

**JERICO WATER DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
Year Ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Jericho Water District  
Syosset, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund of the Jericho Water District, (the "District"), a component unit of the Town of Oyster Bay, New York as of and for the year ended December 31, 2016, 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.

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ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Jericho Water District as of December 31, 2016 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other postemployment benefits, schedule of the District's proportionate share of the net pension liability, and schedule of District's contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jericho Water District, New York's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The capital projects fund schedule of project expenditures as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 capital projects fund schedule of project expenditures is fairly stated in all material respects in relation to the basic financial statement as a whole.

*Albrecht, Viggiano, Zureck & Company, P.C.*

Hauppauge, New York  
June 1, 2017

## **JERICHO WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Jericho Water District, a component unit of the Town of Oyster Bay, New York's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2016. Please read it in conjunction with the District's financial statements and notes to financial statements.

### **USING THIS ANNUAL REPORT**

This annual report consists of two sets of financial statements.

#### Government-Wide Financial Statements

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

#### Government Fund Financial Statements

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

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

**CONDENSED FINANCIAL INFORMATION**

Our analysis below focuses on the net position and changes in net position as set forth in the following condensed financial statement:

Condensed Statement of Net Position:  
as of December 31,

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current and other assets	\$ 16,269,177	\$ 15,868,436
Capital assets	<u>25,468,705</u>	<u>24,618,240</u>
Total Assets	<u>41,737,882</u>	<u>40,486,676</u>
 Deferred Outflows of Resources	 <u>1,340,666</u>	 <u>320,969</u>
<b>Liabilities</b>		
Current and other liabilities	5,085,525	4,700,694
Long-term liabilities	<u>12,501,164</u>	<u>11,150,413</u>
Total Liabilities	<u>17,586,689</u>	<u>15,851,107</u>
 Deferred Inflows of Resources	 <u>148,478</u>	 <u>-0-</u>
<b>Net Position</b>		
Net investment in capital assets	19,767,085	18,624,583
Restricted	5,067,726	4,174,438
Unrestricted	<u>508,570</u>	<u>2,157,517</u>
Total Net Position	<u>\$ 25,343,381</u>	<u>\$ 24,956,538</u>
 Changes in Net Position for the years ended December 31,		
	<u>2016</u>	<u>2015</u>
<b>Program Revenues</b>		
Charges for services	\$ 8,811,721	\$ 8,784,130
Installation income	56,064	20,620
Operating grants and contributions	<u>-0-</u>	<u>27,543</u>
Total Program Revenues	<u>8,867,785</u>	<u>8,832,293</u>
 General Revenues		
Real property taxes	1,141,232	1,184,245
Use of money and property	18,901	17,948
Sale of property and compensation for loss	283,804	339,342
Other local sources	<u>89,131</u>	<u>86,585</u>
Total General Revenue	<u>1,533,068</u>	<u>1,628,120</u>
Total Revenues	<u>10,400,853</u>	<u>10,460,413</u>
 Expenses - Water supply services	 <u>10,014,010</u>	 <u>9,569,575</u>
 Changes in Net Position	 <u>\$ 386,843</u>	 <u>\$ 890,838</u>

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

**FINANCIAL HIGHLIGHTS**

The District's net position as of December 31, 2016 was \$25,343,381, an increase of \$386,843 from the prior year. Of the District's total net position, \$19,767,085 was a net investment in capital assets, \$5,067,726 was restricted while \$508,570 was unrestricted.

The District's long-term liabilities which include other postemployment benefits payable, compensated absences and net pension liability will be funded through future budgetary appropriations when they become payable in future periods. In addition, the District has outstanding \$5,983,000 of general obligation bonds.

These financial statements include a liability for other postemployment benefits (OPEB). The OPEB cost in relation to this liability must be recognized during the period of the employees' years of service, for benefits already earned by current and former employees and amortized over a period of 30 years. It is not currently required that this liability for OPEB actually be funded, accordingly, unrestricted net assets will continue to be impacted in subsequent years due to the recognition of this liability for OPEB.

Program revenues were \$8,867,785 in the current year, which were \$35,492 more than the prior year. The increased revenues were attributable to the increase in charges for services and installation income offset by a decrease in operating grants and contributions. General revenues were \$1,533,068 in the current year, which was down over last year by \$95,052 due in part to the decrease in real property taxes, sales of water supplies, and scrap and excess materials. Operating expenses by categories compared to the prior year are as follows:

	2016	2015	Increase (Decrease)
Expenses - Water supply services			
Personal services	\$ 2,190,463	\$ 2,205,494	\$ (15,031)
Contractual and other	3,636,368	3,743,057	(106,689)
Employee benefits	2,421,967	2,015,337	406,630
Depreciation expense	1,444,239	1,378,572	65,667
Interest expense	320,973	229,280	91,693
	<u>\$ 10,014,010</u>	<u>\$ 9,571,740</u>	<u>\$ 442,270</u>

Increases to health and dental benefits, worker's compensation insurance, compensated absences and other OPEB caused the overall increase to employee benefits. Decreases in water purification costs offset by an increase in water supplies caused the overall decrease in contractual and other services.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance
Revenues	\$ 9,195,874	\$ 9,195,874	\$ 10,368,790		\$ 1,172,916
Expenditures	(9,105,874)	(9,550,278)	(8,371,076)	\$ (190,598)	988,604
Other Financing Uses	(260,000)	(919,601)	(919,601)		-0-
Subtotal	(9,365,874)	(10,469,879)	(9,290,677)	(190,598)	988,604
Total	\$ (170,000)	\$ (1,274,005)	\$ 1,078,113	\$ (190,598)	\$ 2,161,520

The general fund reported excess of revenues and other financing sources over expenditures and other financing uses this year of \$1,078,113 increasing its fund balance from \$8,885,816 to \$9,693,929. Revenues were over budget due to the District budgeting conservatively water revenues in anticipation of a rainy year.

In the District's original budget the total appropriations for expenditures and other financing uses exceeded estimated revenues and other financing sources by \$170,000. Throughout the year, the District increased the original budget by appropriating restricted and unassigned fund balance in the amount of \$1,104,005. These increases in appropriations were primarily for transmission and distribution and transfers to the capital projects fund.

**CAPITAL ASSETS AND LONG-TERM DEBT**

As of December 31, 2016, the District authorized total general obligation debt in the amount of \$25,235,000, of which \$18,615,000 is unissued, to finance the cost of improvements to the water system. During 2016, the District purchased capital assets and made improvements to the water system as follows:

Improvements	\$	132,230
Wells, water tanks and structures		293,907
Water mains		723,269
Machinery and equipment		703,265
Total Additions	\$	1,852,671

In addition to the capital improvements described above, Jericho Water District is committed to the long-term maintenance of the water system and plans significant capital expenditures on a regular basis. The District capital budget for 2017 estimates expenditures of \$185,000.

In addition, the District has encumbered funds for contractual commitments related to capital improvements of \$1,031,254.

As of December 31, 2016, the District had outstanding \$5,983,000 of general obligation bonds. Additional information on the District's long-term debt can be found in Note F to the financial statements.



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

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

Jericho Water District derives a majority 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 Jericho Water District, one of the largest commissioner operated districts in the State, 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 our estimates. 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 past five years are as follows:

	<u>Gallons billed In millions</u>		<u>Water Revenue Recognized in the General Fund In thousands</u>
2016	5,220	\$	8,792
2015	5,207		8,739
2014	4,884		8,071
2013	4,951		8,283
2012	4,821		7,709

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. For years beginning in 2012 and lasting through at least 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law.

The 2017 budget includes an overall increase in real property tax revenue in compliance with the property tax cap imposed by New York State.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Business Manager at Jericho Water District, 125 Convent Road, Syosset, NY 11791.

**BASIC FINANCIAL STATEMENTS**

**JERICHO WATER DISTRICT**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION**  
December 31, 2016

**Assets**

Current assets:

Cash and investments	\$ 10,133,014
Accounts receivable	2,252,860
Prepays	303,694
Due from other governments	3,301,931
Inventory of materials and supplies	277,678
Total Current Assets	<u>16,269,177</u>

Non-current assets:

Non-depreciable capital assets	1,323,280
Depreciable capital assets, net of depreciation	24,145,425
Total Non-current Assets	<u>25,468,705</u>

**Total Assets** 41,737,882

**Deferred Outflows of Resources**

Pensions	<u>1,340,666</u>
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**Total Deferred Outflows of Resources** 1,340,666

**Liabilities**

Current liabilities:

Accounts payable and accrued expenses	1,189,624
Bond anticipation notes payable	3,000,000
Developer deposits	500,644
Non-current liabilities due within one year:	
Compensated absences	46,257
General obligation bonds payable	349,000
Total Current Liabilities	<u>5,085,525</u>

Non-current liabilities:

Compensated absences	878,875
General obligation bonds payable	5,634,000
Other postemployment benefits payable	4,738,126
Net pension liability - proportionate share	1,250,163
Total Non-current Liabilities	<u>12,501,164</u>

**Total Liabilities** 17,586,689

**Deferred Inflows of Resources**

Pensions	<u>148,478</u>
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**Total Deferred Inflows of Resources** 148,478

**Net Position**

Net investment in capital assets	19,767,085
Restricted	5,067,726
Unrestricted	508,570

**Total Net Position** \$ 25,343,381

**JERICOHO WATER DISTRICT**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2016

**Governmental Activities**

Expenses - Water supply services	<u>\$ 10,014,010</u>
<b>Program Revenues</b>	
Charges for services	8,811,721
Installation income	<u>56,064</u>
Total Program Revenues	<u>8,867,785</u>
Net Program Expense	<u>(1,146,225)</u>
<b>General Revenues</b>	
Real property taxes	1,141,232
Use of money and property	18,901
Sale of property and compensation for loss	283,804
Other local sources	<u>89,131</u>
Total General Revenues	<u>1,533,068</u>
Change in Net Position	<u>386,843</u>
Net Position - beginning of the year	<u>24,956,538</u>
Net Position - end of the year	<u><u>\$ 25,343,381</u></u>

**JERICOHO WATER DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	General	Capital Projects	Total
<b>Assets</b>			
Cash and investments	\$ 8,147,579	\$ 1,985,435	\$ 10,133,014
Accounts receivable	1,587,860		1,587,860
Due from other fund	562,213		562,213
Due from other governments	20,551	3,281,380	3,301,931
Inventory of materials and supplies	277,678		277,678
Total Assets	<u>\$ 10,595,881</u>	<u>\$ 5,266,815</u>	<u>\$ 15,862,696</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 481,952	\$ 568,522	\$ 1,050,474
Due to other fund		562,213	562,213
Bond anticipation notes		3,000,000	3,000,000
Developer deposits	150,000	350,644	500,644
Total Liabilities	<u>631,952</u>	<u>4,481,379</u>	<u>5,113,331</u>
<b>Fund Balances</b>			
Nonspendable	277,678		277,678
Restricted	5,067,726		5,067,726
Assigned	2,410,598	785,436	3,196,034
Unassigned	2,207,927		2,207,927
Total Fund Balances	<u>9,963,929</u>	<u>785,436</u>	<u>10,749,365</u>
Total Liabilities and Fund Balances	<u>\$ 10,595,881</u>	<u>\$ 5,266,815</u>	<u>\$ 15,862,696</u>

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**

Total Governmental Fund Balances	\$ 10,749,365
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,468,705
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	665,000
Amounts reported for the District's deferred outflows for pensions are not considered a current financial resource and is therefore not reported in the funds.	1,340,666
Prepaid assets are not current financial resources and therefore are not reported in the funds.	303,694
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(925,132)
General obligation bonds payable	(5,983,000)
Accrued interest payable	(139,150)
Other postemployment benefits payable	(4,738,126)
Net pension liability - proportionate share	<u>(1,250,163)</u>
	(13,035,571)
Deferred inflows of resources related to pension plans are included in the Statement of Net Position	<u>(148,478)</u>
Net Position of Governmental Activities	<u>\$ 25,343,381</u>

See notes to financial statements.

**JERICHO WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
 Year ended December 31, 2016

	General	Capital Projects	Total
<b>Revenues</b>			
Real property taxes	\$ 1,141,232		\$ 1,141,232
Other real property tax items	59,854		59,854
Departmental income	8,835,721		8,835,721
Use of money and property	18,901		18,901
Sale of property and compensation for loss	283,804		283,804
Miscellaneous local sources	29,278		29,278
Installation income		\$ 56,064	56,064
<b>Total Revenues</b>	<b>10,368,790</b>	<b>56,064</b>	<b>10,424,854</b>
<b>Expenditures</b>			
Home and Community Service - Water Supply			
Administration	1,074,576		1,074,576
Source of supply, power and pumping	1,866,212		1,866,212
Purification	484,532		484,532
Transmission and distribution	2,751,020		2,751,020
Employee benefits	1,589,863		1,589,863
Capital outlay		2,006,745	2,006,745
Debt service	604,873		604,873
<b>Total Expenditures</b>	<b>8,371,076</b>	<b>2,006,745</b>	<b>10,377,821</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in		919,601	919,601
Transfers out	(919,601)		(919,601)
<b>Total Other Financing Sources (Uses)</b>	<b>(919,601)</b>	<b>919,601</b>	<b>-0-</b>
<b>Net Change in Fund Balance</b>	<b>1,078,113</b>	<b>(1,031,080)</b>	<b>47,033</b>
<b>Fund Balance at Beginning of Year</b>	<b>8,885,816</b>	<b>1,816,516</b>	<b>10,702,332</b>
<b>Fund Balance at End of Year</b>	<b>\$ 9,963,929</b>	<b>\$ 785,436</b>	<b>\$ 10,749,365</b>
<b>Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities</b>			
Net Changes in Fund Balances - Total Governmental Funds			\$ 47,033
Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures while in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:			
Capital assets purchases capitalized		\$ 2,295,914	
Loss on disposal of fixed assets		(1,210)	
Depreciation expense		(1,444,239)	850,465
The issuance of long-term debt provides current financial resources, while the repayment of bond principal consumes the current financial resources in the governmental funds:			
Repayment of bond principal			339,000
Some expenditures reported in the governmental funds will provide benefits in future periods and therefore are not reported as expenditures in the statement of activities.			61,548
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(24,000)
Some expenses reported in the statement of activities, such as compensated absences, accrued interest, pension and other postemployment benefits payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			(887,203)
Change in Net Position of Governmental Activities			<b>\$ 386,843</b>

See notes to financial statements.

**JERICO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**A. Summary of Significant Accounting Policies**

The Jericho Water District (the "District"), which was established in 1923, is governed by Town Law and other general laws of the State of New York. The Board of Commissioners is the legislative body responsible for overall operations. The Board of Commissioners consists of three members, all of whom are elected by the residents of the District for terms of three years. The primary function of the District is to provide water service to district residents.

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

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

**1. Financial Reporting**

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

**2. Basis of Presentation**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds).

**Government-wide Financial Statements**

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

In the government-wide Statement of Net Position, the District's governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of the District's function (home and community service – water supply services), which is otherwise supported by general revenues (property, use and money, sale of property and compensation for loss, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating and capital grants, to produce the net cost of each program. The net cost is normally covered by general revenues (real property tax, use and money, sale of property and compensation for loss, etc.). This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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

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

**Fund Financial Statements**

The fund financial statements focus on the major funds. The District considers all funds to be major funds.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Accordingly, the District maintains the following funds:

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

The District reports the following major governmental funds:

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

Capital Projects Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

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

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

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

In the fund financial statements, governmental activities use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available.



**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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

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

Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the year end except for grant revenue pursuant to a reimbursable grant arrangement which is recorded when eligible expenditures are incurred.

Expenditures are recorded when incurred except that:

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

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

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

**5. Accounts Receivable**

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

**6. Prepaids**

Prepaids in the government-wide statements represent insurance benefits that will benefit a future period.

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

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

**8. Inventory of Materials and Supplies**

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

**JERICO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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

**9. Capital Assets**

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost if actual is unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation. Subsequent to December 31, 1980, infrastructure assets consisting of water mains have been reported at historical cost.

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

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

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

**10. Developer Deposits**

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

**11. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. This amount is related to the pension reported in the government-wide Statement of Net Position. This represents the differences between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between the District's contributions and proportionate share of contributions. This amount also includes the District contributions to the pension systems subsequent to the measurement date. See Note G.

**JERICO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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

**11. Deferred Outflows/Inflows of Resources** (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This amount is related to the pension reported in the government-wide Statement of Net Position. This represents the differences between expected and actual experience. See Note G.

**12. Long-Term Debt**

All long-term debt is reported as liabilities in the government-wide statements. The long-term debt consists of general obligation bonds payable, compensated absences, other postemployment benefits payable and net pension liability – proportionate share.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds, if any, are reported as other financing sources and payment of principal and interest reported as expenditures. The liabilities for compensated absences, other postemployment benefits payable and net pension liability proportionate share are liquidated through future budgetary appropriations in the general fund.

**13. Compensated Absences**

Employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days per year, but may accumulate no more than a maximum of 60 days. Upon separation from service other than termination for cause, employees are paid for all unused accumulated vacation. Employees accrue sick leave at the rate of 13 days per year and may accumulate such credits up to a total of 240 days. Upon separation from service, employees are paid a percentage of their unused sick leave, which ranges from 50% to 100%, based on the number of years employed.

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

**14. Other Postemployment Benefits**

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially, all of the District's employees may become eligible for these benefits if they reach age 55 and 10 years of service while working for the District. Health care and survivor's benefits are in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), and are provided through the New York State Empire Plan (the "Empire Plan") whose premiums are based on the benefits paid throughout the State during the year.

**JERICOHO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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

**14. Postemployment Benefits (continued)**

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

**15. Insurance**

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 reasonably estimated.

**16. Net Position and Fund Equity Classifications**

**Government-Wide Financial Statements**

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

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

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

**Fund Financial Statements**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are non-spendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory of materials and supplies recorded in the general fund.

Restricted fund balance includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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

**16. Net Position and Fund Equity Classifications** (continued)

**Fund Financial Statements** (continued)

Committed fund balance includes amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority. The Board of Commissioners is not empowered to establish local law; accordingly the District will not have committed fund balance.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has the authority to assign amounts to be used for specific purposes. Assigned fund balances including all remaining amounts (except negative balances) that are not reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. It is also used to report negative fund balances in other governmental funds.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the Board of Commissioners 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. It is the intention of the Board of Commissioners that the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to assigned fund balance to the extent that there is an assignment, and then to the unassigned fund balance.

The Board of Commissioners strives to maintain an adequate level of fund balance due to the volatility of revenues.

**17. Use of Estimates**

The preparation of basic 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 amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

**18. Subsequent Events**

Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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

**19. New Accounting Principles**

The District has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2016, the District adopted:

Statement No. 72 "Fair Value Measurement and Application". This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement had no effect on the District's financial statements.

Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement had no effect on the District's financial statements.

Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles. This Statement had no effect on the District's financial statements.

Statement No. 77, "Tax Abatement Disclosures". The objective of this Statement is to improve financial reporting by providing the users of financial statements with information about the nature and magnitude of tax abatements, and helping the users understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations, as well as the impact on the government's financial position and economic condition. This Statement had no effect on the District's financial statements.

Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," amends the scope and applicability of Statement No. 68. This Statement establishes accounting and financial reporting standards for defined benefit pensions provided to employees of a state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that meets certain criteria of Statement No. 68 and that (a) is not a state or local governmental pension plan, (b) is used to provided defined benefit pensions both to employees of state/local governmental employers as well as to employees of non-state/local governmental employers and (c) has no predominant state or local governmental employer, either individually or collectively with other state or local governmental employers that provide pensions through the pension plan. This Statement had no effect on the District's financial statements.

Statement No. 79 "Certain External Investment Pools and Pool Participants". This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement had no effect on the District's financial statements.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**B. Stewardship, Compliance and Accountability**

**1. Budgetary Data**

**Budget Policies**

The District prepares an annual budget for the general fund, which is approved by the Board of Commissioners.

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

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general and capital projects funds. Expenditures for such commitments are recorded in the period in which the liability is incurred.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. For years, beginning in 2012 and lasting through at least 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law.

For the 2016 budget, the District held both the real property tax levy and the water rates at the same level as the prior year.

**2. Fund Balance**

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of nonspendable fund balances, as well as the purposes for restricted and assigned fund balance. The unassigned fund balance is also shown.

**JERICO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**B. Stewardship, Compliance and Accountability (continued)**

**2. Fund Balance (continued)**

	General Fund	Capital Projects Funds	Total
Nonspendable:			
Inventory of materials and supplies	\$ 277,678		\$ 277,678
Restricted for:			
Capital projects reserves	3,662,398		3,662,398
Repair reserve	604,333		604,333
Employee benefit accrued liability	437,969		437,969
Retirement contribution	363,026		363,026
Total Restricted	<u>5,067,726</u>		<u>5,067,726</u>
Assigned to:			
Subsequent year's budget	120,000		120,000
Capital improvements		\$ 785,436	785,436
Debt service	2,100,000		2,100,000
Encumbrances	190,598		190,598
Total Assigned	<u>2,410,598</u>	<u>785,436</u>	<u>3,196,034</u>
Unassigned	<u>2,207,927</u>	-0-	<u>2,207,927</u>
Total Fund Balances	<u>\$ 9,963,929</u>	<u>\$ 785,436</u>	<u>\$ 10,749,365</u>

Capital projects reserves

In accordance with New York State General Municipal Law §6-c, the District has established a "type" capital reserve to finance the cost of improvements to the water distribution system. Expenditures from this reserve require the approval of the Board of Commissioners. The reserve may be funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account.

A summary of activity in the capital reserve fund for 2016 is as follows:

Beginning Balance	\$ 2,846,961
Transferred from unassigned	1,350,000
Interest earned on reserved cash	5,437
Appropriation for capital projects fund	<u>(540,000)</u>
	<u>\$ 3,662,398</u>



**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**B. Stewardship, Compliance and Accountability** (continued)

**2. Fund Balance** (continued)

Repair Reserve

In accordance with New York State General Municipal Law §6-d, the District has established a repair reserve to finance the cost of emergency repairs to the water distribution system. Expenditures from this reserve require the approval of the Board of Commissioners. The reserve may be funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account. This reserve is accounted for in the general fund.

Beginning Balance	\$ 628,092
Transferred from unassigned	100,000
Transfer to Capital	(125,000)
Interest earned on reserved cash	1,241
	<u>\$ 604,333</u>

Employee Benefit Accrued Liability

In accordance with New York State General Municipal Law §6-p, the District has established an employee benefit accrued liability reserve to finance the cost of accrued employee benefits due to employees on termination of service. This employee benefit accrued liability reserve is funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account. This reserve is accounted for in the general fund.

Beginning Balance	\$ 337,197
Transferred from unassigned	100,000
Interest earned on reserved cash	772
	<u>\$ 437,969</u>

Retirement Contributions

In accordance with New York State General Municipal Law §6-r, the District has established a retirement contribution reserve to finance the cost of the retirement contribution to the New York State and Local Employees' Retirement System. This retirement contribution reserve is funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account. This reserve is accounted for in the general fund.

Beginning Balance	\$ 362,188
Interest earned on reserved cash	838
	<u>\$ 363,026</u>

Debt Service

The Board of Commissioners designated \$2,100,000 for debt service retirement. This designation will be used to fund future debt service costs.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**C. Cash and Investments**

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the state.

The District is authorized to use demand accounts, money market accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

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

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency.

Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: (a) collateralized with securities held by the pledging financial institution, or (b) collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name, or (c) uncollateralized.

At December 31, 2016, the District's bank deposit balances were \$10,374,972, of which \$500,000 was covered by the Federal Deposit Insurance Corporation, \$9,500,000 was covered by an irrevocable stand by letter of credit issued by the Federal Home Loan Bank, which is held by the pledging financial institution, in the District's name and \$374,972 was covered with securities pledged in third party custodial accounts of the pledging financial institution in the District's name.

As of December 31, 2016 the District did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 1/1/16	Additions	Deletions	Balance 12/31/16
Capital assets not being depreciated				
Land	\$ 304,000			\$ 304,000
Construction in progress	576,037	\$ 1,945,301	\$ 1,502,058	1,019,280
Total capital assets not being depreciated	<u>880,037</u>	<u>1,945,301</u>	<u>1,502,058</u>	<u>1,323,280</u>
Depreciable capital assets				
Buildings	8,272,687			8,272,687
Improvements	4,238,745	132,230		4,370,975
Wells, water tanks and structures	6,460,545	293,907		6,754,452
Water mains	11,714,919	723,269		12,438,188
Machinery and equipment	14,067,722	703,265	34,093	14,736,894
Software	25,832			25,832
Total depreciable capital assets	<u>44,780,450</u>	<u>1,852,671</u>	<u>34,093</u>	<u>46,599,028</u>
Accumulated depreciation				
Buildings	3,081,308	253,817		3,335,125
Improvements	1,941,845	176,129		2,117,974
Wells, water tanks and structures	2,580,490	181,522		2,762,012
Water mains	4,646,885	248,467		4,895,352
Machinery and equipment	8,784,814	581,600	32,883	9,333,531
Software	6,905	2,704		9,609
Total accumulated depreciation	<u>\$ 21,042,247</u>	<u>\$ 1,444,239</u>	<u>\$ 32,883</u>	<u>22,453,603</u>
Total net depreciable capital assets				<u>24,145,425</u>
Total capital assets				<u>\$ 25,468,705</u>

Depreciation expense totaled \$1,444,239 and was charged to water supply services.

Jericho Water District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At December 31, 2016, the District has not recorded any such impairment losses.

**E. Short-Term Debt**

**Bond Anticipation Note**

A bond anticipation note (BAN) is used as a temporary means of financing capital expenditures in the capital projects fund. State law requires that a BAN issued for capital purposes be converted to a long-term obligation within five years after the original issue date. The note or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. The liability for the BAN is accounted for in the capital projects fund.

**JERICO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**E. Short-Term Debt** (continued)

**Bond Anticipation Note** (continued)

The note activity is summarized as follows:

	Balance 1/1/16	Increases	Reductions	Balance 12/31/16
Bond Anticipation Note	\$ 3,000,000	\$ -0-	\$ -0-	\$ 3,000,000

This BAN has an interest rate of 3.875% and is due June 2017.

**F. Long-Term Debt**

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

General obligation bonds - The District periodically borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit of the Town of Oyster Bay, bear interest at rates ranging from 3.0% to 4.0%, and maturity dates ranging from 2028 to 2031.

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2016 are as follows:

	Principal	Interest	Total Principal and Interest
Years ending December 31, 2017	\$ 349,000	\$ 203,196	\$ 552,196
2018	360,000	192,082	552,082
2019	370,000	180,637	550,637
2020	377,000	168,936	545,936
2021	389,000	156,913	545,913
2022-2026	2,143,000	589,240	2,732,240
2027-2031	1,995,000	216,310	2,211,310
	\$ 5,983,000	\$ 1,707,314	\$ 7,690,314

Other Postemployment Benefits - Represents the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years is being phased in over 30 years, commencing with the 2007 liability.

Net Pension Liability – Proportionate Share – Represents the District's proportionate share of the NYS ERS net pension liability.

**JERICO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**F. Long-Term Debt (continued)**

The following is a summary of changes in long-term debt for the period ended December 31, 2016:

	Balance 1/1/16	Increases	Reductions	Balance 12/31/16	Non-current Liabilities Due Within One Year
General obligation bonds	\$ 6,322,000	\$ -0-	\$ 339,000	\$ 5,983,000	\$ 349,000
Compensated absences	853,693	266,805	195,366	925,132	46,257
Other postemployment benefits payable	4,092,812	954,042	308,728	4,738,126	-0-
Net pension liability - proportionate share	263,593	1,436,486	449,916	1,250,163	-0-

**G. Retirement System**

**Plan Description and Benefits Provided**

The District participates in the New York State Employees' Retirement System ("System"). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System 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 System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, 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 System 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 at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System provides retirement benefits as well as death and disability benefits.

*Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit, there is no minimum service requirement. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 and Tier 2, is 55 and 62, respectively.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**G. Retirement System** (continued)

**Plan Description and Benefits Provided** (continued)

*Tiers 1 and 2* (continued)

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

*Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit calculation: Generally the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 members is age 63 for ERS.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

*Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**G. Retirement System** (continued)

**Plan Description and Benefits Provided** (continued)

*Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

*Ordinary Death Benefits*

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

*Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: 1) all pensioners who have attained age 62 and have been retired for five years; 2) all pensioners who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

**Contributions**

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the New York State Retirement and Social Security Law, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

The contribution paid during the current year was equal to 100% of the required payment. The contractually required contribution for the year ended December 31, 2016 was \$334,564.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**G. Retirement System (continued)**

**Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At December 31, 2016, the District reported the following liability of \$1,250,163 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2015. 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.

	ERS
Net pension liability	\$ 1,250,163
District's portion of the Plan's total net pension liability	0.0077890%
Change in allocation of the System's total Net Pension Liability since the prior measurement date	-0.0000137%

There was no significant change in the District's portion of the Plan's total net pension liability from March 31, 2015 to March 31, 2016.

For the year ended December 31, 2016, the District's recognized pension expense of \$449,916. At December 31, 2016, the District's reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experience	\$ 6,317	\$ 148,186
Changes of assumptions	333,381	
Net difference between projected and actual earnings on pension plan investments	741,666	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	12,989	292
District's contribution subsequent to the measurement date	246,313	
Total	\$ 1,340,666	\$ 148,478

The District's contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.



**JERICO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**G. Retirement System (continued)**

**Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (continued)**

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>
Years ending December 31, 2017	\$ 239,976
2018	239,976
2019	239,976
2020	<u>225,947</u>
	<u>\$ 945,875</u>

**Actuarial Assumptions**

The total pension liability/asset as of the measurement date of March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>
Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Interest rate	7.0%
Salary scale	3.8%
Cost of living adjustment	1.3%
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation.

**JERICOHO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**G. Retirement System (continued)**

**Actuarial Assumptions (continued)**

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

Asset Class	ERS	
	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Private equity	10.0%	11.00%
Real estate	8.0%	8.25%
Absolute return strategies	3.0%	6.75%
Opportunistic portfolio	3.0%	8.60%
Real assets	3.0%	8.65%
Bonds and mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	100.0%	

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.0% for the System. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's 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 Asset/(Liability) to the Discount Rate Assumption**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability (asset) 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 (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability (asset)	\$ 2,819,028	\$ 1,250,163	\$ (75,460)

**JERICO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**G. Retirement System (continued)**

**Pension Plan Fiduciary Net Position**

The components of the current year net pension liability of the employers participating in the System as of March 31, 2016 were as follows (in thousands):

		ERS
Employers' total pension liability	\$	172,303,544
Plan Fiduciary Net Position		(156,253,265)
Employers' net pension asset/(liability)	\$	16,050,279

Ratio of plan fiduciary net position to the Employers' total pension liability		90.68%
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**H. Other Postemployment Benefits (Obligations for Health Insurance)**

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

**Plan Description**

The District, as a single-employer defined benefit Other Postemployment Benefits ("OPEB") plan, per its contract with employees, will pay the full premium costs for medical and dental (currently provided by Empire Core Plan plus Enhancement of the New York State Government Employees H.I.P. and United Health Care Dental Insurance) insurance coverage at retirement, provided the employee was hired after October 1, 1972 and has been employed with the District for at least ten consecutive years of continuous employment prior to the date of retirement. This contract will be renegotiated at various times in the future. The retiree is also eligible for Medicare reimbursement in the amount of \$1,259 per year.

The District will pay seventy-five percent of the cost to continue coverage for the non-remarried spouse and dependents of an active employee for three years after that date of death and one year after the date of death for a retiree. The District shall assume the full cost of premiums for members hired prior to July 6, 2011. For members hired on or after July 6, 2011, retirees pay 10% of the premium.

The number of participants as of January 1, 2015, the effective date of the OPEB valuation is as follows:

Active employees		35
Retired employees		24
Total		59

**JERICOHO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**H. Other Postemployment Benefits (Obligations for Health Insurance) (continued)**

**Plan Description** (continued)

There have been no significant changes in the number of employees or the type of coverage since that date.

**Funding Policy**

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

**Annual Other Postemployment Benefit Cost**

For the year ended December 31, 2016, the District's annual other postemployment benefits cost (expenses) were \$954,042. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$308,728 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$645,314 for the year ended December 31, 2016.

**Benefit Obligations and Normal Cost**

Actuarial Accrued Liability (AAL)	Medical	Medicare B	Dental Plan	Total
Retired employees	\$ 4,073,957	\$ 710,967	\$ 249,402	\$ 5,034,326
Active employees	5,511,084	754,421	314,412	6,579,917
Unfunded actuarial accrued liability (AAL)	<u>\$ 9,585,041</u>	<u>\$ 1,465,388</u>	<u>\$ 563,814</u>	<u>\$11,614,243</u>

The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**JERICO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**H. Other Postemployment Benefits (Obligations for Health Insurance) (continued)**

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

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

	<u>Medical Plan</u>	<u>Medicare Part B</u>	<u>Dental Plan</u>	<u>Total</u>
Normal cost	\$ 322,212	\$ 44,992	\$ 18,184	\$ 385,388
Amortization of unfunded actuarial liability (UAAL) over 30 years	482,587	76,008	28,757	587,352
Interest	<u>25,988</u>	<u>4,061</u>	<u>1,555</u>	<u>31,604</u>
Annual required contribution (ARC)	830,787	125,061	48,496	1,004,344
Interest on net OPEB obligation	129,467	22,401	7,893	159,761
Adjustment to ARC	<u>(170,231)</u>	<u>(29,454)</u>	<u>(10,378)</u>	<u>(210,063)</u>
OPEB cost	790,023	118,008	46,011	954,042
Less: Contribution for year ended December 31, 2016	<u>257,803</u>	<u>33,289</u>	<u>17,636</u>	<u>308,728</u>
Increase in other postemployment benefits liability	532,220	84,719	28,375	645,314
Other postemployment benefits liability at December 31, 2015	<u>3,281,229</u>	<u>611,964</u>	<u>199,619</u>	<u>4,092,812</u>
Other postemployment benefits liability at December 31, 2016	<u>\$ 3,813,449</u>	<u>\$ 696,683</u>	<u>\$ 227,994</u>	<u>\$ 4,738,126</u>
Percent of annual OPEB cost contributed	32.63%	28.21%	38.33%	32.36%

**Funded Status and Funding Progress**

The percentage contributed for the current year and two preceding years were:

	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 954,042	32.36%	\$ 4,738,126
2015	915,453	32.89%	4,092,812
2014	762,547	35.61%	3,478,464

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**H. Other Postemployment Benefits (Obligations for Health Insurance) (continued)**

**Funded Status and Funding Progress (continued)**

The funded status of the plan for the year ended December 31, 2016, is as follows:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2015*	\$ 11,614,243	\$ -0-	\$ 11,614,243	0.00%	\$ 1,882,646	617%

\*Projected for 2016

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

**Actuarial Methods and Assumptions**

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

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

In the January 1, 2015 actuarial valuation, the liabilities were computed using the entry age normal method and level percentage of projected payroll of active plan members on an open basis. The actuarial assumptions utilized a 4.0% discount rate and a 2.5% payroll growth rate. The valuation assumes an 9% (pre-65) or 6% (post-65) healthcare cost trend increase for 2015 for medical and prescription rates with reduced decrements to a rate of 5% by the year 2019 and 2016, respectively.

**I. Commitments and Contingencies**

**Litigation**

The District is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the District.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**I. Commitments and Contingencies (continued)**

**Capital Improvements**

The District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. At December 31, 2016 the District had contracts and other commitments outstanding related to capital projects as follows:

**Projects Financed with Bond Authorizations**

Wheatley Tank Rehabilitation	\$ 50,590
Nitrate Removal Facility	133,349
Sub-total	<u>183,939</u>

**Projects Financed from General Fund Appropriations**

Light Trucks	49,205
Kirby Tank Roof	275,707
Rehabilitation of Well No. 12	60,011
Two Way Radios	40,242
Wishing Well Lane	217,229
Altitude Valve for Split Rock	67,100
Replace Gas Header at Well No. 22	24,873
Landscape Front Entrance at District Headquarters	38,045
Pump Tests & Pump Improvements for Wells	3,150
A/C Unit at District Headquarters	45,075
Security System	26,678
Sub-total	<u>847,315</u>

Total Encumbrances \$ 1,031,254

**K. New Pronouncements**

Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The requirements of the new Statement become effective for the District for the year ended December 31, 2017.

Statement No. 80, "Blending Requirements for Certain Component Units – an Amendment of Statement No.14". The objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of the new Statement become effective for the District for the year ended December 31, 2017.

**JERICOHO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**K. New Pronouncements** (continued)

Statement No. 82, "Pension Issues – an Amendment of Statements No. 67, 68, and 73". The objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of the new Statement become effective for the District for the year ended December 31, 2018.

Statement No. 83, "Certain Asset Retirement Obligations". The objective of which is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of the new Statement become effective for the District for the year ended December 31, 2019.

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



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

**Notes to Required Supplementary Information**

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

**JERICOHO WATER DISTRICT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year ended December 31, 2016**

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance Positive (Negative)
<b>Revenues</b>					
Real property taxes	\$ 1,184,244	\$ 1,184,244	\$ 1,141,232		\$ (43,012)
Other real property tax items	7,000	7,000	59,854		52,854
Departmental income	7,844,950	7,844,950	8,835,721		990,771
Use of money and property	5,415	5,415	18,901		13,486
Sale of property and compensation for loss	133,765	133,765	283,804		150,039
Miscellaneous local sources	20,500	20,500	29,278		8,778
Total Revenues	<u>9,195,874</u>	<u>9,195,874</u>	<u>10,368,790</u>		<u>1,172,916</u>
<b>Expenditures</b>					
Home and Community Service - Water Supply					
Administration	1,100,000	1,125,984	1,074,576	\$ 4,226	47,182
Source of supply, power and pumping	2,072,000	2,066,000	1,866,212		199,788
Purification	820,000	724,234	484,532	31,972	207,730
Transmission and distribution	2,764,500	3,291,186	2,751,020	154,400	385,766
Employee benefits	1,744,500	1,738,000	1,589,863		148,137
Debt service	604,874	604,874	604,873		1
Total Expenditures	<u>9,105,874</u>	<u>9,550,278</u>	<u>8,371,076</u>	<u>190,598</u>	<u>988,604</u>
<b>Other Financing Uses</b>					
Interfund transfers out	(260,000)	(919,601)	(919,601)		-0-
Total Other Financing Uses	<u>(260,000)</u>	<u>(919,601)</u>	<u>(919,601)</u>		<u>-0-</u>
Net Change in Fund Balance	<u>\$ (170,000)</u>	<u>\$ (1,274,005)</u>	<u>1,078,113</u>	<u>\$ (190,598)</u>	<u>\$ 2,161,520</u>
<b>Fund Balance at Beginning of Year</b>			<u>8,885,816</u>		
Fund Balance at End of Year			<u>\$ 9,963,929</u>		

**JERICHO WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL**  
Year ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>Revenues</b>				
<b>Real Property Taxes</b>	\$ 1,184,244	\$ 1,184,244	\$ 1,141,232	\$ (43,012)
<b>Other Real Property Taxes</b>				
Payment in lieu of taxes	7,000	7,000	59,854	52,854
<b>Departmental Income</b>				
Metered water sales	7,660,000	7,660,000	8,611,369	951,369
Fireline charges	96,000	96,000	94,716	(1,284)
Hydrant and sprinkler permits	30,000	30,000	37,050	7,050
Interest and penalties - water rents	55,000	55,000	86,211	31,211
Implementation charges	3,950	3,950	6,375	2,425
Total Departmental Income	7,844,950	7,844,950	8,835,721	990,771
<b>Use of Money and Property</b>				
Interest earnings	5,415	5,415	18,901	13,486
Total Use of Money and Property	5,415	5,415	18,901	13,486
<b>Sale of Property and Compensation for Loss</b>				
Sale of water supplies	81,265	81,265	153,077	71,812
Plant supplies and labor	40,000	40,000	82,100	42,100
Insurance recoveries	12,500	12,500	45,876	33,376
Sale of equipment			2,751	2,751
Total Sale of Property and Compensation for Loss	133,765	133,765	283,804	150,039
<b>Miscellaneous Local Sources</b>				
Refund of prior year expense			143	143
Premium on obligations			10,023	10,023
Other unclassified revenue	20,500	20,500	19,112	(1,388)
Total Miscellaneous Local Sources	20,500	20,500	29,278	8,778
Total Revenues	9,195,874	9,195,874	<u>\$ 10,368,790</u>	<u>\$ 1,172,916</u>
<b>Appropriated Reserves</b>	50,000	715,000		
<b>Appropriated Fund Balance</b>	120,000	559,005		
Total Revenues, Other Financing Sources and Appropriated Fund Balance	<u>\$ 9,365,874</u>	<u>\$ 10,469,879</u>		

**JERICO WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL**  
Year ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance Positive (Negative)
<b>Expenditures</b>					
<b>Administration</b>					
Office salaries	\$ 615,000	\$ 615,000	\$ 611,051		\$ 3,949
Commissioners fees	18,000	18,000	13,000		5,000
Office equipment	10,750	9,250	4,335		4,915
Auditing	30,000	30,000	28,500		1,500
Legal	47,500	54,540	51,232	\$ 3,308	-0-
Other professional services	31,850	34,980	31,343		3,637
Insurance	138,000	148,000	145,423		2,577
Communications	42,300	42,300	38,244		4,056
Computer expense	51,000	48,163	46,039	800	1,324
Office expense	88,000	98,151	85,903	118	12,130
Water conservation	5,000	3,000	354		2,646
Conventions, dues and education	12,600	12,600	8,269		4,331
NY Metropolitan Commuter tax	7,500	7,500	7,437		63
Election expenses	2,500	4,500	3,446		1,054
Total Administration	1,100,000	1,125,984	1,074,576	4,226	47,182
<b>Source of Supply, Power and Pumping</b>					
Heat, light and power	2,072,000	2,066,000	1,866,212		199,788
<b>Purification</b>					
Caustic soda	410,000	385,734	314,132		71,602
Water analysis	395,000	323,500	170,400	19,019	134,081
Repairs	15,000	15,000		12,953	2,047
Total Purification	820,000	724,234	484,532	31,972	207,730
<b>Transmission and Distribution</b>					
Plant salaries	1,602,500	1,602,500	1,566,412		36,088
Equipment and capital outlay - plant	200,000	349,375	287,573	24,317	37,485
Water supplies	250,000	438,287	331,827	31,489	74,971
Plant supplies	35,500	39,772	27,721	931	11,120
Plant expense	98,550	91,050	46,768		44,282
Grounds maintenance	22,500	22,500	22,500		-0-
Engineering and consulting	45,000	164,320	65,886	94,587	3,847
Auto	91,000	97,175	63,613	2,311	31,251
Road patches	110,000	101,500	61,317		40,183
Other professional services	44,950	51,675	36,486		15,189
Conventions, dues and education	6,500	6,728	6,728		-0-
License and permits	10,000	8,000	100		7,900
Electrical and well repair	248,000	318,304	234,089	765	83,450
Total Transmission and Distribution	2,764,500	3,291,186	2,751,020	154,400	385,766

**JERICHO WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL**  
Year ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance Positive (Negative)
<b>Employee Benefits</b>					
State retirement	399,000	372,500	334,564		37,936
Social security	172,000	172,000	162,829		9,171
Employee accrual payout	50,000	50,000			50,000
Hospital and medical insurance	997,500	997,500	949,891		47,609
Workers' compensation insurance	119,000	139,000	138,833		167
Unemployment insurance	2,000	2,000			2,000
Life insurance	5,000	5,000	3,746		1,254
Total Employee Benefits	<u>1,744,500</u>	<u>1,738,000</u>	<u>1,589,863</u>		<u>148,137</u>
<b>Debt Service</b>					
Serial bonds - principal	339,000	339,000	339,000		-0-
Serial bonds - interest	213,975	213,975	213,975		-0-
Bond anticipation note - interest	51,899	51,899	51,898		1
Total Debt Service	<u>604,874</u>	<u>604,874</u>	<u>604,873</u>		<u>1</u>
Total Expenditures	<u>9,105,874</u>	<u>9,550,278</u>	<u>8,371,076</u>	190,598	<u>988,604</u>
<b>Other Financing Uses</b>					
Interfund transfers out	260,000	919,601	919,601		-0-
Total Expenditures and Other Financing Uses	<u>\$ 9,365,874</u>	<u>\$ 10,469,879</u>	<u>\$ 9,290,677</u>	<u>\$ 190,598</u>	<u>\$ 988,604</u>

**JERICOHO WATER DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)**  
 December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Liability as a Percentage of Covered Payroll
1/1/2015****	\$ -0-	\$ 11,614,243	\$ 11,614,243	0.00%	\$ 1,882,646	617%
1/1/2015	\$ -0-	\$ 11,069,063	\$ 11,069,063	0.00%	\$ 1,836,728	603%
1/1/2013***	\$ -0-	\$ 9,427,372	\$ 9,427,372	0.00%	\$ 1,876,118	502%
1/1/2013	\$ -0-	\$ 9,040,074	\$ 9,040,074	0.00%	\$ 1,830,359	494%
1/1/2011**	\$ -0-	\$ 9,297,920	\$ 9,297,920	0.00%	\$ 1,756,257	529%
1/1/2011	\$ -0-	\$ 8,879,461	\$ 8,879,461	0.00%	\$ 1,713,421	518%
1/1/2009*	\$ -0-	\$ 8,247,032	\$ 8,247,032	0.00%	\$ 2,093,662	394%
1/1/2009	\$ -0-	\$ 7,927,936	\$ 7,927,936	0.00%	\$ 1,993,926	398%

- \* - Projected for the year ended December 31, 2010.
- \*\* - Projected for the year ended December 31, 2012.
- \*\*\* - Projected for the year ended December 31, 2014.
- \*\*\*\* - Projected for the year ended December 31, 2016.

**JERICO WATER DISTRICT**  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
December 31, 2016

NYSERS	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0077890%	0.0078027%	0.0078027%
District's proportionate share of the net pension liability (asset)	\$ 1,250,163	\$ 263,593	\$ 352,591
District's covered-employee payroll	\$ 2,112,734	\$ 2,052,218	\$ 2,090,313
District's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	59.17%	12.84%	16.87%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	90.68%	97.95%	97.20%

**JERICO WATER DISTRICT**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
 December 31, 2016

	NYSERS									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required cotribution	\$ 334,564	\$ 360,821	\$ 394,553	\$ 424,582	\$ 532,068	\$ 266,971	\$ 205,565	\$ 132,883	\$ 157,514	\$ 188,478
Contributions in relation to the contractually required contribution	<u>334,564</u>	<u>360,821</u>	<u>394,553</u>	<u>424,582</u>	<u>532,068</u>	<u>266,971</u>	<u>205,565</u>	<u>132,883</u>	<u>157,514</u>	<u>188,478</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered-employee payroll	\$ 2,136,332	\$ 2,156,307	\$ 2,070,708	\$ 2,076,672	\$ 2,043,726	\$ 1,954,864	\$ 2,020,704	\$ 1,918,529	\$ 1,914,842	\$ 1,963,305
Contributions as a percentage of covered-employee payroll	15.66%	16.73%	19.05%	20.45%	26.03%	13.66%	10.17%	6.93%	8.23%	9.60%



**OTHER SUPPLEMENTARY INFORMATION**

**JERICHO WATER DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT EXPENDITURES  
Year ended December 31, 2016**

Capital Project	Expenditures Prior Years	Expenditures Current Year	Encum- brances	Total
<b>Projects Financed with Bond Authorizations</b>				
Wheatley Tank Rehabilitation	\$ 14,469	\$ 96,763	\$ 50,590	\$ 161,822
Split Rock Tank Rehabilitation	16			16
Nitrate Removal Facility	361,771	266,348	133,349	761,468
Bond Issuance Costs		5,381		5,381
Sub-total	<u>376,256</u>	<u>368,492</u>	<u>183,939</u>	<u>928,687</u>
<b>Projects Financed from General Fund Appropriations</b>				
Two Way Radios		408	40,242	40,650
Wishing Well Lane		14,287	217,229	231,516
Light Trucks		31,401	49,205	80,606
Heavy Duty Truck		62,424		62,424
Kirby Tank Roof	29,975	158,045	275,707	463,727
Rehabilitation of Well No. 12	2,180	63,968	60,011	126,159
Rehabilitation of Well No. 20	48,706	153,259		201,965
Altitude Valve for Split Rock		5,300	67,100	72,400
Replace Gas Header at Well No. 22			24,873	24,873
Landscape Front Entrance at District Headquarters		3,000	38,045	41,045
Pump Tests and Pump Improvements for Wells		2,750	3,150	5,900
A/C Unit at District Headquarters			45,075	45,075
New Siding at Well Nos. 22 & 26		32,377		32,377
Wheatley Road Water Main Replacement		612,085		612,085
Caustic Tank Improvements - Well No. 29	99,381	84,300		183,681
Caustic Tank Improvements - Well No. 30	8,160	216,990		225,150
Well No. 16 Additional Drywells	11,379	59,151		70,530
Valve Exerciser Machine		77,626		77,626
Security System			26,678	26,678
Previously Completed Projects		4,819		4,819
Installation - Developers		56,063		56,063
Sub-total	<u>199,781</u>	<u>1,638,253</u>	<u>847,315</u>	<u>2,685,349</u>
Total Capital Projects	<u>\$ 576,037</u>	<u>\$ 2,006,745</u>	<u>\$ 1,031,254</u>	<u>\$ 3,614,036</u>