



**ANNUAL
REPORT
2009**

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



ANNUAL REPORT
COVERING OPERATIONS OF THE BOARD OF WATER SUPPLY FOR
THE YEAR BEGINNING JANUARY 1, 2009
AND
ENDING DECEMBER 31, 2009

To the Honorable Mayor Clinton I. Young, Jr.

And the City Council

Of the City of Mount Vernon, New York

Dear Mayor Young:

We respectfully submit, herewith, our Annual Report for the year ending December 31, 2009. During the past year, the Department installed nine (9) new fire hydrants in the system.

DETAILS OF IMPROVEMENTS MADE

TO THE PIPE SYSTEM

| | ADDITIONS | | | | DELETIONS | | | |
|--|-----------|--------|--------|----------|-----------|--------|--------|----------|
| | Size | Length | Valves | Hydrants | Size | Length | Valves | Hydrants |
| <u>Replace Hydrants and/or Pipes</u> | | | | | | | | |
| 1. Replace Hydrant #206 North 10 th Avenue & West Sidney Avenue | 6" | | | 1 | 6" | | | 1 |
| 2. Replace Hydrant #276 in front of 262 Rich Avenue | 6" | | | 1 | 6" | | | 1 |
| 3. Replace Hydrant #1092 in front of 12 Irving Place | 6" | | | 1 | 6" | | | 1 |
| 4. Replace Hydrant #979 at dead end of Roslyn Place | 6" | | | 1 | 6" | | | 1 |
| 5. Replace Hydrant #464 Amundsen Avenue & Edenwald Avenue | 6" | | | 1 | 6" | | | 1 |
| 6. Replace Hydrant #836 California Road across from Pasadena Place | 6" | | | 1 | 6" | | | 1 |
| 7. Replace Hydrant #757 in front of 33 Esplanade | 6" | | | 1 | 6" | | | 1 |
| 8. Replace Hydrant #693 in front of 72 Sycamore Street | 6" | | | 1 | 6" | | | 1 |
| 9. Replace Hydrant #1063 in front of 126 Pearsall Drive | 6" | | | 1 | 6" | | | 1 |

SERVICE CONNECTIONS

The number of active metered services connected to the distribution system increased by twenty-seven (27) during the past year. The number of active unmetered fire line services increased by four (4).

| | | |
|---|---------------------|----------|
| Active Metered Services, December 31, 2009 | 10,172 | |
| Active Metered Services, December 31, 2008 | 10,170 | |
| | <u>INCREASE</u> | <u>2</u> |
| | | |
| Unmetered Fire Line Services, December 31, 2009 | 333 | |
| Unmetered Fire Line Services, December 31, 2008 | 331 | |
| | <u>INCREASE</u> | <u>2</u> |
| | <u>NET INCREASE</u> | <u>4</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:

| <u>Meter Size (Inches)</u> | <u>Owned by Board of Water Supply</u> | <u>In Service 12/31/09</u> |
|--------------------------------|---|--------------------------------|
| 5/8 | 8,103 | 7,912 |
| 3/4 | 1,088 | 1,050 |
| 1 | 620 | 600 |
| 1 1/2 | 231 | 214 |
| 2 | 336 | 319 |
| 3 | 49 | 41 |
| 4 | 19 | 13 |
| 6 | 12 | 12 |
| 8 | 3 | 3 |
| 10 | 1 | 1 |
| 12 | 1 | 1 |
| 20 | 1 | 1 |
| 24 | <u>3</u> | <u>3</u> |
| TOTAL | <u><u>10,467</u></u> | <u><u>10,172</u></u> |

WATER PURCHASED

During the year ending December 31, 2009, water obtained by gravity from the New York City Catskill-Delaware supply was purchased at a cost of \$900.31 per million gallons for the first 6 months of the year and \$922.23 per million gallons for the last 6 months of the year. The City of Mount Vernon purchased 2,824,462,500 gallons from New York City in 2009, compared with a total purchase of 2,919,918,375 gallons for the preceding year.

This is an average decrease of 239,666 gallons per day compared with the average daily consumption in 2008 as shown in detail below:

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

| <u>Month</u> | <u>2008</u> | <u>2009</u> |
|--------------|-----------------------------|-----------------------------|
| January | 241,900,000 | 247,300,000 |
| February | 241,350,000 | 218,510,000 |
| March | 235,270,000 | 237,240,000 |
| April | 233,868,375 | 224,640,000 |
| May | 245,080,000 | 240,402,500 |
| June | 256,170,000 | 235,380,000 |
| July | 277,220,000 | 248,490,000 |
| August | 267,040,000 | 250,740,000 |
| September | 244,780,000 | 236,540,000 |
| October | 238,010,000 | 231,800,000 |
| November | 224,950,000 | 221,810,000 |
| December | <u>234,280,000</u> | <u>231,610,000</u> |
| TOTAL | <u>2,919,918,375</u> | <u>2,824,462,500</u> |

AVERAGE DAILY CONSUMPTION

| | | |
|-------------|-----------------------|-----------------|
| YEAR - 2008 | 7,977,919 | Gallons per day |
| YEAR - 2009 | <u>7,738,253</u> | Gallons per day |
| Decrease | <u><u>239,666</u></u> | Gallons per day |

Highest Daily Consumption
August 20, 2009 9,000,000 Gallons

Lowest Daily Consumption
November 13, 2009 6,620,000 Gallons

Ten (10) 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.

Seventy-seven (77) hydrants were repaired to correct deficiencies because of damaged parts; an additional nine (9) hydrants needed to be replaced.

Of the ten (10) 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 (50) lead service lines were replaced, the majority during the repair of street side leaks. Included in the fifty is one (1) lead service line replaced after the owner replaced the "house side".

Seven (7) service lines were replaced due to the phasing out of plastic piping.

Eighty-one (81) curb boxes were dug and repaired for various reasons, such as making them operational in case of emergency.

Five (5) 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 1,146 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 1105 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.

All of the municipally owned buildings, schools, and recreation fields have received water supply free of charge during the past year.

Below is a summary of the free services and the value of same if the water had been charged for at our established rates:

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

Years Ended December 31, 2009 and 2008

| | 2009 | 2008 |
|--|--------------|--------------|
| REVENUES: | | |
| Charges for services: | | |
| Metered private service | \$ 6,328,356 | \$ 6,656,917 |
| Metered charges unbilled | (56,928) | 22,593 |
| Unmetered fire protection | 40,454 | 39,221 |
| Total Charges for Services | 6,311,882 | 6,718,731 |
| Interest income | 209,321 | 186,821 |
| Miscellaneous income | 9,901 | 52,934 |
| Total Revenues | 6,531,104 | 6,958,486 |
| EXPENDITURES: | | |
| Current: | | |
| Home and Community Services: | | |
| Water purchased | 2,415,955 | 2,485,080 |
| Operating and maintenance | 1,443,014 | 2,408,870 |
| Administrative and general | 1,390,156 | 1,295,636 |
| Total Expenditures | 5,249,125 | 6,189,586 |
| Net Income | 1,281,979 | 768,900 |
| LESS RESERVES AND DESIGNATIONS: | | |
| (Increase) Decrease in Reserve for Liability and Casualty Claims | 78,303 | (57,255) |
| (Increase) Decrease in Reserve for Prepaid Expenditures | (1,387) | 1,869 |
| (Increase) in Reserve for Inventory | (22,385) | (10,464) |
| (Increase) Decrease in Designated for Additions, Betterments and Replacements | (170,377) | 316,005 |
| (Increase) Decrease in Designated for Maintenance of Water Supply System | (200,000) | 320,177 |
| Total Reserves and Designations | (315,846) | 570,332 |
| Excess Revenues | \$ 966,133 | \$ 1,339,232 |

RECOMMENDATIONS

Replacement of (1) 1996 Ford Utility Truck.

Replacement of (1) 1998 Chevrolet Cargo Van.

Replacement of (1) 2000 Chevrolet Lumina.

A private consultant will 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 2010, Mount Vernon and Yonkers will request that Westchester County Water District #1 move ahead 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.

**BOARD OF WATER SUPPLY OF THE
CITY OF MOUNT VERNON, NEW YORK**

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2009

WITH INDEPENDENT AUDITORS' REPORT

BOARD OF WATER SUPPLY OF THE
CITY OF MOUNT VERNON, NEW YORK

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009
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Independent Auditors' Report

To 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, 2009. These financial statements are the responsibility of the Board of Water Supply's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Water Fund 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, 2009 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Fund of the City of Mount Vernon, New York as of December 31, 2009 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Water Fund of the City of Mount Vernon, New York. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

March 25, 2010

BOARD OF WATER SUPPLY OF THE CITY OF MOUNT VERNON, NEW YORK

COMPARATIVE BALANCE SHEET
DECEMBER 31, 2009 AND 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash: | | |
| Demand deposits | \$ 1,359,333 | \$ 1,621,365 |
| Certificate of deposit | 1,139,523 | 1,138,328 |
| | <u>2,498,856</u> | <u>2,759,693</u> |
| Receivables: | | |
| Accounts | 22,754 | 23,593 |
| Water rents | 2,953,250 | 2,861,049 |
| | <u>2,976,004</u> | <u>2,884,642</u> |
| Prepaid Expenditures | <u>37,812</u> | <u>36,425</u> |
| Inventories | <u>97,770</u> | <u>75,385</u> |
| Total Assets | <u>\$ 5,610,442</u> | <u>\$ 5,756,145</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| Liabilities: | | |
| Accounts payable - Water purchases | \$ 1,257,624 | \$ 1,423,628 |
| Accrued expenditures | 398,182 | 320,186 |
| Due to City of Mount Vernon | 73,531 | 73,973 |
| Total Liabilities | <u>1,729,337</u> | <u>1,817,787</u> |
| Fund Balance: | | |
| Reserved for liability and casualty claims | 1,408,758 | 1,487,061 |
| Reserved for prepaid expenditures | 37,812 | 36,425 |
| Reserved for inventories | 97,770 | 75,385 |
| Unreserved: | | |
| Designated for additions, betterments and replacements | 581,341 | 410,964 |
| Designated for maintenance of water supply system | 789,291 | 589,291 |
| Undesignated | 966,133 | 1,339,232 |
| Total Fund Balance | <u>3,881,105</u> | <u>3,938,358</u> |
| Total Liabilities and Fund Balance | <u>\$ 5,610,442</u> | <u>\$ 5,756,145</u> |

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

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 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, 2009 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/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 unreserved 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Prepaid Expenditures - Prepaid expenditures consist of employee retirement and other costs which have been satisfied prior to the end of the fiscal year, but represent items which are applicable to the subsequent year. Reported amounts are equally offset by a reservation of fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

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 a reservation of fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

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 - Reserves and Designations - Portions of fund balance are segregated for future use and are therefore not available for future appropriation or expenditure. Amounts reserved for liability and casualty claims, prepaid expenditures and inventories represent portions of fund balance which are required to be segregated in accordance with State law or generally accepted accounting principles. Designations of unreserved fund balance in governmental funds indicate the utilization of these resources in the ensuing year or tentative plans for future use.

D. Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Water Fund's financial position and operations.

E. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 25, 2010.

te 2 - Detailed Notes on Governmental Fund (Continued)

Post-Employment Health Care Benefits

In addition to providing pension benefits, the Water Fund provides certain health care benefits for retired employees. 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, \$141,121 was paid on behalf of 14 retirees and this amount has been recorded as an expenditure.

The Water Fund's other post employment benefit obligation ("OPEB"), calculated in accordance with GASB Statement No. 45, including the unfunded actuarial accrued liability, the annual required contribution and the net OPEB obligation at the end of the year is reflected within the amounts reported in the City of Mount Vernon, New York's government-wide financial statements.

B. Fund Equity

Fund Balance - Reserved

The Reserve for Liability and Casualty Claims represents amounts established in accordance with applicable sections of the General Municipal Law of the State of New York to provide for the payment of self-insured general liability and casualty claims.

The Reserve for Prepaid Expenditures has been provided to account for retirement payments made in advance. The reserve indicates that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Reserve for Inventories has been established to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of commodities and will be utilized in the normal course of operations.

Unreserved - Designations

Designated for Additions, Betterments and Replacements - This designation, established by the City Council of the City of Mount Vernon, New York, is used to segregate a portion of fund balance to be utilized for additions, betterments or replacements of property and equipment. The legislation permits the Water Fund to set aside \$250,000 per year to a maximum accumulation of \$1,000,000.

Designated for Maintenance of Water Supply System - This designation, established by the City Council of the City of Mount Vernon, New York, is used to segregate a portion of fund balance to be utilized for work to be performed on the water supply system. The legislation permits the Water Fund to set aside \$200,000 per year to a maximum accumulation of \$1,000,000.

BOARD OF WATER SUPPLY OF THE CITY OF MOUNT VERNON, NEW YORK

SUPPLEMENTARY INFORMATION - COMPARATIVE SCHEDULE OF EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

| | 2009 | 2008 |
|--|---------------------|---------------------|
| WATER PURCHASES | | |
| New York City | \$ 13,231 | \$ 15,591 |
| Westchester County | 2,399,744 | 2,468,449 |
| Other | 2,980 | 1,040 |
| Total Water Purchases | 2,415,955 | 2,485,080 |
| OPERATING AND MAINTENANCE | | |
| Sources of supply plant - Operation of sources of supply plant | 43,137 | 41,022 |
| Water treatment: | | |
| Operation and maintenance of water treatment building | 72,430 | 65,067 |
| Water treatment supplies and expenditures | 29,909 | 15,668 |
| Transmission and distribution: | | |
| Maintenance of services | 405,002 | 383,848 |
| Removing and resetting meters | 3,570 | 3,257 |
| Maintenance of mains and accessories | 106,705 | 1,146,633 |
| Maintenance of meters | 83,002 | 105,815 |
| Maintenance of hydrants and accessories | 106,460 | 53,192 |
| Customers' accounting and collecting: | | |
| Billing, accounting and collecting | 339,377 | 329,494 |
| Meter reading | 253,422 | 264,874 |
| Total Operating and Maintenance | 1,443,014 | 2,408,870 |
| ADMINISTRATIVE AND GENERAL | | |
| Salaries | 350,045 | 355,259 |
| General office supplies and expenditures | 1,228 | 989 |
| Office furniture and equipment | - | 17,870 |
| Professional fees | 23,199 | 21,171 |
| Employee benefits: | | |
| Workers' compensation | 51,201 | 43,860 |
| State retirement | 111,163 | 122,579 |
| Federal social security coverage | 118,688 | 114,123 |
| State health insurance | 459,872 | 439,668 |
| Contribution to City dental and vision plan | 14,732 | 15,086 |
| Contribution to welfare fund | 5,200 | 5,100 |
| Transportation expenditures | 25,144 | 90,224 |
| Miscellaneous general expenditures | 152,395 | 11,491 |
| Operation and maintenance of general property: | | |
| Office, stores, shops and garage | 69,055 | 56,535 |
| Miscellaneous property and equipment | 8,234 | 1,681 |
| Total Administrative and General | 1,390,156 | 1,295,636 |
| Total Expenditures | \$ 5,249,125 | \$ 6,189,586 |