

GREENLAWN WATER DISTRICT
REQUEST FOR PROPOSALS
FOR
PROFESSIONAL AUDITING
SERVICES

GREENLAWN WATER DISTRICT
45 RAILROAD ST.
GREENLAWN, NY 11740

GREENLAWN WATER DISTRICT

REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

The Greenlawn Water District (District) is requesting proposals from qualified independent certified public accountants or independent public accountants to audit its financial statements for the fiscal year ending **December 31, 2014**. It is the District's responsibility, and not that of the auditor, to prepare all required components of the financial statements to be audited. The audit is to be conducted in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The following conditions apply to this Request for Proposals (RFP):

- There is no express or implied obligation for the District to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.
- Any inquiries concerning this RFP must be in writing and should be addressed to Greenlawn Water District Treasurer, Board of Commissioners, Greenlawn Water District, 45 Railroad St., Greenlawn, New York 11740. Inquiries must be emailed to andy@greenlawnwater.org by October 22, 2014. District responses to all inquiries will be distributed to each potential proposer.
- An appointment and on-site inspection may be scheduled by each proposer interested in submitting a proposal at the Water District Office, 45 Railroad St., Greenlawn, NY 11740. Each potential proposer is cautioned that an on-site inspection is only intended to afford the proposer an opportunity to better understand the required level of service so the proposer may fully prepare a complete proposal. The on-site interview is not intended to afford a potential proposer the opportunity to discuss its specific audit approach and/or its qualifications and cost. If conducted, an on-site visit with each potential proposer will be scheduled.
- To be considered, a sealed proposal must be received by the Water District Treasurer John McLuaghlin, at the Greenlawn Water District offices, 45 Railroad St., Greenlawn New York 11740, no later than 9:00 a.m. October 29, 2014, to be opened at the regular Board meeting on Wednesday, October 29, 2014. The District reserves the right to reject any or all proposals submitted.

- During the evaluation process, the District reserves the right, where it may serve the District's best interest, to request additional information or clarification from a proposer, or to allow corrections of non-material errors or omissions or waive non-material requirements. At the discretion of the District, firms submitting proposals may be requested to make oral presentations as part of the evaluation process. If conducted, oral presentations will be scheduled with each proposer.
- The District reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected.
- Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the District and the firm selected.
- It is anticipated the selection of a firm will be completed by Wednesday, November 5, 2014 at the regular meeting of the Board of Commissioner held at 9:00 a.m. Following notification of the selected firm it is expected a contract will be executed between both parties on or about Wednesday, January 10, 2015.
- The District reserves the right, as best serves its interest, to change any of the projected dates set forth in this RFP, including, but not limited, to the due date for receipt of proposals.

B. Term of Engagement

A one-year contract is contemplated with an option for two additional years. No audit engagement shall be for a term longer than five (5) consecutive years.

C. Subcontracting

No subcontracting is allowed.

II. NATURE OF SERVICES REQUIRED

A. General

The District is soliciting the services of qualified independent certified public accountants and independent public accountants to audit the financial statements prepared by the District for the fiscal year ending **December 31, 2014**. The audit is to be performed in accordance with the provisions contained in this RFP.

B. Scope of Work to be Performed

The auditor will be asked to express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles or the single entry/modified accrual regulatory basis of accounting as prescribed by the Office of the State Comptroller.

C. Auditing Standards to be Followed

To meet the requirements of this RFP, the audit shall be performed in accordance with:

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.
2. Audit must be in compliance with Statements of Auditing Standards (SAS).

D. Reports to be Issued

1. For Audits Done in Accordance with Other Comprehensive Basis of Accounting (SAS 62).

Following completion of the audit of the District's fiscal year-end financial statements, where applicable, the auditor shall include:

- a. Independent Auditor's Report;
- b. Management Discussion and Analysis;
- c. Basic Financial Statements that include the following:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Statement of Operating Expenses – Plant, Administrations and Employee Benefits.
 - Statement of Net Assets Fiduciary Fund
 - Budgetary Comparison Schedule of Revenue and Expenses
 - Implementation of new GASB Reporting
- d. Annual Financial Report Update Document, prepared by the District;
- e. Notes to the Financial Statements;

- f. Report on Compliance and on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; and
- g. Such other things as designated by the Office of the State Comptroller including, but not limited to, the District's responses to the questions listed in the Water District Questionnaire, which is part of the required filing in the Annual Update Document (AUD).

E. Other Reports

- 1. In the required report(s) on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a control deficiency, significant deficiency or a material weakness in the design or operation of the internal control structure which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.
- 2. Nonreportable conditions discovered by the auditors shall be verbally reported to management.
- 3. Irregularities and Illegal Acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of which they become aware to the Board of Water Commissioners.
- 4. Reporting to the Board of Water Commissioners. Auditors shall ensure that the District's governing board is informed of each of the following:
 - a. The auditor's responsibility under generally accepted auditing standards.
 - b. Significant accounting policies.
 - c. Management judgments and accounting estimates.
 - d. Significant audit adjustments.
 - e. Other information in documents containing audited financial statements.
 - f. Disagreements with management.
 - g. Management consultation with other accountants.
 - h. Major issues discussed with management prior to retention.

i. Difficulties encountered in performing the audit.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of seven (7) years, unless the firm is notified in writing by the District of the need to extend the retention period. The auditor is required to make working papers available, upon request, to the following parties or their designees:

Greenlawn Water District; and

Office of the New York State Comptroller; and

Town of Huntington

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE DISTRICT

A. Name and Telephone Number of Contact Person

The auditor's principal contact with the District will be District Treasurer John T. McLaughlin or Business Manager Andrew Persich.

B. Background Information

The District is approximately 13 square miles and provides water service to 42,000 consumers. The District's fiscal year begins on January 1 and ends on December 31. The District has a total annual budget of approximately \$4.5 million.

C. Fund Structure

The District uses the following fund types in its financial reporting:

General Fund (legally adopted annual budget)

Reserve Fund (single entry units only)

Capital Fund

D. Budgetary Basis of Accounting

The District prepares its budget on a basis consistent with its basis of accounting. Where applicable, appropriations lapse at fiscal year-end and encumbrances are shown as a reservation of fund balance and are honored through subsequent year's expenditures.

E. Pension and Other Plans (if applicable)

The District participates in the New York State and Local Retirement System.

F. Magnitude of Finance Operations

All financial accounting and reporting is handled through the Treasurer.

Number of vendors the District regularly does business with: 120
Number of purchase orders/claim vouchers generated in a year: 800
Number of non-payroll checks issued in a year: 800
Number of paychecks distributed in a pay period: 18

G. Computer Software

The District utilizes accounting software currently provided by Huntington Services, Inc.

H. Availability of Prior Audit Reports and Working Papers

Each interested proposer wishing to review prior years' audit reports and management letters should contact Andrew Persich, Business Manager at the Greenlawn Water District Office, 45 Railroad St., Greenlawn, NY 11740. The District will use its best efforts to make prior audit reports and supporting working papers available to each proposer to aid in its response to this RFP.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals must be submitted:

RFP issued	October 3, 2014
Due date for proposals	October 29, 2014, by 9:00 a.m.

B. Notification and Contract Dates

Selected firm notified	November 5, 2014
Contract date	On or about January 10, 2015

C. Date Final Report is Due

The audit report on the financial statements of the District is due by March 31, 2015.

The final report and five (5) signed copies should be delivered to the Water District Office.

- D. The District reserves the right, as best serves its interest, to change any of the projected dates set forth in this RFP, including, but not limited to, the due date for receipt of proposals.

V. PROPOSAL REQUIREMENTS

A. General Requirements

1. Submission of Notification of Interest

Firms interested in submitting a proposal must submit in writing by Wednesday, October 29, 2014 their "Notification of Interest" to the Greenlawn Water District Treasurer. Failure to do so disqualifies firms from submitting a proposal.

2. On-site Inspections

An on-site inspection of the District may be arranged for firms interested in submitting proposals. Water District office staff will be available to discuss their areas of responsibility.

3. Inquiries

Written inquiries concerning the RFP and its subject must be made to:

Greenlawn Water District
45 Railroad St., Greenlawn, NY 11740
631/261-0874

District responses to all inquiries will be distributed to each potential proposer.

4. Submission of Proposals

The following material is required to be received October 29, 2014 by 9:00 a.m. for a proposing firm to be considered.

a. Technical

- b. Title page showing the RFP subject; the firm's name; name, address and telephone number of the contact person; and the proposal date.

i. Table of Contents

ii. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes it

to be best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer.

iii. Detailed Proposal

The detailed proposal should follow the order set forth in Section V, of this RFP.

- b. Cost proposal in a separate sealed envelope, marked as follows:
SEALED COST PROPOSAL FOR GREENLAWN WATER DISTRICT
FOR PROFESSIONAL AUDITING SERVICES
- c. The completed proposal, consisting of the two separate envelopes, should be sent to the following address:

Board of Water Commissioners
45 Railroad Street
Greenlawn, NY 11740

B. Technical Proposal

1. General Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the District in conformity with the requirements of this RFP. As such, the substance of proposals will carry more weight than the form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the RFP requirement.

The Technical Proposal should address all points outlined in the RFP (excluding any cost information, which should only be included in the Cost Proposal). The Technical Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the RFP requirements. While additional data may be presented, the information in ensuing items 2 through 8 must be included. They represent the criteria against which the Technical Proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the District as defined by the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

3. Firm Qualifications and Experience

The proposer should state the size of the firm, the size of its governmental audit staff, the location of the office where this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full- and part-time basis.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement of whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk review or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

4. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each person is registered or licensed to practice as a certified public accountant in New York State. Provide information on the government auditing experience of each person, including relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists mentioned in response to this RFP may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the District. However, in either case, the District retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this RFP can only be changed with the express prior written permission of the District, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided replacements have substantially the same or better qualifications or experience.

5. Similar Engagements with other municipal Districts

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of five) performed in the last five years that are similar to the engagement described in the RFP.

Indicate the scope of work, date, engagement partners, total hours, and name and telephone number of the principal client contact.

6. Specific Audit Approach

The Technical Proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this RFP. In developing the work plan, reference should be made to such sources of information as the District's budget and related materials, organizational chart, programs, and financial and other management information systems.

Each proposer will be required to provide the following information on its audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.

NO DOLLAR COSTS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

- c. Sample size and type and extent of testing.
- d. Approach to be taken to gain and document an understanding of the District's internal control structure.
- e. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- f. Approach to be taken in drawing audit samples for purposes of tests of compliance.

7. Identification of Anticipated Potential Audit Problems

The Technical Proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the District.

8. Report Format

The Technical Proposal should include sample formats for required reports.

C. Sealed Cost Proposal

1. All-Inclusive, Not-to-Exceed (NTE) Price

The Cost Proposal should contain all pricing information relative to performing the audit engagement as described in this RFP. The all-inclusive NTE price to be RFP is to contain all direct and indirect costs, including all out-of-pocket expenses.

The District will not be responsible for expenses incurred in preparing and submitting the Technical Proposal or the Cost Proposal. Such costs should not be included in the Cost Proposal.

The first page of the Cost Proposal should include the following information:

- a. Name of firm.
 - b. Certification that the person signing the Cost Proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with the District.
2. Hourly rates by Partner, Specialist, Supervisory and Staff Level Multiplied by Hours Anticipated for Each.
 3. Hourly Rates for Additional Professional Services.
 4. Manner of Payment

Periodic payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred, up to the NTE price for the engagement. Ten percent (10%) will be withheld from each billing pending delivery of the firm's final reports.

VI. SELECTION OF AUDITOR

- A. The Board of Commissioners will approve a firm based on an evaluation of the proposals. The Water District reserves the right to enter into negotiations with the proposer offering the next-best value should the District be unable to negotiate and execute a contract with the awardee.
 - B. It is anticipated that a firm will be selected on or about November 5, 2014. Following notification of the firm selected, it is expected a contract will be executed between both parties on or about January 10, 2015.
- C. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the District and the firm selected.

The District reserves the right without prejudice to reject any or all proposals.

APPENDIX A

PROPOSER GUARANTEES

- I. The Proposer certifies it can and will provide and make available, as a minimum, all services set forth in Nature of Services Required.
- II. The Proposer has read Appendices A-D and Contractual Requirements, and agrees that the rights and prerogatives as detailed are retained by the District.
- III. The Proposer agrees to be bound by the contractual requirements delineated in Appendices A-D.

Signature of Official:

Name (typed):

Title:

Firm:

Date:

APPENDIX B

PROPOSER WARRANTIES

- I. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- II. Proposer warrants that it will not assign, delegate or subcontract its responsibilities under this agreement.
- III. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official:

Name (typed):

Title:

Firm:

Date:

APPENDIX C

ALL-INCLUSIVE, NOT-TO-EXCEED PRICE

ALL-INCLUSIVE, NOT-TO-EXCEED PRICE

(Audit of **2014** calendar year by **March 31, 2015**)

For the audit engagement as outlined in Section II above:

\$ _____

ALL-INCLUSIVE, NOT-TO-EXCEED PRICE

(option for audit of **2015** calendar year in **2016**)

For the audit engagement as outlined in Section II above:

\$ _____

ALL-INCLUSIVE, NOT-TO-EXCEED PRICE

(option for audit of **2017** calendar year in **2018**)

For the audit engagement as outlined in Section II above:

\$ _____

* Board of Water Commissioners may exercise the option by January 15th of the year in which the audit will be performed with reference to the two option years.

APPENDIX D

**SCHEDULE OF FEES FOR ADDITIONAL AUDITS AND SERVICES
IF REQUESTED BY THE DISTRICT**

	<u>HOURLY RATE</u>
PARTNERS	_____
MANAGERS	_____
SUPERVISORY STAFF	_____
STAFF	_____
OTHER (SPECIFY)	_____

GREENLAWN WATER DISTRICT

FINANCIAL STATEMENT

DECEMBER 31, 2013

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HULSE CPA

CERTIFIED PUBLIC ACCOUNTANT

Alfred Arthur Hulse, C.P.A.

Alfred C. Hulse, 1932-1993

Seymour P. Glass, 1954-1995

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Practitioners

REPORT OF INDEPENDENT ACCOUNTANTS

Greenlawn Water District
Greenlawn, New York

Dear Board Members:

Report on the Financial Statements

We have audited the accompanying basic financial statements of Greenlawn Water District which comprise the statement of net assets for the years ended December 31, 2013 and 2012, and the related statements of revenues, expenditures and changes in net assets and the related notes to the financial statements, as listed in the accompanying 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonable 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 opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Greenlawn Water District as of December 31, 2013 and 2012 and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated 2013 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

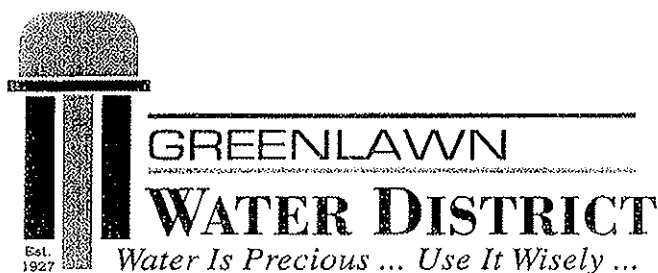
We performed our audit to form an opinion on the basic financial statements of the District taken as a whole. The Schedules of Budgetary Comparison listed in the Table of Contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory sections of this report and therefore express no opinion thereon.

HULSE CPA



April 28, 2014



Board of Commissioners
William M. Wieck
John T. McLaughlin
James M. Logan
Superintendent
Robert Santoriello
Office Manager
Marilyn Hopkin

Management's Discussion and Analysis

Our discussion and analysis of the Greenlawn Water District's financial performance provides an overview of the District's financial activities and results for the year end December 31, 2013.

Please read it in conjunction with the District's basic financial statements which begin on page 1.

Financial Highlights

The District sold 1,855,500,000 gallons for 2013 v. 1,829,649,000,000 sold for 2012 which was a increase of 26 million gallons due to a decrease in rainfall and unseasonable hot summer.

Net loss \$637,309 for the year 2013 over the year 2012 after a \$50,721 increase in water sales and \$90,388 increase in antenna rental income. In addition, the district received a one- time for FEMA reimbursement for Sandy related expenses of \$102,587 and \$53,000 of insurance recovery.

The District expended \$2.2 million for major repairs and improvements to Wells No. 3R, 4, 5, 8, and 12 mains and meter replacement and \$25,923.00 for a trucks.

The District approved the transfer of \$500,000 to the Repair Reserve Fund for capital repairs to existing equipment which will have an anticipated life in excess of one year.
In addition, the funding of the repair reserve fund for capital repairs will avoid or reduce the district's need to borrow for these projects.

The District's total original revenue budget was modified to \$2,927,970 from the original budget due higher water sales, FEMA reimbursement and higher than anticipated antenna revenue of \$447,000.

The District original expenditure budget was modified to \$8.4 million a decrease of \$900,000 from lower plant and equipment expenses and lower debt service.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provided information about the activities of the water district as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 3.

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 3. One of the most important questions asked about the District finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid out.

These two statements report the District's net assets and changes in them. You can think of the District's net assets, as the difference between the assets, what the real estate owners own, and liabilities, what the real estate owners owe, as one way to measure the District's financial health, or financial. Overtime increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base, which is administrated by the Town of Huntington, and the condition of the District's capital asset (wells, infrastructure distribution lines, storage tanks and machinery/equipment) to assess the overall health of the District.

The Statement of Net Assets and the Statement of Activities report the District's charges to its customers for the use of water. The Town of Huntington through shared revenue, provided additional revenue of \$2,302,500 which the District has applied to the cost of operations to provide water.

Reporting the District's Significant Activities

Proprietary Funds:

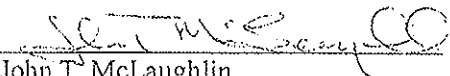
Account for the District's charges to customers for the full cost of the water services it provides.

Capital Projects Fund:

Capital Projects Fund are used to account for bond proceeds which use is limited by the Board of Commissioners resolution as approved by the Town of Huntington.

Fiduciary Funds:

Fiduciary Funds are used to account for resources held for the benefit of property owners. Fiduciary funds are not reflected in the District (government-wide) financial statement because the funds are not available to support the District's own programs. The District's Developers Account is the only fiduciary account held by the District. The funds are reported as expended and reflected as an addition to fixed assets upon completion of a project.


John T. McLaughlin
Chairman 2013

April 21, 2014

**GREENLAWN WATER DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2013 AND 2012**

	<u>12/31/13</u>	<u>12/31/12</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	402,021	\$ 5,918,838
Cash-Restricted	263,113	416,785
Accounts Receivable	543,566	530,238
Inventory	139,101	247,036
Prepaid Expense	7,160	45,340
Total Current Assets	<u>\$ 7,405,623</u>	<u>\$ 7,158,237</u>
<u>Non-Current Assets</u>		
Restricted Assets-Capital Assets (Net)	17,882,171	17,051,291
Bond Costs	9,060	-
Total Assets	<u><u>\$ 25,296,854</u></u>	<u><u>\$ 24,209,528</u></u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 826,455	\$ 349,443
Accrued Payroll	21,975	16,608
Accrued Interest-Bonds Payable	39,491	16,483
Accrued Compensated Absences	69,856	64,293
Deferred Revenue	4,862	-
Bonds Payable	417,974	321,743
Total Current Liabilities	<u>\$ 1,380,613</u>	<u>\$ 768,570</u>
<u>Non-Current Liabilities</u>		
Bonds Payable	\$ 2,969,560	\$ 1,687,534
Accrued Compensated Absences	136,978	144,899
Accrued "OPEB" Other Post Employment Ben.	1,789,207	1,520,366
Deferred Bond Premium	12,612	-
Total Non-Current Liabilities	<u>\$ 4,908,357</u>	<u>\$ 3,352,799</u>
Total Liabilities	<u><u>\$ 6,288,970</u></u>	<u><u>\$ 4,121,369</u></u>
<u>Net Assets</u>		
Invested in Capital Assets Net of Related Debt	\$ 14,494,637	\$ 15,042,014
Non Spendable Fund Balance:		
Prepaid Expense/Reserve for inventory	210,703	292,376
Restricted Fund Balance:		
Repair of Capital Assets	697,846	197,569
Capital Projects (Net of Related Debt)	1,832,454	118,678
Reserve for Sick & Vacation Pay	100,839	100,538
Assigned Appropriated Fund Balance	1,205,554	2,816,708
Unrestricted Fund Balance	465,851	1,520,276
Total Net Assets	<u><u>\$ 19,007,884</u></u>	<u><u>\$ 20,088,159</u></u>
Total Liabilities and Net Assets	<u><u>\$ 25,296,854</u></u>	<u><u>\$ 24,209,528</u></u>

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>12/31/13</u>	<u>12/31/12</u>
<u>Operating Revenues</u>		
Charges for Services:		
Water Sales	\$ 2,036,678	\$ 1,985,947
Hydrant Permits	750	1,025
Taps and Sprinkler Charges	62,313	63,213
Sale of Materials	15,404	15,647
Meter Setting	280	840
Hook Up Charges	200	1,400
Rental-Antenna Facility	577,375	486,987
Sale of Scrap	2,543	260
Miscellaneous	76	4
Total Operating Revenues	<u>\$ 2,695,619</u>	<u>\$ 2,555,323</u>
<u>Operating Expenses</u>		
Plant	\$ 3,737,137	\$ 3,178,153
Administration	548,360	522,678
Employee Benefits	1,092,898	920,689
Depreciation	845,033	827,548
Total Operating Expenses	<u>\$ 6,223,428</u>	<u>\$ 5,449,068</u>
<u>Net Operating Deficit</u>	<u>\$ (3,527,809)</u>	<u>\$ (2,893,745)</u>
<u>Non-Operating Revenue</u>		
Investment Income-Interest	\$ 36,384	\$ 38,606
Insurance Loss Revenues	60,699	7,661
Interest Expense on Debt	(100,160)	(55,250)
FEMA Reimbursement	102,587	-
Premium on Bond Financing & Re-financing	12,842	146,077
NYISO-Demand Response	23,025	11,185
Sale of Equipment	9,657	-
Total Non-Operating Revenue	<u>\$ 145,034</u>	<u>\$ 148,279</u>
Net Deficit Before Shared Revenue	<u>\$ (3,382,775)</u>	<u>\$ (2,745,466)</u>
Shared Revenue-Real Estate Taxes	<u>\$ 2,302,500</u>	<u>\$ 2,302,500</u>
Net Income	<u>\$ (1,080,275)</u>	<u>\$ (442,966)</u>
Net Asset-Beginning of Year	<u>\$ 20,088,159</u>	<u>\$ 20,531,125</u>
Net Assets-End of Year	<u><u>\$ 19,007,884</u></u>	<u><u>\$ 20,088,159</u></u>

See independent auditors report and accompanying notes to the financial statements

**GREENLAWN WATER DISTRICT
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>12/31/13</u>	<u>12/31/12</u>
Cash Flows From Operating Activities		
Receipts from Customers	\$ 2,682,291	\$ 2,561,033
Payments to Suppliers	(3,281,088)	(3,684,933)
Payments to Employees	<u>(1,311,741)</u>	<u>(1,239,585)</u>
Net Cash Provided (Used) By Operating Activities	\$ (1,910,538)	\$ (2,363,485)
Cash Flows From Non-Capital Financing Activities		
Shared Revenues-Real Estate Taxes	\$ 2,302,500	\$ 2,302,500
Proceeds from Bond Re-Financing	-	1,791,365
Proceeds from Bond Financing	1,700,000	-
Cash Flows From Capital and Related Financing Activities		
NYISO-Demand Response	23,025	11,185
Proceeds from Insurance/Loss Recoveries	60,699	7,661
Gain on Sale of Capital Assets	9,657	-
FEMA Reimbursement	102,587	-
Purchase of Capital Assets	(1,599,522)	(596,418)
Principal Paid on Capital Debt	(321,743)	(2,115,890)
Premium on Bond Financing & Re-Financing	12,842	146,077
Interest Paid on Capital Debt	<u></u>	<u>(55,250)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ 279,347	\$ (872,255)
Cash Flows From Investing Activities		
Interest Income	<u>\$ 36,384</u>	<u>\$ 38,606</u>
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 315,731	\$ (833,649)
Balances-Beginning of Year	<u>6,335,623</u>	<u>7,169,272</u>
Balances-End of Year	<u>\$ 6,651,354</u>	<u>6,335,623</u>
Cash	\$ 4,020,216	\$ 5,918,838
Restricted Cash	2,631,138	<u>416,785</u>
Total Cash-End of Year	<u>\$ 6,651,354</u>	<u>\$ 6,335,623</u>

See independent auditors report and accompanying notes to the financial statements

**GREENLAWN WATER DISTRICT
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>12/31/13</u>	<u>12/31/12</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	\$ (3,527,809)	\$ (2,893,745)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Cash Flow Reported in Other Categories		
Depreciation Expense	845,033	827,548
Changes in Assets and Liabilities:		
Receivables	(13,327)	35,245
Inventories	107,935	(87,277)
Prepaid Expenses	26,262	8,546
Accounts Payable	612,568	(256,977)
Accrued Expenses	33,938	3,175
Deferred Revenue	<u>4,862</u>	<u>-</u>
Net Cash Provided (Used)	<u>\$ (1,910,538)</u>	<u>\$ (2,363,485)</u>

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
STATEMENT OF OPERATING EXPENSES-PLANT
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>12/31/13</u>	<u>12/31/12</u>
<u>Plant</u>		
Salaries-Plant	\$ 996,970	\$ 947,546
Plant Power	903,618	849,637
Auto & Truck Expense	67,367	71,292
Water Treatment	194,670	176,931
Education & Training Expense	3,126	1,500
Employees Uniforms Allowance	6,994	5,246
Engineering	141,294	74,849
Grounds Maintenance	66,074	63,186
Insurance	142,121	134,315
Insurance-Compensation	35,744	53,721
Laboratory Analysis	71,907	43,170
Legal	47,021	19,140
Legal/Labor Consultant	431	77
Materials & Supplies	213,009	404,969
Miscellaneous	2,287	5,924
Repairs and Maintenance	802,235	294,741
Security Alarm Tanks & Buildings	13,743	12,558
Small Tools	1,059	-
Telephone Wells	22,919	18,158
TV Cable Service	4,548	1,193
Total Plant	<u>\$ 3,737,137</u>	<u>\$ 3,178,153</u>

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
STATEMENT OF OPERATING EXPENSES-ADMINISTRATION
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>12/31/13</u>	<u>12/31/12</u>
<u>Administration</u>		
Salaries-Office	\$ 280,618	\$ 281,153
Commissioners' Fees	39,520	39,120
Accounting	37,500	37,500
Actuary	-	1,000
Bank Service Charge	-	1,405
Computer Maintenance-Hdw. & Software	8,405	247
Data Processing Services	9,581	8,504
Data Processing Supplies	7,922	7,384
Electric & Heat-Office	12,660	15,430
Emergency Alert System	6,000	6,000
Janitorial Services	5,553	6,462
Legal	-	-
Miscellaneous	2,252	4,450
Notices	553	1,121
Office Equipment Rental	10,003	7,276
Office Repairs & Maintenance	29,833	6,372
Office Supplies	-	212
Postage	26,326	20,575
Professional Membership Expenses, Dues, Education & Meetings	6,164	4,959
Public Relations	24,570	33,191
Stationery & Printing	2,674	3,332
Total Administration	<u>\$ 510,134</u>	<u>\$ 485,693</u>

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
STATEMENT OF OPERATING EXPENSES-EMPLOYEE BENEFITS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>12/31/13</u>	<u>12/31/12</u>
<u>Employee Benefits</u>		
State Retirement and Life Insurance	\$ 260,147	\$ 189,905
Social Security Tax	100,014	94,251
New York State Unemployment Insurance	2,663	2,125
New York State Disability Insurance	559	378
Medical and Health Insurance	459,246	354,164
"OPEB" Other Post Employment Benefit	<u>268,841</u>	<u>278,891</u>
Total Employee Benefits	<u>\$ 1,091,470</u>	<u>\$ 919,714</u>

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT

Notes to Financial Statements
Year Ended December 31, 2013

I. Summary of Significant Accounting Policies

The fund financial statements of the Greenlawn Water District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

For the year ending December 31, 2013, the District financial reporting is in accordance with the fund level of reporting requirements promulgated by GASB Statement no. 34.

A. Financial Reporting Entity

The Greenlawn Water District, (which was established in 1927), is governed by its Charter, the local law and other general laws of the State of New York and various local laws. The Board of Commissioners is the legislative body responsible for overall operations, the Chairman serves as chief executive officer and the Treasurer serves as chief fiscal officer.

The following basic services are provided: water sales, hydrant rentals, sprinkler service and materials.

All governmental activities and functions performed for the property owners of the District are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the District, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the Town of Huntington reporting entity.

Notes to the Financial Statements

1. Included in the Reporting Entity

The Greenlawn Water District is a public water service established in 1927 and operated under provisions of Article 6 of the General Municipal Law. The Board of Commissioners are elected by the residents of the District. The District acquires real property used by the District, approves all expenditures for new buildings or alterations, and retains general oversight responsibility for the District. The Board of Commissioners are required to make a detailed annual report of the operations of the District to the legislature board of the Town of Huntington including any matters the legislature board may require.

The Town of Huntington raises taxes for District purposes and all indebtedness is issued and supported by the full faith and credit of the Town of Huntington. The District is a component unit, part of the primary government, and is reported in the special revenue fund types.

Complete financial statements of individual component units can be obtained from their respective administrative offices.

Greenlawn Water District
45 Railroad Street
Greenlawn, New York 11740

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The District records its transactions in the fund types and account groups described below.

1. Fund Categories

a. Government 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. The following are the governmental fund types.

Notes to the Financial Statements

General Fund - the principal operating fund and includes all operations not required to be recorded in other funds.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the enterprise, or internal service funds.

b. Fiduciary Funds - used to account for assets held by the local government in a trustee or custodial capacity:

Trust and Agency Funds - used to account for money (and/or property) as received and disbursed and held in the capacity of trustee, custodian or agent. These include expendable trusts, non-expendable trusts and agency funds.

C. Basis of Account/Measurement Focus

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Modified Accrual Basis - All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to any liabilities of the current period.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges.

Expenditures are recorded when incurred except that:

a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.

b. In accordance with the requirements of GASB 34, principal payments on bond principal indebtedness are reductions of the liability and are not reflected as expenditures. Interest is accrued as an expense for the period.

c. Compensated absences, such as vacation and sick leave have been accrued and expensed as the benefit vests in the current year. (Note H page 13)

D. Inventory

Inventory is valued at cost utilizing the first in, first out method for the General Fund.

Notes to the Financial Statements

E. Budgetary Data

1. Budget Policies - The budget policies are as follows:

a. No later than September 1, the Board submits a tentative budget for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed and the means of financing for all funds.

b. After a public hearing conducted to obtain taxpayer comments, no later than September 14, the Board of Commissioner's adopts the budget.

c. All modifications of the budget must be approved by the Board.

2. Budget Basis of Accounting

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

F. Property, Plant and Equipment - General

Fixed assets purchased for District purposes are capital assets in the General Fund.

Depreciation has been provided on the straight line method over the estimated useful life of the asset.

G. Insurance

The District assumes the 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 has been incurred and the amount of loss can be reasonably estimated.

H. Compensatory Absences

Employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days a year, but may accumulate no more than a maximum of 25 days. Upon separation from service, employees are paid up to currently accrued vacation days.

Employees accrue sick leave at the rate of 12 days per year and may accumulate such credits up to a total of 190 days. Employees, upon retirement, death or separation after fifteen (15) years of service (except discharge for cause), are paid up to 190 days at their final pay rate.

Notes to the Financial Statements

Vested vacation and sick leave accrued are shown as liabilities. The non-current portion (the amount estimated to be used in subsequent fiscal years) represents vested amounts for those who will reach retirement in future years. As of December 31, 2013, \$69,856 represents the vested benefits for an active employee who has reached retirement age. The total liability for compensated absences decreased by \$(2,358) during the year to \$206,834.

I. Post Employment Benefits

Plan Description. Greenlawn Water District contributes to the Empire State Health Plan, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the NYS Health Insurance Program. Empire Plans provides medical benefits to retired employees of participating municipalities. Article 11 of the Civil Service Law assigns the authority to establish and amend benefit provisions to the Empire Board of Trustees. The Empire Plan issues a publicly available financial report that includes financial statements and required supplementary information for Empire. That report may be obtained by writing to NYS Department of Civil Service, Alfred E. Smith Office Building, Employee Benefits Division, Albany, NY 12239. Eligibility is at least 55 years old with 10 years of service. The District pays full coverage for retiree medical and life insurance and the District pays full coverage for the retiree's spouse/surviving spouse medical coverage.

Funding Policy. Article 11 provides that contribution requirements of the plan members and the participating employers are established and may be amended by the Empire Board of Trustees. The plan is fully paid by the employer. The plan is financed on a pay-as-you-go basis. The annual premiums for 2013 were:

Pre-65	\$	64,511
Pre-65 Dependent		255,702
Medicare Eligible Single		9,216
Medicare Eligible Dependent		139,677
Active Employees		19
Retirees Including Spouse		9
Spouses of Retired Employees		0
Total		<u>28</u>

Medicare Reimbursement. The District reimburses retired and current employees for the Medicare premium payments, the total 2013 reimbursement paid was \$9,861.

Other Post-Employment Benefits (Obligations for Health Insurance). The cost of post employment health care benefits, like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in the future year when it will be paid. In accordance with the requirements of GASB 45, which the District adopted as of the year ended December 31, 2009, the District recognizes the cost of post employment healthcare in the year when the employee services are received, reports the accumulated liability from the prior years and provide information useful in assessing potential demands on the District future cash flows. The accumulated liability as of 2007 will be phased in over 30 years, commencing with the year 2008.

Notes to the Financial Statements

The District retiree's share of premium cost is paid in full by the District for the retiree and spouse.

As of this date, there is no New York State statute providing local governments with the requisite authority for establishing another post-employment benefits trust. Therefore, these financial statements are presented on a pay-as-you-go basis until a funding mechanism is authorized for Municipalities by New York State statute.

Annual Other Post-Employment Benefits Cost and Net Obligation. For the year ended December 31, 2013, the District's annual "OPEB" other post-employment benefits cost (expenses) were \$1,506,788. The annual expense for current for current health insurance premiums, for retirees and their spouse of \$459,246 the result was an increase in the other post-employment benefits liability of \$268,841 the year ended December 31, 2013.

The District's annual other post-employment benefits cost, the amount actually paid and changes to the District's net other post-employment benefits obligation to the Plan for the year ended December 31, 2013 are as follows:

Annual required contribution (ARC)	\$ 458,529
Interest on net other post- Employment benefits obligation	60,272
Adjustment to ARC	(74,915)
Annual OPEB cost (expense)	443,886
Less: contribution for year ended December 31, 2012	161,467
Increase in net OPEB obligation	282,419
Net OPEB obligation-beginning of year	1,236,718
Net OPEB obligation-end of year	\$ 1,519,137

Funded Status and Funding Progress. The funded status of the plan as of January 1, 2013 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Actuarial Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UALL as a Percentage of Covered Payroll
1/1/12	\$0	\$5,627,706	\$5,627,706	0%	\$1,317,108	427.3%

Notes to the Financial Statements

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.

Based on the Town's actuarial valuation as of January 1, 2013, the annual other post-employment benefits cost (expense) is calculated based on the annual required contribution (ARC) to the District an amount that was actuarially determined by using the entry age method (one of the actuarial cost methods in accordance with parameters of GASB 45) and level percentage of projected payroll of active plan members on a closed basis. Included coverage is "community-rated" and annual premiums for community-rated coverage was used with future trend increases without age adjustments.

The actuarial assumptions utilized a 4.0% discount rate and a 2.5% payroll growth rate. The valuation assumes a 8-10% healthcare cost trend increase for the year, reduced by decrements down to 5% in fiscal year 2014. The remaining amortization period at December 31, 2013 was twenty-six years.

II. Detail Notes on All Funds and Account Groups

A. Assets

1. Cash and Investments

The District investment policies are governed by State statutes. 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 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 certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Notes to the Financial Statements

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity. The combined Statement of Cash Flows presented uses the indirect method of reporting cash flows.

Deposits at year-end were entirely covered by federal depository insurance or by collateral held by the Fleet custodial bank in the District's name as of December 31, 2013.

Deposits. All deposits including certificates of deposit are carried at cost.

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund-Unrestricted		
- Checking-Operating	\$ 500,202	\$ 317,402
- Compensated Balance A/C	750,000	750,000
- Money Market	2,952,614	2,952,614
General Fund-Restricted-Money Market		
(Repair Reserve Fund)	697,846	697,846
(Reserve for Sick/Vacation Pay)	100,839	100,839
Capital Projects Fund - Now Checking	1,832,454	118,678
Fiduciary Fund - Now Checking	11,019	6,717

2. Changes in Fixed Assets

Fixed assets as of December 31, 2013 are stated at capitalized costs less accumulated depreciation in accordance with GASB 34.

Notes to the Financial Statements

A summary of changes in general fixed assets follows:

<u>Type</u>	Balance December 31, 2012	As Revised		Balance December 31, 2013
		Additions	Deletions	
Land	\$ 196,995	\$ -	-	\$ 196,995
Buildings	775,585	-	-	775,585
Infrastructure Improvements Other Than Buildings	32,389,226	2,163	-	32,391,389
Machinery and Equipment	1,565,752	127,183	57,322	1,635,613
Construction Work In Process	647,961	1,599,216	52,649	2,194,528
Total	35,575,519	1,728,562	109,971	37,194,110
Less: Accumulated Depreciation	18,524,228	845,033	57,322	19,311,939
Net Assets	\$ 17,051,291	\$ 883,529	\$ 52,649	\$ 17,882,171

B. Liabilities

1. Pension Plans

Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York

State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Notes to the Financial Statements

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The required contributions for the current year and two preceding years were:

	<u>ERS</u>
2013	\$ 286,409
2012	181,359
2011	215,544

Contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participant employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The District elected to make the full payment on December 15, 1989.

2. Long-Term Debt

a. At December 31, 2013, the total outstanding indebtedness of the District aggregated \$2,969,560 of this amount, \$2,969,560 was subject to the constitutional debt limit and represented approximately 20% of its debt limit.

b. Serial Bonds (and Capital Notes) - The District 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 full faith and credit debt of the local government, are recorded in the General Long-Term Debt Account Group. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

c. Other Long-Term Debt - In addition to the above long-term debt the local government had the following non-current liabilities:

Notes to the Financial Statements

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

Other Post-employment Benefits (OPEB). Represents the non-current portion of the liability to the various employees.

d. Summary Long-Term Liabilities

The following is a summary of long-term liabilities at December 31, 2013:

Serial Bonds	\$ 2,969,560
Total Bonds and Notes	\$ 2,969,560
Compensated Absences	\$ 136,978
Other Post-Employment Benefits	1,789,207
Total Long-Term Liabilities	\$ 4,895,745

e. The following is a summary of changes in long-term liabilities:

	<u>OPEB</u>	<u>Bonds and Notes</u>	<u>Compensated Absences</u>
Payable at beginning of fiscal year	\$ 1,520,366	\$ 1,687,534	\$ 144,899
Additions	268,841	1,700,000	
Deletions		(417,974)	(7,921)
Payable at end of fiscal year	\$ 1,789,207	\$ 2,969,560	\$ 136,978

Additions and deletions to compensated absences and other post employment benefits are shown net since it is impractical to determine these amounts separately.

f. Long-Term Debt Maturity Schedule - The following is a statement of serial bonds with corresponding maturity schedules.

Description By Fund	Original Date Issued	Original Amount	Rate (%)	Maturity	12/31/13 Outstanding
General Long Term Debt	12/17/1997	877,495	4.60	2015	\$ 93,400
	10/15/2005	575,000	3.5-4.1 var	2014	39,000
	10/01/2012	1,791,365	2.-5 var	2020	1,555,134
	9/23/13	1,700,000	2-4 var	2028	1,700,000
Total Bonds Outstanding					\$ 3,387,534

Notes to the Financial Statements

- g. The following table summarizes the District's future debt service requirements as of December 31, 2013:

<u>Year Ending Date:</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
12/31/2014	\$ 417,974	\$ 79,428
12/31/2015	427,570	65,679
12/31/2016	392,308	51,216
12/31/2017	406,958	37,616
12/31/2018	424,141	24,539
12/31/2019-28	<u>1,318,583</u>	<u>256,540</u>
	<u>\$3,387,534</u>	<u>\$ 619,364</u>

C. Interfund Receivables and Payables

There were no Interfund receivables and payables at 12/31/13.

D. Net Assets

In accordance with GASB No. 34 as of December 31, 2013 net assets comprise the following:

Investment in capital assets \$17,882,171 less related debt (bonds) of \$3,387,534.

Restricted for:

Repair of capital assets \$1,197,846. Reserve for Sick & Vacation Pay \$100,839 and liabilities (excluding bonds).

E. Lease Commitments and Leased Assets

The Greenlawn Water District leased three office equipment machines under operating leases for the year 2013. Total rental expenditures on such leases for the fiscal year ended December 31, 2013 were approximately \$10,003. The maximum future non-reconcilable operating lease payments are as follows:

<u>Year-Ending Date</u>	<u>Amount</u>
2014	\$ 10,003
2015	3,997
2016-17	<u>2,165</u>
Total	<u>\$ 16,165</u>

III. Contingencies

The Attorney's for the District have advised us that there is no litigation pending that will have a material effect on the financial statements.

ADDITIONAL INFORMATION

GREENLAWN WATER DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUND
AS OF DECEMBER 31, 2013

Assets

Cash	\$ 6,717
------	----------

Total Assets	<u>\$ 6,717</u>
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Liabilities and Fund Balance

Developers' Advances	\$ 6,409
----------------------	----------

Fund Balance	<u>308</u>
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Total Liabilities and Fund Balance	<u>\$ 6,717</u>
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See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2013

	<u>ORIGINAL BUDGET</u>	<u>MODIFIED BUDGET</u>	<u>ACTUAL AMOUNT</u>	<u>VARIANCE</u>
Beginning Budgetary Fund Balance January 1, 2013	<u>\$ 8,453,420</u>	<u>\$ 8,453,420</u>	<u>\$ 8,453,420</u>	<u>\$ -</u>
Resources (in flows):				
Charges for Services:				
Water Sales	\$ 2,000,000	\$ 2,000,000	\$ 2,036,678	\$ 36,678
Hydrant Rentals/Permits			750	750
Taps & Sprinkler Charges			62,313	62,313
Sale of Materials			15,404	15,404
Meter Setting			280	280
Sale of Scrap			2,543	2,543
Hook up Charges			200	200
Hydrant Relocation			-	-
Rental Antenna Facility		480,000	577,375	97,375
Miscellaneous			76	76
Administrative Fees			-	-
Total Operating Revenues	2,000,000	2,480,000	2,695,619	215,619
Other Revenues	480,000			
FEMA Reimbursement			102,587	102,587
Investment Income			36,384	36,384
Bonds Proceeds-Well 18			1,713,420	1,713,420
NYISO Demand Response			23,025	23,025
Insurance & Loss Recoveris			60,699	60,699
Sale of Equipment			9,657	9,657
Tax Revenue-Town of Huntington	<u>2,302,500</u>	<u>2,302,500</u>	<u>2,302,500</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 4,782,500</u>	<u>\$ 4,782,500</u>	<u>\$ 6,943,891</u>	<u>\$ 2,161,391</u>
Total Amount Available for Appropriation	\$ 13,235,920	\$ 13,235,920	\$ 15,397,311	\$ 2,161,391

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE-OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2013

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL AMOUNT	VARIANCE
PLANT				
Salaries-Plant	\$ 960,000	\$ 960,000	\$ 957,821	\$ 2,179
Plant Power	790,000	900,000	903,618	(3,618)
Alarm Protection Tanks	14,000	-	-	-
Auto & Truck Expense	40,000	22,000	21,017	983
Auto & Truck Repairs	10,000	48,000	46,350	1,650
Water Treatment DEC	-	-	1,375	(1,375)
Water Treatment Expense-Soda	235,000	150,000	136,742	13,258
Water Treatment Expense-Carbon	80,000	-	-	-
Water Treatment Expense-Chlorine	70,000	60,000	56,553	3,447
Education & Training Expense	5,000	3,500	3,126	374
Employees' Uniform Allowances	7,500	7,500	6,994	506
Engineering	100,000	150,000	141,294	8,706
Grounds Maintenance	40,000	70,000	66,074	3,926
Infrastructure Repairs & Maintenance	20,000	-	-	-
Insurance	152,000	145,000	142,121	2,879
Insurance-Compensation	50,000	36,000	35,744	256
Laboratory Analysis	52,000	72,000	71,907	93
Laboratory - EPA UCMR3-(only 201	35,000	-	-	-
Legal	50,000	50,000	47,021	2,979
Legal/Labor Consult.	1,500	500	431	69
Materials and Supplies	200,000	215,000	213,009	1,991
Miscellaneous and Contingencies	3,500	2,500	2,287	213
Repairs and Maintenance	400,000	802,681	800,195	2,486
Rust Proofing	1,200	2,100	2,040	60
Security Systems-Monitoring	13,000	14,000	13,743	257
Small Tools	5,000	1,200	1,059	141
Telephone - Wells	22,000	22,000	22,919	(919)
Cable Service	1,000	5,000	4,548	452
TOTAL PLANT	<u>\$ 3,357,700</u>	<u>\$ 3,738,981</u>	<u>\$ 3,697,988</u>	<u>\$ 40,993</u>

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE-OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2013

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL AMOUNT	VARIANCE
ADMINISTRATION				
Salaries-Office	\$ 290,000	\$ 324,000	\$ 322,125	\$ 1,875
Commissioners' Fees	40,000	40,000	39,520	480
Accounting	37,500	37,500	37,500	-
Actuary	0		0	-
Computer Hardware & Software	11,000	500	330	170
Computer Maint.Hdw. & Software	12,000	8,500	8,075	425
Contingency	500	0	0	-
Data Processing Services	8,500	10,000	9,581	419
Data Processing Supplies	8,500	8,500	7,922	578
Electric & Heat-Office	19,000	13,000	12,660	340
Emergency Alert System	8,000	6,000	6,000	-
Janitorial Services	7,000	6,000	5,553	447
Legal	-		-	-
Miscellaneous	4,000	3,000	2,252	748
Notices	1,000	600	553	47
Office Equipment Rental	8,500	10,000	10,003	(3)
Office Improvements and Equipment	1,000	-	-	-
Office Building Repairs & Maintenance		27,000	26,895	105
Office Equipment Repairs & Maintenance	2,600	3,000	2,938	62
Postage	20,000	27,000	26,326	674
Professional Membership Expenses, Dues, Education & meetings	6,000	6,000	6,164	(164)
Public Relations-Newsletter	25,000	25,000	24,570	430
Stationery & Printing	5,000	3,000	2,674	326
Telephone Notification System	8,000	-	-	-
Telephone/Internet	42,500	45,000	45,033	(33)
Total Administration	<u>\$ 565,600</u>	<u>\$ 603,600</u>	<u>\$ 596,674</u>	<u>\$ 6,926</u>

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2013

	<u>ORIGINAL BUDGET</u>	<u>MODIFIED BUDGET</u>	<u>ACTUAL AMOUNT</u>	<u>VARIANCE</u>
EMPLOYEE BENEFITS				
State Retirement and Life Insurance	\$ 215,544	\$ 290,000	\$ 286,409	\$ 3,591
Social Security Tax	97,000	100,000	100,014	(14)
NYS Unemployment Insurance	3,000	3,000	2,663	337
NYS Disability Insurance	1,000	600	559	41
NYS MCTMT	4,200	1,500	1,428	72
Medical and Health Insurance	<u>375,000</u>	<u>459,000</u>	<u>459,246</u>	<u>(246)</u>
Total Employee Benefits	<u>\$ 695,744</u>	<u>\$ 854,100</u>	<u>\$ 850,319</u>	<u>\$ 3,781</u>
DEBT SERVICE				
Bonds Redeemed	\$ 324,525	\$ 321,743	\$ 321,743	\$ -
Interest on Bonds	<u>98,249</u>	<u>76,998</u>	<u>76,998</u>	<u>-</u>
Total Debt Service	<u>\$ 422,774</u>	<u>\$ 398,741</u>	<u>\$ 398,741</u>	<u>\$ -</u>

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2013

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL AMOUNT	VARIANCE
CAPITAL ASSETS				
New Construction:				
Tank No. 3	\$ 1,880,000	\$ -		\$ -
Well No. 3R		1,729,000	1,214,098	514,902
Well No. 4		292,000	216,299	75,701
Well No. 12		600,000	511,493	88,507
Well No. 14	460,000	-	-	-
Well No. 16	50,000	-	-	-
Trucks & Equipment	80,000	80,000	69,195	10,805
Plant Machinery & Equipment	3,500	3,500		3,500
Scada-Telemetry Control System	250,000	600,000	542,799	57,201
Plant Site-For Future Well	800,000	511,000	-	-
Meter Replacement	200,000	-	-	-
Infrastructure	200,000	2,164	2,164	-
Office Furniture & Equipment	4,000	6,232	6,232	-
Total Capital Assets	\$ 3,927,500	\$ 3,823,896	\$ 2,562,280	\$ 1,261,616
REPAIR RESERVE FUND	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Total Charges to Appropriations	\$ 9,469,318	\$ 9,469,318	\$ 9,006,002	\$ 463,316
Budgetary Fund Balance December 31, 2013				\$ 3,509,402

See independent auditors report and accompanying notes to the financial statements

GREENLAWN WATER DISTRICT
YEAR ENDED DECEMBER 31, 2013

NOTE TO BUDGETARY COMPARISON SCHEDULES

NOTE A - BUDGET-TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 15,397,311
---	---------------

Differences-budget to GAAP:

The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(8,453,420)
--	-------------

The proceeds from investment income, insurance and loss recoveries, sale of equipment and shared revenue-real estate taxes and bond financing are budgetary resources but are regarded as special items, rather than revenue, for financial reporting purposes	<u>(4,248,272)</u>
--	--------------------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 2,695,619</u>
--	---------------------

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 9,006,002
---	--------------

Differences-budget to GAAP:

The budgets for compensated absences only to the extent expected to be paid, rather than on the modified accrual basis	(166,586)
--	-----------

The payments for debt service and purchase of equipment are budgetary outflows but are regarded as a special item, rather than an expenditure	(2,961,021)
---	-------------

Transfers to other funds (repair reserve fund and "OPEB" reserve fund) are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes	(500,000)
---	-----------

The total operating expenses of the statement of revenues, expenses and changes in fund net assets reflects the yearly charge to operations for the depreciation of fixed assets based on the estimated useful life on a straight line method in accordance with GASB 34	<u>845,033</u>
--	----------------

Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	<u>\$ 6,223,428</u>
---	---------------------

HULSE CPA

CERTIFIED PUBLIC ACCOUNTANT

Alfred Arthur Hulse, C.P.A.

Alfred C. Hulse, 1932-1993

Seymour P. Glass, 1954-1995

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Practitioners

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

In planning and performing our audit of the financial statements of Greenlawn Water District and for the year ended December 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Greenlawn Water District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

HULSE CPA

Alfred C. Hulse CPA

April 28, 2014

HULSE CPA

CERTIFIED PUBLIC ACCOUNTANT

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MANAGEMENT LETTER

Board of Commissioners
Greenlawn Water District
Greenlawn, New York

Dear Board Members:

We have audited the general purpose financial statements of the Greenlawn Water District as of and for the year ended December 31, 2013 and have issued our report thereon dated

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

In planning and performing our audit of the general purpose financial statements of Greenlawn Water District for the year ended December 31, 2013, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit program was divided into two parts: (1) a test of the accuracy, integrity, and genuineness of the accounting records, the vouchers, and other financial documents (in effect, a test of the internal control systems and of the quality of the records); and (2) the balance sheet and the related statements of revenues and expenditures, to establish the validity of the amounts contained therein. Through the cooperation of the Business Office, we were able to complete our work on time.

The comments which follow are designed to focus the attention of the Board and administration to those matters which came to our attention in order that the Board can implement the necessary changes.

Management Letter

The 2013 audited financial statements are in compliance with GASB No. 34 and include the required budgetary comparisons for revenues and expenditures.

Cash:

The financial statements reflect the segregated cash accounts as required by the State of New York, Department of Audit and Control.

The business manager has implemented the procedure for the account clerk to verify monthly the general ledger balances with the bank reconciliations.

The year-end Repair Reserve Fund account balance is invested in a money market.

Accounts Receivable:

The billing account clerk(s) prepare monthly reconciliations of billings and keypunch/system errors requiring correction. The business manager approves the required corrections and submits to the senior account clerk for posting.

The payments from customers are opened by the district secretary who prepares a batch reconciliation total of the receipts. The business manager will verify the total with the posting clerk's total deposit.

Payroll:

The business manager should test compliance with District policy that all plant work schedule changes and overtime have been documented and approved by either the superintendent or plant manager and provide a copy of his findings to the District Treasurer.

Budgeting:

Revenues:

The District's departmental income from water sales increased \$50,731 for the year 2013 over 2012.

Total operating revenues for the general fund increased \$140,296 for the year 2013 over 2012.

Expenditures:

Total operating expenditures (exclusive of depreciation and accrued compensated absences) increased \$774,330 for the year 2013 over 2012.

Future tank painting expenditures will be chargeable against the Repair Reserve Fund and the disbursement will require approval by public vote.

The district capital budget should be updated yearly and projected for seven years in order to properly fund the repair reserve fund for future expenditures such as tank painting.

Professional Membership Dues, Education & Meeting Expenses:

The District expenditure was in accordance with District policy and guidelines.

Management Letter

Accounting Systems:

As recommended in previous Management Letters, the Business Manager is in the process of preparing the following:

1. Office staff organization chart
2. Schedule of staff duties and responsibilities in order to maintain segregation of duties for internal control
3. Schedule of accounting procedures which documents all accounting and record-keeping procedures
4. Schedule of due dates: budget, election, etc.

Inventory of Materials and Supplies:

Commencing with December 31, 2012, inventory was entered in Excel.

The District does not maintain a perpetual record of the inventory of materials on hand. It is recommended that the District Superintendent prepare monthly physical inventory counts of materials and supplies on hand.

The District maintains records for materials consumed in repairs of service lines and hydrants.

The Superintendent should review quarterly the inventory of repair parts as maintained by the crew chief leader and recommend to the Board any required changes in the retail sales prices as the result of increases in purchase cost.

The District is scheduled to prepare an inventory of water supply materials semi-annually and include the chemical inventory at December 31.

Developers' Account:

The District's account clerk should include on the schedule of developers deposits held the date the deposit was received.

The District held \$6,717 as of December 31, 2013 in the developers' account.

The deposits held are current projects as of December 31, 2013.

Administration office had prepared for 2011 an Excel spreadsheet but due to staff illness, 2012 and 2013 were entered on a manual journal.

Administrative staff should be instructed to utilize Excel commencing 1/1/14.

Monthly summary reconciliations should be prepared for the developer's balances and the fiduciary fund balance.

These reports should be approved monthly by the business manager and superintendent reported to the board.

Fixed Assets:

The District inventory of fixed assets has been updated through December 31, 2013.

Management Letter

The Board should establish a policy on disposal of damaged or unsalable assets. The superintendent and business manager should present to the board a resolution for adoption by the board to remove said assets from the fixed asset inventory.

Capital Budget Estimate:

The superintendent and engineer have prepared a capital repairs and improvement budget through 2017. The capital budget must continue to be updated yearly and presented and approved by the Board.

Repair Reserve Fund:

The district should yearly update the cash flow projection in co-ordination with the Capital Budget projected cash requirements for through 2017 major repairs. The net account balance as of December 31, 2013 was \$697,846 before the \$500,000 addition for 2013.

Truck and Equipment – Gas:

The Board has adopted a District policy reimbursing District employees for the use of their vehicles on behalf of the District in accordance with Internal Revenue Code regulations.

Professional Services:

The District has on file retainer agreements for 2013 covering engineering, legal and accounting services.

Water/Service rates, Antenna Rental Contracts, Professional Retainer's, Equipment Rental, Service-Warranty Agreements and labor contracts:

The business manager should designate to staff the preparation of the following:

1. water/service rates for the past five years
2. monthly antenna rental income and renewal dates
1. professional retainers with rates and expiration date
2. equipment rental with rates and expiration date
3. service agreement rates and expiration date
4. labor contract expiration date

Upon completion each commissioner should have a copy.

Credit Card Policy:

The district should prepare a policy statement for the safekeeping and authorized user's for the district's credit card.

Bond Accounts:

The District's bond account's should be transferred to an Excel spreadsheet which could be available both to the account clerk and business manager. This will result in improved efficiency.

Office Equipment:

The business manager is in the process of implementing the scanning of repetitive documents such as the weekly payroll voucher, utility vouchers etc. which will improve office data entry efficiency.

Management Letter

Completed Well bond accounts:

Checking/money market accounts for Well 10/15, 17/9, Air stripper and transfer station and Tank #4 at well 14 can be applied against future debt service related to those projects. The total balance on hand as of December 31, 2013 net of accounts payable paid in 2014 was \$49,632 with the balance scheduled to be transferred to the General Fund.

1099 Independent Contractor Reporting

The District is in the process of updating its independent contractor reporting information to be in compliance with Internal Revenue Code reporting requirements.

Respectfully submitted,

HULSE CPA

A handwritten signature in dark ink, appearing to read "Hulse CPA", is written over the typed name.

April 28, 2014