

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

**Financial Statements
and Supplemental Material**
Years Ended December 31, 1994 and 1993



BDO Seidman
Accountants and Consultants

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of the City of
Mount Vernon, New York**

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

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Independent Auditors' Report

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

We have audited the accompanying balance sheets of the Board of Water Supply of the City of Mount Vernon, New York as of December 31, 1994 and 1993, and the related statements of revenues and expenses, fund equity and cash flows for the years then ended. These financial statements are the responsibility of the City of Mount Vernon Board of Water Supply's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the 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. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, no depreciation has been recorded on property and equipment and the respective accounts have not been reduced for assets replaced or retired. These practices are not in accordance with generally accepted accounting principles. The amount by which the financial statements would change, if these items were reflected, is not presently determinable. As a result, we are unable to express an opinion on the property and equipment accounts.

In our opinion, except for the effects of the scope limitation referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Water Supply of the City of Mount Vernon, New York at December 31, 1994 and 1993, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.



Our audits of the basic financial statements were performed for the purpose of forming an opinion on those statements taken as a whole. The accompanying supplemental material, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Board of Water Supply of the City of Mount Vernon, New York. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, except for the qualification mentioned in the preceding paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "BDO Seedman".

Certified Public Accountants
Valhalla, New York

January 26, 1995

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

Balance Sheets

<i>December 31,</i>	1994	1993
Assets		
Cash, including cash equivalents of \$1,124,847 and \$1,046,540 (Notes 1 and 2)	\$ 1,200,189	\$ 1,134,006
Water revenues receivable	1,072,106	1,060,163
Other receivables	143,756	120,078
Prepaid assets	35,229	27,684
Inventories of material and supplies	70,231	61,323
Property and equipment (Note 1)	7,668,796	7,600,139
	\$10,190,307	\$10,003,393
Liabilities		
Accounts payable - water purchases	\$ 151,554	\$ 124,539
Accruals	116,432	111,297
Serial bonds payable (Note 3)	120,000	140,000
Total liabilities	387,986	375,836
Contingencies (Notes 1 and 4)		
Fund equity		
Capital:		
Investment in property and equipment	7,659,449	7,570,792
Retained earnings (Note 1):		
Reserved for additions, betterments and replacements	302,092	220,749
Reserved for liability and casualty claims	722,330	662,330
Reserved for maintenance of water supply system	301,116	201,116
Reserved for New York State retirement system	24,927	14,327
Unreserved:		
Excess revenues to be remitted to City of Mount Vernon	792,407	958,243
Total fund equity	9,802,321	9,627,557
	\$10,190,307	\$10,003,393

See accompanying notes to financial statements.

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

Statements of Revenues and Expenses

<i>Year ended December 31,</i>	1994	1993
Operating revenues:		
Water revenues:		
Metered private service	\$3,163,751	\$3,157,246
Unmetered fire protection	18,283	17,938
Total water revenues	3,182,034	3,175,184
Miscellaneous revenues	13,610	6,643
Total operating revenues	3,195,644	3,181,827
Operating expenses:		
Water purchases	668,504	606,503
Operating and maintenance	946,310	853,780
Administrative and general	553,971	508,809
Total operating expenses	2,168,785	1,969,092
Operating income	1,026,859	1,212,735
Non-operating revenues (expenses):		
Interest income:		
Arrears	79,321	72,704
Investments	25,894	13,921
Interest expense	(9,667)	(11,117)
New York State retirement fund	10,600	14,327
Total non-operating revenues:	106,148	89,835
Net income	\$1,133,007	\$1,302,570

See accompanying notes to financial statements.

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

Statements of Fund Equity

	Retained Earnings - Reserved					New York		Unreserved
	Total	Capital Investment in Property and Equipment	Additions Betterments and Replacements	Liability and Casualty Claims	Maintenance of Water Supply System	Retirement System	Excess Revenues	
Balance, December 31, 1992	\$8,998,924	\$7,497,556	\$123,985	\$602,330	\$101,116	\$ -	\$ 673,937	
Remitted to City of Mount Vernon	(673,937)	-	-	-	-	-	(673,937)	
Net income	1,302,570	-	-	-	-	-	1,302,570	
Transfers - net	-	73,236	96,764	60,000	100,000	14,327	(344,327)	
Balance, December 31, 1993	9,627,557	7,570,792	220,749	662,330	201,116	14,327	958,243	
Remitted to City of Mount Vernon	(958,243)	-	-	-	-	-	(958,243)	
Net income	1,133,007	-	-	-	-	-	1,133,007	
Transfers - net	-	88,657	81,343	60,000	100,000	10,600	(340,600)	
Balance December 31, 1994	\$9,802,321	\$7,659,449	\$302,092	\$722,330	\$301,116	\$24,927	\$ 792,407	

See accompanying notes to financial statements.

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

Statements of Cash Flows Increase (Decrease) in Cash and Cash Equivalents

<i>Year ended December 31,</i>	1994	1993
Cash flows from operating activities:		
Cash received from customers	\$ 3,170,623	\$ 3,095,083
Cash paid to suppliers and employees	(2,153,088)	(1,932,949)
Net cash provided by operating activities	1,017,535	1,162,134
Cash flows from investing activities:		
Additions to property and equipment	(68,657)	(53,236)
Interest income	105,215	86,625
Net cash provided by investing activities	36,558	33,389
Cash flows from noncapital financing activities:		
Operating transfers out to other funds (City of Mount Vernon)	(958,243)	(673,937)
Cash flows from capital and related financing activities		
Repayment of serial bonds	(20,000)	(20,000)
Interest paid	(9,667)	(11,117)
Net cash used in financing activities	(29,667)	(31,117)
Net increase in cash and cash equivalents	66,183	490,469
Cash and cash equivalents, beginning of year	1,134,006	643,537
Cash and cash equivalents, end of year	\$ 1,200,189	\$ 1,134,006
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,026,859	\$ 1,212,735
Adjustments to reconcile net income to net cash provided by operating activities:		
New York State retirement fund	10,600	14,327
Changes in assets and liabilities:		
Water rents receivable	(11,943)	(63,413)
Prepaid assets	(7,545)	(5,333)
Other receivables	(23,678)	(37,658)
Inventories	(8,908)	(2,589)
Accounts payable and accruals	32,150	44,065
Total adjustments	(9,324)	(50,601)
Net cash provided by operating activities	\$ 1,017,535	\$ 1,162,134

See accompanying notes to financial statements.

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

Notes to Financial Statements

1. Accounting Principles and Methods

The accounting policies of the Board of Water Supply (the Board), a component unit of the City of Mount Vernon, conform to generally accepted accounting principles as applicable to proprietary enterprise funds, except for the methods of accounting for property and equipment. The following is a summary of significant policies.

Basis of Accounting

The accrual basis of accounting is followed. Revenues are recognized in the period in which they are earned and become measurable and expenses are recognized in the period incurred.

Cash and Cash Equivalents

The Board's deposits with financial institutions are invested in bank demand deposits, bank time deposits and certificates of deposits.

Property and Equipment

The Board records property and equipment additions at cost. However, property and equipment accounts are not reduced for assets replaced or retired and depreciation is not provided for property and equipment. These practices are not in conformity with generally accepted accounting principles.

Retained Earnings

Under the guidelines of the Water Act, the Board maintains funds reserved for the following:

- (a) Reserved for additions, betterments and replacements - The Board may appropriate \$150,000 per year from operations for additions, betterments or replacements of property and equipment and can retain up to \$350,000 as a reserve.

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

Notes to Financial Statements

(b) Reserved for liability and casualty claims -

The Board maintains property damage and personal liability insurance of which the self-insurance limits have changed as follows:

October 13, 1986 to November 14, 1987	First \$500,000 of liability per action and \$1,500,000 annual aggregate. Automobile insurance is completely self-insured.
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November 15, 1987 to January 21, 1988	The Board is uninsured.
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January 22, 1988 to Present	First \$1,000,000 liability per action and amounts in excess of \$10,000,000.
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The reserve for liability casualty claims is for the deductible described above.

(c) Reserved for maintenance of water supply system - The Board may appropriate \$100,000 per year from operations for maintenance work to be performed on the water supply system and can retain up to \$400,000 as a reserve.

(d) Excess revenues - As provided in the Water Act, excess revenues (after reserved or designated amounts and serial bond redemptions) are remitted to the City of Mount Vernon.

**2. Cash and Cash
Equivalents**

Under general municipal law the Board is authorized to invest in temporary investments. The Board's deposits with financial institutions at December 31, 1994 and 1993 are invested in bank demand deposits, time deposits and certificates of deposits. The Board's deposits at the balance sheet date were covered by federal depository insurance or by collateral held by the City of Mount Vernon's custodial bank.

3. Serial Bonds Payable

Serial Bonds outstanding at December 31, 1994 and 1993 amount to \$120,000 and \$140,000 respectively, payable \$20,000 per annum from 1995 to 2000. The bonds were issued in 1975 and bear interest at 7.25% per annum.

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

Notes to Financial Statements

4. Retirement Liabilities

All Board full-time employees participate in the New York State Employees' Retirement System ("System"), a multi-employer Public Employee Retirement System ("PERS"). For the year ended December 31, 1994, the Board's total payroll was covered by the System.

All Board full time employees are eligible to participate in the System. Membership is mandatory for certain employees and optional for others. Participants in the System are categorized into four different "Tiers" depending on their date of employment. Each "Tier" is entitled to different retirement benefits, vesting and mandatory retirement age. Benefits can be reduced for future members only by an act of the State Legislature. The benefits are provided under the provisions of the New York State Retirement and Social Security Law and are guaranteed by the State Constitution. Certain covered employees are required by State statute to contribute 3% of their salaries to the System. The Board is required by the same statute to contribute the remaining amounts necessary to pay benefits when due.

The System computes the cost of retirement benefits based upon a fiscal year which ends March 31. The Board records retirement liabilities on an accrual basis. Commencing with the System's year ending March 31, 1992, the pension obligation is payable the previous December 15. Retirement expense, as calculated, was \$2,727 and \$1,934 for 1994 and 1993, respectively. The Board's contribution in 1994 represents less than 1% of covered payroll.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulated sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. The pension benefit obligation at March 31, 1994 for the System as a whole, determined through an actuarial valuation performed as of that date, was \$60.146 billion. The System's net assets available for benefits on that date (valued at market) were \$60.122 billion, leaving pension benefit obligation in excess of assets by \$24 million. The Board's 1994 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's March 31, 1994 comprehensive financial report.

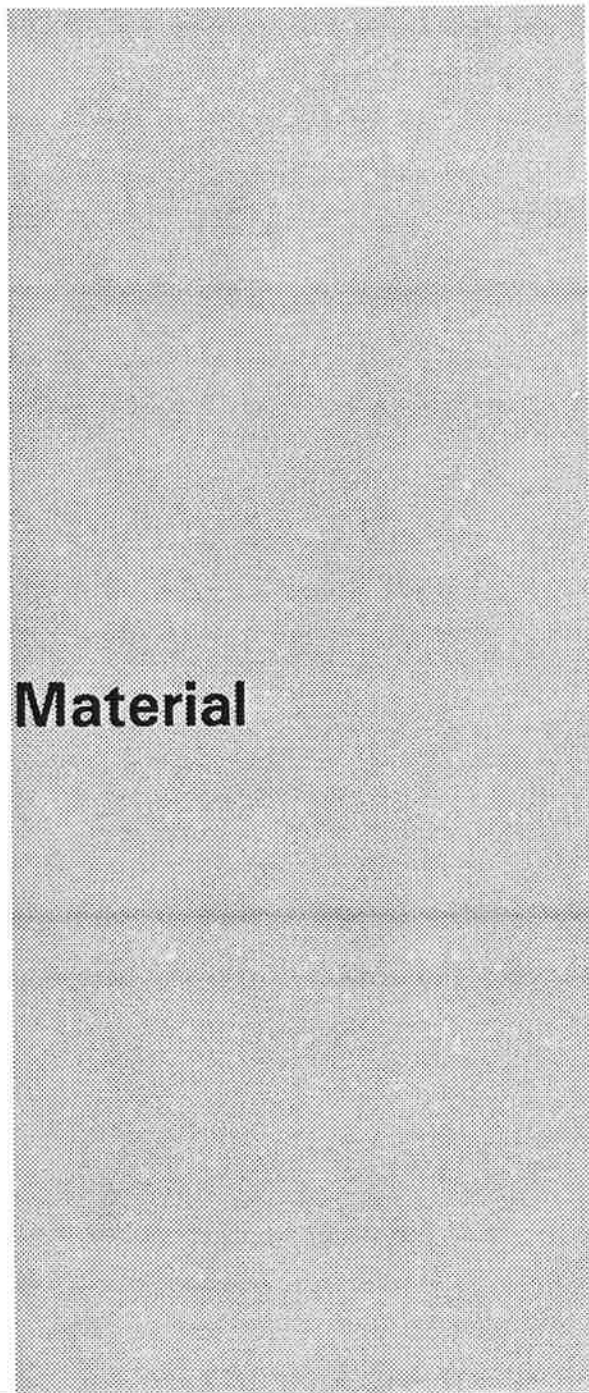
Board of Water Supply of the City of Mount Vernon, New York

Notes to Financial Statements

5. Possible Regulatory Requirements

The United States Environmental Protection Agency (EPA), under the Safe Drinking Water Act, as amended in 1986, has established regulations concerning the quality of drinking water. Two of these regulations, the "Surface Water Treatment Rule" and the "Lead and Copper Rule", could have significant financial impact (estimated at over \$20,000,000). The Board contemplates financing any such future requirements through the issuance of long-term debt. Though the EPA has granted a three year conditional approval of an application to avoid filtration of water systems through 1996, a potential future obligation may exist.

Supplemental Material



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

Property and Equipment

	Balance December 31, 1993	Additions During 1994	Balance December 31, 1994
Purchase price of property - June 3, 1920	\$1,187,500	\$ -	\$1,187,500
Additions June 5, 1920 to August 31, 1922	29,207	-	29,207
Total cost of property - August 12, 1922	1,216,707	-	1,216,707
Additions September 1, 1922 to December 31, 1994:			
General assets, tangible	40,610	17,032	57,642
General assets, intangible	105,659	-	105,659
Tools and work equipment	59,741	-	59,741
Pumping station	33,566	-	33,566
Pumping equipment	6,903	-	6,903
Transmission mains	1,075,218	-	1,075,218
Distribution mains and accessories	3,513,953	-	3,513,953
Hydrants and accessories	157,157	2,456	159,613
Meters	1,260,283	37,053	1,297,336
Transportation equipment	41,950	12,116	54,066
Services	241	-	241
Water treatment equipment	88,151	-	88,151
Total additions	6,383,432	68,657	6,452,089
Total property and equipment	\$7,600,139	\$68,657	\$7,668,796

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

**Analysis of Future Annual Maturities and Serial Bonds
and Interest Payable to Maturity on Serial Bonds**

December 31, 1994

	Year	Payable	Interest Payable to Maturity on Serial Bonds
	1995	20,000	8,700
	1996	20,000	7,250
	1997	20,000	5,800
	1998	20,000	4,350
	1999	20,000	2,900
	2000	20,000	1,450
Total		\$120,000	\$30,450

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

Analysis of Operating and Maintenance Expenses

<i>Year ended December 31,</i>	1994	1993
Sources of supply plant expenses		
Operation of sources of supply plant	\$ 33,021	\$ 28,839
Water treatment expenses		
Operation and maintenance of water treatment building	65,892	61,488
Water treatment supplies and expenses	15,216	18,507
	81,108	79,995
Transmission and distribution expenses		
Maintenance of services	283,265	278,367
Removing and resetting meters	37,880	61,723
Maintenance of mains and accessories	111,266	44,621
Maintenance of meters	40,619	34,706
Maintenance of hydrants and accessories	38,896	42,009
	511,926	461,426
Customers' accounting and collecting expenses		
Billing, accounting and collecting	192,733	183,314
Meter reading	127,522	100,206
	320,255	283,520
Total	\$946,310	\$853,780

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

Analysis of Administrative and General Expenses

<i>Year ended December 31,</i>	1994	1993
Salaries	\$139,411	\$132,807
General office supplies and expenses	1,691	2,285
Outside service employed	10,253	9,356
Insurance expenses:		
Compensation	56,230	40,370
Employee benefits:		
State retirement fund contribution	2,727	1,934
Federal social security coverage contribution	67,170	64,326
State health insurance contribution	173,953	159,371
Contribution of City dental plan	13,116	12,027
Contribution of welfare fund	5,025	5,025
Transportation expenses	36,490	33,354
Miscellaneous general expenses	14,929	11,003
Operation and maintenance of general property:		
Office, stores, shops and garage	29,951	33,887
Miscellaneous property and equipment	3,025	3,064
Total	\$553,971	\$508,809