



# ANNUAL REPORT 2012

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





# ANNUAL REPORT 2012

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



ANNUAL REPORT  
COVERING OPERATIONS OF THE BOARD OF WATER SUPPLY FOR  
THE YEAR BEGINNING JANUARY 1, 2012  
AND  
ENDING DECEMBER 31, 2012

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, 2012. During the past year, the Department installed thirty-six (36) L.F. of new eight (8) inch water main, twelve (12) new hydrants, and nine (9) new valves in the system.

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

	<b>ADDITIONS</b>				<b>DELETIONS</b>			
	Size	Length	Valves	Hydrants	Size	Length	Valves	Hydrants
<u>Replace or Install Valves</u>								
14. Install valve in front of 171 North Columbus Avenue	10"		1					
15. Replace south valve Homestead Avenue & East 5 <sup>th</sup> Street	6"		1		6"		1	
16. Install west valve West 2 <sup>nd</sup> Street & South 8 <sup>th</sup> Avenue	12"		1					
17. Install west valve Claremont Terrace & Audrey Avenue	6"		1					

### SERVICE CONNECTIONS

The number of active metered services connected to the distribution system decreased by eleven (11) during the past year. The number of active unmetered fire line services increased by two (2).

Active Metered Services, December 31, 2012	10,152	
Active Metered Services, December 31, 2011	10,163	
	<u>DECREASE</u>	<u>11</u>
Unmetered Fire Line Services, December 31, 2012	342	
Unmetered Fire Line Services, December 31, 2011	340	
	<u>INCREASE</u>	<u>2</u>
	<u>NET DECREASE</u>	<u>9</u>

### WATER METERS

The City of Mount Vernon's consumer supply is 100% metered with the exception of service to fire sprinkler systems.

The metered services are shown in detail below:

Meter Size (Inches)	Owned by Board of Water Supply	In Service 12/31/12
5/8	8,005	7,897
3/4	1,102	1,051
1	637	603
1 1/2	223	214
2	333	321
3	53	41
4	20	13
6	12	12
8	3	3
10	1	1
12	1	1
20	1	1
24	3	3
<b>TOTAL</b>	<b>10,394</b>	<b>10,161</b>

## WATER PURCHASED

During the year ending December 31, 2012, water obtained by gravity from the New York City Catskill-Delaware supply was purchased at a cost of \$1,213.84 per million gallons for the first 6 months of the year and \$1,332.30 per million gallons for the last 6 months of the year. The City of Mount Vernon purchased 2,825,990,000 gallons from New York City in 2012, compared with a total purchase of 2,830,784,125 gallons for the preceding year.

This is an average decrease of 34,289 gallons per day compared with the average daily consumption in 2012 as shown in detail below:

### AMOUNT PURCHASED FROM NEW YORK CITY (incl. Westchester County Water District #1) (in gallons)

Month	2011	2012
January	244,470,000	228,650,000
February	217,530,000	211,280,000
March	231,790,000	226,470,000
April	221,560,000	227,080,000
May	237,170,000	239,030,000
June	244,900,000	242,120,000
July	267,680,000	267,240,000
August	251,390,000	259,880,000
September	235,694,125	239,940,000
October	233,200,000	231,090,000
November	220,090,000	225,960,000
December	225,310,000	227,250,000
<b>TOTAL</b>	<b>2,830,784,125</b>	<b>2,825,990,000</b>

### AVERAGE DAILY CONSUMPTION

YEAR - 2011	7,755,573	Gallons per day
YEAR - 2012	7,721,284	Gallons per day
Decrease	34,289	Gallons per day
Highest Daily Consumption		
July 11, 2012	9,460,000	Gallons
Lowest Daily Consumption		
October 14, 2012	6,260,000	Gallons

During 2012, there were thirty-four (34) broken mains in the distribution and transmission system as compared with twenty-seven (27) in 2011. Our maintenance force repaired the breaks.

Seventy-one (71) "street-side" service leaks were found on house service pipes as compared with ninety-seven (97) the previous year. These leaks were repaired by the department maintenance crew. There were sixty (60) "house-side" leaks, which were investigated by the department and repaired by plumbers hired by property owners.

Sixteen (16) 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.

One hundred eighteen (118) hydrants were repaired to correct deficiencies because of damaged parts; an additional eleven (11) hydrants needed to be replaced.

Of the twenty-four (24) 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 fifty-five (55) lead and seven (7) plastic service lines were replaced, the majority during the repair of street side leaks. Included in the fifty-five are three (3) lead service lines replaced after the owner replaced the "house side".

One hundred seventy-nine (179) curb boxes were dug and repaired for various reasons, such as making them operational in case of emergency.

Twenty-eight (28) road boxes were repaired. These were old style boxes that were missing covers. Because current road box covers are larger, we were unable to replace the missing caps. Maintenance workers excavated the boxes and replaced the top section.

The 1,147 fire hydrants were flushed. This yearly program is designed to flush and clean out the sediment that has accumulated in the mains and thus reduces discolored water complaints.

All hydrants were checked for proper drainage to prevent winter freeze ups.

A total of 693 valves were operated as part of the "Valve Exercising Program". The program is designed to evaluate the valves in the water system and repair those that are defective. This will ensure proper operation in an emergency.

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

Years Ended December 31, 2012 and 2011

	2012	2011
<b>REVENUES:</b>		
Charges for services:		
Metered private service	\$ 8,321,840	\$ 7,379,942
Metered charges unbilled	(185,014)	(59,651)
Unmetered fire protection	50,897	47,211
Total Charges for Services	8,187,723	7,367,502
Interest income	232,868	247,251
Miscellaneous income	12,727	21,136
Total Revenues	8,433,318	7,635,889
<b>EXPENDITURES:</b>		
Current:		
Home and Community Services:		
Water purchased	3,639,151	3,385,608
Operating and maintenance	1,936,609	2,859,684
Administrative and general	1,516,539	1,469,893
Total Expenditures	7,092,299	7,715,185
Net Income	1,341,019	(79,296)
<b>LESS RESTRICTIONS AND COMMITMENTS:</b>		
(Increase) in Restricted for Liability and Casualty Claims	3,917	(49,683)
Decrease (Increase) in Reserve for Prepaid Expenditures	49,122	(85,481)
(Increase) Decrease in Reserve for Inventory	(30,066)	(8,441)
(Increase) Decrease in Commitment for Additions, Betterments and Replacements	(121,222)	470,533
(Increase) Decrease in Commitment for Maintenance of Water Supply System	96,106	559,226
Total Restrictions and Commitments	(2,143)	886,154
Excess Revenues	\$ 1,338,876	\$ 806,858



A private consultant will be once again be engaged to conduct a "Water Leakage Survey". This survey will cover the 104 miles of water mains and will pinpoint leak locations. Ongoing leak surveillance will allow us to further reduce the "unaccounted for" water. It is especially important now in order to avoid charges for excess per capita usage. New York City's per capita has been steadily dropping as they continue to meter all their services.

The Water Meter Replacement Program will continue to be emphasized, with a concentration on large meters. The three hundred (300) largest accounts represent approximately 35% of the department's revenue. The meters will be checked for accuracy and analyzed for proper sizing and then repaired or replaced.

The "Cross Connection Control Program" will continue to be a priority. This program is designed to protect the public water supply system from contamination by potentially hazardous or aesthetically objectionable materials. Those facilities that could pose a threat will be required to install a backflow prevention device.

The backup chlorinator at Hillview Station was purchased in 1977. Current technology has made new chlorinating equipment safer and more compact with fewer parts and greater reliability. Due to the unreliability of the older chlorinator, there is a tendency to run the newer chlorinator whenever Hillview Station is on line. Therefore, the two chlorinators are no longer affording us true redundancy. It is recommended that the older chlorinator and related equipment be replaced at a projected cost of \$12,000.

During 2012, Mount Vernon and Yonkers will continue to work with Westchester County Water District #1 advance the south side connection project. This will provide a southern feed to the 48 inch Kensico Line and help to insure normal water system conditions in the event of a break on the main water supply line to Mount Vernon, as well as during planned long term shutdowns of the New York City aqueducts.

## SANITATION

The Board of Water Supply has maintained an adequate sampling program throughout the year, with weekly bacteriological tests made of our city water supply as a means of maintaining standard quality control and ensuring the protection of the public health.

Laboratory reports of the tests have indicated that our water supply is of safe, potable quality throughout the City.

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

**Financial Statements and  
Supplementary Information**

**Year Ended December 31, 2012**

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

**Financial Statements and Supplementary Information  
for the Year Ended December 31, 2012  
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## **Independent Auditors' Report**

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

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, 2012, and the related notes to the financial statements, which collectively comprise the Water Fund's 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

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

Comparative Balance Sheet  
December 31,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash		
Demand deposits	\$ 2,189,944	\$ 481,489
Certificate of deposit	<u>1,360,671</u>	<u>1,857,764</u>
	<u>3,550,615</u>	<u>2,339,253</u>
Receivables		
Accounts	15,281	11,993
Water rents	<u>3,488,460</u>	<u>3,305,206</u>
	<u>3,503,741</u>	<u>3,317,199</u>
Prepaid expenditures	<u>79,946</u>	<u>129,068</u>
Inventories	<u>138,055</u>	<u>107,989</u>
Total Assets	<u>\$ 7,272,357</u>	<u>\$ 5,893,509</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable - Water purchases	\$ 2,779,760	\$ 1,741,163
Accrued expenditures	697,275	889,061
Due to City of Mount Vernon	<u>80,003</u>	<u>82,127</u>
Total Liabilities	<u>3,557,038</u>	<u>2,712,351</u>
Fund balance		
Nonspendable		
Prepaid expenditures	79,946	129,068
Inventories	138,055	107,989
Restricted for liability and casualty claims	1,508,851	1,512,768
Committed		
Additions, betterments and replacements	315,632	194,410
Maintenance of water supply system	333,959	430,065
Unassigned	<u>1,338,876</u>	<u>806,858</u>
Total Fund Balance	<u>3,715,319</u>	<u>3,181,158</u>
Total Liabilities and Fund Balance	<u>\$ 7,272,357</u>	<u>\$ 5,893,509</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, 2012

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## 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, liabilities, 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, 2012 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 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, 2012

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**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, 2012, balances of interfund amounts receivable or payable have been recorded.

**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 liability for compensated absences includes salary related payments, where applicable.

**Fund Balance** - Generally, fund balance represents the difference between current assets and current liabilities. 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 in those funds 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 to be 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 will be used to report funds that are restricted for certain items contained in the General Municipal Law of the State of New York.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Commissioner of the Water Fund is the highest level of decision making authority that can prior to the end of the fiscal year, commit fund balance, within the limits authorized by the City Council of the City of Mount Vernon, New York. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Commissioner of the Water Fund and the City Council of the City of Mount Vernon, New York.

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

Notes to Financial Statements (Continued)  
December 31, 2012

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**Note 2 - Detailed Notes on Governmental Fund (Continued)**

**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, 2013 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
3 A14	18.6 %
4 A15	18.6
5 A15	15.1
6 A15	10.1

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

2012	\$215,511
2011	\$187,254
2010	\$142,099

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

**Other Post Employment Benefit Obligations**

In addition to providing pension benefits, the Water Fund provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Water Fund may vary according to length of service. Substantially all of the Water Fund's employees may become eligible for those benefits if they reach normal retirement age while working for the Water Fund. The cost of retiree health care benefits is recognized as an expenditure as claims are paid in the Water Fund's financial statements. During the year, \$163,080 was paid on behalf of 13 retirees and this amount has been recorded as an expenditure.



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

Notes to Financial Statements (Concluded)  
December 31, 2012

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**Note 3 - Summary Disclosure of Significant Contingencies (Continued)**

**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 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,

	2012	2011
<b>WATER PURCHASES</b>		
New York City	\$ 13,626	\$ 15,634
Westchester County	3,624,555	3,367,978
Other	970	1,996
<b>Total Water Purchases</b>	<b>3,639,151</b>	<b>3,385,608</b>
<b>OPERATING AND MAINTENANCE</b>		
Sources of supply plant		
Operation of sources of supply plant	43,517	47,419
Water treatment		
Operation and maintenance of water treatment building	80,231	96,704
Water treatment supplies and expenditures	13,497	10,229
Transmission and distribution		
Maintenance of services	426,867	416,196
Removing and resetting meters	11,721	7,029
Maintenance of mains and accessories	406,434	1,247,343
Maintenance of meters	121,457	231,397
Maintenance of hydrants and accessories	160,637	126,069
Customers' accounting and collecting		
Billing, accounting and collecting	414,758	372,915
Meter reading	257,490	304,383
<b>Total Operating and Maintenance</b>	<b>1,936,609</b>	<b>2,859,684</b>
<b>ADMINISTRATIVE AND GENERAL</b>		
Salaries	354,153	356,814
General office supplies and expenditures	2,307	1,050
Office furniture and equipment	7,034	-
Professional fees	27,166	23,532
Employee benefits		
Workers' compensation	77,192	70,904
State retirement	215,511	187,254
Federal social security coverage	135,072	131,821
State health insurance	557,005	535,453
Contribution to City dental and vision plan	14,965	15,993
Contribution to welfare fund	6,000	6,000
Transportation expenditures	12,413	30,350
Miscellaneous general expenditures	14,210	25,218
Operation and maintenance of general property		
Office, stores, shops and garage	85,040	79,167
Miscellaneous property and equipment	8,471	6,337
<b>Total Administrative and General</b>	<b>1,516,539</b>	<b>1,469,893</b>
<b>Total Expenditures</b>	<b>\$ 7,092,299</b>	<b>\$ 7,715,185</b>

