

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**State of New York**

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORT

December 31, 2018

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Fishers Island Waste Management District  
Fishers Island, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fishers Island Waste Management District (District), a component unit of the Town of Southold, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fishers Island Waste Management District as of December 31, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters – Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund on pages 3 through 8 and 21, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Cullen & Danowski, LLP*

June 12, 2019

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

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The Fishers Island Waste Management District’s (District) discussion and analysis of the financial performance provides an overall review of the District’s financial activities for the fiscal year ended December 31, 2018, in comparison with the year ended December 31, 2017, with emphasis on the current year. The intent of this discussion and analysis is to look at the District’s financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

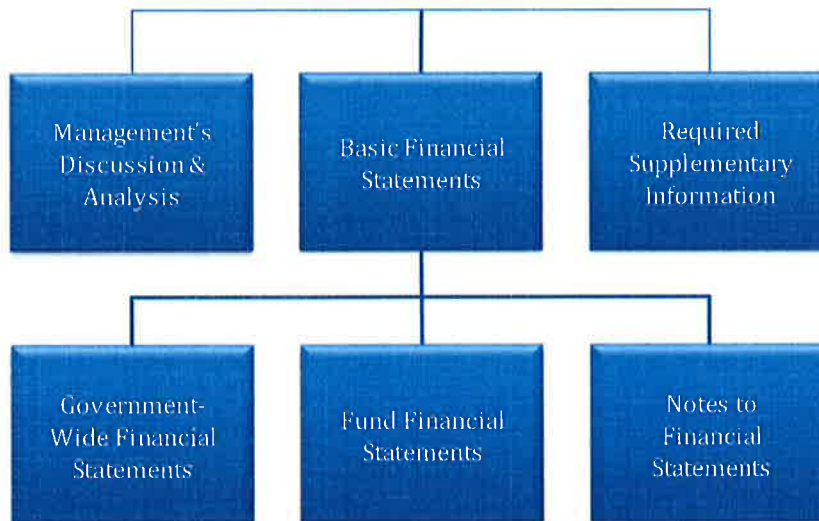
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2018 are as follows:

- The District’s total net position, as reflected in the government-wide financial statements, decreased by \$120,928. This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting. The District’s total net position was \$2,679,977 at December 31, 2018.
- The District’s general fund total fund balance, as reflected in the fund financial statements, increased by \$17,963. This was due to an excess of revenues over expenditures using the current financial resources measurement focus and the modified accrual basis of accounting. The District’s general fund total fund balance was \$325,689 at December 31, 2018.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – Management’s Discussion and Analysis (MD&A) (this section), the basic financial statements, and required supplementary information. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



**A. Government-Wide Financial Statements**

The government-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District’s finances.

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District may use fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds.

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures related to long-term liabilities, which are recognized as expenditures to the extent the related liabilities matures each period. Additionally, capital asset additions are reported as expenditures in governmental funds, whereas they are capitalized and depreciated in the government-wide financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund, the general fund.

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position decreased by \$120,928 between fiscal year 2018 and 2017. A summary of the District's Statements of Net Position is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 351,981	\$ 328,721	\$ 23,260	7.08 %
Capital Assets, Net	<u>2,354,288</u>	<u>2,493,179</u>	<u>(138,891)</u>	(5.57)%
Total Assets	<u>2,706,269</u>	<u>2,821,900</u>	<u>(115,631)</u>	(4.10)%
Current and Other Liabilities	<u>26,292</u>	<u>20,995</u>	<u>5,297</u>	25.23 %
Net Position				
Net Investment in Capital Assets	2,354,288	2,493,179	(138,891)	(5.57)%
Unrestricted	<u>325,689</u>	<u>307,726</u>	<u>17,963</u>	5.84 %
Total Net Position	<u>\$ 2,679,977</u>	<u>\$ 2,800,905</u>	<u>\$ (120,928)</u>	(4.32)%

Current and other assets increased by \$23,260, as compared to the prior year. The increase is primarily related to an increase in the principal amount invested in certificates of deposit with maturities greater than three months of \$51,359, offset by a decrease in cash of \$27,318.

Capital assets, net decreased by \$138,891, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to the Financial Statements, Note 5 "Capital Assets" provides additional information.

Current and other liabilities increased by \$5,297, as compared to the prior year. This increase is attributable to an increase in payroll taxes payable of \$6,743, offset by a decrease in accounts payable of \$1,446. The payroll taxes payable increase and the accounts payable decrease, is mainly due to timing differences of bills paid at year end.

The net investment in capital assets is the investment in capital assets at cost such as land, buildings and improvements, and machinery and equipment, net of depreciation. This number decreased over the prior year because of depreciation expense of \$138,891. There were no capital asset additions in fiscal year 2018.

The unrestricted amount of \$325,689 relates to the balance of the District's net position.

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**B. Changes in Net Position**

The results of operations as reported in the Statement of Activities are as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 53,850	\$ 56,188	\$ (2,338)	(4.16)%
Operating Grants		8,726	(8,726)	(100.00)%
General Revenues				
Real Property Taxes	855,586	566,554	289,032	51.02 %
Other	7,717	23,057	(15,340)	(66.53)%
Total Revenues	<u>917,153</u>	<u>654,525</u>	<u>262,628</u>	40.12 %
<b>Expenses</b>				
General Government Support	<u>1,038,081</u>	<u>936,193</u>	<u>101,888</u>	10.88 %
Decrease in Net Position	<u>\$ (120,928)</u>	<u>\$ (281,668)</u>	<u>\$ 160,740</u>	(57.07)%

The District primarily relies on real property taxes to support its operations. The net increase in total revenues in 2018 as compared to 2017 was \$262,628 as shown above. The increase is due to real property taxes of \$289,032.

The total expenses in 2018 were \$101,888 or 10.88% greater than 2017. In 2018, the District had increased consulting expenses of 27,464, depreciation expense of \$28,284, and salaries of \$58,073.

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At December 31, 2018, the general fund, which is the only governmental fund, reported a fund balance of \$325,689, which is an increase of \$17,963 from the prior year. This increase is due to revenues in excess of expenditures for the fiscal year, and is the same as the change in unrestricted net position.

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
<b>General Fund</b>			
Nonspendable: Prepays	\$ 21,669	\$ 22,449	\$ (780)
Assigned: Designated	228,699	237,355	(8,656)
Unassigned: Fund balance	<u>75,321</u>	<u>47,922</u>	<u>27,399</u>
	<u>\$ 325,689</u>	<u>\$ 307,726</u>	<u>\$ 17,963</u>



**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2018 Budget**

The District's general fund original budget for the year ended December 31, 2018 was \$908,975.

The budget was primarily funded by real property taxes.

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to restricted fund balances and assignments, such as amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 47,922
Revenues Over Budget	8,178
Expenditures Under Budget	9,785
Change in Nonspendable Fund Balance	780
Net Change in Assigned Fund Balance	<u>8,656</u>
Closing, Unassigned Fund Balance	<u><u>\$ 75,321</u></u>

**Opening, Unassigned Fund Balance**

The \$47,922 shown in the table is the portion of the District's December 31, 2017 fund balance that was unassigned.

**Revenues Under Budget**

The 2018 budget for revenues was \$908,975. Actual revenues received for the year were \$917,153. Actual revenues were more than estimated or budgeted revenues by \$8,178. This difference increases the unassigned portion of the general fund - fund balance from December 31, 2017 to December 31, 2018.

**Expenditures Over Budget**

The 2018 budget for expenditures was \$908,975. Actual expenditures for 2018 were \$899,190. The final budget was under expended by \$9,785. This under expenditure increases the unassigned portion of the general fund - fund balance from December 31, 2017 to December 31, 2018.

**Change in Nonspendable Fund Balance**

The District prepaid various insurance policies at December 31, 2018. This resulting balance sheet asset (prepaids) cannot be spent because it is not in a spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The decrease in nonspendable fund balance increases unassigned fund balance.

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Net Change in Assigned Fund Balance

Assigned fund balance includes amounts earmarked for specific purposes. The decrease in assigned fund balance increases unassigned fund balance.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2019 fiscal year with an unassigned fund balance of \$75,321. This is a \$27,399 increase from the prior year unassigned fund balance.

**6. CAPITAL ASSETS AND LONG-TERM DEBT**

At December 31, 2018, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$138,891. There were no capital additions for the year ended December 31, 2018. A summary of the District's capital assets, net of depreciation at December 31, 2018 and December 31, 2017 is as follows:

	2018	2017	Increase (Decrease)
Land	\$ 517,262	\$ 517,262	\$ -
Buildings and improvements	1,585,264	1,676,702	(91,438)
Machinery and equipment	251,762	299,215	(47,453)
Capital assets, net	\$ 2,354,288	\$ 2,493,179	\$ (138,891)

The District has no outstanding long-term debt.

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget for the year ending December 31, 2019 is \$917,531. This is an increase of \$8,556 or 0.94% from the previous year's budget. The District budgeted property tax revenues at an \$8,556 increase (1.00%) over the prior year's estimate.

**B. Tax Cap**

New York State law limits the increase in the property tax levy of local governments to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Local governments may override the tax levy limit by first passing a local law that allows for the tax levy limit to be exceeded. The override vote requires a 60% vote of the total voting power of the governing board. The District's 2019 tax levy required an override vote.

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

John Patterson, Chairman  
P.O. Box 22  
Fishers Island, NY 06390

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**Statement of Net Position**  
December 31, 2018

**ASSETS**

Cash	\$	36,853
Investments		293,459
Prepays		21,669
Capital assets:		
Not being depreciated - land		517,262
Being depreciated, net of accumulated depreciation		<u>1,837,026</u>
Total Assets		<u>2,706,269</u>

**LIABILITIES**

Payables		
Accounts payable		18,975
Payroll taxes payable		<u>7,317</u>
Total Liabilities		<u>26,292</u>

**NET POSITION**

Net investment in capital assets		2,354,288
Unrestricted		<u>325,689</u>
Total Net Position	\$	<u><u>2,679,977</u></u>

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**Statement of Activities**  
For The Year Ended December 31, 2018

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>			
General government support	\$ 1,038,081	\$	\$ (1,038,081)
Compost facility		53,850	53,850
	<u>\$ 1,038,081</u>	<u>\$ 53,850</u>	<u>(984,231)</u>
<b>GENERAL REVENUES</b>			
Real property taxes			855,586
Use of money and property			7,717
			<u>863,303</u>
Change in Net Position			(120,928)
Total Net Position - Beginning of Year			<u>2,800,905</u>
Total Net Position - End of Year			<u>\$ 2,679,977</u>

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**Balance Sheet - Governmental Funds**  
December 31, 2018

	General	Total Governmental Funds
<b>ASSETS</b>		
Cash	\$ 36,853	\$ 36,853
Investments	293,459	293,459
Prepays	21,669	21,669
Total Assets	\$ 351,981	\$ 351,981
<b>LIABILITIES</b>		
Payables		
Accounts payable	\$ 18,975	\$ 18,975
Payroll taxes payable	7,317	7,317
Total Liabilities	26,292	26,292
<b>FUND BALANCE</b>		
Nonspendable: Prepays	21,669	21,669
Assigned, Designated for:		
Compost facility / monitoring	93,192	93,192
Compost facility / equipment	17,550	17,550
Other equipment	17,957	17,957
Wages	100,000	100,000
Unassigned: Fund balance	75,321	75,321
Total Fund Balance	325,689	325,689
Total Liabilities and Fund Balance	\$ 351,981	\$ 351,981

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
December 31, 2018

Total Governmental Fund Balance	\$ 325,689
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Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 4,049,342	
Accumulated depreciation	<u>(1,695,054)</u>	
		<u>2,354,288</u>
Total Net Position		<u><u>\$ 2,679,977</u></u>

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Governmental Funds**  
For The Year Ended December 31, 2018

	General	Total Governmental Funds
<b>REVENUES</b>		
Real property taxes	\$ 855,586	\$ 855,586
Use of money and property	7,717	7,717
Compost facility	53,850	53,850
Total Revenues	917,153	917,153
<b>EXPENDITURES</b>		
General government support	743,536	743,536
Transportation	69,789	69,789
Employee benefits	85,865	85,865
Total Expenditures	899,190	899,190
Net Change in Fund Balance	17,963	17,963
Fund Balances -		
Beginning of Year	307,726	307,726
End of Year	\$ 325,689	\$ 325,689

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balance to the Statement of Activities**  
For The Year Ended December 31, 2018

Net Change in Fund Balance	\$	17,963
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.

Capital outlays	\$	-	
Depreciation expense		(138,891)	
		(138,891)	(138,891)
Change in Net Position of Governmental Activities	\$		(120,928)



**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fishers Island Waste Management District (District) is governed by Town Law and other general laws of the State of New York. The Board of Commissioners is the legislative body responsible for overall operations. The Board of Commissioners consists of five members. The primary function of the District is to provide safe and efficient disposal of household garbage, furniture, appliances, recyclables, construction waste, and yard and landscaping debris.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

**A. Financial Reporting Entity**

The Town of Southold, New York (Town) is financially accountable, as a result of fiscal dependency, for the District. Long-term debt and operating deficits (if any) of the District, which are backed by the full faith and credit of the Town, and other fiscal matters, result in a fiscal interdependency with the Town. Accordingly, the District has been determined to be a component unit of the Town of Southold, New York.

**B. Basis of Presentation**

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District. The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between expenses for waste disposal and revenues for the fiscal year. Program revenues include fees charged for certain disposal services and operating grants. Revenues that are not classified as program revenues, including real property taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The District only has one fund, the general fund. The general fund is the principle operating fund of the District and is used to account for all financial transactions of the District except those required to be accounted for in another fund, of which there are none.

**C. Measurement Focus and Basis of Accounting**

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied.

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the general fund to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for certain expenditures related to long-term liability, if any, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds.

**D. Real Property Taxes**

Property taxes are collected by the Town of Southold Receiver of Taxes on behalf of the District. The Town of Southold Receiver of Taxes collects all property taxes for the Town, Suffolk County, Town Special Districts and School Districts. Town and County taxes are levied annually, and are due by October 1<sup>st</sup>. The Town remits the amount of real property tax levied to the District from December to June. Responsibility for collection of unpaid taxes is assumed by Suffolk County. There was no amount due from the Town at December 31, 2018.

**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including potential contingent liabilities.

**F. Cash and Cash Equivalents/Investments**

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Investments consist of certificates of deposit with maturity dates of more than three months from date of acquisition and are reported at fair value, based on quoted market prices.

**G. Prepaid Items**

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method. Under the consumption method, a current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

**H. Capital Assets**

Capital assets are reflected in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$10,000 or more are required to be capitalized according to District policy and are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Costs incurred for repairs and maintenance are expensed as incurred. Estimated useful lives of capital assets as reported in the government-wide statements are as follows:

	Estimated Useful Life
Buildings	20-40 years
Improvements and other	15-30 years
Machinery and equipment	8-10 years
Infrastructure	25 years

**I. Equity Classifications**

Government-Wide Statements

In the government-wide statements there are three potential classes of net position:

*Net investment in capital assets* – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

*Restricted* – reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – reports the balance of net position that does not meet the definition of the above two classifications.

The District’s net position consists of net investment in capital assets and unrestricted resources.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of prepaids.

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulation of other governments; or through constitutional provisions or enabling legislation. The District has no restricted fund balance.

*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Commissioners. The purpose of the assignment must be narrower than the purpose of the general fund.

*Unassigned* – represents the residual classification for the District’s general fund and could report a surplus or deficit.

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Commissioners if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Commissioners.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either the original budget or a board approved budget revision and then from the assigned fund balance to the extent that there is an appropriation and then from the unassigned fund balance.

**2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the government-wide statements, compared with the current financial resources measurement focus of the fund statements.

**A. Total Fund Balances of General Fund vs. Net Position of Governmental Activities**

Total fund balances of the District's general fund differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet.

**B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities**

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities can fall into any of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The District administration prepares a proposed budget for approval by the Board of Commissioners for the general fund, the only fund with a legally adopted budget. The budget is then submitted to the Town of Southold for inclusion in the Town budget and a public hearing is held thereon.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Commissioners as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP.

**B. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general fund. Encumbrances are reported as assignments of fund balance, since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. Encumbrances are shown in the fund financial statements only. There were no encumbrances at December 31, 2018.

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

The District's aggregate bank balances and certificates of deposit were covered by FDIC insurance at year end.

The District was not exposed to any material interest rate risk or foreign currency risk.

**5. CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2018 were as follows:

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 517,262	\$	\$	\$ 517,262
Total capital assets not being depreciated	517,262	-	-	517,262
Capital assets being depreciated				
Buildings and improvements	2,777,259			2,777,259
Machinery and equipment	754,821			754,821
Total capital assets being depreciated	3,532,080			3,532,080
Less accumulated depreciation for:				
Buildings and improvements	1,100,557	91,438		1,191,995
Machinery and equipment	455,606	47,453		503,059
Total accumulated depreciation	1,556,163	138,891	-	1,695,054
Total capital assets, being depreciated, net	1,975,917	(138,891)	-	1,837,026
Capital assets, net	\$ 2,493,179	\$ (138,891)	\$ -	\$ 2,354,288

Depreciation expense was \$138,891.

**6. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**7. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

**FISHERS ISLAND WASTE MANAGEMENT DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For The Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real Property Taxes	\$ 855,575	\$ 855,575	\$ 855,586	\$ 11
Use of Money & Property	3,400	3,400	7,717	4,317
Compost Facility	50,000	50,000	53,850	3,850
<b>Total Revenues</b>	<b>\$ 908,975</b>	<b>\$ 908,975</b>	<b>917,153</b>	<b>\$ 8,178</b>
<b>EXPENDITURES</b>				
Accounting	\$ 11,000	\$ 11,000	11,000	\$ -
Bank Charges	3,100	3,100	3,022	78
Building Maintenance	5,500	6,400	6,381	19
Building Utilities	8,000	15,700	15,639	61
Commissioner's Fees	13,000	17,600	17,572	28
Compost Equipment Maintenance	7,215	7,215	6,116	1,099
Compost Facility Maintenance		7,200	7,158	42
Compost Facility Supplies		1,200	1,175	25
Compost Facility Utilities	3,000	3,500	3,416	84
Consultants	100,000	100,000	99,330	670
Employee Benefits, Taxes & Wages	529,820	454,820	448,832	5,988
Employee Training	6,000	15,500	15,427	73
Equipment Maintenance	26,550	14,950	14,397	553
Ferry Transportation	60,000	69,800	69,789	11
Garbage Tipping Fees & Hauling	77,000	97,100	97,028	72
Hazardous Waste Removal	300	15,600	15,540	60
Insurance	24,870	24,870	24,278	592
Legal Fees	10,000	11,500	11,451	49
Office Expense	4,120	9,820	9,735	85
Transfer Station Utilities	3,500	4,700	4,629	71
Transfer Station Improvements	4,000	4,200	4,166	34
Workers' Compensation	12,000	13,200	13,109	91
<b>Total Expenditures</b>	<b>\$ 908,975</b>	<b>\$ 908,975</b>	<b>899,190</b>	<b>\$ 9,785</b>
Net Change in Fund Balance			17,963	
Fund Balance - Beginning of Year			307,726	
Fund Balance - End of Year			<u>\$ 325,689</u>	

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

