\$ 235,131	\$ (30,081)
Net other postemployment benefits obligation	4,070,797	3,669,142	401,655
Net pension liability - proportionate share	577,297	1,143,753	(566,456)
	<u>\$ 4,853,144</u>	<u>\$ 5,048,026</u>	<u>\$ (194,882)</u>

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

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Commissioners adopted the District's 2018 budget on September 7, 2017. The District expects to maintain the quality level of service to its taxpayers and customers as it has historically provided. The 2018 budget of \$8,959,549 represents a \$306,254 increase over the 2017 budget. Partial funding for the budget will be provided by estimated non-property tax revenues of \$4,577,570, which is a decrease of \$15,116 (0.33%) from 2017. The real property tax levy of \$4,381,979 will provide the balance of the funding for the budget, which is an increase of \$321,370 (7.91%) over 2017.

B. Water Sales

The District derives a significant amount of its operating revenues from water sales. For water utilities, water revenues are dependent on the amount of rainfall, particularly during the summer months. As such, these revenues are unpredictable and very volatile. Water revenues for the District can vary significantly from a rainy year to a dry year. Water revenues are budgeted on the conservative side, which is in anticipation of a rainy year. However, actual water revenues can still fall far short of the District's estimates. The District continued to budget conservatively for 2017. The District also believes that such adverse weather conditions can easily recur consecutively over two years or more running. Gallons billed and water revenues for the current and past four years are as follows:

	<u>Gallons billed</u> <u>(millions)</u>	<u>Water Revenue</u> <u>Recognized in</u> <u>General Fund</u> <u>(thousands)</u>
2017	1,660	\$ 3,780
2016	1,841	3,942
2015	1,834	3,645
2014	1,738	3,384
2013	1,907	3,020

C. Tax Cap

New York State law limits the increase in the property tax levy of municipalities to the lesser of 2% or the rate of inflation starting with the 2012 fiscal year and lasting through at least June 15, 2020. There are additional statutory adjustments in the law. Municipalities may override the tax levy limit by drafting a local law or resolution that overrides the tax levy limit and having it approved by a 60 percent rate of the governing body. Based on the law, the District's tax levy cap for 2018 is 2.13%. The District's tax levy increase of 7.91%, as approved by the Board of Commissioners, exceeds the cap for 2018.

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 Plainview Water District's Superintendent at Plainview Water District, 10 Manetto Hill Road, Plainview, New York 11803.

PLAINVIEW WATER DISTRICT
Statement of Net Position
December 31, 2017

ASSETS

Cash	
Unrestricted	\$ 2,367,248
Restricted	3,946,809
Receivables	
Accounts receivable	1,329,977
Due from fiduciary fund	23,415
Due from other governments	340,274
Inventory	121,341
Prepays	214,532
Capital assets not being depreciated	302,792
Capital assets being depreciated, net of accumulated depreciation	<u>28,703,679</u>
 Total Assets	 <u>37,350,067</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	<u>554,617</u>
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LIABILITIES

Payables	
Accounts payable	786,375
Accrued liabilities	240,097
Retainage payable	85,675
Bond anticipation notes payable	366,750
Unearned credits	
Collections in advance	108,942
Long-term liabilities	
Due within one year	
Bonds payable	1,399,382
Compensated absences payable	28,759
Due after one year	
Bonds payable	13,677,830
Compensated absences payable	176,291
Net other postemployment benefits obligation	4,070,797
Net pension liability - proportionate share	<u>577,297</u>
 Total Liabilities	 <u>21,518,195</u>

DEFERRED INFLOWS OF RESOURCES

Pension	<u>124,373</u>
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NET POSITION

Net investment in capital assets	13,574,325
Restricted: Capital improvements	3,946,809
Unrestricted (deficit)	<u>(1,259,018)</u>
 Total Net Position	 <u>\$ 16,262,116</u>

PLAINVIEW WATER DISTRICT
Statement of Activities
For the Year Ended December 31, 2017

Program Expenses	
Home and community services	
<i>Water supply services</i>	
Water administration	1,735,143
Source of supply, power and pumping	875,371
Purification	1,526,531
Transmission and distribution	1,677,937
Debt service - interest	552,319
Depreciation	<u>993,090</u>
Program Revenues	
Charges for services	<u>\$ 4,807,232</u>
 Total Program Expenses	 <u>7,360,391</u>
Net Revenue (Expense)	<u>(2,553,159)</u>
General Revenues	
Real property taxes	4,060,609
Other tax items	190,110
Use of money and property	29,704
Sale of property and compensation for loss	30,704
Miscellaneous	<u>2,483</u>
 Total General Revenues	 <u>4,313,610</u>
Change in Net Position	1,760,451
Net Position - Beginning of Year	<u>14,501,665</u>
Net Position - End of Year	<u>\$ 16,262,116</u>

PLAINVIEW WATER DISTRICT
Balance Sheet - Governmental Funds
December 31, 2017

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash			
Unrestricted	\$ 2,367,248	\$	\$ 2,367,248
Restricted	3,946,809		3,946,809
Receivables			
Accounts receivable	1,329,977		1,329,977
Due from other funds	26,237		26,237
Due from other governments	239,961	100,313	340,274
Inventory	121,341		121,341
Prepays	214,532		214,532
Total Assets	\$ 8,246,105	\$ 100,313	\$ 8,346,418
LIABILITIES			
Payables			
Accounts payable	\$ 786,375	\$	\$ 786,375
Accrued liabilities	41,572		41,572
Due to other funds		2,822	2,822
Bond anticipation notes payable		366,750	366,750
Unearned credits			
Collections in advance	108,942		108,942
Total Liabilities	936,889	369,572	1,306,461
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - unbilled metered water sales	792,488		792,488
FUND BALANCES (DEFICIT)			
Nonspendable:			
Inventory	121,341		121,341
Prepays	214,532		214,532
Restricted: Capital	3,946,809		3,946,809
Unassigned: Fund balance (deficit)	2,234,046	(269,259)	1,964,787
Total Fund Balances (Deficit)	6,516,728	(269,259)	6,247,469
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,246,105	\$ 100,313	\$ 8,346,418

PLAINVIEW WATER DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2017

Total Governmental Fund Balances \$ 6,247,469

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 Position 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, 2017, were:

Original cost of capital assets	\$ 44,808,255	
Accumulated depreciation	<u>(15,801,784)</u>	
Capital assets, net		29,006,471

Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement system are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	554,617	
Net pension liability	(577,297)	
Deferred inflows of resources	<u>(124,373)</u>	
		(147,053)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. 792,488

Current and long-term liabilities are reported in the Statement of Net Position but not in the governmental funds because they are not due and payable in the current period. Balances at December 31, 2017, were:

Accrued interest on bonds payable	(198,525)	
Retainage payable	(85,675)	
Bonds payable		
Due within one year	(1,399,382)	
Due after one year	(13,677,830)	
Compensated absences	(205,050)	
Net other postemployment benefits obligation	<u>(4,070,797)</u>	
Long-term and related liabilities		<u>(19,637,259)</u>

Total Net Position \$ 16,262,116

PLAINVIEW WATER DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2017

	General	Capital Projects	Total Governmental Funds
Revenues			
Real property taxes	\$ 4,060,609	\$ -	\$ 4,060,609
Other tax items	190,110		190,110
Program revenues	4,728,006		4,728,006
Use of money and property	29,704		29,704
Sale of property and compensation for loss	30,704		30,704
Miscellaneous	2,483		2,483
Total Revenues	9,041,616	-	9,041,616
Expenditures			
Water administration	1,272,194		1,272,194
Source of supply, power and pumping	916,122		916,122
Purification	903,287		903,287
Transmission and distribution	1,371,666		1,371,666
Employee benefits	1,242,697		1,242,697
Debt service			
Principal	1,355,832		1,355,832
Interest	569,792		569,792
Total Expenditures	7,631,590	-	7,631,590
Excess of Revenues over Expenditures	1,410,026	-	1,410,026
Other Financing Sources and (Uses)			
Operating transfers in	159,802		159,802
Operating transfers (out)		(159,802)	(159,802)
Total Other Financing Sources and (Uses)	159,802	(159,802)	-
Net Change in Fund Balances	1,569,828	(159,802)	1,410,026
Fund Balances (Deficit) - Beginning of Year, as Restated	4,946,900	(109,457)	4,837,443
Fund Balances (Deficit) - End of Year	\$ 6,516,728	\$ (269,259)	\$ 6,247,469

PLAINVIEW WATER DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

Net Change in Fund Balances	\$ 1,410,026
<u>Long-term Revenue and Expense Differences</u>	
In the Statement of Activities, certain program revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).	79,226
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.	
Decrease in compensated absences	30,081
Certain program 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, but are expensed in the Statement of Activities.	
Increase in net other postemployment benefits	(401,655)
	(292,348)
<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 Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.	
Capital outlays	332,732
Depreciation expense	(993,090)
	(660,358)
<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 Position and does not affect the Statement of Activities.	1,355,832
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, 2016 to December 31, 2017.	17,473
	1,373,305
<u>Pension Differences</u>	
The change in the proportionate share of the collective pension expense of the state retirement plan reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.	(70,174)
Change in Net Position of Governmental Activities	\$ 1,760,451

PLAINVIEW WATER DISTRICT
Statement of Fiduciary Assets and Liabilities - Agency Fund
December 31, 2017

	Agency Fund
ASSETS	
Cash	\$ 481,252
Total Assets	\$ 481,252
LIABILITIES	
Guarantee and bid deposits	\$ 454,656
Due to governmental funds	23,415
Payroll liabilities	3,181
Total Liabilities	\$ 481,252

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Plainview Water District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are as follows:

A. Reporting Entity

The financial reporting entity is based upon criteria set forth by GASB. 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.

B. Basis of Presentation

District-Wide Statements

The Statement of Net Position 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, program revenues, and other exchange and non-exchange transactions.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major 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: This fund is used to account for the financial resources that are restricted, committed, or assigned to expenditures of capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Fiduciary Funds - are used to account for activities 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 to finance District operations. The following is the District's fiduciary fund:

Agency Fund: 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 guarantee and bid deposits.

C. Basis of Accounting and Measurement Focus

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. 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 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for retainage, principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

D. Real Property Taxes

Real property taxes for the Town of Oyster Bay are levied annually by the Town Board. 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 Town and subsequently forwarded to the District. Uncollected taxes are subsequently enforced by Nassau County.

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Water sales that go uncollected for three months are turned over to the Town for collection. These balances become liens on the respective delinquent properties. The Town remits to the District the amount of the receivables plus interest, regardless of their ability to collect on the liens. Uncollected amounts are enforced by Nassau County.

E. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources 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 Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures 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, net pension liability, potential contingent liabilities and useful lives of long-lived assets.

H. Cash and Cash Equivalents/Investments

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

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

Certain cash balances are classified as restricted because their use is restricted by contractual agreement

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

and various legal obligations, such as legal reserves.

The District does not have any cash equivalents or investments at December 31, 2017.

I. Receivables

Receivables include amounts due from customers. Receivables are recorded and revenues recognized as earned in the district-wide financial statements and when available in the fund financial statements. Revenue from unbilled water usage at year end is recognized in the district-wide financial statements. Receivables are shown net of 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. Inventory and Prepaids

Inventory consists of supply type items and are recorded at cost on a first-in, first-out basis. Prepaids represent payments made by the District for which benefits extend beyond year-end. These items are reported as assets using the consumption method. A current asset for both the inventory and prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

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 acquisition 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	Straight line	40 years
Furniture and equipment	1,000	Straight line	10 years
Infrastructure	1,000	Straight line	50 years

L. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. This item is related to pensions and consists of the District's proportionate share of changes in the collective net pension liability not included in the collective pension expense. The balance also includes District contributions to the pension system subsequent to the measurement date.

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Collections in Advance

Collections in advance arise when resources are received by the District before it has legal claim to them, as when charges for service monies are received in advance from payers prior to the services being rendered by the District, such as prepaid rental fees. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues recognized in subsequent periods when the District has legal claim to the resources.

N. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenues) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds, when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables for unbilled water. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the district-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pension reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension liability not included in the collective pension expense.

O. Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 24 days per year, but may accumulate no more than a maximum of 80 days. Upon separation from service other than termination for cause, employees are paid for all unused accumulated vacation leave. Employees accrue sick leave at a rate of 12 days per year and may accumulate such credits up to a total of 80 days. Upon separation from service other than termination for cause, employees are paid for all unused accumulated sick leave.

The liability for compensated absences 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, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by December 31st.

P. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plan established under Internal Revenue Code Section 457.

The District provides health insurance coverage for active employees pursuant to the employee handbook.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 recognizes the cost of providing health insurance by recording insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

Q. Short-Term Debt

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

R. Equity Classifications

District-Wide Statements

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

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

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

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory and prepaids, which are recorded in the general fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Capital Reserve –

Capital Reserve, General – Capital reserve general was established pursuant to Section 6-C of the General Municipal Law of the State of New York. This reserve is a general reserve for improvements as defined by the District's engineers. This reserve is accounted for in the general fund.

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Reserve, Contaminants – Capital reserve contaminants was established pursuant to Section 6-C of the General Municipal Law of the State of New York. This reserve is used to help finance the cost of water enhancement projects. This reserve is accounted for in the general fund.

Capital Reserve, Infrastructure – Capital reserve infrastructure was established pursuant to Section 6-C of the General Municipal Law of the State of New York. This reserve is used specifically to help finance infrastructure related to costs as defined by the District’s engineers. This reserve is accounted for in the general fund.

Capital Reserve, Meter Replacement – Capital reserve meter replacement was established pursuant to Section 6-C of the General Municipal Law of the State of New York. This reserve is used to help finance the cost of meter replacement programs. This reserve is accounted for in the general fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Commissioners. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance could also include an amount appropriated to partially fund the subsequent year’s budget and encumbrances not classified as restricted at the end of the fiscal year. The District had no assignments of fund balance at December 31, 2017.

Unassigned – Represents the residual classification for the District’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from the overspending of available resources.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Commissioners if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Commissioners.

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

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.

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

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, thereby affecting expenses such as compensated absences and other postemployment benefits.

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 Position. 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 Position.

Pension Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

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:

PLAINVIEW 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 Town Board for approval.
- Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.
- Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balance. These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The District had the following supplemental appropriations during the year:

Rehabilitation of Plant No. 6 funded by restricted reserves	<u>\$ 313,592</u>
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Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Restricted Fund Balance

The following table provides a summary of activity for restricted fund balance as follows:

	Restricted: Capital Improvements				Total
	General	Contaminants	Infrastructure	Meter Replacement	
Beginning Balance	\$ 656,143	\$ 1,258,836	\$ 268,073	\$ 25,649	\$ 2,208,701
Budgeted increase to reserve	216,456				216,456
Transfer from Unassigned fund balance	1,818,727				1,818,727
Interest earned	5,048	10,205	1,060	204	16,517
Appropriation of reserve	<u>(313,592)</u>				<u>(313,592)</u>
Ending Balance	<u>\$ 2,382,782</u>	<u>\$ 1,269,041</u>	<u>\$ 269,133</u>	<u>\$ 25,853</u>	<u>\$ 3,946,809</u>

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

D. Capital Projects Fund

The capital projects fund had a deficit unassigned fund balance of \$269,259. This will be funded when the District issues permanent financing.

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.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. 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.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged by third party financial institutions on the District's behalf at year end, in the District's name.

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

5. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 consisted of:

Metered water sales, billed	\$ 331,758
Metered water sales, unbilled	679,600
Country Pointe Development escrow	149,835
Plainview shopping center & BareBurger	165,806
Miscellaneous	<u>2,978</u>
	<u>\$ 1,329,977</u>

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Of the \$1,329,977, \$112,888 is considered a long-term receivable and will be collected as follows, along with 3% in interest:

2018	\$ 52,918
2019	19,990
2020	19,990
2021	<u>19,990</u>
	<u>\$ 112,888</u>

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Reclassifications	Ending Balance
Governmental Activities:					
Capital assets that are not depreciated:					
Land	\$ 302,792	\$	\$	\$	\$ 302,792
Total capital assets not being depreciated	<u>302,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302,792</u>
Capital assets being depreciated:					
Buildings and improvements	17,229,829	27,826	(4,081)		17,253,574
Furniture and equipment	3,495,179	36,596	(212,630)	(6,260)	3,312,885
Infrastructure	23,666,121	268,310	(1,687)	6,260	23,939,004
Total capital assets being depreciated	<u>44,391,129</u>	<u>332,732</u>	<u>(218,398)</u>	<u>-</u>	<u>44,505,463</u>
Less accumulated depreciation for:					
Buildings and improvements	6,145,159	388,776	(4,081)		6,529,854
Furniture and equipment	2,696,484	155,550	(212,630)	(686)	2,638,718
Infrastructure	6,185,449	448,764	(1,687)	686	6,633,212
Total accumulated depreciation	<u>15,027,092</u>	<u>993,090</u>	<u>(218,398)</u>	<u>-</u>	<u>15,801,784</u>
Capital assets, net	<u>\$ 29,666,829</u>	<u>\$ (660,358)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,006,471</u>

The District's management re-evaluated the capital asset classifications and made adjustments where deemed necessary.

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At December 31, 2017, the District has not recorded any such impairment losses.

7. SHORT-TERM DEBT

Transactions in short-term debt for the year includes BANs issued to fund infrastructure improvements and are summarized below:

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance 12/31/16</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 12/31/17</u>
BAN - 2004	6/27/2018	2.50%	\$ -	\$ 66,750	\$ -	\$ 66,750
BAN - 2010	6/27/2018	2.50%		300,000		300,000
			<u>\$ -</u>	<u>\$ 366,750</u>	<u>\$ -</u>	<u>\$ 366,750</u>

8. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year ended December 31, 2017 are summarized as follows:

	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/17</u>	<u>Amounts Due Within One Year</u>
Long-term debt:					
Bonds payable	\$ 16,433,044	\$ -	\$ (1,355,832)	\$ 15,077,212	\$ 1,399,382
Other long-term liabilities:					
Compensated absences	235,131	30,391	(60,472)	205,050	28,759
	<u>\$ 16,668,175</u>	<u>\$ 30,391</u>	<u>\$ (1,416,304)</u>	<u>\$ 15,282,262</u>	<u>\$ 1,428,141</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year-End 12/31/17</u>
Public improvement serial bonds	2003	2019	3.00 - 4.50%	\$ 49,412
Public improvement serial bonds	2008	2027	3.50 - 4.125%	2,399,230
Refunding public improvement serial bonds	2009	2018	2.50 - 5.00%	273,900
Refunding public improvement serial bonds	2009	2020	2.50 - 4.00%	132,000
Public improvement serial bonds	2010	2026	3.00 - 4.00%	545,170
Refunding public improvement serial bonds	2011	2019	2.00 - 5.00%	25,882
Refunding public improvement serial bonds	2014	2024	2.00 - 5.00%	228,618
Public improvement serial bonds	2014	2028	3.00 - 4.00%	4,765,000
Public improvement serial bonds	2014	2031	3.25 - 4.00%	6,658,000
				<u>\$ 15,077,212</u>

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following is a summary of debt service requirements of bonds payable:

<u>Fiscal year ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,399,382	\$ 519,896	\$ 1,919,278
2019	1,159,092	474,816	1,633,908
2020	1,139,321	436,085	1,575,406
2021	1,136,277	397,262	1,533,539
2022	1,177,389	358,798	1,536,187
2023 - 2027	6,338,751	1,160,653	7,499,404
2028 - 2031	2,727,000	235,600	2,962,600
	<u>\$ 15,077,212</u>	<u>\$ 3,583,110</u>	<u>\$ 18,660,322</u>

C. Unissued Debt

In 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. However, as of December 31, 2017, the District will only need \$14,287,434 of the original authorization to complete the project. As of December 31, 2017, the District has issued \$13,900,000 in serial bonds and \$300,000 in BANs and \$87,434 remains unissued.

D. Interest Expense

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

Interest paid	\$ 569,792
Less: interest accrued in the prior year	(215,998)
Plus: interest accrued in the current year	<u>198,525</u>
Total expense	<u>\$ 552,319</u>

9. INTERFUND TRANSACTIONS

Interfund balances and activity at December 31, 2017 are as follows:

	<u>Interfund</u>			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 26,237	\$	\$ 159,802	\$
Capital Projects Fund		2,822		159,802
Total governmental activities	<u>26,237</u>	<u>2,822</u>	<u>\$ 159,802</u>	<u>\$ 159,802</u>
Fiduciary Agency Fund		23,415		
Totals	<u>\$ 26,237</u>	<u>\$ 26,237</u>		

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

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

10. PENSION PLANS – NEW YORK STATE

A. Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple employer, public employee retirement system. The system provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

B. Funding Policy

The system is noncontributory for the employee except for those who either joined the system after July 27, 1976, with less than ten years of credited service, who contribute 3% of their salary, or joined the system on or after January 1, 2010 and before April 1, 2012, who contribute 3% of their salary throughout active membership. For employees hired after April 1, 2012, employee contribution rates are on a sliding scale based on salaries and range from 3% to 6% of salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the ERS for the current year. The District's average contribution rate was 15.74% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended December 31, 2017 was \$261,091.

C. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the District reported the following liability for its proportionate share of the net pension liability for the system, which was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the system relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in reports provided to the District.

Measurement date	March 31, 2017
District's proportionate share of the net pension liability	\$ 577,297
District's portion of the Plan's total net pension liability	0.0061439%
Change in proportion since the prior measurement date	(0.0009822)

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended December 31, 2017, the District recognized pension expense of \$331,265 for ERS. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,467	\$ 87,666
Changes in assumptions	197,226	
Net difference between projected and actual earnings on pension plan investments	115,310	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	35,114	36,707
District's contributions subsequent to the measurement date	192,500	
Total	\$ 554,617	\$ 124,373

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
2018	\$ 109,851
2019	109,851
2020	97,209
2021	(79,167)
	\$ 237,744

Actuarial Assumptions

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

Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Inflation	2.5%
Salary increases	3.8%
Investment rate of return (net of investment expense, including inflation)	7.0%
Cost of living adjustment	1.3%

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2017
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Real estate	10.0%	5.80%
Alternative investments	18.0%	4.00-7.75%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation indexed bonds	4.0%	1.50%
	100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (1,843,771)	\$ (577,297)	\$ 493,505

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date, were as follows:

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<i>(Dollars in Thousands)</i>
Measurement date	March 31, 2017
Employers' total pension liability	\$ (177,400,586)
Plan fiduciary net position	<u>168,004,363</u>
Employers' net pension liability	<u>\$ (9,396,223)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	94.70%

Prepayments to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Annual payments are due February 1st. An employer can elect to prepay the amount due by December 15th to receive a 1% discount. The District paid the annual invoice in December. This resulted in a prepayment of \$64,167 for the period of January 1, 2018 through March 31, 2018. Employee contributions are remitted monthly.

11. PENSION PLANS - OTHER

Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended December 31, 2017 totaled \$121,148.

12. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Description of Benefits

The District provides medical, medigap, Medicare part B reimbursement, and dental and vision (the healthcare provision) coverage to retired employees in accordance with employment contracts. A retiree must be 55 years old with 5 years of service to be eligible. The Plan is a single-employer defined benefit plan. As of January 1, 2017, the most recent actuarial valuation, there were 32 active and retired employees (including surviving spouses) participating in the District's OPEB plan. There have been no significant changes in the number of participants or types of coverage since that date.

B. Funding Policy

The District assumes the full cost of the medical premiums and 90% of covered expenses for dental with a cap of \$3,500 for individual and \$7,000 for family and vision with a cap of \$650 for individuals and \$1,600 for family and recognizes the cost of the healthcare provision annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). 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.

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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)	\$ 742,947
Interest on net OPEB obligation	146,766
Adjustment to ARC	<u>(192,837)</u>
Annual OPEB cost (expense)	696,876
Contributions made	<u>(295,221)</u>
Increase in net OPEB obligation	401,655
Net OPEB obligation - beginning of year	<u>3,669,142</u>
 Net OPEB obligation - end of year	 <u><u>\$ 4,070,797</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

<u>Fiscal</u> <u>Year End</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2015	\$ 648,173	28.8%	\$ 3,184,337
12/31/2016	676,979	28.4%	3,669,142
12/31/2017	696,876	42.4%	4,070,797

D. Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$9,009,893 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,009,893. The covered payroll (annual payroll of active employees covered by the plan) was \$1,232,602, and the ratio of the UAAL to the covered payroll was 731%.

Actuarial valuations of an ongoing plan involve 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.

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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 and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.00% funding interest rate and the medical/drug trend rate of 9% (pre-65) and 6% (post-65) initially, reduced by decrements to an ultimate rate of 5% after years 2021 (pre-65) and 2017 (post-65). The previous actuarial valuation on January 1, 2015 used a medical/drug trend rate of 8% (pre-65) and 5% (post-65) initially, reduced by decrements to an ultimate rate of 5% after 2019 (pre-65) and 2016 (post-65). The unfunded actuarial liability is being amortized as a level percentage of projected payrolls on a closed basis.

13. TAX ABATEMENT PROGRAMS

The District is also subject to tax abatements granted by the Nassau County Industrial Development Agency ('NCIDA'), an entity created as a New York State public benefit corporation. The NCIDA was established by Code Section 922, which became Chapter 674 of the Laws of 1975. The NCIDA offers sound commerce and industry base to prevent unemployment. At December 31, 2017, only the real estate tax abatement program offered by NCIDA impacts the District's revenues. Generally, a qualified project is an applicant submitted project which meet certain economic development criteria (such as job creation/retention) and which either 1) has been or will be financed by the issuance of NCIDA bonds, notes or other evidences of indebtedness with respect thereto or 2) is a straight lease transaction which the NCIDA has determined to undertake pursuant to a Lease Policy. The NCIDA, as a condition of providing assistance, may require that the benefiting company remit a PILOT payment to offset the amount of taxes abated. During the year ended December 31, 2017, the agreements the NCIDA ratified resulted in an abatement of \$74,782 of the District's real property tax and the receipt of \$40,525 in PILOT payments.

14. RISK MANAGEMENT

The District insures against liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability not covered by insurance has been incurred and the amount of loss can be reasonable estimated. There have been no settlements in excess of insurance coverage over the last three years.

15. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

At December 31, 2017, the District encumbered the following amounts:

Unassigned Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 118,175</u>

PLAINVIEW WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Litigation

The District is not aware of any material pending or threatened litigation claims against the District. The District is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

C. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$4,836. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending December 31,	Amount
2018	\$ 3,889
2019	3,889
2020	3,889
2021	3,889
2022	3,565
	\$ 19,121

16. RESTATEMENT OF FUND BALANCE

The general fund fund balance has been restated as of December 31, 2016 as follows:

Fund Balance Beginning of Year, as Reported	\$ 4,840,396
Adjustment for prepaids	106,504
Fund Balance Beginning of Year, as Restated	\$ 4,946,900

Prepaid amounts for liability insurance and health insurance were being accounted for in the Statement of Net Position; however, prepaids were not reflected in the general fund.

17. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustments of or disclosure in the financial statements, except for the following:

On April 11, 2018, the Town of Oyster Bay issued general obligation bonds in the amount of \$83,195,000, which will be used to current refund 2008 and 2010 general obligation bonds outstanding. The general obligation bonds will mature February 15, 2027 and bear interest rates ranging from 2.00% to 5.00%. The 2008 and 2010 general obligation bonds were issued for District capital improvements.

On May 31, 2018, the Town of Oyster Bay issued public improvement serial bonds on behalf of the District in the amount of \$366,750, which are payable through February 1, 2033, and bear interest rates ranging from 3.00% to 4.00%. Proceeds of the bonds were used to satisfy \$366,750 in BANs, which are due on June 27, 2018.

PLAINVIEW WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Revenues				
Real property taxes	\$ 4,173,462	\$ 4,060,609	\$ 4,060,609	\$ -
Other tax items		112,853	190,110	77,257
Program revenues				
Metered water sales	4,115,263	4,115,263	3,779,599	(335,664)
Sale of installation materials	1,000	1,000		(1,000)
Hydrant fees	113,670	113,670	113,670	-
Other hydrant rentals	1,000	1,000		(1,000)
Penalties on water sales	35,000	35,000	46,713	11,713
Construction water charges	30,000	30,000	478,237	448,237
Sprinkler fees	124,400	124,400	124,800	400
Miscellaneous charges	45,000	45,000	184,987	139,987
Total program revenues	<u>4,465,333</u>	<u>4,465,333</u>	<u>4,728,006</u>	<u>262,673</u>
Use of money and property	<u>10,000</u>	<u>10,000</u>	<u>29,704</u>	<u>19,704</u>
Sale of property and compensation for loss				
Sale of scrap	1,500	1,500	690	(810)
Insurance recoveries			12,439	12,439
Sale of equipment	2,500	2,500	17,575	15,075
Total sale of property and compensation for loss	<u>4,000</u>	<u>4,000</u>	<u>30,704</u>	<u>26,704</u>
Miscellaneous				
Other	<u>500</u>	<u>500</u>	<u>2,483</u>	<u>1,983</u>
Total Revenues	8,653,295	8,653,295	9,041,616	388,321
Other Financing Sources				
Operating transfers in			<u>159,802</u>	<u>159,802</u>
Total Revenues and Other Financing Sources	8,653,295	8,653,295	<u>9,201,418</u>	<u>\$ 548,123</u>
Appropriated Fund Balance				
Appropriated reserves		<u>313,592</u>		
Total Revenues, Other Financing Sources and Appropriated Fund Balance	<u>\$ 8,653,295</u>	<u>\$ 8,966,887</u>		

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.

PLAINVIEW WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund, Continued
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Expenditures				
Water Administration				
Superintendent	\$ 204,600	\$ 104,093	\$ 102,308	\$ 1,785
Office salaries	282,545	331,203	328,356	2,847
Equipment	14,000	14,000	10,635	3,365
Utilities - telephone	50,000	50,000	40,452	9,548
Utilities - light & heat	10,000	17,000	14,824	2,176
Computer equipment	10,000	13,700	13,181	519
Office expense	48,250	43,536	24,156	19,380
Office materials and supplies	12,000	6,000	4,626	1,374
Postage	47,500	53,680	51,165	2,515
Professional fees	369,000	483,952	449,683	34,269
Insurance	120,000	101,246	90,429	10,817
Notices and advertising	6,000	6,000	1,903	4,097
Conferences and dues expenses	30,000	30,000	15,301	14,699
Education meetings	10,000	10,000	8,756	1,244
Election expense	2,500	3,439	3,439	-
Commissioners' regular fees	75,000	82,600	82,600	-
Building maintenance	53,000	38,000	27,054	10,946
MTA tax	6,500	6,500	3,326	3,174
Total Water Administration	<u>1,350,895</u>	<u>1,394,949</u>	<u>1,272,194</u>	<u>122,755</u>
Source of Supply, Power & Pumping				
Diesel and natural gas	40,000	40,000	30,100	9,900
Electricity	900,000	821,247	816,524	4,723
Repairs	105,000	90,725	69,498	21,227
Total Source of Supply, Power & Pumping	<u>1,045,000</u>	<u>951,972</u>	<u>916,122</u>	<u>35,850</u>
Purification				
Salaries	560,200	510,200	501,323	8,877
C.T.& A - Lime	20,000	83,893	83,893	-
C.T.& A - Chlorine	50,000	46,842	46,842	-
C.T.& A - Analysis	135,000	163,438	155,849	7,589
C.T.& A - G.A.C.	135,000	125,000	92,926	32,074
Charts	500	1,100	1,062	38
Oil and grease	250	250		250
Filters	3,500	5,124	5,123	1
Ground maintenance	38,500	38,500	15,179	23,321
Chemical pump, equipment	15,000	15,000	1,090	13,910
Total Purification	<u>957,950</u>	<u>989,347</u>	<u>903,287</u>	<u>86,060</u>
Transmission and Distribution				
Salaries	628,870	508,870	498,112	10,758
Road restoration	80,000	38,473	30,952	7,521
Hydrants - repairs	5,000	5,000		5,000
Purchase of hydrants	7,500	7,500		7,500
Hydrant parts	5,000	5,000	69	4,931
Purchase of valves	4,000	4,000	2,285	1,715
Valve repair	2,000	14,000	12,162	1,838
Service installs	20,000	168,087	168,086	1

PLAINVIEW WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund, Continued
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Transmission and Distribution (Continued)				
Plant expense	\$ 128,000	\$ 243,000	\$ 25,482	\$ 217,518
Variable frequency drives	250	250		250
Well maintenance	150,000	35,000		35,000
Refuse services	3,000	3,000	2,695	305
Auto expense	159,500	69,500	32,365	37,135
Mechanic salaries	35,000	17,683	11,323	6,360
Repairs	192,000	389,027	369,786	19,241
Uniforms, rent, etc.	7,000	7,000	4,406	2,594
Tools and equipment	27,250	27,250	10,968	16,282
Purchase of meters	128,000	236,942	195,100	41,842
Miscellaneous	5,000	7,875	7,875	-
Total Transmission and Distribution	<u>1,587,370</u>	<u>1,787,457</u>	<u>1,371,666</u>	<u>415,791</u>
Employee Benefits				
NYS employees' retirement system	310,000	326,000	261,091	64,909
Social security	140,000	140,000	112,069	27,931
Workers' compensation	90,000	133,137	99,518	33,619
Unemployment	5,000	5,000	3,949	1,051
Disability insurance	1,000	1,000	503	497
NYS health insurance plan	540,000	605,995	597,643	8,352
Dental plan	100,000	100,000	88,788	11,212
Optical plan	20,000	21,668	21,667	1
Life insurance premiums	9,000	9,000	4,523	4,477
Medicare reimbursement	20,000	24,282	24,282	-
Supplemental insurance	35,000	35,000	28,664	6,336
Total Employee Benefits	<u>1,270,000</u>	<u>1,401,082</u>	<u>1,242,697</u>	<u>158,385</u>
Debt Service				
Principal	1,405,832	1,405,832	1,355,832	50,000
Interest	619,792	619,792	569,792	50,000
Total Debt Service	<u>2,025,624</u>	<u>2,025,624</u>	<u>1,925,624</u>	<u>100,000</u>
Total Expenditures	8,236,839	8,550,431	7,631,590	918,841
Other Financing Uses				
Operating transfers out	416,456	416,456		416,456
Total Expenditures and Other Uses	<u>\$ 8,653,295</u>	<u>\$ 8,966,887</u>	<u>7,631,590</u>	<u>\$ 1,335,297</u>
Net Change in Fund Balances			1,569,828	
Fund Balances - Beginning of Year, as Restated			<u>4,946,900</u>	
Fund Balances - End of Year			<u>\$ 6,516,728</u>	

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.

PLAINVIEW WATER DISTRICT
Schedule of Funding Progress - Other Postemployment Benefits (OPEB)
December 31, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2013	\$ -	\$ 6,241,399	\$ 6,241,399	0%	\$ 1,323,874	471%
1/1/2015	-	7,233,813	7,233,813	0%	1,551,231	466%
1/1/2017*	-	9,009,893	9,009,893	0%	1,232,602	731%

* - change in medical/drug testing rates from previous valuation, see Note 12.E. for additional information

PLAINVIEW WATER DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
 Last Three Fiscal Years

Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0061439%	0.0071261%	0.0074200%
District's proportionate share of the net pension liability	\$ 577,297	\$ 1,143,753	\$ 250,664
District's covered payroll	\$ 1,630,317	\$ 1,745,196	\$ 1,809,515
District's proportionate share of the net pension liability as a percentage of its covered payroll	35.41 %	65.54 %	13.85 %
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

Note to Required Supplementary Information

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

PLAINVIEW WATER DISTRICT
Schedule of District Pension Contributions
 Last Ten Fiscal Years

Employees' Retirement System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 261,091	\$ 285,653	\$ 332,855	\$ 375,817	\$ 361,418	\$ 282,268	\$ 228,034	\$ 150,296	\$ 78,237	\$ 88,939
Contributions in relation to the contractually required contribution	261,091	285,653	332,855	375,817	361,418	282,268	228,034	150,296	78,237	88,939
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,523,888	\$ 1,628,509	\$ 1,758,650	\$ 1,804,640	\$ 1,837,861	\$ 1,661,343	\$ 1,579,987	\$ 1,477,622	\$ 1,305,567	\$ 1,093,982
Contributions as a percentage of covered payroll	17%	18%	19%	21%	20%	17%	14%	10%	6%	8%

