



**SOUTH HUNTINGTON WATER DISTRICT**

A Component Unit of the Town of Huntington

**FINANCIAL STATEMENTS**

Year Ended December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
South Huntington Water District  
South Huntington, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Huntington Water District (the "District"), a component unit of the Town of Huntington, New York as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 South Huntington Water District as of December 31, 2020, 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.

### Emphasis of Matter – Change in Accounting Principle

As discussed in Note A-19 to the financial statements, the District has adopted the requirements of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Our Opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 40–45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Huntington Water District's basic financial statements. The other supplementary information on page 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Raich Ende Malter & Co. LLP*

**RAICH ENDE MALTER & CO. LLP**

Melville, New York  
April 15, 2021

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2020

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, 2020. 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. These statements are presented using the accrual basis of accounting. 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, 2020

**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:

**Statement of Net Position:**  
**As of December 31,**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets	\$ 13,826,054	\$ 13,874,573
Capital assets	<u>43,480,484</u>	<u>43,112,411</u>
Total Assets	<u>57,306,538</u>	<u>56,986,984</u>
<b>Deferred Outflows of Resources</b>		
Pensions	825,893	343,544
Other postemployment benefits	1,527,589	1,277,335
Deferred charges on refundings		<u>18,506</u>
Total Deferred Outflows of Resources	<u>2,353,482</u>	<u>1,639,385</u>
<b>Liabilities</b>		
Current liabilities	4,091,603	3,851,100
Non-current liabilities	<u>22,446,884</u>	<u>22,696,304</u>
Total Liabilities	<u>26,538,487</u>	<u>26,547,404</u>
<b>Deferred Inflows of Resources</b>		
Pensions	55,082	107,356
Other postemployment benefits	<u>1,165,512</u>	<u>1,796,607</u>
Total Deferred Inflows of Resources	<u>1,220,594</u>	<u>1,903,963</u>
<b>Net Position</b>		
Net investment in capital assets	32,726,423	31,284,808
Restricted for capital projects, repairs, and debt service	4,040,831	4,109,557
Unrestricted (Deficit)	<u>(4,866,315)</u>	<u>(5,219,363)</u>
Total Net Position	<u>\$ 31,900,939</u>	<u>\$ 30,175,002</u>

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2020

**CONDENSED FINANCIAL INFORMATION** (continued)

**Changes in Net Position**

**For the years ended December 31,**

	2020	2019*
Program revenues:		
Charges for services	\$ 5,386,695	\$ 4,547,403
Capital grants and contributions	671,818	129,430
General revenues:		
Real property taxes	4,190,078	4,108,322
Other real property tax items	49,187	44,679
Other general revenues	714,613	1,022,132
<b>Total Revenues</b>	11,012,391	9,851,966
Expenses - Water supply services	9,286,454	8,456,354
<b>Changes in Net Position</b>	<b>\$ 1,725,937</b>	<b>\$ 1,395,612</b>

\*Certain reclassifications have been made to be consistent with the current year presentation.

**FINANCIAL HIGHLIGHTS**

The District's total assets and deferred outflows of resources at December 31, 2020 were \$59,660,020, an increase of \$1,033,651 from the prior year. The increase is primarily due to increases in capital assets net of depreciation, accounts receivable, due from other governments and deferred outflows of resources for pensions and other postemployment benefits, offset by a decrease in cash. Total liabilities and deferred inflows of resources at December 31, 2020 were \$27,759,081, a decrease of \$692,286 from the prior year. This decrease is primarily due to decreases in bonds payable and deferred inflows of resources for other postemployment benefits, offset by increases in accounts payable, developers deposits, other postemployment benefits liability, and net pension liability.

The District's net position at December 31, 2020 is \$31,900,939, an increase of \$1,725,937 from the prior year. Of the District's total net position, \$32,726,423 was a net investment in capital assets, \$4,040,831 was restricted for capital projects, repairs, and debt service, and \$4,866,315 was unrestricted deficit.

The unrestricted net deficit of \$4,866,315 relates to the unrestricted resources needed from future operations. 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 \$353,048 primarily as a result of revenues exceeding expenditures, offset by the change in assumptions to the total OPEB liability.

Program revenues decreased by \$1,381,680, which was primarily due to an increases in water rates charges to developers' escrow account activity, and a grant secured by the District from New York State for a new treatment system.

General revenues decreased \$221,255 as compared to the prior year, which was primarily due to a decrease in system expansion charges, partially offset by an increase in revenue from real estate taxes.

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2020

**FINANCIAL HIGHLIGHTS** (continued)

Expenses for water supply services increased \$830,100, primarily due to change in actuarial assumptions related to the OPEB and net pension liabilities, depreciation, salaries, and debt service interest.

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

**Governmental Funds**

General Fund

Fund balance in the general fund decreased this year by \$156,416 to \$8,883,600, as a result of excess expenditures and other financing uses over revenues and other financing sources. Of this total, \$2,399,534 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance consists of \$313,763 of nonspendable related to inventory and prepaid items, \$2,114,567 assigned to expenditures in subsequent years, and \$4,055,736 restricted for capital costs, debt service, and emergency repair.

Capital Projects Fund

Fund balance in the capital projects fund of \$2,927,760 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>Variance</u>
Revenues	\$ 9,164,378	\$ 9,164,472	\$ 9,563,971	\$ 399,499
Expenditures	9,437,378	9,463,146	8,611,364	851,782
Other Financing Sources		1,632,820	1,632,820	-0-
Other Financing Uses		2,741,843	2,741,843	-0-
	<u>\$ (273,000)</u>	<u>\$ (1,407,697)</u>	<u>\$ (156,416)</u>	<u>\$ 1,251,281</u>

The general fund reported an excess of expenditures and other financing uses over revenues and other financing sources this year of \$156,416, decreasing the fund balance to \$8,883,600. 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 proceeds relating issuance of a refunding bond. Other financing uses includes debt service principal relating to the refunded bond, as well as a transfer to the capital projects fund. The commissioners approved budget adjustments of \$1,130,000 to be transferred to the capital projects fund for various projects, and also adjusted for a bond refunding that was issued by the Town.



**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2020

**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 2020, the District expended \$2,786,637 for capital assets and improvements to the water system. Additional information on the District's capital assets can be found in Note E 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 \$5.1 million within the next two years.

As of December 31, 2020, the District had \$13,546,726 outstanding of general obligation bonds payable, inclusive of premiums. Additional information on the District's long-term debt can be found in Note F 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>
2020	3.344	3.046	\$ 3,955,170
2019	3.258	3.097	3,554,452
2018	3.388	3.045	3,449,664
2017	3.539	3.089	3,423,939
2016	3.880	3.392	3,732,223

The increase in metered water revenue for the year ended December 31, 2020 was primarily the result of increased rates, from 2019 to 2020.

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 2021 budget, the District did not exceed the property tax levy cap provisions.

**SOUTH HUNTINGTON WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2020

**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.

**BASIC FINANCIAL STATEMENTS**

**SOUTH HUNTINGTON WATER DISTRICT**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION**  
 December 31, 2020

<b>Assets</b>	
Current assets:	
Cash	\$ 11,294,479
Accounts receivable	1,314,907
Due from other governments	860,013
Inventory of materials and supplies	261,777
Prepaid expenses	94,878
Total Current Assets	13,826,054
Non-current assets:	
Non-depreciable capital assets	3,167,515
Depreciable capital assets, net of depreciation	40,312,969
Total Non-current Assets	43,480,484
<b>Total Assets</b>	<b>57,306,538</b>
<b>Deferred Outflows of Resources</b>	
Pensions	825,893
Other postemployment benefits	1,527,589
<b>Total Deferred Outflows of Resources</b>	<b>2,353,482</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued expenses	1,576,065
Due to other governments	93
Developer deposits	300,428
Non-current liabilities due within one year:	
General obligation bonds payable, inclusive of premiums	2,135,182
Compensated absences	79,835
Total Current Liabilities	4,091,603
Non-current liabilities:	
General obligation bonds payable, inclusive of premiums	11,411,544
Compensated absences	334,732
Other postemployment benefits liability	9,690,614
Net pension liability - proportionate share	1,009,994
Total Non-current Liabilities	22,446,884
<b>Total Liabilities</b>	<b>26,538,487</b>
<b>Deferred Inflows of Resources</b>	
Pensions	55,082
Other postemployment benefits	1,165,512
<b>Total Deferred Inflows of Resources</b>	<b>1,220,594</b>
<b>Net Position</b>	
Net investment in capital assets	32,726,423
Restricted	4,040,831
Unrestricted (Deficit)	(4,866,315)
<b>Total Net Position</b>	<b>\$ 31,900,939</b>

See notes to financial statements.

**SOUTH HUNTINGTON WATER DISTRICT**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2020

**Governmental Activities**

Expenses - Water supply services	\$ 9,286,454
Program revenues - Charges for services	5,386,695
Program revenues - Capital grants and contributions	<u>671,818</u>
Net Program Expenses	<u>(3,227,941)</u>

**General Revenues**

Real property taxes	4,190,078
Other real property tax items	49,187
Use of money and property	619,745
Sale of property and compensation for loss	36,133
Other local sources	<u>58,735</u>

Total General Revenues 4,953,878

**Change in Net Position**

1,725,937

**Net Position - Beginning of the Year**

30,175,002

Net Position - End of the Year \$ 31,900,939

**SOUTH HUNTINGTON WATER DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
 December 31, 2020

	General Fund	Capital Projects Fund	Total
<b>Assets</b>			
Cash	\$ 7,682,889	\$ 3,611,590	\$ 11,294,479
Accounts receivable	1,069,711		1,069,711
Due from other governments	58,765	801,248	860,013
Due from other fund	29,879		29,879
Inventory of materials and supplies	261,777		261,777
Prepaid expenses	51,986		51,986
<b>Total Assets</b>	<b>\$ 9,155,007</b>	<b>\$ 4,412,838</b>	<b>\$ 13,567,845</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 271,314	\$ 1,154,771	\$ 1,426,085
Due to other governments	93		93
Due to other fund		29,879	29,879
Developer deposits		300,428	300,428
<b>Total Liabilities</b>	<b>271,407</b>	<b>1,485,078</b>	<b>1,756,485</b>
<b>Fund Balances</b>			
Fund Balance:			
Nonspendable	313,763		313,763
Restricted	4,055,736	2,777,760	6,833,496
Assigned	2,114,567	150,000	2,264,567
Unassigned	2,399,534		2,399,534
<b>Total Fund Balances</b>	<b>8,883,600</b>	<b>2,927,760</b>	<b>11,811,360</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,155,007</b>	<b>\$ 4,412,838</b>	<b>\$ 13,567,845</b>

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

<b>Total Governmental Fund Balances</b>	\$ 11,811,360
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:	
Capital assets - non-depreciable	3,167,515
Capital assets - depreciable	91,554,422
Accumulated depreciation	(51,241,453)
	43,480,484
Certain prepaid assets are not current financial resources and therefore are not reported in the funds.	
	42,892
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.	
	2,353,482
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	(13,546,726)
Accrued interest payable	(149,980)
Compensated absences	(414,567)
Other postemployment benefits payable	(9,690,614)
Net pension liability - proportionate share	(1,009,994)
	(24,811,881)
Deferred inflows of resources related to pension plans and other postemployment benefits payable are included in the Statement of Net Position.	
	(1,220,594)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	
	245,196
<b>Net Position of Governmental Activities</b>	<b>\$ 31,900,939</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, 2020

	General Fund	Capital Projects Fund	Total
<b>Revenues</b>			
Real property taxes	\$ 4,190,078		\$ 4,190,078
Other real property tax items	49,187		49,187
Departmental income	4,610,093		4,610,093
Use of money and property	619,745		619,745
Sale of property and compensation for loss	36,133		36,133
Other local sources	58,735	\$ 762,780	821,515
State aid		671,818	671,818
Total Revenues	<u>9,563,971</u>	<u>1,434,598</u>	<u>10,998,569</u>
<b>Expenditures</b>			
Administration	977,266		977,266
Source of supply, power, and pumping	1,432,934		1,432,934
Purification	609,778		609,778
Transmission and distribution	2,031,464		2,031,464
Employee benefits	886,439		886,439
Debt service	2,673,483		2,673,483
Capital outlay		2,786,637	2,786,637
Total Expenditures	<u>8,611,364</u>	<u>2,786,637</u>	<u>11,398,001</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>952,607</u>	<u>(1,352,039)</u>	<u>(399,432)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in		1,130,000	1,130,000
Transfers out	(1,130,000)		(1,130,000)
Premium on bonds	226,443		226,443
Refunding bonds issued	1,406,377		1,406,377
Debt service - principal	(1,611,843)		(1,611,843)
Total Other Financing Sources (Uses)	<u>(1,109,023)</u>	<u>1,130,000</u>	<u>20,977</u>
Net Change in Fund Balances	(156,416)	(222,039)	(378,455)
<b>Fund Balances - Beginning of Year</b>	<u>9,040,016</u>	<u>3,149,799</u>	<u>12,189,815</u>
Fund Balances - End of Year	<u>\$ 8,883,600</u>	<u>\$ 2,927,760</u>	<u>\$ 11,811,360</u>

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

Net Change in Fund Balances \$ (378,455)

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 outlay	2,813,806
Depreciation expense	(2,445,733)

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 debt	(1,406,377)
Repayment of bond principal	3,767,633
Premium on bonds	(226,443)
Amortization of deferred charge on refunding	(18,506)
Amortization of premium	169,245

Some revenues and expenses reported in the Statement of Activities are not reported as revenues or expenditures in the governmental funds:

Prepaid insurance	(2,662)
Accrued interest cost	(6,463)
Compensated absences	(45,648)
Other postemployment benefits payable	(354,894)
Unbilled water revenue	13,822
Pension expense	(153,388)

**Change in Net Position of Governmental Activities** \$ 1,725,937

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**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 and interest) 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, 2020

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

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

**Fund Financial Statements**

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, 2020

**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. Prepaids**

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items 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, 2020

**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. Unearned Revenue**

Unearned revenue consists of balances where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts include collections in advance.

**10. 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).

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 G and H.

**11. 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, 2020

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

**11. 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
Water mains	50 years
Equipment	10 years
Machinery and equipment	10–20 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.

**12. 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.

**13. Long-Term Debt**

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 and discounts are deferred and amortized over the life of the bonds. General obligation bonds payable are reported net of the applicable bond premium or discount. 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 while discounts on debt issuances are reported as other financing uses. The liability 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.

**14. 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 long-term debt in the government-wide statements. The current portion of this debt 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 have been paid or will be paid with current available resources.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

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

**15. 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 and their spouse 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 long-term debt in the government-wide statements.

**16. 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.

**17. 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, 2020

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

**17. 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 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. See Note B.
- 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, 2020

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

**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, 2020, The District adopted the following:

Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", effective immediately. This Statement postpones the effective dates of certain provisions in Statements and implementation Guides that first became effective or are schedule to become effective for periods beginning after June 15, 2018 and later. The new effective dates of applicable standards are presented in Note K, in accordance with this standard.

**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.

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 2020 budget, the District limited the increase in the real property tax levy to 1.99%, which was within the property tax levy limit.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

**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
<b>Nonspendable:</b>			
Prepaid items	\$ 51,986		\$ 51,986
Inventory of materials and supplies	261,777		261,777
Total Nonspendable	<u>313,763</u>	<u>\$ -0-</u>	<u>313,763</u>
<b>Restricted for:</b>			
Capital improvements - Bonds		\$ 1,943,485	1,943,485
Capital projects reserves	3,102,564	834,275	3,936,839
Debt service	715,617		715,617
Debt service - appropriated for subsequent year's budget	133,563		133,563
Repair reserve	103,992		103,992
Total Restricted	<u>4,055,736</u>	<u>2,777,760</u>	<u>6,833,496</u>
<b>Assigned to:</b>			
Capital improvements	1,500,000	150,000	1,650,000
Employee benefit accrued liability	414,567		414,567
Judgments and claims	125,000		125,000
Retirement contributions	75,000		75,000
Total Assigned	<u>2,114,567</u>	<u>150,000</u>	<u>2,264,567</u>
Unassigned	<u>2,399,534</u>	<u>-0-</u>	<u>2,399,534</u>
Total Fund Balances	<u>\$ 8,883,600</u>	<u>\$ 2,927,760</u>	<u>\$ 11,811,360</u>

**Reserves**

A summary of activity in the reserves for 2020 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, 2020

**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 2020 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 4,004,577
System construction charge	23,925
Transfer out	(980,000)
Interest earned on reserve cash	<u>54,062</u>
Balance - end	<u>\$ 3,102,564</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 2020 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 890,962
Transfer in	24,190
Transfer out	(78,000)
Interest earned on reserve cash	<u>12,028</u>
Balance - end	<u>\$ 849,180</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 2020 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 102,607
Interest earned on reserve cash	<u>1,385</u>
Balance - end	<u>\$ 103,992</u>

**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

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**C. Cash and Investments** (continued)

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, 2020, the District's bank balances consisted of deposits totaling \$11,316,768. Of the total bank balance, \$250,000 was covered by the FDIC and \$11,066,768 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, 2020, the District did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

**D. Lease Income**

The District leases space on its elevated water storage tanks for cell phone antennas. Such leases expire through 2039 with annual escalations. Current-year lease income amounted to \$505,445 and is included in use of money and property.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

**D. Lease Income** (continued)

Future minimum rental receipts for these leases are as follows:

Years Ending December 31, 2021	\$	489,602
2022		460,993
2023		418,394
2024		320,205
2025		332,475
Thereafter		<u>4,164,195</u>
	<u>\$</u>	<u>6,185,864</u>

**E. Capital Assets**

Capital asset activity for the year ended December 31, 2020 is as follows:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Capital assets not being depreciated:				
Land	\$ 1,109,751			\$ 1,109,751
Construction in progress	<u>215,718</u>	\$ 2,023,857	\$ 181,811	<u>2,057,764</u>
Total capital assets not being depreciated	<u>1,325,469</u>	<u>2,023,857</u>	<u>181,811</u>	<u>3,167,515</u>
Depreciable capital assets:				
Buildings	13,644,180			13,644,180
Improvements	4,192,357			4,192,357
Wells, water tanks, and structures	18,459,130	30,210		18,489,340
Machinery and equipment	17,197,996	18,433		17,216,429
Water mains	36,102,592	914,381		37,016,973
Equipment	64,481			64,481
Office furniture and equipment	125,528	8,736		134,264
Vehicles	<u>796,398</u>			<u>796,398</u>
Total depreciable capital assets	<u>90,582,662</u>	<u>971,760</u>	<u>-0-</u>	<u>91,554,422</u>
Less accumulated depreciation:				
Buildings	3,389,866	334,947		3,724,813
Improvements	1,235,404	206,437		1,441,841
Wells, water tanks and structures	7,327,955	419,833		7,747,788
Machinery and equipment	11,186,820	710,579		11,897,399
Water mains	24,942,952	712,713		25,655,665
Equipment	56,024	1,369		57,393
Office furniture and equipment	107,856	5,780		113,636
Vehicles	<u>548,843</u>	<u>54,075</u>		<u>602,918</u>
Total accumulated depreciation	<u>\$ 48,795,720</u>	<u>\$ 2,445,733</u>	<u>\$ -0-</u>	<u>51,241,453</u>
Total net depreciable capital assets				<u>40,312,969</u>
Total net capital assets				<u>\$ 43,480,484</u>

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

**E. Capital Assets** (continued)

Depreciation expense of \$2,445,733 was charged to water supply services expense for the year ended December 31, 2020.

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, 2020, the District has not recorded any such impairment losses.

**F. Indebtedness**

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 2034.

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.

Net Pension Liability - Proportionate Share - Represents the District's proportionate share of the NYS ERS net pension liability (See Note G).

The following is a summary of changes in long-term liabilities for the year ended December 31, 2020:

	Balance 1/1/2020	Increases	Reductions	Balance 12/31/2020	Non-current Liabilities Due Within One Year	Long-term
General obligation						
bonds payable	\$ 15,046,321	\$1,406,377	\$3,767,633	\$12,685,065	\$ 1,975,152	\$10,709,913
Plus premiums on issuance	804,463	226,443	169,245	861,661	160,030	701,631
	<u>15,850,784</u>	<u>1,632,820</u>	<u>3,936,878</u>	<u>13,546,726</u>	<u>2,135,182</u>	<u>11,411,544</u>
Compensated absences	368,919	53,197	7,549	414,567	79,835	334,732
Other postemployment benefits liability	8,454,371	1,484,504	248,261	9,690,614		9,690,614
Net pension liability - proportionate share	321,983	880,105	192,094	1,009,994		1,009,994
	<u>\$ 24,996,057</u>	<u>\$4,050,626</u>	<u>\$4,384,782</u>	<u>\$24,661,901</u>	<u>\$ 2,215,017</u>	<u>\$22,446,884</u>

**F. Indebtedness** (continued)

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2020 are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2021	\$ 1,975,152	\$ 475,201	\$ 2,450,353
2022	\$ 1,895,750	\$ 385,286	2,281,036
2023	\$ 1,934,334	\$ 312,257	2,246,591
2024	\$ 1,443,548	\$ 241,644	1,685,192
2025	\$ 1,238,696	\$ 179,724	1,418,420
2026-2030	\$ 3,232,524	\$ 368,347	3,600,871
2031-2034	\$ 965,061	\$ 53,660	1,018,721
	\$ 12,685,065	\$ 2,016,119	\$ 14,701,184

In the Statement of Activities, interest expense is allocated to water supply services. Interest expense for the year ended December 31, 2020 is composed of:

Interest paid	\$ 496,622
Less: interest accrued in the prior year	(143,517)
Plus: interest accrued in the current year	149,980
Total interest expense	\$ 503,085

Current Refunding of Bonds – On September 23, 2020, the Town of Huntington, on behalf of the District, issued \$1,406,377 in Public Improvement Refunding Bonds with an interest rate of 5.00% and annual maturities through June 15, 2026. The net proceeds of this refunding were used to refund \$1,611,843 of outstanding Public Improvement Serial Bonds with interest rates ranging from 3.0% to 3.25%. These refunded issues were called within 90 days of the issue.

The District reduced its total debt service payments over the next six years by \$131,272 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$130,322.

**G. Pension Plan**

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**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.

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.

**G. Pension Plan (continued)**

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

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

*Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 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. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least 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 and 4 members with five or more years of service and Tier 5 members with ten 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.

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten 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 ten 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.

**G. Pension Plan (continued)**

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

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

*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. 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<sup>st</sup>.

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

<u>Year</u>	<u>ERS</u>
2020	\$ 207,942
2019	192,094
2018	206,700

**G. Pension Plan** (continued)



**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

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

At December 31, 2020, the District reported the following liability of \$1,009,994 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019. 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, 2019
Net pension liability	\$	1,009,994
District's portion of the Plan's total net pension asset/(liability)		0.0038141%
Change in allocation of the System's total Net Pension Liability since the prior measurement date		-0.0007303%

For the year ended December 31, 2020, the District's recognized pension expense of \$357,369. At December 31, 2020, 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	\$	59,442	
Changes of assumptions		20,337	\$ 17,560
Net difference between projected and actual earnings on pension plan investments		517,772	
Changes in proportion and differences between the District's contributions and proportionate share of contributions		72,385	37,522
District's contribution subsequent to the measurement date		155,957	
Total	\$	825,893	\$ 55,082

**G. Pension Plan (continued)**

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

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

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, 2021. 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, 2021	\$ 111,891
2022	158,401
2023	194,524
2024	150,038
	\$614,854

**5. Actuarial Assumptions**

The total pension liability as of the measurement date of March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

The actuarial valuations used the following actuarial assumptions:

	ERS
Measurement date	March 31, 2020
Actuarial valuation date	April 1, 2019
Interest rate	6.8%
Salary scale	4.2%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Cost of living adjustment	1.3%
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

**G. Pension Plan** (continued)

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

**5. Actuarial Assumptions** (continued)

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. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of return of 7.0%. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below:

	ERS	
Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equity	36.0%	4.05%
International equity	14.0%	6.15%
Private equity	10.0%	6.75%
Real estate	10.0%	4.95%
Absolute return strategies	2.0%	3.25%
Opportunistic portfolio	3.0%	4.65%
Real assets	3.0%	5.95%
Bonds and mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation indexed bonds	4.0%	0.50%
	100.0%	

**6. Discount Rate**

The discount rate used to calculate the total pension liability 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.

**G. Pension Plan** (continued)

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8%, 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 (5.8%) or 1% point higher (7.8%) than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's proportionate share of the net pension asset liability	\$ 1,853,625	\$ 1,009,994	\$ 233,007

The components of the current-year net pension liability of the employers participating in the System's as of March 31, 2020 were as follows (in thousands):

	ERS
Valuation date	March 31, 2020
Employers' total pension liability	\$ 194,596,261
Plan Fiduciary Net Position	(168,115,682)
Employers' net pension asset/(liability)	\$ 26,480,579
Ratio of plan fiduciary net position to the Employers' total pension liability	86.39%

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

**H. 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.

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.

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

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

Employees Covered by Benefit Terms

The number of participants as of January 1, 2020, the effective date of the OPEB valuation, is as follows:

	<u>Participants</u>
Active employees	17
Inactive employees or beneficiaries currently receiving benefit payments	<u>25</u>
Total	<u><u>42</u></u>

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 \$9,690,614 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2019 with update procedures used to rollforward the OPEB liability to the measurement date.

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, 2020 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	3.50%
Discount rate	2.12%
Healthcare cost trend rates	6.5% in 2020, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2023 and later

The discount rate was based on the Bond Buyer's 20 Bond Index as of December 31, 2020.

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 September 2016, and postretirement mortality rates for healthy participants (sex distinct for non-police employees and retirees) using projection scale MP 2018.

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

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

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

In the December 31, 2020 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).

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 6.5% in 2020, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2023 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 September 2016. The MP 2018 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, 2019	\$ 8,454,371
Changes for the year:	
Service cost	287,797
Interest	236,157
Differences between expected and actual experience	-
Changes of assumptions or other inputs	960,550
Benefit payments	(248,261)
Net Changes	1,236,243
Balance at December 31, 2020	\$ 9,690,614

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 (1.12%) or 1-percentage-point higher (3.12%) than the current discount rate:

	One Percent Decrease (1.12%)	Current Discount Rate (2.12%)	One Percent Increase (3.12%)
Total OPEB liability	\$ 11,599,774	\$ 9,690,614	\$ 8,210,019

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

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

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	\$ 8,018,928	\$ 9,690,614	\$ 11,900,262

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

For the year ended December 31, 2020, the District recognized OPEB expense of \$603,155. At December 31, 2020, 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>
Experience gain		\$ 677,631
Change of assumptions or other inputs	\$ 1,527,589	487,881
Total	<u>\$ 1,527,589</u>	<u>\$ 1,165,512</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.	2021	\$	79,201
	2022		127,259
	2023		155,617
		\$	<u>362,077</u>

**I. Tax Abatements**

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

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, 2020, the amount of District property tax abated was \$61,540.

**J. 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 \$5.1 million within the next two years.

At December 31, 2020, the District had contracts and other commitments outstanding related to capital projects as follows:

Treatment Plant 10	\$ 4,417,673
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**K. New Pronouncements**

The following statements have been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in future years:

Statement No. 87, *Leases*, as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for the year ending December 31, 2022.

**K. New Pronouncements (continued)**



**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", the objective of which is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for financial statements for the year ending December 31, 2021.

Statement No. 91, *Conduit Debt Obligations*, as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", the objective of which are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for financial statements for the year ending December 31, 2022.

Statement No. 92, "Omnibus 2020", as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", was issued to enhance comparability in accounting and financial reporting and consistency of authoritative language on various topics. The requirements of this Statement are effective for reporting periods as follows: paragraphs 4,5,6,7,8,9,10,and 12 effective for financial statements for the year ending December 31, 2022.

Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*, this Statement has been issued to improve financial reporting related to public-private and public-public partnership arrangements, in which one a government (transferor) contracts with an operator (governmental or nongovernmental entity) to provide public services by conveying the right to operate or use a nonfinancial assets. The requirements of this Statement are effective for financial statements for the year ending December 31, 2023.

Statement No. 96, "Subscription-Based Information Technology Arrangements", this Statement has been issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are for the year ending December 31, 2023.

**SOUTH HUNTINGTON WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, the primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for financial statements for the year ending December 31, 2022.

The District is currently evaluating the impact, if any, of the above pronouncements.

**L. Contingencies**

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of this ongoing pandemic are uncertain. Potential implications could include but are not limited to adverse effects on the District's financial performance, its labor force, delay and/or impedance of financial growth, and business interruption. At this time, management is unable to determine the likelihood or quantification of these potential effects. As a result, no loss contingency is recorded at this time.

**M. Subsequent Events**

The District's management has evaluated subsequent events through April 15, 2021, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SOUTH HUNTINGTON WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL**  
 Year Ended December 31, 2020  
 (Unaudited)

	Budget Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Real Property Taxes</b>	\$ 4,190,078	\$ 4,190,078	\$ 4,190,078	\$ -0-
<b>Other Real Property Taxes</b>	40,000	40,000	49,187	9,187
<b>Departmental Income</b>				
Metered water sales	3,750,000	3,750,000	3,955,170	205,170
Unmetered water sales	536,600	536,600	533,550	(3,050)
Hydrant permits	2,200	2,200	1,425	(775)
Interest and penalties - water rents	20,000	20,000	26,808	6,808
Water service charges	60,000	60,000	93,140	33,140
Total Departmental Income	4,368,800	4,368,800	4,610,093	241,293
<b>Use of Money and Property</b>				
Interest earnings	60,000	60,094	114,300	54,206
Tower rental	471,000	471,000	505,445	34,445
Total Use of Money and Property	531,000	531,094	619,745	88,651
<b>Sale of Property and Compensation for Loss</b>				
Sales of scrap and excess materials	8,500	8,500	2,399	(6,101)
Sales of taps, meters and supplies	26,000	26,000	25,751	(249)
Insurance recoveries			5,777	5,777
Litigation settlement			2,206	2,206
Total Sale of Property and Compensation for Loss	34,500	34,500	36,133	1,633
<b>Other Local Sources</b>				
Miscellaneous local sources			34,810	34,810
System construction charge			23,925	23,925
Total Other Local Sources	-0-	-0-	58,735	58,735
Total Revenue	9,164,378	9,164,472	9,563,971	399,499
<b>Other Financing Sources</b>				
Premium on obligations		226,443	226,443	-0-
Refunding bonds issued		1,406,377	1,406,377	-0-
Total Other Financing Sources	-0-	1,632,820	1,632,820	-0-
<b>Appropriated fund balance and reserves</b>				
Assigned fund balance	195,000	349,697		
Appropriated reserves	78,000	1,058,000		
Total appropriated fund balance and reserves	273,000	1,407,697		
Total Revenue, Other Financing Sources, Appropriated Fund Balance and Reserves	<u>\$ 9,437,378</u>	<u>\$ 12,204,989</u>	<u>\$ 11,196,791</u>	<u>\$ 399,499</u>

**SOUTH HUNTINGTON WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
 Year Ended December 31, 2020  
 (Unaudited)

	Budget Amounts		Actual	Encum- brances	Variance Positive (Negative)
	Original	Final			
<b>Administration</b>					
Personal Services:					
Administrative salaries	\$ 315,000	\$ 333,286	\$ 333,286		\$ -0-
Commissioners fees	33,000	46,000	46,000		-0-
Equipment:					
Communications equipment	2,500	2,500	496		2,004
Office equipment	15,000	17,207	17,207		-0-
Contractual and other expenditures:					
Professional services-legal	30,000	56,310	56,310		-0-
Professional services-auditing	65,000	65,000	64,250		750
Professional services-bond fees	4,000	4,000	1,988		2,012
Data processing	42,000	42,000	36,823		5,177
Insurance	240,000	196,863	185,133		11,730
Telephone	95,000	95,000	79,217		15,783
Postage and office supplies	77,000	88,305	88,305		-0-
Fuel and heat	54,000	54,000	30,999		23,001
Education and travel	14,000	25,029	19,979		5,050
Newsletter	16,000	19,000	17,273		1,727
Contingencies	50,000				-0-
Total Administration	1,052,500	1,044,500	977,266	\$ -0-	67,234
<b>Source of Supply, Power, and Pumping</b>					
Power and light	1,500,000	1,500,000	1,405,723		94,277
Purchase of water	25,000	30,000	27,211		2,789
Total Source of Supply, Power, and Pumping	1,525,000	1,530,000	1,432,934	-0-	97,066
<b>Purification</b>					
Water analysis	200,000	200,000	180,818		19,182
Water treatment	450,000	450,000	428,960		21,040
Total Purification	650,000	650,000	609,778	-0-	40,222
<b>Transmission and Distribution</b>					
Personal services - supervision and labor	1,200,000	1,200,000	1,077,130		122,870
Equipment:					
Autos and trucks purchased	55,000	25,000			25,000
Meter purchases	420,000	329,299	148,485		180,814
Hydrant purchases	32,000	36,697	2,057		34,640
Contractual and other expenditures:					
Mapping	20,000	20,000	12,488		7,512
Materials and supplies	26,500	27,912	27,912		-0-
Maintenance - wells	350,000	388,639	388,639		-0-
Maintenance - grounds	30,000	30,000	24,250		5,750
Maintenance - mains and hydrants	100,000	100,000	91,048		8,952
Maintenance - autos and trucks	23,000	23,000	17,840		5,160
Maintenance - building	35,000	72,257	72,257		-0-
Professional services - engineering	85,000	128,944	128,944		-0-
Road restoration	25,000	25,000	5,036		19,964
Sundry	1,000	1,000	283		717
Small tools and shop supplies	17,000	17,000	12,422		4,578
Safety and markout	5,000	7,449	7,449		-0-
Gas and oil	35,000	35,000	15,224		19,776
Total Transmission and Distribution	2,459,500	2,467,197	2,031,464	-0-	435,733
<b>Employee Benefits</b>					
State retirement	227,000	227,000	203,980		23,020
Social security	121,725	121,725	107,818		13,907
Hospital and medical insurance	742,000	742,000	574,641		167,359
Total Employee Benefits	1,090,725	1,090,725	886,439	-0-	204,286

**SOUTH HUNTINGTON WATER DISTRICT**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
 Year Ended December 31, 2020  
 (Unaudited)

	Budget Amounts		Actual	Encum- brances	Variance Positive (Negative)
	Original	Final			
<b>Debt Service</b>					
Serial bond principal	2,155,790	2,155,790	2,155,790		-0-
Serial bond interest	503,863	503,863	496,622		7,241
Debt issuance costs		21,071	21,071		-0-
Total Debt Service	<u>2,659,653</u>	<u>2,680,724</u>	<u>2,673,483</u>	-0-	7,241
Total Expenditures	<u>9,437,378</u>	<u>9,463,146</u>	<u>8,611,364</u>	-0-	851,782
<b>Other Financing Uses</b>					
Transfers out		1,130,000	1,130,000		-0-
Debt service - principal		1,611,843	1,611,843		-0-
Total Other Financing Uses	<u>-0-</u>	<u>2,741,843</u>	<u>2,741,843</u>	-0-	-0-
Total Expenditures and Other Financing Uses	<u>\$ 9,437,378</u>	<u>\$ 12,204,989</u>	<u>\$ 11,353,207</u>	<u>\$ -0-</u>	<u>\$ 851,782</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, 2020  
 (Unaudited)

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, 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:

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 LIABILITY  
December 31, 2020  
(Unaudited)

NYSERS	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0038141%	0.0045444%	0.0043350%	0.0042256%	0.0043830%	0.0044837%	0.0044837%
District's proportionate share of the net pension liability (asset)	\$ 1,009,994	\$ 321,983	\$ 139,909	\$ 397,046	\$ 703,477	\$ 151,472	\$ 202,614
District's covered-employee payroll	\$ 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 liability (asset) as a percentage of its covered-employee payroll	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.	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

**SOUTH HUNTINGTON WATER DISTRICT**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
December 31, 2020  
(Unaudited)

	<u>NYSERS</u>									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 203,980	\$ 195,746	\$ 202,948	\$ 189,105	\$ 193,255	\$ 205,756	\$ 326,700	\$ 215,311	\$ 255,066	\$ 166,737
Contributions in relation to the contractually required contribution	<u>203,980</u>	<u>195,746</u>	<u>202,948</u>	<u>189,105</u>	<u>193,255</u>	<u>205,756</u>	<u>326,700</u>	<u>215,311</u>	<u>255,066</u>	<u>166,737</u>
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	\$ 1,446,165	\$ 1,354,420	\$ 1,291,865	\$ 1,329,652	\$ 1,228,683	\$ 1,316,312	\$ 1,373,704	\$ 1,352,331	\$ 1,204,400	\$ 1,265,077
Contributions as a percentage of covered-employee payroll	14.10%	14.45%	15.71%	14.22%	15.73%	15.63%	23.78%	15.92%	21.18%	13.18%

**OTHER SUPPLEMENTARY INFORMATION**

**SOUTH HUNTINGTON WATER DISTRICT**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT EXPENDITURES**  
Year Ended December 31, 2020  
(Unaudited)

<b>PROJECT TITLE</b>	<u>Expenditures</u>		<u>Encum - brances</u>	<u>Total</u>
	<u>Prior Years</u>	<u>Current Year</u>		
Developers Escrow Projects		\$ 762,780		\$ 762,780
Capital Reserve Project:				
Hydrant Replacement	\$ 147,627	\$ 151,601		299,228
Bond Projects:				
SCADA System Plant 3, 4 & 7	1,733,856	30,210		1,764,066
Treatment Plant 10	215,717	1,842,046	\$ 4,417,673	6,475,436
Total Capital Projects	<u>\$ 2,097,200</u>	<u>\$ 2,786,637</u>	<u>\$ 4,417,673</u>	<u>\$ 9,301,510</u>