



ANNUAL REPORT 2014

BOARD OF WATER SUPPLY, MOUNT VERNON, N.Y.





**ANNUAL
REPORT
2014**

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ANNUAL REPORT
COVERING OPERATIONS OF THE BOARD OF WATER SUPPLY FOR
THE YEAR BEGINNING JANUARY 1, 2014
AND
ENDING DECEMBER 31, 2014

To the Honorable Mayor Ernest D. Davis
And the City Council
Of the City of Mount Vernon, New York

Dear Mayor Davis:

We respectfully submit, herewith, our Annual Report for the year ending December 31, 2014. During the past year, one (1) new valve and five (5) new hydrants were installed in the system.

**DETAILS OF IMPROVEMENTS MADE
TO THE PIPE SYSTEM**

	ADDITIONS				DELETIONS			
	Size	Length	Valves	Hydrants	Size	Length	Valves	Hydrants
<u>Replace / Install Hydrants, Valves, and/or Pipes</u>								
1. Replace valve at intersection of North MacQuesten Parkway & Elm Street	6"	4'	1		6"	4'	1	
2. Replace Hydrant #178 at South Terrace Avenue & Grove Street	6"			1	6"			1
3. Replace Hydrant #510 at East 3 rd Street & Langdon Avenue	6"	2'		1	4"	2'		1
4. Replace Hydrant #483 in front of 695 East Lincoln Avenue	6"			1	6"			1
5. Replace Hydrant #1001 on Sheridan Avenue between East Lincoln Avenue & Ellwood Avenue	6"			1	6"			1
6. Replace Hydrant #366 on South 3 rd Avenue north of Dock Street	6"			1	6"			1

PIPE IN TRANSMISSION AND DISTRIBUTION SYSTEM
As of December 31, 2014

<u>Diameter (inches)</u>	<u>Length (feet) 12/31/13</u>	<u>New Pipe Laid (feet)</u>	<u>Pipe Abandoned (feet)</u>	<u>Length (feet) 12/31/14</u>
4	43			43
6	257,796			257,796
8	90,816			90,816
10	114,405			114,405
12	63,033			63,033
16	12,100			12,100
20	554			554
24	11,174			11,174
30	5,401			5,401
36	1,251			1,251
TOTAL	<u>556,573</u>			<u>556,573</u>

VALVES IN TRANSMISSION AND DISTRIBUTION SYSTEMS
As of December 31, 2014

<u>Diameter (inches)</u>	<u>In System 12/31/13</u>	<u>Installed</u>	<u>Removed</u>	<u>In System 12/31/14</u>
4	102			102
6	1,984	1	1	1,984
8	410			410
10	454			454
12	295			295
16	46			46
20	4			4
24	33			33
36	2			2
TOTAL	<u>3,330</u>	<u>1</u>	<u>1</u>	<u>3,330</u>

FIRE HYDRANTS IN SYSTEM
As of December 31, 2014

<u>Diameter (inches)</u>	<u>In System 12/31/13</u>	<u>Installed</u>	<u>Removed</u>	<u>In System 12/31/14</u>
4	148		1	147
6	1003	5	4	1004
TOTAL	<u>1,151</u>	<u>5</u>	<u>5</u>	<u>1,151</u>

WATER RATES

The present charges to customers for water supply are made at the following rates:

A minimum quarterly charge of \$45.75 is made for which amount 1,500 cubic feet of water is allowed.

For all over 1,500 cubic feet of water used within the quarter, \$3.05 per 100 cubic feet.

No meter or service charges are made.

No public fire hydrant rentals are charged to the City of Mount Vernon.

The above rates became effective October 1, 2014.

PRIVATE FIRE SERVICE RATES

Private Foamite Connections	\$65.00 per year
Private Fire Hydrants	\$65.00 per year

Water supplied for automatic sprinkler systems that have no inside hose connections is charged at \$0.10 per sprinkler head per year.

Where new inside standpipe connections are installed, the following rates are applicable:

8-inch Fire Lines with inside standpipe connections	\$120.00 per year
6-inch Fire Lines with inside standpipe connections	\$90.00 per year
4-inch Fire Lines with inside standpipe connections	\$60.00 per year

New fire lines which supply sprinkler heads as well as inside hose connections, shall pay in addition to the above fees, ten cents (\$.10) per head per year.

A minimum quarterly charge for \$45.75 is made for all sprinkler systems.

For all water bills rendered before October 1, 2014, the domestic water rates and fire service charges for all consumers were as follows:

A minimum quarterly charge of \$43.50 is made for which amount 1,500 cubic feet of water is allowed.

For all over 1,500 cubic feet of water used within the quarter, \$2.90 per 100 cubic feet.

A minimum quarterly charge of \$43.50 is made for all sprinkler systems.

PER CAPITA CONSUMPTION

Year	Average Daily Consumption	Per Capita Consumption
2013	7,684,696 gallons	114 gallons
2014	7,891,778 gallons	117 gallons

WATER PURCHASED, SOLD, AND UNACCOUNTED FOR (in gallons) FOR THE PAST FIVE YEARS

Year	Purchased	Sold	Unaccounted For	Percent
2014	2,880,499,000	2,252,328,500	628,170,500	21.80
2013	2,804,914,125	2,239,720,750	565,193,375	20.15
2012	2,825,990,000	2,298,938,750	527,051,250	18.7
2011	2,830,784,125	2,330,032,000	500,752,125	17.7
2010	2,904,442,000	2,374,125,000	530,317,000	18.3

The unaccounted for water represents the water used from fire hydrants for the extinguishing of fires, for flushing streets and sewers, flushing water mains, water lost through leakage in mains and service pipes, and water lost by slippage in meter registration.

During 2014, there were thirty-nine (39) broken mains in the distribution and transmission system as compared with twenty-two (22) in 2013. Our maintenance force repaired the breaks.

Seventy-six (76) "street-side" service leaks were found on house service pipes as compared with fifty-seven (57) the previous year. These leaks were repaired by the department maintenance crew. There were sixty-nine (69) "house-side" leaks, which were investigated by the department and repaired by plumbers hired by property owners.

Fourteen (14) fire hydrants were struck and damaged during the year by vehicles involved in accidents. It is our practice to hold the person causing the damage to city property responsible for the cost of repair or replacement, so long as he can be identified.

Forty-eight (48) hydrants were repaired to correct deficiencies because of damaged parts; an additional five (5) hydrants needed to be replaced.

Of the nineteen (19) consumer complaints of lack of pressure and volume, the majority were attributed to an internal problem. In these cases, the consumer was referred to a plumber.

A total of forty-nine (49) lead and two (2) plastic service lines were replaced, the majority during the repair of street side leaks.

WATER RENTS RECEIVABLE
December 31, 2010 through December 31, 2014

<u>Year</u>	<u>Meter Charges</u>	<u>Receivable as of December 31,¹</u>	<u>Liens Filed *</u> <u>No.</u>	<u>Amount</u>
2014	\$ 9,297,021	\$ 1,724,808	886	\$ 581,530
2013	8,740,354	1,539,584	707	466,215
2012	8,187,784	1,434,809	682	304,011
2011	7,379,142	1,332,448	705	412,641
2010	6,929,591	1,319,698	647	392,940

* Water rents more than one year in arrears are required by law to be reported on current City tax rolls.

¹ Does not include unbilled water rents which have been reflected in the financial statements.

RESUME

Due to the continued success of the Corrosion Control Program in reducing the leaching of lead and copper into the water, the Board of Water Supply was able to forego lead and copper sampling and analysis in 2014. The next round of lead and copper sampling and analysis will be in 2016.

In May, the Board of Water Supply distributed the Annual Water Quality Statement to our customers. The statement was also posted on the Mount Vernon web site and copies were distributed to schools, community centers, and other public buildings. Additionally, a notice advertising the availability of the report was published in *The Journal News* and *The County Press*. Under the New York State Sanitary Code, community water systems are required to provide information about their water supply and analytical testing results to their customers in order to keep them informed.

The New York City Water Board notified Mt. Vernon that effective July 1, 2014, the wholesale rate for water would increase from \$1,496.76 per million gallons to \$1,573.61 per million gallons. This represented a 5.1% increase and was the 22nd increase since 1992, when the rate was \$103.72 per million gallons.

When we were notified of the impending New York City rate increase, we thought it would be prudent to have a company that specializes in leak detection investigate the entire distribution system. On June 10, New York Leak Detection, Inc. arrived in Mount Vernon to begin a leak survey. As leaks were identified, they were repaired. Consequently the July 2014 per capita was less than the June 2014 per capita, in spite of hotter temperatures in July.

In July, August, and September of 2014, the Department notified our customers of an increase in water rates. We also placed a Legal Notice announcing the change in *The Journal News* and *The County Press* on September 10 and 17. Effective October 1, 2014, the charge for the first 1500 cubic feet of water rose from \$43.50 to \$45.75.

During 2014, the Board of Water Supply purchased water meters and radio frequency wall transmitters for a total cost of \$120,853.00 under a contract with Rio Supply Inc. that was signed in February of 2014. During the year, 341 meters were replaced; 43 of those were large meters. Since the 300 largest accounts represent a significant portion of the Department's revenue, it is important that their meters are accurate and appropriately sized.

In 2014, the Board of Water Supply's consulting engineer, George Lackowitz, P.E., prepared plans and specifications for a Water Main Cleaning and Cement Lining project that would address problems with fire flow availability and "hot spots" of discolored water on Grandview Avenue, Brookside Avenue, Hillside Avenue, and Farrell Avenue. Bids for the project were opened on July 22, 2014. The bid amounts were so high that all bids were rejected due to insufficient funds. We intend to rebid early in 2015, hopefully with better results.

A 2014 Ford Transit Van was purchased from Vance Country Ford for \$21,201.25. It was obtained under Westchester County contract.

AUDIT REPORT

As customary each year, our accounts have been audited by certified public accountants engaged by the Board of Water Supply and have been found in good order. A complete report of their audit for the year ending December 31, 2014 will be forwarded upon receipt.

CONCLUSION

The water being furnished to consumers is of safe quality; the general condition of the facilities is good, and the system is functioning satisfactorily in all aspects.

Respectfully submitted,

BOARD OF WATER SUPPLY
City of Mount Vernon, New York



Anthony Bove
Water Commissioner

**Board of Water Supply of the
City of Mount Vernon, New York**

Financial Statements and
Supplementary Information

Year Ended December 31, 2014

Board of Water Supply of the City of Mount Vernon, New York

**Financial Statements and Supplementary Information
for the Year Ended December 31, 2014**

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Independent Auditors' Report

**The Board of Water Supply of the
City of Mount Vernon, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Water Supply ("Water Fund") of the City of Mount Vernon, New York as of and for the year ended December 31, 2014, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 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 opinion.

O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.odpkf.com

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Board of Water Supply of the City of Mount Vernon, New York

Comparative Balance Sheet
December 31,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	\$ 3,141,381	\$ 2,616,590
Receivables		
Accounts	101,827	62,010
Water rents	4,321,262	3,946,522
	<u>4,423,089</u>	<u>4,008,532</u>
Prepaid expenditures	<u>-</u>	<u>79,946</u>
Inventories	<u>138,587</u>	<u>126,291</u>
Total Assets	<u>\$ 7,703,057</u>	<u>\$ 6,831,359</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable - Water purchases	\$ 2,518,420	\$ 2,194,823
Accrued expenditures	874,496	594,307
Due to City of Mount Vernon	135,808	106,070
Total Liabilities	<u>3,528,724</u>	<u>2,895,200</u>
Fund balance		
Nonspendable		
Prepaid expenditures	-	79,946
Inventories	138,587	126,291
Restricted for liability and casualty claims	1,511,451	1,508,851
Committed		
Additions, betterments and replacements	614,902	370,763
Maintenance of water supply system	621,345	441,740
Unassigned	1,288,048	1,408,568
Total Fund Balance	<u>4,174,333</u>	<u>3,936,159</u>
Total Liabilities and Fund Balance	<u>\$ 7,703,057</u>	<u>\$ 6,831,359</u>

The accompanying notes are an integral part of the financial statements.

Board of Water Supply of the City of Mount Vernon, New York

Notes to Financial Statements
December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The Board of Water Supply of the City of Mount Vernon, New York ("Water Fund") was established in 1911 and became operational in 1922. The Board operates the Water Fund in accordance with the Laws of the City of Mount Vernon, New York, Chapter 127 of the Laws of 1911 of the State of New York, as revised ("The Water Act") and the various other applicable laws of the State of New York. The Board is responsible for the distribution of water to residents and other entities within the City of Mount Vernon, New York and repairs and maintenance to the water distribution system.

The accounting policies of the Water Fund conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Water Fund's more significant accounting policies:

A. Basis of Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. The Water Fund is a governmental fund.

The accompanying financial statements present only the activities of the Water Fund of the City of Mount Vernon, New York and do not purport to, and do not, present fairly the financial position of the City of Mount Vernon, New York as of December 31, 2014 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheets. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The reported unassigned fund balance is a measure of "available spendable resources".

The modified accrual basis of accounting is followed in the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they are "measurable" and "available" to finance current operations. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A ninety day availability period is generally used for revenue recognition for governmental fund revenues. Revenues susceptible to accrual include charges for services and intergovernmental charges.

Expenditures, under the modified accrual basis, are generally recognized when the related fund liability is incurred.

Board of Water Supply of the City of Mount Vernon, New York

Notes to Financial Statements (Continued)

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventories - Inventories are valued at cost on a first-in, first-out basis and consist of certain expendable supplies held for consumption. The cost is recorded as inventory at the time individual items are purchased. The Water Fund uses the consumption method to relieve inventory. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Due From/To City of Mount Vernon - During the course of its operations, the Water Fund has numerous transactions with other funds of the City of Mount Vernon, New York to finance operations and provide services. To the extent that certain transactions with the other funds of the City of Mount Vernon, New York had not been paid or received as of December 31, 2014, balances of interfund amounts receivable or payable have been recorded.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of December 31, 2014, no amounts were required to be reported as deferred outflows/inflows of resources.

Compensated Absences - The Water Fund provides for the payment of accumulated vacation and sick leave upon an employee's separation from service. The liability for such accumulated leave is reflected in the City of Mount Vernon, New York's government-wide and proprietary fund financial statements to which the Water Fund contributes its respective share. The compensated absences includes salary related payments, where applicable.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Water Fund is bound to honor constraints on the specific purposes for which amounts can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that

Board of Water Supply of the City of Mount Vernon, New York

Notes to Financial Statements (Continued)

December 31, 2014

Note 2 - Detailed Notes on Governmental Fund

A. Liabilities

Compensated Absences

Water Fund employees who are members of Teamsters Local 456, who are eligible to retire and have at least one hundred twenty accumulated sick days, shall receive compensation for one fifth of the accumulated days at the current rate of pay to a maximum of one hundred and eighty days. Members of CSEA who are eligible to retire and have at least one hundred accumulated sick days, shall receive compensation for one fifth of the accumulated days at the current rate of pay with no maximum limit. Vacation time is generally taken in the year earned. Payment for vacation leave is limited to a maximum of four weeks. The liability for compensated absences at December 31, 2014 was \$135,808 and this amount has been reflected in the City of Mount Vernon, New York's Compensated Absences Internal Service Fund.

Pension Plan

The Water Fund participates in the New York State and Local Employees' Retirement System ("System"). This System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The System is non-contributory except for employees in tiers 3 and 4 that have less than ten years of service who contribute 3% of their salary, employees in tier 5 who also contribute 3% of their salary without regard to their years of service and employees in Tier 6 who contribute between 3% and 6% depending on salary levels and also without regard to years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and a regular pension contribution. Contribution rates for the plan year ended March 31, 2015 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
3 A14	20.3 %
4 A15	20.3
5 A15	16.6
6 A15	10.9

Contributions made or accrued to the System for the current and two preceding years were as follows:

2014	\$	291,811
2013		215,415
2012		215,511

These contributions were equal to 100% of the actuarially required contributions for the fiscal year.

Board of Water Supply of the City of Mount Vernon, New York

Notes to Financial Statements (Concluded)

December 31, 2014

Note 2 - Detailed Notes on Governmental Fund (Continued)

As provided in the Water Act, any excess of revenues over expenditures, after amounts have been set aside for nonspendable, restricted and committed purposes, are to be remitted to the City of Mount Vernon, New York in the subsequent year.

Note 3 - Summary Disclosure of Significant Contingencies

Litigation

The Board receives numerous notices of claims for money damages occurring from bodily injury and property damage. Of the claims pending, none are expected to have a material effect on the financial position of the Water Fund, if adversely settled.

Risk Management

The City of Mount Vernon, New York purchases conventional insurance coverages to reduce its exposure to loss and this coverage extends to the Water Fund. The City maintains general, law enforcement and auto liability insurance coverage of \$10 million in the aggregate, including a self-insured retention level of \$500,000 for claims incurred from 2005 through 2010 and \$350,000 for claims incurred since 2011. The City also maintains public officials' liability insurance with coverage of \$10 million, including a self-insured retention level of \$75,000 for claims incurred from 2005 through 2010 and \$100,000 for claims incurred since 2011. The Water Fund separately maintains workers' compensation coverage at statutory limits and provides health benefits coverage as well. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

* * * * *

Board of Water Supply of the City of Mount Vernon, New York

Supplementary Information - Comparative Schedule of Expenditures
for the Years Ended December 31,

	2014	2013
WATER PURCHASES		
New York City	\$ 27,008	\$ 28,489
Westchester County	4,396,833	3,949,013
Total Water Purchases	4,423,841	3,977,502
OPERATING AND MAINTENANCE		
Sources of supply plant		
Operation of sources of supply plant	36,394	42,249
Water treatment		
Operation and maintenance of water treatment building	83,507	83,736
Water treatment supplies and expenditures	20,105	49,105
Transmission and distribution		
Maintenance of services	551,255	411,156
Removing and resetting meters	8,668	26,276
Maintenance of mains and accessories	186,300	179,249
Maintenance of meters	212,870	217,331
Maintenance of hydrants and accessories	84,398	129,413
Customers' accounting and collecting		
Billing, accounting and collecting	377,624	369,664
Meter reading	267,790	284,804
Total Operating and Maintenance	1,828,911	1,792,983
ADMINISTRATIVE AND GENERAL		
Salaries	365,381	374,062
General office supplies and expenditures	30,239	4,349
Professional fees	32,399	45,203
Employee benefits		
Workers' compensation	81,586	140,255
State retirement	291,811	215,415
Federal social security coverage	137,436	133,471
State health insurance	553,618	581,053
Contribution to City dental and vision plan	12,733	14,103
Contribution to welfare fund	5,100	5,600
Transportation expenditures	121,666	125,724
Miscellaneous general expenditures	44,014	(993)
Operation and maintenance of general property		
Office, stores, shops and garage	37,904	53,790
Miscellaneous property and equipment	6,947	8,069
Total Administrative and General	1,720,834	1,700,101
Total Expenditures	\$ 7,973,586	\$ 7,470,586

