

**SOUTH HUNTINGTON WATER DISTRICT**

A COMPONENT UNIT OF  
THE TOWN OF HUNTINGTON

ANNUAL FINANCIAL REPORT  
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
South Huntington Water District

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Huntington Water District (the "Water District"), a component unit of the Town of Huntington, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Water District as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures, and changes in fund balances – budget and actual – general fund, schedule of changes in the Water District's total other postemployment benefits (OPEB) liability and related ratios, schedule of the Water District's proportionate share of the net pension asset/(liability), and the schedule of the Water District's contributions on pages 4-9 and 42-47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, New York  
June 21, 2023

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2022

Our discussion and analysis of the South Huntington Water District (the "District"), a component unit of the Town of Huntington, New York (the "Town"), financial performance provides an overview of the District's financial activities for the year ended December 31, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of two sets of financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities - Government-Wide financial statements provide information about the activities of the District as a whole and present a longer-term view of the District's finances. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

Governmental Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds tell how services were financed in the short-term as well as what remains for future spending. Governmental fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund and capital projects fund. The District's basic services are reported in funds which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2022

**CONDENSED FINANCIAL INFORMATION**

Our analysis below focuses on the net position and changes in net position as set forth in the following condensed financial statement:

<b>Statement of Net Position: As of December 31,</b>	<u>2022</u>	<u>(Revised) 2021</u>
<b>Assets</b>		
Current assets	\$ 22,794,772	\$ 19,608,634
Capital assets, net of accumulated depreciation	52,201,580	47,093,857
Other non-current assets	8,205,675	7,915,187
Total Assets	<u>83,202,027</u>	<u>74,617,678</u>
<b>Deferred Outflows of Resources</b>		
Pensions	925,811	1,042,989
Other postemployment benefits	1,470,930	2,230,295
Total Deferred Outflows of Resources	<u>2,396,741</u>	<u>3,273,284</u>
<b>Liabilities</b>		
Current liabilities	4,690,065	3,604,938
Non-current liabilities	30,151,050	28,622,276
Total Liabilities	<u>34,841,115</u>	<u>32,227,214</u>
<b>Deferred Inflows of Resources</b>		
Leases	8,084,483	8,315,872
Pensions	1,264,490	1,129,962
Other postemployment benefits	2,244,073	622,205
Total Deferred Inflows of Resources	<u>11,593,046</u>	<u>10,068,039</u>
<b>Net Position</b>		
Net investment in capital assets	37,336,941	35,562,350
Restricted	3,524,460	3,300,169
Unrestricted (Deficit)	<u>(1,696,794)</u>	<u>(3,266,810)</u>
Total Net Position	<u>\$ 39,164,607</u>	<u>\$ 35,595,709</u>

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2022

**CONDENSED FINANCIAL INFORMATION** (continued)

**Changes in Net Position**

**For the years ended December 31,**

	2022	2021
Program revenues:		
Charges for services	\$ 5,069,472	\$ 4,643,698
Capital grants and contributions	536,625	1,448,752
General revenues:		
Real property taxes	4,340,641	4,255,075
Other real property tax items	60,149	47,071
Other general revenues	3,830,790	3,038,843
<b>Total Revenues</b>	13,837,677	13,433,439
Expenses - Water supply services	10,268,779	9,738,669
<b>Changes in Net Position</b>	<b>\$ 3,568,898</b>	<b>\$ 3,694,770</b>

**FINANCIAL HIGHLIGHTS**

The 2021 revised Statement of Net Position includes the adjustment for the implementation of the provisions of GASB Statement No. 87, "Leases," for the year ended December 31, 2022, which established a single model for lease accounting based on the concept that leases are a financing of a "right-to-use" underlying asset. This statement requires a lessor to recognize a lease receivable and lease related deferred inflow of resources. As a result, the District has reported a cumulative effect of change in accounting principle of \$8,315,872 for the lease receivable and a (\$8,315,872) lease related deferred inflow of resources for a net cumulative effect of \$0.

The District's total assets and deferred outflows of resources at December 31, 2022 were \$85,598,768, an increase of \$7,707,806 from the prior year. The increase is primarily due to increases in capital assets net of depreciation, accounts receivable and cash, offset by a decrease in deferred outflows of resources for pensions and other postemployment benefits (OPEB). Total liabilities and deferred inflows of resources at December 31, 2022 were \$46,434,161, an increase of \$4,138,908 from the prior year. This increase is primarily due to increases in bonds payable and deferred inflows of resources for other postemployment benefits, offset by decreases in net pension liability and other postemployment benefits payable.

The District's net position at December 31, 2022 is \$39,164,607, an increase of \$3,568,898 from the prior year. Of the District's total net position, \$37,336,941 was a net investment in capital assets, \$3,524,460 was restricted for capital projects and repairs, and \$1,696,794 was unrestricted deficit.

The unrestricted net deficit of \$1,696,794 relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay-as-you-go" basis and is not permitted to accumulate funds for the total OPEB liability. This deficit decreased from the prior year by \$1,570,016, primarily as a result of revenues exceeding expenditures, offset by the change in assumptions to the total OPEB liability.

Program revenues decreased by \$486,353, which was primarily due to a decrease in capital grants and contributions. General revenues increased \$890,591 as compared to the prior year, which was primarily due to increased revenue from real estate taxes, interest, and rental income.

Expenses for water supply services increased \$530,110, primarily due to contractual salary increases and debt service interest.

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2022

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

**Governmental Funds**

**General Fund**

Fund balance in the general fund increased this year by \$489,562 to \$10,570,897, as a result of excess revenues and other financing sources over expenditures and other financing uses. Of this total, \$2,989,547 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance consists of \$425,011 of nonspendable related to inventory of materials and supplies, long-term receivables and prepaid expenses, \$3,469,699 assigned to expenditures in subsequent years, and \$3,686,640 restricted for capital costs, debt service, and emergency repairs.

**Capital Projects Fund**

Fund balance in the capital projects fund of \$9,903,691 is restricted or assigned for capital expenditures.

**BUDGETARY HIGHLIGHTS**

The District reported budget and actual results in the general fund as follows:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Encum- brances</u>	<u>Variance</u>
Revenues	\$ 11,298,750	\$ 11,298,750	\$ 12,460,490		\$ 1,161,740
Expenditures	10,148,591	10,621,487	10,353,972	\$ 204,021	63,494
Other Financing Sources		2,046,167	2,277,756		231,589
Other Financing Uses	1,287,952	5,182,664	3,894,712		1,287,952
	<u>\$ (137,793)</u>	<u>\$ (2,459,234)</u>	<u>\$ 489,562</u>	<u>\$ 204,021</u>	<u>\$ 2,744,775</u>

The general fund reported an excess of revenues and other financing sources over expenditures and other financing uses this year of \$489,562, increasing the fund balance to \$10,570,897. Actual revenues were higher than anticipated resulting in a positive budgetary variance. Total expenditures were lower than budgeted resulting in a positive budgetary variance. Other financing sources includes bond premium and the refunding of debt. Other financing uses includes transfer to the capital projects fund to fund various projects and items related to the refunding of debt.

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2022

**CAPITAL ASSETS AND LONG-TERM DEBT**

The District has been financing all capital expenditures from proceeds of general obligation bonds, annual budgetary appropriations, and other miscellaneous revenue from local sources. During 2022, the District expended \$7,303,727 for capital assets and improvements to the water system and issued \$5,891,106 of bond proceeds to fund capital projects. Additional information on the District's capital assets can be found in Note F to the financial statements.

In addition to the capital improvements described above, the District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contracts or is planning additional improvements amounting to approximately \$15 million within the next five years.

As of December 31, 2022, the District had \$22,738,272 outstanding of general obligation bonds payable, inclusive of premiums. Additional information on the District's long-term debt can be found in Note G to the financial statements.

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

The District derives a substantial portion of its operating revenues from water sales. For water utilities, water revenues are dependent on the amount of rainfall, particularly during the summer months. As such, these revenues are unpredictable and very volatile. Water revenues can vary significantly from a rainy year to a dry year. Water revenues are budgeted on the conservative side, which is in anticipation of a rainy year. However, actual water revenues can still fall far short of estimates. The District also believes that such adverse weather conditions can easily recur consecutively over two years or more.

Gallons pumped and billed water revenues for the past five years are as follows:

	<u>Gallons Pumped</u> <u>(In billions)</u>	<u>Gallons Billed</u> <u>(In billions)</u>	<u>Metered Water</u> <u>Revenue</u>
2022	3.337	3.065	\$ 4,347,805
2021	3.303	2.959	3,978,073
2020	3.344	3.046	3,955,170
2019	3.258	3.097	3,554,452
2018	3.388	3.045	3,449,664

The increase in metered water revenue for the year ended December 31, 2022 was primarily the result of increased rates.

New York State has enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. No local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law.

For the 2023 budget, the District did not exceed the property tax levy cap provisions.

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2022

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Superintendent at South Huntington Water District, 75 Fifth Avenue, P.O. Box 370 South, Huntington Station, NY 11746.

**SOUTH HUNTINGTON WATER DISTRICT**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION**  
 December 31, 2022

**Assets**

Current assets:	
Cash	\$ 20,064,665
Accounts receivable	1,951,823
Lease receivable	420,939
Due from other governments	56,800
Inventory of materials and supplies	147,994
Prepaid expenses	152,551
<b>Total Current Assets</b>	<b>22,794,772</b>
Non-current assets:	
Lease receivable	7,839,334
Net pension asset-proportionate share	366,341
Non-depreciable capital assets	14,910,049
Depreciable capital assets, net of accumulated depreciation	37,291,531
<b>Total Non-current Assets</b>	<b>60,407,255</b>
<b>Total Assets</b>	<b>83,202,027</b>

**Deferred Outflows of Resources**

Pensions	925,811
Other postemployment benefits	1,470,930
<b>Total Deferred Outflows of Resources</b>	<b>2,396,741</b>

**Liabilities**

Current liabilities:	
Accounts payable and accrued expenses	1,165,098
Developer deposits	809,389
Non-current liabilities due within one year:	
General obligation bonds payable, inclusive of premiums	2,697,428
Compensated absences	18,150
<b>Total Current Liabilities</b>	<b>4,690,065</b>
Non-current liabilities:	
General obligation bonds payable, inclusive of premiums	20,040,844
Compensated absences	344,842
Other postemployment benefits payable	9,765,364
<b>Total Non-current Liabilities</b>	<b>30,151,050</b>
<b>Total Liabilities</b>	<b>34,841,115</b>

**Deferred Inflows of Resources**

Lease related	8,084,483
Pensions	1,264,490
Other postemployment benefits	2,244,073
<b>Total Deferred Inflows of Resources</b>	<b>11,593,046</b>

**Net Position**

Net investment in capital assets	37,336,941
Restricted	3,524,460
Unrestricted (Deficit)	(1,696,794)
<b>Total Net Position</b>	<b>\$ 39,164,607</b>

See notes to financial statements.

**SOUTH HUNTINGTON WATER DISTRICT**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2022

**Governmental Activities**

Expenses - Water supply services	\$ 10,268,779
Program revenues - Charges for services	5,069,472
Program revenues - Capital grants and contributions	<u>536,625</u>
Net Program Expenses	<u>(4,662,682)</u>

**General Revenues**

Real property taxes	4,340,641
Other real property tax items	60,149
Use of money and property	935,349
Sale of property and compensation for loss	153,035
Other local sources	2,741,101
Federal aid	<u>1,305</u>
Total General Revenues	<u>8,231,580</u>

**Change in Net Position**

3,568,898

**Net Position - Beginning of the Year**

35,595,709

Net Position - End of the Year \$ 39,164,607

**SOUTH HUNTINGTON WATER DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
 December 31, 2022

	General Fund	Capital Projects Fund	Total
<b>Assets</b>			
Cash	\$ 8,938,171	\$ 11,126,494	\$ 20,064,665
Accounts receivable	1,689,293		1,689,293
Lease receivable	8,260,273		8,260,273
Due from other governments	56,800		56,800
Due from other fund		150,000	150,000
Inventory of materials and supplies	147,994		147,994
Prepaid expenses	101,228		101,228
<b>Total Assets</b>	<b>\$ 19,193,759</b>	<b>\$ 11,276,494</b>	<b>\$ 30,470,253</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 388,379	\$ 563,414	\$ 951,793
Due to other fund	150,000		150,000
Developer deposits		809,389	809,389
<b>Total Liabilities</b>	<b>538,379</b>	<b>1,372,803</b>	<b>1,911,182</b>
<b>Deferred Inflows of Resources</b>			
Lease related	8,084,483		8,084,483
<b>Total Deferred Inflows of Resources</b>	<b>8,084,483</b>	<b>-0-</b>	<b>8,084,483</b>
<b>Fund Balances</b>			
Fund Balance:			
Nonspendable	425,011		425,011
Restricted	3,686,640	7,711,453	11,398,093
Assigned	3,469,699	2,192,238	5,661,937
Unassigned	2,989,547		2,989,547
<b>Total Fund Balances</b>	<b>10,570,897</b>	<b>9,903,691</b>	<b>20,474,588</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 19,193,759</b>	<b>\$ 11,276,494</b>	<b>\$ 30,470,253</b>

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**

<b>Total Governmental Fund Balances</b>	\$ 20,474,588
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	52,201,580
Certain prepaid expenses are not current financial resources and therefore are not reported in the funds.	51,323
Amounts reported for the District's deferred outflows for pensions and other postemployment benefits are not considered a current available resource and is therefore not reported in the funds.	2,396,741
Certain liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable, inclusive of premiums	(22,738,272)
Accrued interest payable	(213,305)
Compensated absences	(362,992)
Other postemployment benefits payable	(9,765,364)
Net pension asset - proportionate share	366,341
	(32,713,592)
Deferred inflows of resources related to pension plans and other postemployment benefits payable are included in the Statement of Net Position.	(3,508,563)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	262,530
<b>Net Position of Governmental Activities</b>	<b>\$ 39,164,607</b>

See notes to financial statements.

**SOUTH HUNTINGTON WATER DISTRICT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
 Year Ended December 31, 2022

	General Fund	Capital Projects Fund	Total
<b>Revenues</b>			
Real property taxes	\$ 4,340,641		\$ 4,340,641
Other real property tax items	60,149		60,149
Departmental income	5,040,392		5,040,392
Use of money and property	935,349		935,349
Sale of property and compensation for loss	153,035		153,035
Other local sources	1,929,619	\$ 811,482	2,741,101
State aid		536,625	536,625
Federal aid	1,305		1,305
Total Revenues	12,460,490	1,348,107	13,808,597
<b>Expenditures</b>			
Administration	1,200,236		1,200,236
Source of supply, power, and pumping	1,894,480		1,894,480
Purification	628,320		628,320
Transmission and distribution	2,664,096		2,664,096
Employee benefits	1,071,446		1,071,446
Debt service	2,895,394		2,895,394
Capital outlays		7,303,727	7,303,727
Total Expenditures	10,353,972	7,303,727	17,657,699
Excess (Deficiency) of Revenues Over Expenditures	2,106,518	(5,955,620)	(3,849,102)
<b>Other Financing Sources (Uses)</b>			
Transfers in		1,900,000	1,900,000
Transfers out	(1,900,000)		(1,900,000)
Proceeds of bonds		5,891,106	5,891,106
Premium on bonds	431,926	208,894	640,820
Refunding bonds issued	1,845,830		1,845,830
Debt service - principal	(1,994,712)		(1,994,712)
Total Other Financing Sources (Uses)	(1,616,956)	8,000,000	6,383,044
Net Change in Fund Balances	489,562	2,044,380	2,533,942
<b>Fund Balances - Beginning of Year</b>	10,081,335	7,859,311	17,940,646
Fund Balances - End of Year	\$ 10,570,897	\$ 9,903,691	\$ 20,474,588

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities**

Net Change in Fund Balances	\$ 2,533,942
Amounts reported in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlays and equipment purchases	7,533,813
Depreciation expense	(2,426,090)
The issuance of long-term debt provides current financial resources, while the repayment of bond principal consumes the current financial resources in the governmental funds:	
Proceeds of bonds	(7,736,936)
Repayment of bond principal	4,177,790
Premium on bonds	(640,820)
Amortization of premium	241,741
Some revenues and expenses reported in the Statement of Activities are not reported as revenues or expenditures in the governmental funds:	
Prepaid insurance	3,398
Accrued interest cost	(14,965)
Compensated absences	18,396
Other postemployment benefits payable	(268,877)
Unbilled water revenue	29,080
Pension expense	118,426
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 3,568,898</b>

See notes to financial statements.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**A. Summary of Significant Accounting Policies**

The South Huntington Water District (the “District”), a component unit of the Town of Huntington, New York (the “Town”), which was established in 1925, is governed by Town Law and other general laws of the State of New York. The Board of Commissioners (the “Board”) is the legislative body responsible for overall operations. The Board consists of three members, all of whom are elected by the residents of the District for terms of three years. The primary function of the District is to provide water service to District customers.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District’s more significant accounting policies are described below.

**1. Financial Reporting**

The Town is financially accountable, as a result of fiscal dependency by the District. Long-term debt of the District, which is 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.

**2. Basis of Presentation**

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds).

**Government-Wide Financial Statements**

The government-wide financial statements report information on the District as a whole.

In the government-wide Statement of Net Position, the District’s governmental activities are presented on a consolidated basis and reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net costs of the District’s function (home and community service – water supply services), which are otherwise supported by general revenues (real property taxes, use of money and property, sale of property, compensation for loss, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues to produce the net cost of each program. Program revenues include (a) charges for services and (b) operating and capital grants and contributions that are directly associated with the function. The net cost is normally covered by general revenues. This government-wide focus is more on the sustainability of the District as an entity and the change in the District’s net position resulting from the current year’s activities.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**A. Summary of Significant Accounting Policies** (continued)

**2. Basis of Presentation** (continued)

**Fund Financial Statements**

The fund financial statements are similar to the financial statements presented in the previous model. The emphasis is on the major funds in the fund financial statements. The District considers all funds to be major funds.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. The District considers all funds to be major funds.

**Governmental Funds** - Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Governmental funds are further classified as major funds.

The District reports the following major governmental funds:

General Fund - is the principal operating fund of the District. This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - is used to account for and report financial resources that are restricted or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**3. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Interfund transactions have been eliminated from the government-wide financial statements.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**A. Summary of Significant Accounting Policies** (continued)

**3. Measurement Focus/Basis of Accounting** (continued)

In the fund financial statements, governmental activities use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 120 days of the end of the current period. Exceptions to this revenue recognition include grants and similar items which are recognized as revenue once the grant has been awarded and all eligibility requirements imposed by the provider have been met.

Expenditures are recorded when incurred except that:

- a. Expenditures for retirement are recognized in the corresponding period to which it relates.
- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when matured.

**4. Property Taxes and Delinquent Water Bills**

Property taxes and delinquent water bills are collected by the Town of Huntington Receiver of Taxes ("Receiver") on behalf of the District. The Receiver collects all real property taxes for the Town, Suffolk County, Town Special Districts, and School Districts. Real property tax payments are due in two installments payable by December 1<sup>st</sup> of the preceding year, payable without penalty until January 10<sup>th</sup>, and May 10<sup>th</sup>, payable without penalty until May 31<sup>st</sup>. The Receiver remits 100% of the amount of real property tax levied and the delinquent water bills to the District. Responsibility for collection of unpaid taxes is assumed by Suffolk County. Payments from the Town for property taxes and delinquent water bills are normally received by the District by June of the current year.

**5. Accounts Receivable/Due from Other Governments**

Receivables/Due from other governments include amounts due from customers and other governments. Receivables and due from other governments are recorded and revenues recognized as earned. Revenue from unbilled water usage at year-end is recognized in the government-wide financial statements.

**6. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses using the consumption method in both the government-wide and fund financial statements. Prepaid expenses/expenditures consist of employee retirement and insurance costs which have been satisfied prior to the end of the year, but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in government funds are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources", even though they are a component of current assets.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**A. Summary of Significant Accounting Policies** (continued)

**7. Inventory of Materials and Supplies**

The District records inventory of materials and supplies using the consumption method. Inventory is valued at cost, (utilizing the latest invoice price, which approximates the first-in, first-out method) or net realizable value.

**8. Interfund Receivables, Payables and Transfers**

Interfund receivable and payable balances for the District represent primarily the payment of financing sources and uses that will be reimbursed subsequent to year-end. Interfund transfer balances represent the funding of capital expenditures through general fund appropriations.

**9. Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. Deferred outflows of resources consist of various postemployment benefits the District provides (pension and the other postemployment benefits plan-healthcare). See Notes H and I.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist of amounts related to various postemployment benefits the District provides (pension and the other postemployment benefits plan-healthcare). See Notes H and I.

**10. Capital Assets**

In the government-wide financial statements, capital assets, including infrastructure assets (water mains), with an original cost of \$500 or more and an estimated useful life in excess of one year, are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Prior to the year 2002, infrastructure assets consisting of water mains were capitalized at estimated historical cost. Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**A. Summary of Significant Accounting Policies** (continued)

**10. Capital Assets** (continued)

The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements	20 years
Wells, water tanks, and structures	40 years
Machinery and equipment	10–20 years
Water mains	50 years
Office furniture and equipment	5 years
Vehicles	8 years

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**11. Developer Deposits**

Developer deposits represent funds advanced from real estate developers for the installation of new water mains and connection to the District's water distribution system. Any remaining funds after the installation is completed are refunded to the developer.

**12. Long-Term Obligations**

In the government-wide statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds. General obligation bonds payable are reported net of the applicable bond premium. The long-term debt consists of general obligation bonds payable, compensated absences, other postemployment benefit liabilities, and net pension liability - proportionate share.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financial resources. Premiums received on debt issuances are reported as other financing sources. The liabilities for compensated absences, general obligation bonds payable, other postemployment benefits payable, and net pension liability - proportionate share are liquidated through future budget appropriations in the general fund.

**13. Compensated Absences**

District employees earn vacation and sick leave in varying amounts. In the event of separation (except termination for cause), an employee is entitled to payment for accumulated unused sick leave, subject to certain maximum limitations. The liability for these compensated absences is recorded as a long term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends, or current known future retirements. Compensated absence liability and expenditure are reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**A. Summary of Significant Accounting Policies** (continued)

**14. Other Postemployment Benefits**

In addition to providing pension benefits, the District, per its contracts with employees, will pay the full premium costs for the medical insurance coverage (currently provided by Empire Plan Plus Enhancements of the New York State Government Employees Health Insurance Program) for an employee of the District at retirement, provided the employee has been employed with the District for at least ten consecutive years of employment prior to the date of retirement.

The District recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the governmental funds in the year paid. The liability for these other postemployment benefits payable is recorded as a long term liability in the government-wide statements.

**15. Insurance**

The District insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability not covered by insurance has been incurred and the amount of loss can be reasonably estimated.

**16. Net Position and Fund Equity Classifications**

**Government-Wide Financial Statements**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**A. Summary of Significant Accounting Policies** (continued)

**16. Net Position and Fund Equity Classifications** (continued)

**Fund Financial Statements**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are nonspendable, restricted, committed, assigned, or unassigned.

- a. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes prepaid items and the inventory of materials and supplies, as well as long term receivable, related to leases, recorded in the general fund.
- b. Restricted fund balance includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- c. Committed fund balance includes amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority. The Board of Commissioners is not empowered to establish local law; accordingly, the District does not have committed fund balances.
- d. Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District's assigned fund balance contains expenditures in subsequent years, judgments and claims, employee benefits accrued liability, capital projects, and retirement contributions. The Board of Commissioners has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are not reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- e. Unassigned fund balance includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. It is also used to report negative fund balances in governmental funds other than the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the Board of Commissioners will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged. It is the intention of the Board of Commissioners that the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget or board-approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment, and then to the unassigned fund balance.

The District's fund balance policy, adopted by the Board, recommends that the District maintain an unassigned fund balance of between 20% and 25% of the general fund operating budget.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**A. Summary of Significant Accounting Policies** (continued)

**17. Leases**

**Lessor**

The District is a lessor for noncancellable leases of water tower space and land. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements related to leases include (1) the discount rate, (2) the lease term and (3) lease payments. The District uses its estimated incremental borrowing rate as the discount rate used to discount the expected lease receipts to present value. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**18. Use of Estimates**

The preparation of basic financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**19. New Accounting Standards**

The District has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2022, The District adopted the following:

The District implemented the provisions of GASB Statement No. 87, "Leases," for the year ended December 31, 2022, which established a single model for lease accounting based on the concept that leases are a financing of a "right-to-use" underlying asset. This statement requires a lessor to recognize a lease receivable and lease related deferred inflow of resources. As a result, the District has reported a cumulative effect of change in accounting principle of \$8,315,872 for the lease receivable and a (\$8,315,872) lease related deferred inflow of resources for a net cumulative effect of \$0 to the December 31, 2022 fund balance of the general fund.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**B. Stewardship, Compliance, and Accountability**

**Budgetary Data**

The District's budget policies are as follows:

The District prepares an annual budget for the general fund, which is approved by the Board of Commissioners. The budget is then submitted to the Town of Huntington for inclusion in the Town budget and a public hearing is held thereon. The budget is not subject to referendum. Any revisions to the annual budget are adopted by resolution of the Board of Commissioners.

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 and capital projects funds. Expenditures for such commitments are recorded in the period in which the liability is incurred.

The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the current year are increased by the amount of encumbrances, if any, carried forward from the prior year.

Budgets are established and used for individual capital projects fund expenditures that are approved by the Board. These budgets do not lapse and are carried over to subsequent years until the completion of the projects.

The following additional appropriations occurred during the year in the general fund:

Original budget	\$ 11,436,543
Prior year's contractual obligations	182,383
Additional use of capital reserve funds	500,000
Additional use of capital assignment funds	1,533,000
Additional use of employee benefit reserve	106,058
Additional appropriation related to refunding of debt	<u>2,046,167</u>
Total	<u>\$ 15,804,151</u>

New York State has enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. No local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law.

For the 2022 budget, the District limited the increase in the real property tax levy to 2.00%, which was within the property tax levy limit.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**B. Stewardship, Compliance, and Accountability** (continued)

**Fund Balance**

The following table provides the detail regarding fund balance categories and classifications for the governmental funds that show components of nonspendable fund balances, as well as the purposes for restricted and assigned fund balance. The unassigned fund balance is also shown.

	General Fund	Capital Projects Fund	Total
Nonspendable:			
Inventory of materials and supplies	\$ 147,994		\$ 147,994
Prepaid expenses	101,228		101,228
Long-term receivable	175,789		175,789
Total Nonspendable	<u>425,011</u>	<u>\$ -0-</u>	<u>425,011</u>
Restricted for:			
Capital improvements - Bonds		7,273,440	7,273,440
Capital projects reserves	2,979,471	438,013	3,417,484
Debt service reserve	600,193		600,193
Repair reserve	106,976		106,976
Total Restricted	<u>3,686,640</u>	<u>7,711,453</u>	<u>11,398,093</u>
Assigned to:			
Subsequent year's budget	262,894		262,894
AOP Operating expenses	610,292		610,292
Contractual obligations, repairs, truck	204,021		204,021
Capital improvements	1,804,500	2,192,238	3,996,738
Employee benefit accrued liability	362,992		362,992
Judgments and claims	150,000		150,000
Retirement contributions	75,000		75,000
Total Assigned	<u>3,469,699</u>	<u>2,192,238</u>	<u>5,661,937</u>
Unassigned	<u>2,989,547</u>	<u>-0-</u>	<u>2,989,547</u>
Total Fund Balances	<u>\$ 10,570,897</u>	<u>\$ 9,903,691</u>	<u>\$ 20,474,588</u>

**Reserves**

A summary of activity in the reserves for 2022 is as follows:

Capital projects reserves

In accordance with New York State General Municipal Law §6-c, the District has established a "type" capital reserve to finance the cost of improvements to the water distribution system. Expenditures from this reserve require the approval of the Board of Commissioners. The reserve may be funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account. A system construction charge has been established by the District.

System construction charges are assessed for new residential and commercial developments based upon their impact to the District's supply and storage system.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**B. Stewardship, Compliance, and Accountability** (continued)

**Reserves** (continued)

Capital projects reserves (continued)

These charges are recorded as revenue in the general fund and deposited into the capital reserve. This reserve is accounted for in the general fund. A summary of activity in the capital projects reserve fund for 2022 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 3,194,774
System construction charge	236,775
Transfers out	(500,000)
Interest earned on reserve cash	<u>47,922</u>
Balance - end	<u>\$ 2,979,471</u>

Debt service reserve

The Board of Commissioners, in accordance with New York State Finance Law, has established a debt service reserve. These funds arose from unspent bond proceeds resulting from completed capital projects. These funds will be used to pay off outstanding general obligation debt as the particular issues become due. This reserve is accounted for in the general fund. A summary of activity in the debt service reserve fund for 2022 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 727,081
Transfer out	(137,793)
Interest earned on reserve cash	<u>10,905</u>
Balance - end	<u>\$ 600,193</u>

Repair reserve

In accordance with New York State General Municipal Law §6-d, the District has established a repair reserve to pay for certain repairs to capital improvements or equipment. Expenditures from this reserve require the approval of the Board of Commissioners. The reserve may be funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account. This reserve is accounted for in the general fund. A summary of activity in the repair reserve fund for 2022 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 105,395
Interest earned on reserve cash	<u>1,581</u>
Balance - end	<u>\$ 106,976</u>

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**C. Cash and Investments**

Cash and investments consist of funds deposited in demand accounts, time deposit accounts, and certificates of deposit with maturities less than three months.

The District's investment policies are governed by state statutes. In addition, the District has its own written investment policy. District monies must be deposited in Federal Depository Insurance Corporation ("FDIC") insured commercial banks or trust companies located within New York State.

The District is authorized to use demand accounts, money market accounts, and certificates of deposit. 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 deposits and time deposits accounts at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. The District's collateral agreements are based on the District's available balance.

Custodial Credit Risk - Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

At December 31, 2022, the District's bank balances consisted of deposits totaling \$20,257,439. Of the total bank balance, \$250,000 was covered by the FDIC and \$20,007,439 was covered by an irrevocable stand by letter of credit issued by Federal Home Loan Bank of Pittsburgh, which is held by the pledging financial institution, in the District's name.

As of December 31, 2022, the District did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**D. Lease Receivable/Income**

For the year ended 12/31/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

The District has entered into various leases with terms between 55 and 427 month leases as Lessor for the use of land and space on the Districts water towers for cell service. An initial lease receivable was recorded in the amount of \$8,315,872. During 2022 the District entered into two additional Leases as Lessor, both for 431 months, an additional lease receivable was recorded in the amount of \$351,615. As of 12/31/2022, the value of the lease receivable is \$8,260,273. The lessee is required to make monthly fixed payments ranging from \$500 to \$10,474. The leases have interest rates ranging from 0.3960% to 1.5410%. The estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was \$8,084,483, and the District recognized lease revenue of \$583,004 during the year.

Principal and Interest Expected to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	420,938	79,979	500,918
2024	443,967	76,845	520,812
2025	467,815	73,535	541,350
2026	460,719	70,082	530,801
2027	440,970	66,800	507,769
2028 - 2032	2,453,368	282,032	2,735,401
2033 - 2037	1,474,166	191,973	1,666,139
2038 - 2042	1,019,012	121,355	1,140,368
2043 - 2047	782,805	53,936	836,741
2048 - 2052	230,444	9,749	240,193
2053 - 2057	66,069	2,627	68,696

**E. Surcharge for Remediation of Water Contaminate**

The District established a surcharge for all District residents to treat for a chemical know as 1,4 Dioxane in compliance with new regulations adopted by the New York State Department of Health. Beginning in 2021, the District has added a \$25 surcharge to residents' quarterly bills. The surcharges collected are to be utilized exclusively for infrastructure upgrades and installation of wellhead treatment systems relating to the testing and treatment of 1,4 Dioxane, and the related debt. During 2022, the District received revenues relating to this surcharge of \$1,680,450, which are reported as other local sources on the District's statement of revenues, expenditures, and changes in fund balance.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**F. Capital Assets**

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
Capital assets not being depreciated:				
Land	\$ 1,109,751			\$ 1,109,751
Construction in progress	7,434,085	\$ 6,492,245	\$ 126,032	13,800,298
Total capital assets not being depreciated	<u>8,543,836</u>	<u>6,492,245</u>	<u>126,032</u>	<u>14,910,049</u>
Depreciable capital assets:				
Buildings	13,644,180			13,644,180
Improvements	4,224,357	128,930		4,353,287
Wells, water tanks, and structures	18,512,540	33,315		18,545,855
Machinery and equipment	17,287,035	6,874		17,293,909
Water mains	37,645,288	937,514		38,582,802
Office furniture and equipment	143,356	2,950		146,306
Vehicles	796,398	58,017		854,415
Total depreciable capital assets	<u>92,253,154</u>	<u>1,167,600</u>	<u>-0-</u>	<u>93,420,754</u>
Less accumulated depreciation:				
Buildings	4,059,760	334,947		4,394,707
Improvements	1,649,077	218,310		1,867,387
Wells, water tanks, and structures	8,168,377	425,646		8,594,023
Machinery and equipment	12,662,726	638,617		13,301,343
Water mains	26,391,238	751,281		27,142,519
Office furniture and equipment	121,977	8,129		130,106
Vehicles	649,978	49,160		699,138
Total accumulated depreciation	<u>\$ 53,703,133</u>	<u>\$ 2,426,090</u>	<u>\$ -0-</u>	<u>56,129,223</u>
Total net depreciable capital assets				<u>37,291,531</u>
Total net capital assets				<u>\$ 52,201,580</u>

Depreciation expense of \$2,426,090 was charged to water supply services expense for the year ended December 31, 2022.

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At December 31, 2022, the District has not recorded any such impairment losses.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**G. Long Term Liabilities**

General Obligation Bonds - The District periodically borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit of the Town of Huntington, bear interest at rates ranging from 2.0% to 5.0%, and maturity dates ranging from 2023 to 2037.

Compensated Absences - Represents the value of the earned and unused portion of the liability for compensated absences.

Other Postemployment Benefits - Represents the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows (See Note I).

Net Pension Liability - Proportionate Share - Represents the District's proportionate share of the New York State Employees' Retirement System (ERS) net pension liability (See Note H).

The following is a summary of changes in long-term liabilities for the year ended December 31, 2022:

**South Huntington Water District**  
**Long-Term Debt**  
**December 31, 2022**

	Balance 1/1/2022	Increases	Reductions	Balance 12/31/2022	Non-current Liabilities Due Within One Year	Long-term
General obligation						
bonds payable	\$ 17,518,281	\$ 7,736,936	\$ 4,177,790	\$ 21,077,427	\$ 2,448,282	\$ 18,629,145
Plus premiums on issuance	1,261,766	640,820	241,741	1,660,845	249,146	1,411,699
	<u>18,780,047</u>	<u>8,377,756</u>	<u>4,419,531</u>	<u>22,738,272</u>	<u>2,697,428</u>	<u>20,040,844</u>
Compensated absences	381,388		18,396	362,992	18,150	344,842
Other postemployment						
benefits payable	11,877,720		2,112,356	9,765,364		9,765,364
Net pension liability - proportionate share	3,791		3,791			
	<u>\$ 31,042,946</u>	<u>\$ 8,377,756</u>	<u>\$ 6,554,074</u>	<u>\$ 32,866,628</u>	<u>\$ 2,715,578</u>	<u>\$ 30,151,050</u>

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**G. Long Term Liabilities** (continued)

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2022 are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2023	\$ 2,448,282	\$ 866,173	\$ 3,314,455
2024	2,091,587	663,817	2,755,404
2025	1,926,148	562,716	2,488,864
2026	1,688,432	469,983	2,158,415
2027	1,489,326	395,957	1,885,283
2028-2032	6,405,558	1,348,724	7,754,282
2033-2037	5,028,094	216,256	5,244,350
	\$ 21,077,427	\$ 4,523,626	\$ 25,601,053

**H. Pension Plan**

**1. Pension Obligations**

New York State Employees' Retirement System (ERS)

**2. Plan Descriptions and Benefits Provided**

Employees' Retirement System (ERS)

The District participates in the New York State Employees' Retirement System ("System"). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**H. Pension Plan** (continued)

**2. Plan Descriptions and Benefits Provided** (continued)

The System provides retirement benefits as well as death and disability benefits.

*Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit, there is no minimum service requirement. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 and Tier 2 is 55 and 62, respectively.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

*Tiers 3, 4, and 5*

Eligibility: Tier 3, 4 and 5 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit calculation: Generally the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3, 4 and 5 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**H. Pension Plan** (continued)

**2. Plan Descriptions and Benefits Provided** (continued)

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 members is age 63.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with five or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

*Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

*Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4, and 5 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

*Ordinary Death Benefits*

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

*Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: 1) all pensioners who have attained age 62 and have been retired for five years; 2) all pensioners who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**H. Pension Plan** (continued)

**2. Plan Descriptions and Benefits Provided** (continued)

*Post-Retirement Benefit Increases* (continued)

This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

**3. Contributions**

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who contribute 3% of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Contributions paid during the current year and the two preceding years were equal to 100 percent of the required payment, and were as follows:

Year	ERS
2022	\$ 155,741
2021	279,476
2020	207,942

**4. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At December 31, 2022, the District reported the following asset of \$366,341 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in reports provided to the District.

	ERS
Actuarial valuation date	April 1, 2021
Net pension Asset/(Liability)	\$ 366,341
District's portion of the Plan's total net pension liability	0.0044815%
Change in allocation of the System's total Net Pension Liability since the prior measurement date	0.0006742%

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**H. Pension Plan** (continued)

**4. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** (continued)

For the year ended December 31, 2022, the District's recognized pension expense of \$68,249. At December 31, 2022, the District's reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experience	\$ 27,743	\$ 35,985
Changes of assumptions	611,382	10,316
Net difference between projected and actual earnings on pension plan investments		1,199,612
Changes in proportion and differences between the District's contributions and proportionate share of contributions	169,880	18,577
District's contribution subsequent to the measurement date	116,806	
Total	\$ 925,811	\$ 1,264,490

The District's contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	ERS
Plan Year Ended December 31, 2023	\$ (46,783)
2024	(97,606)
2025	(273,991)
2026	(37,105)
	\$ (455,485)

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**H. Pension Plan** (continued)

**5. Actuarial Assumptions**

The total pension liability as of the measurement date of March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>
Measurement date	March 31, 2022
Actuarial valuation date	April 1, 2021
Interest rate	5.9%
Salary scale	4.4%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience
Cost of living adjustment	1.4%
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2022 are summarized below:

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**H. Pension Plan** (continued)

**5. Actuarial Assumptions** (continued)

Asset Class	ERS	
	Target Allocation	Long-term Expected Rate of Return
Domestic equity	32.0%	3.30%
International equity	15.0%	5.85%
Private equity	10.0%	6.50%
Real estate	9.0%	5.00%
Opportunistic/Absolute return strategies	3.0%	4.10%
Credit	4.0%	3.78%
Real assets	3.0%	5.80%
Fixed Income	23.0%	0.00%
Cash	1.0%	-1.00%
	100.0%	

The real rate of return is net of the long-term inflation assumption of 2.50%.

**6. Discount Rate**

The discount rate used to calculate the total pension liability was 5.9% (the discount rate used at the prior year's measurement date of March 31, 2021, was 6.8%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**7. Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption**

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9%, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1% point lower (4.9%) or 1% point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset/(liability)	\$ (942,957)	\$ 366,341	\$ 1,461,505

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**H. Pension Plan** (continued)

**7. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption** (continued)

The components of the current-year net pension liability of the employers participating in the System's as of March 31, 2022 were as follows (in thousands):

	ERS
Measurement date	March 31, 2022
Employers' total pension liability	\$ (223,874,888)
Plan Fiduciary Net Position	232,049,473
Employers' net pension asset/(liability)	\$ 8,174,585
Ratio of plan fiduciary net position to the Employers' total pension liability	103.65%

Detailed information about the pension plan's fiduciary net position is available in the System's separately issued financial statements.

**I. Other Postemployment Benefits (OPEB)**

The District established a single-employer defined benefit OPEB plan per its contracts with employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

Benefits Provided

Medical coverage, including prescription drugs as part of the medical plan, is offered to retirees on a fully insured basis through the New York State Health Insurance Program (NYSHIP, the Empire Plan). Retirement is available, if the employee has obtained the age of 55 and completed 10 years of service with South Huntington Water District. The District will also reimburse the full premium costs for Medicare part B payments. This contract will be renegotiated at various times in the future. Upon death of a retiree, the District will continue the Medicare part B reimbursement for the non-remarried spouse. Subsidized medical coverage for the non-remarried spouse will only be for two (2) years and then they pay 100% of the cost thereafter.

The District pays full coverage for retiree medical insurance.

Employees Covered by Benefit Terms

The number of participants as of January 1, 2022, the effective date of the OPEB valuation, is as follows:

Active employees	Participants 18
Inactive employees or beneficiaries currently receiving benefit payments	18
Total	36

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**I. Other Postemployment Benefits (OPEB) (continued)**

There have been no significant changes in the number of participants or the type of coverage since that date.

Total OPEB Liability

The District's total OPEB liability of \$9,765,364 was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2022.

Funding Policy

The District currently pays for other postemployment benefits on a pay-as-you-go basis.

Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The total OPEB liability in the December 31, 2022 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	3.50%
Discount rate	3.72%
Healthcare cost trend rates	7.0% in 2021, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2025 and later

The discount rate was based on the Bond Buyer's 20 Bond Index as of December 31, 2022.

Mortality rates utilized in this valuation were unisex pre-retirement mortality rates (combined accidental and all other death rates) from Exhibit 2-2 of the *Development of Recommended Actuarial Assumptions* report for New York/SUNY GASB 45 Valuation prepared by the AON Hewitt dated August 2018, and postretirement mortality rates for healthy participants (sex distinct for non-police employees and retirees) using projection scale MP 2020.

The decrement tables used for this valuation are based on the New York State Employees' Retirement System (ERS).

In the December 31, 2022 actuarial valuation, the liabilities were computed using the entry age normal method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s).

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**I. Other Postemployment Benefits (OPEB) (continued)**

Other changes impacting the valuation were due to updated mortality tables to reflect an updated projection scale. The healthcare cost trend rate was reset to 7.0% in 2022, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2025 and later. The mortality assumption was updated to the rates developed in the report *Development of Recommended Actuarial Assumptions* for New York/SUNY GASB 45 Valuation prepared by the AON Hewitt dated August 2018. The MP 2020 mortality improvement projection scale was applied.

Changes in the Total OPEB Liability

The following table shows the components of the District's other postemployment benefits liability:

	Total OPEB Liability
Balance at December 31, 2021	\$ 11,877,720
Changes for the year:	
Service cost	501,078
Interest	247,682
Differences between expected and actual experience	459,290
Changes of assumptions or other inputs	(2,963,161)
Benefit payments	(357,245)
Net Changes	(2,112,356)
Balance at December 31, 2022	\$ 9,765,364

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.72%) or 1-percentage-point higher (4.72%) than the current discount rate:

	One Percent Decrease 2.72%	Current Discount Rate 3.72%	One Percent Increase 4.72%
Total OPEB liability	\$ 11,358,825	\$ 9,765,364	\$ 8,495,060

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**I. Other Postemployment Benefits (OPEB) (continued)**

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current healthcare cost trend rates:

	One Percent Decrease (5.50% to 4.00%)	Healthcare Cost Trend Rates (6.50% to 5.00%)	One Percent Increase (7.50% to 6.00%)
Total OPEB liability	\$ 8,340,255	\$ 9,765,364	\$ 11,585,124

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the District recognized OPEB expense of \$249,897. At December 31, 2022, the District reported deferred outflows or inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,315,313	
Changes of assumptions or other inputs	155,617	\$ 2,244,073
Total	<u>\$ 1,470,930</u>	<u>\$ 2,244,073</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

For the years ending December 31, 2023	\$ (94,280)
2024	(249,897)
2025	(428,966)
	<u>\$ (773,143)</u>

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**J. Tax Abatements**

The District is subject to tax abatements granted by the Suffolk County Industrial Development Agency (SCIDA), an entity created by the County of Suffolk (County). The SCIDA is a public benefit corporation of the State of New York. The purpose of the agency is to promote economic development within the County. Under the SCIDA program, companies promise to expand or maintain facilities or employment in the County, to establish a new business or relocate an existing business to the County. Economic development agreements entered into by the SCIDA can include the abatement of State, County, local, and school district taxes, in addition to other assistance. In the case of the District, SCIDA granted abatements have resulted in reductions of property taxes, which is administered as a temporary reduction in the assessed value of the property involved. For the year ended December 31, 2022, the amount of District property tax abated was \$72,065, and the District received payments in lieu of taxes of \$56,800.

**K. Commitments and Contingencies**

Litigation

The District is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the District.

Capital Improvements

The District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contracts or is planning additional improvements amounting to approximately \$15 million within the next five years.

At December 31, 2022, the District had contracts and other commitments outstanding related to capital projects in the amount of \$3,045,912.

**L. New Pronouncement**

The following statement has been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in a future year:

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users. This Statement defines a SBITA and establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding liability. The Statement also provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, as well as detailing the requirements for note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the District believes will most impact its financial statements. The District will evaluate the impact this and other pronouncements may have on its financial statements and will implement them as applicable and when material.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

**M. Subsequent Events**

Subsequent events have been evaluated through June 21, 2023, the date the financial statements were available to be issued.

**SOUTH HUNTINGTON WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL**  
Year Ended December 31, 2022

	Budget Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Real Property Taxes</b>	\$ 4,340,100	\$ 4,340,100	\$ 4,340,641	\$ 541
<b>Other Real Property Taxes</b>	50,000	50,000	60,149	10,149
<b>Departmental Income</b>				
Metered water sales	4,050,000	4,050,000	4,347,805	297,805
Unmetered water sales	535,800	535,800	544,550	8,750
Hydrant permits	2,200	2,200	2,775	575
Interest and penalties - water rents	20,000	20,000	43,347	23,347
Water service charges	90,000	90,000	101,915	11,915
Total Departmental Income	4,698,000	4,698,000	5,040,392	342,392
<b>Use of Money and Property</b>				
Interest earnings	45,000	45,000	287,676	242,676
Tower rental	460,000	460,000	647,673	187,673
Total Use of Money and Property	505,000	505,000	935,349	430,349
<b>Sale of Property and Compensation for Loss</b>				
Sales of scrap and excess materials	3,000	3,000	6,599	3,599
Sales of taps, meters and supplies	26,000	26,000	49,031	23,031
Insurance recoveries			97,405	97,405
Litigation settlement				
Total Sale of Property and Compensation for Loss	29,000	29,000	153,035	124,035
<b>Other Local Sources</b>				
Miscellaneous local sources			12,394	12,394
Dioxane surcharge fee	1,676,650	1,676,650	1,680,450	3,800
System construction charge			236,775	236,775
Total Other Local Sources	1,676,650	1,676,650	1,929,619	252,969
<b>Federal Aid</b>				
Emergency disaster assistance			1,305	1,305
Total Revenue	11,298,750	11,298,750	12,460,490	1,161,740
<b>Other Financing Sources</b>				
Premium on bonds		200,337	431,926	231,589
Refunding bonds issued		1,845,830	1,845,830	-0-
Total Other Financing Sources	-0-	2,046,167	2,277,756	231,589
<b>Appropriated fund balance and reserves</b>				
Assigned fund balance		1,821,441		
Appropriated reserves	137,793	637,793		
Total appropriated fund balance and reserves	137,793	2,459,234		
Total Revenue, Other Financing Sources, Appropriated Fund Balance and Reserves	\$ 11,436,543	\$ 15,804,151	\$ 14,738,246	\$ 1,393,329

See paragraph on required supplementary information included in the independent auditors' report.

**SOUTH HUNTINGTON WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
 Year Ended December 31, 2022

	Budget Amounts		Actual	Encum- brances	Variance Positive (Negative)
	Original	Final			
<b>Administration</b>					
Personal Services:					
Administrative salaries	\$ 342,000	\$ 453,058	\$ 452,849		\$ 209
Commissioners fees	46,800	43,800	42,800		1,000
Equipment:					
Communications equipment	5,500	3,500	3,383		117
Office equipment	20,000	13,000	12,479		521
Contractual and other expenditures:					
Professional services-legal	41,000	50,000	49,337		663
Professional services-auditing	69,000	83,000	82,765		235
Professional services-bond fees	4,000	2,000	1,050		950
Professional services-consultant fees		34,000	34,000		-0-
Data processing	42,000	48,000	47,543		457
Insurance	250,000	234,000	233,147		853
Telephone	90,000	93,000	92,036		964
Postage and office supplies	80,000	70,000	69,457		543
Fuel and heat	54,000	45,000	44,697		303
Education and travel	11,000	21,000	20,406		594
Newsletter	30,000	15,000	14,287		713
Contingencies	50,000				-0-
Total Administration	1,135,300	1,208,358	1,200,236	\$ -0-	8,122
<b>Source of Supply, Power, and Pumping</b>					
Power and light	1,700,000	1,857,000	1,856,622		378
Purchase of water	30,000	38,000	37,858		142
Total Source of Supply, Power, and Pumping	1,730,000	1,895,000	1,894,480	-0-	520
<b>Purification</b>					
Water analysis	325,000	141,000	140,942		58
Water treatment	450,000	488,000	487,378		622
Total Purification	775,000	629,000	628,320	-0-	680
<b>Transmission and Distribution</b>					
Personal services - supervision and labor	1,300,000	1,240,000	1,239,762		238
Equipment:					
Autos and trucks purchased	60,000	122,949	58,017	64,916	16
Meter purchases	200,000	374,534	235,037	139,105	392
Hydrant purchases	32,000	26,000	25,190		810
Contractual and other expenditures:					
Mapping	20,000	43,000	42,788		212
Materials and supplies	28,500	33,500	32,933		567
Maintenance - wells	350,000	388,000	387,647		353
Maintenance - grounds	30,000	34,000	33,356		644
Maintenance - mains and hydrants	120,000	72,000	71,100		900
Maintenance - autos and trucks	23,000	39,000	38,758		242
Maintenance - building	55,000	228,900	228,787		113
Professional services - engineering	85,000	182,000	181,498		502
Road restoration	25,000	8,000	7,083		917
Sundry	1,000	1,000	736		264
Small tools and shop supplies	20,000	19,000	18,599		401
Safety and markout	10,000	13,000	12,615		385
Gas and oil	35,000	51,000	50,190		810
Total Transmission and Distribution	2,394,500	2,875,883	2,664,096	204,021	7,766
<b>Employee Benefits</b>					
State retirement	220,000	187,000	186,675		325
Social security	133,038	133,038	132,524		514
Hospital and medical insurance	790,000	753,000	752,247		753
Total Employee Benefits	1,143,038	1,073,038	1,071,446	-0-	1,592

**SOUTH HUNTINGTON WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
 Year Ended December 31, 2022

	Budget Amounts		Actual	Encum- brances	Variance Positive (Negative)
	Original	Final			
<b>Debt Service</b>					
Serial bond principal	2,163,867	2,183,867	2,183,078		789
Serial bond interest	806,886	708,514	664,813		43,701
Debt issuance costs		47,827	47,503		324
Total Debt Service	<u>2,970,753</u>	<u>2,940,208</u>	<u>2,895,394</u>	-0-	<u>44,814</u>
Total Expenditures	<u>10,148,591</u>	<u>10,621,487</u>	<u>10,353,972</u>	204,021	<u>63,494</u>
<b>Other Financing Uses</b>					
Transfers out	1,287,952	3,187,952	1,900,000		1,287,952
Debt service - principal		1,994,712	1,994,712		-0-
Total Other Financing Uses	<u>1,287,952</u>	<u>5,182,664</u>	<u>3,894,712</u>	-0-	<u>1,287,952</u>
Total Expenditures and Other Financing Uses	<u>\$ 11,436,543</u>	<u>\$ 15,804,151</u>	<u>\$ 14,248,684</u>	<u>\$ 204,021</u>	<u>\$ 1,351,446</u>

**SOUTH HUNTINGTON WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS**  
 December 31, 2022

Period	Total OPEB Liability - Beginning of the Period	Service cost	Interest on Total OPEB Liability	Differences between expected and actual experience	Changes in benefit terms	Changes of assumptions or other inputs	Benefit payments	Total OPEB Liability - End of the Period	Covered-employee payroll	Total OPEB Liability as a Percentage of Covered-employee Payroll
January 1, 2022 - December 31, 2022	\$ 11,877,720	\$ 501,078	\$ 247,682	\$ 459,290	\$ -0-	\$ (2,963,161)	\$ (357,245)	\$ 9,765,364	\$ 912,972	1069.62%
January 1, 2021 - December 31, 2021	\$ 9,690,614	\$ 476,183	\$ 245,742	\$ 1,849,115	\$ -0-	\$ (114,884)	\$ (269,050)	\$ 11,877,720	\$ 890,704	1333.52%
January 1, 2020 - December 31, 2020	\$ 8,454,371	\$ 287,797	\$ 236,157	\$ -0-	\$ -0-	\$ 960,550	\$ (248,261)	\$ 9,690,614	\$ 818,438	1184.04%
January 1, 2019 - December 31, 2019	\$ 7,836,032	\$ 198,918	\$ 277,389	\$ (1,394,701)	\$ -0-	\$ 1,719,320	\$ (182,587)	\$ 8,454,371	\$ 798,476	1058.81%
January 1, 2018 - December 31, 2018	\$ 8,794,141	\$ 281,211	\$ 285,143	\$ -0-	\$ -0-	\$ (1,305,561)	\$ (218,902)	\$ 7,836,032	\$ 1,251,421	626.17%

**Notes to Schedule:**

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay other postemployment benefits (OPEB).

The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

*Changes of assumptions.*

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

2022	3.72%
2021	2.03%
2020	2.12%
2019	2.74%
2018	4.10%
2017	3.18%

**SOUTH HUNTINGTON WATER DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)**  
**FOR THE YEARS ENDED DECEMBER 31\***

NYSERS	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.0044815%	0.0038073%	0.0038141%	0.0045444%	0.0043350%	0.0042256%	0.0043830%	0.0044837%	0.0044837%
District's proportionate share of the net pension asset/(liability)	\$ 366,341	\$ (3,791)	\$ (1,009,994)	\$ (321,983)	\$ (139,909)	\$ (397,046)	\$ (703,477)	\$ (151,472)	\$ (202,614)
District's covered-employee payroll	\$ 1,465,752	\$ 1,602,090	\$ 1,345,966	\$ 1,262,071	\$ 1,371,833	\$ 1,256,412	\$ 1,184,360	\$ 1,358,006	\$ 1,364,290
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	24.99%	0.24%	75.04%	25.51%	10.20%	31.60%	59.40%	11.15%	14.85%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

Notes to the Schedule:

\*The amounts presented for each year were determined as of the measurement dates of the plan.

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

**SOUTH HUNTINGTON WATER DISTRICT**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	NYSERS									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 186,675	\$ 261,593	\$ 203,980	\$ 195,746	\$ 202,948	\$ 189,105	\$ 193,255	\$ 205,756	\$ 326,700	\$ 215,311
Contributions in relation to the contractually required contribution	186,675	261,593	203,980	195,746	202,948	189,105	193,255	205,756	326,700	215,311
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered-employee payroll	\$ 1,721,212	\$ 1,535,570	\$ 1,446,165	\$ 1,354,420	\$ 1,291,865	\$ 1,329,652	\$ 1,228,683	\$ 1,316,312	\$ 1,373,704	\$ 1,352,331
Contributions as a percentage of covered-employee payroll	10.85%	17.04%	14.10%	14.45%	15.71%	14.22%	15.73%	15.63%	23.78%	15.92%

See paragraph on required supplementary information included in the independent auditors' report.

**SOUTH HUNTINGTON WATER DISTRICT**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT EXPENDITURES**  
 Year Ended December 31, 2022

PROJECT TITLE	Expenditures		Encum - brances	Total
	Prior Years	Current Year		
Developers Escrow Projects	\$ 560,361	\$ 811,482		\$ 1,371,843
Capital Reserve Project:				
Hydrant Replacement	367,182	126,032		493,214
General Projects:				
Water Main Replacement 110	39,907	46,972	\$ 5,993	92,872
Jones Lane WM Replacement	23,200			23,200
Pump Repair at Plant 19-1		300,945		300,945
Bathroom and Locker Room upgrades		10,900	7,900	
Garage Roof		27,164	3,027	30,191
Bond Projects:				
Plant 4 & 8 Rehabilitation	127,327	1,033,733	1,511,632	2,672,692
Plant 3 Rehabilitation	551,215	4,275,346	1,075,949	5,902,510
Plant 12 Rehab & Tank		22,276	2,180	24,456
Plant 11 Tank		10,163	2,180	12,343
Treatment Plant 10	6,715,637	638,714	437,051	7,791,402
<b>Total Capital Projects</b>	<b>\$ 8,384,829</b>	<b>\$ 7,303,727</b>	<b>\$ 3,045,912</b>	<b>\$ 18,715,668</b>