

SOUTH HUNTINGTON WATER DISTRICT

A COMPONENT UNIT OF THE TOWN OF HUNTINGTON

ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

**SOUTH HUNTINGTON WATER DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
South Huntington Water District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Huntington Water District (the "District"), a component of the Town of Huntington, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, detailed schedule of revenues – budget and actual – general fund, detailed schedule of expenditures – budget and actual – general fund, schedule of changes in the District's total other postemployment benefits (OPEB) liability and related ratios, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3-8 and 39-44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The capital projects fund – schedule of project expenditures presented on page 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
 Islandia, New York
 April 6, 2022

**SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021**

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, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of two sets of financial statements.

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds tell how services were financed in the short-term as well as what remains for future spending. Governmental fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund and capital projects fund. The District's basic services are reported in funds which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

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>2021</u>	<u>2020</u>
Assets		
Current assets	\$ 19,207,949	\$ 13,826,054
Capital assets, net of accumulated depreciation	<u>47,093,857</u>	<u>43,480,484</u>
Total Assets	<u>66,301,806</u>	<u>57,306,538</u>
Deferred Outflows of Resources		
Pensions	1,042,989	825,893
Other postemployment benefits	<u>2,230,295</u>	<u>1,527,589</u>
Total Deferred Outflows of Resources	<u>3,273,284</u>	<u>2,353,482</u>
Liabilities		
Current liabilities	3,604,938	4,091,603
Non-current liabilities	<u>28,622,276</u>	<u>22,446,884</u>
Total Liabilities	<u>32,227,214</u>	<u>26,538,487</u>
Deferred Inflows of Resources		
Pensions	1,129,962	55,082
Other postemployment benefits	<u>622,205</u>	<u>1,165,512</u>
Total Deferred Inflows of Resources	<u>1,752,167</u>	<u>1,220,594</u>
Net Position		
Net investment in capital assets	35,562,350	32,726,423
Restricted	3,300,169	4,040,831
Unrestricted (Deficit)	<u>(3,266,810)</u>	<u>(4,866,315)</u>
Total Net Position	<u>\$ 35,595,709</u>	<u>\$ 31,900,939</u>

**SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021**

CONDENSED FINANCIAL INFORMATION (continued)

Changes in Net Position

For the years ended December 31,

	<u>2021</u>	<u>2020*</u>
Program revenues:		
Charges for services	\$ 4,643,698	\$ 4,623,915
Capital grants and contributions	1,448,752	671,818
General revenues:		
Real property taxes	4,255,075	4,190,078
Other real property tax items	47,071	49,187
Other general revenues	3,038,843	1,477,393
Total Revenues	<u>13,433,439</u>	<u>11,012,391</u>
Expenses - Water supply services	<u>9,738,669</u>	<u>9,286,454</u>
Changes in Net Position	<u><u>\$ 3,694,770</u></u>	<u><u>\$ 1,725,937</u></u>

* Certain reclassifications have been made to conform to the current year presentation.

FINANCIAL HIGHLIGHTS

The District's total assets and deferred outflows of resources at December 31, 2021 were \$69,575,090, an increase of \$9,915,070 from the prior year. The increase is primarily due to increases in capital assets net of depreciation, accounts receivable, cash and deferred outflows of resources for pensions and other postemployment benefits (OPEB), offset by a decrease in due from other governments. Total liabilities and deferred inflows of resources at December 31, 2021 were \$33,979,381, an increase of \$6,220,300 from the prior year. This increase is primarily due to increases in bonds payable, other postemployment benefits payable and deferred inflows of resources for pensions, offset by decreases in accounts payable and net pension liability.

The District's net position at December 31, 2021 is \$35,595,709, an increase of \$3,694,770 from the prior year. Of the District's total net position, \$35,562,350 was a net investment in capital assets, \$3,300,169 was restricted for capital projects and repairs, and \$3,266,810 was unrestricted deficit.

The unrestricted net deficit of \$3,266,810 relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay-as-you-go" basis and is not permitted to accumulate funds for the total OPEB liability. This deficit decreased from the prior year by \$1,599,505, primarily as a result of revenues exceeding expenditures, offset by the change in assumptions to the total OPEB liability.

Program revenues increased by \$796,717, which was primarily due to an increase in capital grants and contributions. General revenues increased \$1,624,331 as compared to the prior year, which was primarily due to increased revenue from real estate taxes and the establishment of the dioxane surcharge for remediation of water contaminate, which is recorded in other local sources in the statement of activities.

Expenses for water supply services increased \$452,215, primarily due to change in actuarial assumptions related to the OPEB and net pension liabilities, depreciation, amortization, and debt service interest.

**SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

General Fund

Fund balance in the general fund increased this year by \$1,197,735 to \$10,081,335 as a result of excess revenues and other financing sources over expenditures and other financing uses. Of this total, \$2,854,201 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance consists of \$266,113 of nonspendable related to inventory of materials and supplies and prepaid expenses, \$2,933,771 assigned to expenditures in subsequent years, and \$4,027,250 restricted for capital projects, debt service, and emergency repairs.

Capital Projects Fund

Fund balance in the capital projects fund of \$7,859,311 is restricted or assigned for capital expenditures.

BUDGETARY HIGHLIGHTS

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Encum- brances</u>	<u>Variance</u>
Revenues	\$ 11,175,900	\$11,175,900	\$11,436,072		\$ 260,172
Expenditures	9,848,463	9,539,210	8,672,708	\$ 182,383	684,119
Other Financing Sources			184,646		184,646
Other Financing Uses	1,461,000	1,973,600	1,750,275		223,325
	<u>\$ (133,563)</u>	<u>\$ (336,910)</u>	<u>\$ 1,197,735</u>	<u>\$ 182,383</u>	<u>\$ 1,352,262</u>

The general fund reported an excess of revenues and other financing sources over expenditures and other financing uses this year of \$1,197,735, increasing the fund balance to \$10,081,335. 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. Other financing uses includes transfer to the capital projects fund to fund various projects.

**SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021**

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 2021, the District expended \$6,027,837 for capital assets and improvements to the water system and issued \$6,808,368 of bond proceeds to fund capital projects. Additional information on the District's capital assets can be found in Note F to the financial statements.

In addition to the capital improvements described above, the District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contracts or is planning additional improvements amounting to approximately \$10 million within the next three years.

As of December 31, 2021, the District had \$18,780,047 outstanding of general obligation bonds payable, inclusive of premiums. Additional information on the District's long-term debt can be found in Note G to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

	<u>Gallons Pumped</u> <u>(In billions)</u>	<u>Gallons Billed</u> <u>(In billions)</u>	<u>Metered Water</u> <u>Revenue</u>
2021	3.303	2.959	\$ 3,978,073
2020	3.344	3.046	3,955,170
2019	3.258	3.097	3,554,452
2018	3.388	3.045	3,449,664
2017	3.539	3.089	3,423,939

The increase in metered water revenue for the year ended December 31, 2021 was primarily the result of increased rates.

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

For the 2022 budget, the District did not exceed the property tax levy cap provisions.

**SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021**

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, 2021

Assets	
Current assets:	
Cash	\$ 17,216,434
Accounts receivable	1,629,454
Due from other governments	48,023
Inventory of materials and supplies	142,383
Prepaid expenses	171,655
	<hr/>
Total Current Assets	19,207,949
Non-current assets:	
Non-depreciable capital assets	8,543,836
Depreciable capital assets, net of accumulated depreciation	38,550,021
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Total Non-current Assets	47,093,857
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Total Assets	66,301,806
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Deferred Outflows of Resources	
Pensions	1,042,989
Other postemployment benefits	2,230,295
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Total Deferred Outflows of Resources	3,273,284
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Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	818,000
Developer deposits	366,268
Non-current liabilities due within one year:	
General obligation bonds payable, inclusive of premiums	2,361,779
Compensated absences	58,891
	<hr/>
Total Current Liabilities	3,604,938
Non-current liabilities:	
General obligation bonds payable, inclusive of premiums	16,418,268
Compensated absences	322,497
Other postemployment benefits payable	11,877,720
Net pension liability - proportionate share	3,791
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Total Non-current Liabilities	28,622,276
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Total Liabilities	32,227,214
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Deferred Inflows of Resources	
Pensions	1,129,962
Other postemployment benefits	622,205
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Total Deferred Inflows of Resources	1,752,167
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Net Position	
Net investment in capital assets	35,562,350
Restricted	3,300,169
Unrestricted (Deficit)	(3,266,810)
	<hr/>
Total Net Position	\$ 35,595,709
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See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

Governmental Activities

Expenses - Water supply services	\$ 9,738,669
Program revenues - Charges for services	4,643,698
Program revenues - Capital grants and contributions	<u>1,448,752</u>
Net Program Expenses	<u>(3,646,219)</u>

General Revenues

Real property taxes	4,255,075
Other real property tax items	47,071
Use of money and property	653,701
Sale of property and compensation for loss	86,593
Other local sources	2,289,411
Federal aid	<u>9,138</u>
Total General Revenues	<u>7,340,989</u>

Change in Net Position

Net Position - Beginning of the Year

Net Position - End of the Year

3,694,770

31,900,939

\$ 35,595,709

SOUTH HUNTINGTON WATER DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
 December 31, 2021

	General Fund	Capital Projects Fund	Total
Assets			
Cash	\$ 9,551,518	\$ 7,664,916	\$ 17,216,434
Accounts receivable	1,396,004		1,396,004
Due from other governments	48,023		48,023
Due from other fund		959,500	959,500
Inventory of materials and supplies	142,383		142,383
Prepaid expenses	123,730		123,730
Total Assets	<u>\$ 11,261,658</u>	<u>\$ 8,624,416</u>	<u>\$ 19,886,074</u>
Liabilities			
Accounts payable and accrued expenses	\$ 220,823	\$ 398,837	\$ 619,660
Due to other fund	959,500		959,500
Developer deposits		366,268	366,268
Total Liabilities	<u>1,180,323</u>	<u>765,105</u>	<u>1,945,428</u>
Fund Balances			
Fund Balance:			
Nonspendable	266,113		266,113
Restricted	4,027,250	6,521,459	10,548,709
Assigned	2,933,771	1,337,852	4,271,623
Unassigned	2,854,201		2,854,201
Total Fund Balances	<u>10,081,335</u>	<u>7,859,311</u>	<u>17,940,646</u>
Total Liabilities and Fund Balances	<u>\$ 11,261,658</u>	<u>\$ 8,624,416</u>	<u>\$ 19,886,074</u>

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

Total Governmental Fund Balances	\$ 17,940,646
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	8,543,836
Capital assets - depreciable	92,253,154
Accumulated depreciation	<u>(53,703,133)</u>
	47,093,857
Certain prepaid expenses are not current financial resources and therefore are not reported in the funds.	47,925
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.	3,273,284
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	(18,780,047)
Accrued interest payable	(198,340)
Compensated absences	(381,388)
Other postemployment benefits payable	(11,877,720)
Net pension liability - proportionate share	<u>(3,791)</u>
	(31,241,286)
Deferred inflows of resources related to pension plans and other postemployment benefits payable are included in the Statement of Net Position.	(1,752,167)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	<u>233,450</u>
Net Position of Governmental Activities	<u>\$ 35,595,709</u>

See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Year Ended December 31, 2021

	General Fund	Capital Projects Fund	Total
Revenues			
Real property taxes	\$ 4,255,075		\$ 4,255,075
Other real property tax items	47,071		47,071
Departmental income	4,655,444		4,655,444
Use of money and property	653,701		653,701
Sale of property and compensation for loss	86,593		86,593
Other local sources	1,729,050	\$ 560,361	2,289,411
State aid		1,448,752	1,448,752
Federal aid	9,138		9,138
Total Revenues	11,436,072	2,009,113	13,445,185
Expenditures			
Administration	994,881		994,881
Source of supply, power, and pumping	1,558,651		1,558,651
Purification	450,824		450,824
Transmission and distribution	2,165,081		2,165,081
Employee benefits	1,041,351		1,041,351
Debt service	2,461,920		2,461,920
Capital outlays		6,027,837	6,027,837
Total Expenditures	8,672,708	6,027,837	14,700,545
Excess (Deficiency) of Revenues			
Over Expenditures	2,763,364	(4,018,724)	(1,255,360)
Other Financing Sources (Uses)			
Transfers in		1,750,275	1,750,275
Transfers out	(1,750,275)		(1,750,275)
Proceeds of bonds		6,808,368	6,808,368
Premium on bonds	184,646	391,632	576,278
Total Other Financing Sources (Uses)	(1,565,629)	8,950,275	7,384,646
Net Change in Fund Balances	1,197,735	4,931,551	6,129,286
Fund Balances - Beginning of Year	8,883,600	2,927,760	11,811,360
Fund Balances - End of Year	\$ 10,081,335	\$ 7,859,311	\$ 17,940,646

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

Net Change in Fund Balances \$ 6,129,286

Amounts reported in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital outlays and equipment purchases	6,075,053
Depreciation expense	(2,461,680)

The issuance of long-term debt provides current financial resources, while the repayment of bond principal consumes the current financial resources in the governmental funds:

Proceeds of bonds	(6,808,368)
Repayment of bond principal	1,975,152
Premium on bonds	(576,278)
Amortization of premium	176,173

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

Prepaid insurance	5,033
Accrued interest cost	(48,360)
Compensated absences	33,179
Other postemployment benefits payable	(941,093)
Unbilled water revenue	(11,746)
Pension expense	148,419

Change in Net Position of Governmental Activities **\$ 3,694,770**

See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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 shown reflect the financial activities of the overall government in its entirety, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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, 2021

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 1st of the preceding year, payable without penalty until January 10th, and May 10th, payable without penalty until May 31st. The Receiver remits 100% of the amount of real property tax levied and the delinquent water bills to the District. Responsibility for collection of unpaid taxes is assumed by Suffolk County. Payments from the Town for property taxes and delinquent water bills are normally received by the District by June of the current year.

5. Accounts Receivable/Due from Other Governments

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

6. Prepaid Expenses

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

A. Summary of Significant Accounting Policies (continued)

7. Inventory of Materials and Supplies

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

8. Interfund Receivables, Payables, and Transfers

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

9. Deferred Outflows and Inflows of Resources

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

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

10. Capital Assets

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

A. Summary of Significant Accounting Policies (continued)

10. Capital Assets (continued)

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

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

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

11. Developer Deposits

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

12. Long-Term Obligations

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

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

13. Compensated Absences

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

A. Summary of Significant Accounting Policies (continued)

14. Other Postemployment Benefits

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

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

15. Insurance

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

16. Net Position and Fund Equity Classifications

Government-Wide Financial Statements

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

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

A. Summary of Significant Accounting Policies (continued)

16. Net Position and Fund Equity Classifications (continued)

Fund Financial Statements

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

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves), the Board 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 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.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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.

A. Summary of Significant Accounting Policies (continued)

17. 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.

18. New Accounting Standards

The District has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable.

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. The budget is then submitted to the Town 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.

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 2021 budget, the District limited the increase in the real property tax levy to 1.55%, which was within the property tax levy limit.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

B. Stewardship, Compliance, and Accountability (continued)

Fund Balance

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

	General Fund	Capital Projects Fund	Total
Nonspendable:			
Inventory of materials and supplies	\$ 142,383		\$ 142,383
Prepaid expenses	123,730		123,730
Total Nonspendable	<u>266,113</u>	<u>\$ -0-</u>	<u>266,113</u>
Restricted for:			
Capital improvements - Bonds		6,521,459	6,521,459
Capital projects reserves	3,194,774		3,194,774
Debt service reserve	727,081		727,081
Repair reserve	105,395		105,395
Total Restricted	<u>4,027,250</u>	<u>6,521,459</u>	<u>10,548,709</u>
Assigned to:			
Contractual obligations, repairs, truck	182,383		182,383
Capital improvements	2,170,000	1,337,852	3,507,852
Employee benefit accrued liability	381,388		381,388
Judgments and claims	125,000		125,000
Retirement contributions	75,000		75,000
Total Assigned	<u>2,933,771</u>	<u>1,337,852</u>	<u>4,271,623</u>
Unassigned	<u>2,854,201</u>	<u>-0-</u>	<u>2,854,201</u>
Total Fund Balances	<u>\$ 10,081,335</u>	<u>\$ 7,859,311</u>	<u>\$ 17,940,646</u>

Reserves

A summary of activity in the reserves for 2021 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. 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, 2021

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 2021 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 3,102,564
System construction charge	50,325
Interest earned on reserve cash	<u>41,885</u>
Balance - end	<u>\$ 3,194,774</u>

Debt service reserve

The Board, 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 2021 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 849,180
Transfer out	(133,563)
Interest earned on reserve cash	<u>11,464</u>
Balance - end	<u>\$ 727,081</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. 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 2021 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 103,992
Interest earned on reserve cash	<u>1,403</u>
Balance - end	<u>\$ 105,395</u>

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

C. Cash and Investments

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

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

The District is authorized to use demand accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

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

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

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

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

At December 31, 2021, the District's bank balances consisted of deposits totaling \$17,282,372. Of the total bank balance, \$250,000 was covered by the FDIC and \$17,032,372 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, 2021, the District did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

D. Lease Income

The District leases space on its elevated water storage tanks for cell phone antennas. Such leases expire through 2039. Current-year lease income amounted to \$518,708 and is included in use of money and property.

Future minimum rental receipts for these leases are as follows:

Years Ending December 31, 2022	\$	502,764
2023		419,357
2024		321,197
2025		333,497
2026		346,295
Thereafter		<u>3,831,383</u>
	\$	<u>5,754,493</u>

E. Surcharge for Remediation of Water Contaminate

The District established a surcharge for all District residents to treat for a chemical know as 1,4 Dioxane in compliance with new regulations adopted by the New York State Department of Health. Beginning in 2021, the District has added a \$25 surcharge to residents' quarterly bills. The surcharges collected are to be utilized exclusively for infrastructure upgrades and installation of wellhead treatment systems relating to the testing and treatment of 1,4 Dioxane, and the related debt. During 2021, the District received revenues relating to this surcharge of \$1,677,675, which are reported as other local sources on the District's statement of revenues, expenditures, and changes in fund balance.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

F. Capital Assets

Capital asset activity for the year ended December 31, 2021 is as follows:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Capital assets not being depreciated:				
Land	\$ 1,109,751			\$ 1,109,751
Construction in progress	2,057,764	\$ 5,467,475	\$ 91,154	7,434,085
Total capital assets not being depreciated	<u>3,167,515</u>	<u>5,467,475</u>	<u>91,154</u>	<u>8,543,836</u>
Depreciable capital assets:				
Buildings	13,644,180			13,644,180
Improvements	4,192,357	32,000		4,224,357
Wells, water tanks, and structures	18,489,340	23,200		18,512,540
Machinery and equipment	17,280,910	6,125		17,287,035
Water mains	37,016,973	628,315		37,645,288
Office furniture and equipment	134,264	9,092		143,356
Vehicles	796,398			796,398
Total depreciable capital assets	<u>91,554,422</u>	<u>698,732</u>	<u>-0-</u>	<u>92,253,154</u>
Less accumulated depreciation:				
Buildings	3,724,813	334,947		4,059,760
Improvements	1,441,841	207,236		1,649,077
Wells, water tanks, and structures	7,747,788	420,589		8,168,377
Machinery and equipment	11,954,792	707,934		12,662,726
Water mains	25,655,665	735,573		26,391,238
Office furniture and equipment	113,636	8,341		121,977
Vehicles	602,918	47,060		649,978
Total accumulated depreciation	<u>\$ 51,241,453</u>	<u>\$ 2,461,680</u>	<u>\$ -0-</u>	<u>53,703,133</u>
Total net depreciable capital assets				<u>38,550,021</u>
Total net capital assets				<u>\$ 47,093,857</u>

Depreciation expense of \$2,461,680 was charged to water supply services expense for the year ended December 31, 2021.

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, 2021, the District has not recorded any such impairment losses.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

G. Long Term Liabilities

General Obligation Bonds - The District periodically borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit of the Town of Huntington, bear interest at rates ranging from 2.0% to 5.0%, and maturity dates ranging from 2023 to 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. See Note 4.

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

The following is a summary of changes in long-term liabilities for the year ended December 31, 2021:

	Balance 1/1/2021	Increases	Reductions	Balance 12/31/2021	Non-current Liabilities Due Within One Year	Long-term
General obligation						
bonds payable	\$ 12,685,065	\$ 6,808,368	\$ 1,975,152	\$ 17,518,281	\$ 2,163,867	\$ 15,354,414
Plus premiums on issuance	861,661	576,278	176,173	1,261,766	197,912	1,063,854
	13,546,726	7,384,646	2,151,325	18,780,047	2,361,779	16,418,268
Compensated absences	414,567	65,568	98,747	381,388	58,891	322,497
Other postemployment benefits payable	9,690,614	2,456,156	269,050	11,877,720		11,877,720
Net pension liability - proportionate share	1,009,994		1,006,203	3,791		3,791
	<u>\$ 24,661,901</u>	<u>\$ 9,906,370</u>	<u>\$ 3,525,325</u>	<u>\$ 31,042,946</u>	<u>\$ 2,420,670</u>	<u>\$ 28,622,276</u>

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

G. Indebtedness (continued)

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2021 are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2022	\$ 2,163,867	\$ 666,886	\$ 2,830,753
2023	2,297,347	499,028	2,796,375
2024	1,826,142	409,774	2,235,916
2025	1,640,872	328,235	1,969,107
2026	1,383,424	255,485	1,638,909
2027-2031	4,860,399	656,838	5,517,237
2032-2034	3,346,230	165,623	3,511,853
	<u>\$ 17,518,281</u>	<u>\$ 2,981,869</u>	<u>\$ 20,500,150</u>

H. Pension Plan

1. Pension Obligations

New York State Employees' Retirement System (ERS)

2. Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

H. Pension Plan (continued)

2. Plan Descriptions and Benefits Provided (continued)

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

Tiers 1 and 2

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

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

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

Tiers 3, 4, and 5

Eligibility: Tier 3 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.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

H. Pension Plan (continued)

2. Plan Descriptions and Benefits Provided (continued)

Tier 6

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

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

H. Pension Plan (continued)

2. Plan Descriptions and Benefits Provided (continued)

Post-Retirement Benefit Increases (continued)

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

3. Contributions

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

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

Year	ERS
2021	\$ 279,476
2020	207,942
2019	192,094

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

At December 31, 2021, the District reported the following liability of \$3,791 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020. 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, 2020
Net pension liability	\$ 3,791
District's portion of the Plan's total net pension liability	0.0038073%
Change in allocation of the System's total Net Pension Liability since the prior measurement date	-0.0000068%

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

H. Pension Plan (continued)

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

For the year ended December 31, 2021, the District's recognized pension expense of \$113,172. At December 31, 2021, the District's reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	ERS	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,299		
Changes of assumptions	697,057		\$ 13,147
Net difference between projected and actual earnings on pension plan investments			1,089,021
Changes in proportion and differences between the District's contributions and proportionate share of contributions	90,026		27,794
District's contribution subsequent to the measurement date	209,607		
Total	\$ 1,042,989		\$ 1,129,962

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, 2022. 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, 2022	\$ (41,529)
2023	(5,479)
2024	(49,900)
2025	(199,672)
	\$ (296,580)

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

H. Pension Plan (continued)

5. Actuarial Assumptions

The total pension liability as of the measurement date of March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to the measurement date.

The actuarial valuations used the following actuarial assumptions:

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

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

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

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 are summarized below:

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

H. Pension Plan (continued)

5. Actuarial Assumptions (continued)

Asset Class	ERS	
	Target Allocation	Long-term Expected Rate of Return
Domestic equity	32.0%	4.05%
International equity	15.0%	6.30%
Private equity	10.0%	6.75%
Real estate	9.0%	4.95%
Opportunistic/Absolute return strategies	3.0%	4.50%
Credit	4.0%	3.63%
Real assets	3.0%	5.95%
Fixed Income	23.0%	0.00%
Cash	1.0%	0.50%
	100.0%	

6. Discount Rate

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

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

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension (asset) liability	\$ 1,052,257	\$ 3,791	\$ (963,140)

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

H. Pension Plan (continued)

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

The components of the current-year net pension liability of the employers participating in the System's as of March 31, 2021 were as follows (in thousands):

	<u>ERS</u>	
Measurement date	March 31, 2021	
Employers' total pension liability	\$	220,680,157
Plan Fiduciary Net Position		<u>(220,580,583)</u>
Employers' net pension liability	\$	<u>99,574</u>
Ratio of plan fiduciary net position to the Employers' total pension liability		99.95%

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

I. Other Postemployment Benefits (OPEB)

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

Benefits Provided

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

The District pays full coverage for retiree medical insurance.

Employees Covered by Benefit Terms

The number of participants as of January 1, 2021, the effective date of the OPEB valuation, is as follows:

Active employees	<u>Participants</u>
Inactive employees or beneficiaries currently receiving benefit payments	18
	<u>29</u>
Total	<u>47</u>

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

I. Other Postemployment Benefits (OPEB) (continued)

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

Total OPEB Liability

The District's total OPEB liability of \$11,877,720 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2021.

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, 2021 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	3.50%
Discount rate	2.03%
Healthcare cost trend rates	7.0% in 2021, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2025 and later

The discount rate was based on the Bond Buyer's 20 Bond Index as of December 31, 2021.

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

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

In the December 31, 2021 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 7.0% in 2021, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2025 and later. The mortality assumption was updated to the rates developed in the report *Development of Recommended*

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

Actuarial Assumptions for New York/SUNY GASB 45 Valuation prepared by the AON Hewitt dated August 2018. The MP 2020 mortality improvement projection scale was applied.

I. Other Postemployment Benefits (OPEB) (continued)

Changes in the Total OPEB Liability

The following table shows the components of the District's OPEB liability:

	Total OPEB Liability
Balance at December 31, 2020	\$ 9,690,614
Changes for the year:	
Service cost	476,183
Interest	245,742
Differences between expected and actual experience	1,849,115
Changes of assumptions or other inputs	(114,884)
Benefit payments	(269,050)
Net Changes	2,187,106
Balance at December 31, 2021	\$ 11,877,720

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 (1.03%) or 1-percentage-point higher (3.03%) than the current discount rate:

	One Percent Decrease (1.03%)	Current Discount Rate (2.03%)	One Percent Increase (3.03%)
Total OPEB liability	\$ 14,117,584	\$ 11,877,720	\$ 10,124,499

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 (6.00%) or 1-percentage-point higher (8.00%) than the current healthcare cost trend rates:

	One Percent Decrease (6.00% to 4.00%)	Healthcare Cost Trend Rates (7.00% to 5.00%)	One Percent Increase (8.00% to 6.00%)
Total OPEB liability	\$ 9,986,849	\$ 11,877,720	\$ 14,340,413

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

I. Other Postemployment Benefits (OPEB) (continued)

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

For the year ended December 31, 2021, the District recognized OPEB expense of \$1,210,143. At December 31, 2021, 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/loss	\$ 1,413,002	\$ 319,096
Change of assumptions or other inputs	817,293	303,109
Total	<u>\$ 2,230,295</u>	<u>\$ 622,205</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, 2022	\$ 536,276
2023	564,634
2024	409,017
2025	98,163
	<u>\$ 1,608,090</u>

J. Tax Abatements

The District is subject to tax abatements granted by the Suffolk County Industrial Development Agency (SCIDA), an entity created by the County of Suffolk (County). The SCIDA is a public benefit corporation of the State of New York. The purpose of the agency is to promote economic development within the County. Under the SCIDA program, companies promise to expand or maintain facilities or employment in the County, to establish a new business or relocate an existing business to the County. Economic development agreements entered into by the SCIDA can include the abatement of State, County, local, and school district taxes, in addition to other assistance. In the case of the District, SCIDA granted abatements have resulted in reductions of property taxes, which is administered as a temporary reduction in the assessed value of the property involved. For the year ended December 31, 2021, the amount of District property tax abated was \$65,934, and the District received payments in lieu of taxes of \$51,967.

K. Commitments and Contingencies

Litigation

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

K. Commitments and Contingencies (continued)

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 \$10 million within the next three years.

At December 31, 2021, the District had contracts and other commitments outstanding related to capital projects as follows:

Treatment Plant 10	\$ 907,935
Plant 8 Rehabilitation	309,943
Plant 3 Rehabilitation	<u>5,085,165</u>
	<u>\$ 6,303,043</u>

L. New Pronouncement

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

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.

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

M. Subsequent Events

Subsequent events have been evaluated through April 6, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH HUNTINGTON WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF REVENUES
BUDGET AND ACTUAL
Year Ended December 31, 2021

	Budget Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Real Property Taxes	\$ 4,255,000	\$ 4,255,000	\$ 4,255,075	\$ 75
Other Real Property Taxes	40,000	40,000	47,071	7,071
Departmental Income				
Metered water sales	3,900,000	3,900,000	3,978,073	78,073
Unmetered water sales	533,700	533,700	535,700	2,000
Hydrant permits	2,200	2,200	2,025	(175)
Interest and penalties - water rents	20,000	20,000	31,891	11,891
Water service charges	65,000	65,000	107,755	42,755
Total Departmental Income	4,520,900	4,520,900	4,655,444	134,544
Use of Money and Property				
Interest earnings	30,000	30,000	134,993	104,993
Tower rental	470,000	470,000	518,708	48,708
Total Use of Money and Property	500,000	500,000	653,701	153,701
Sale of Property and Compensation for Loss				
Sales of scrap and excess materials	3,000	3,000	3,385	385
Sales of taps, meters and supplies	26,000	26,000	55,693	29,693
Insurance recoveries			27,515	27,515
Litigation settlement				
Total Sale of Property and Compensation for Loss	29,000	29,000	86,593	57,593
Other Local Sources				
Miscellaneous local sources			1,050	1,050
Dioxane surcharge fee	1,831,000	1,831,000	1,677,675	(153,325)
System construction charge			50,325	50,325
Total Other Local Sources	1,831,000	1,831,000	1,729,050	(101,950)
Federal Aid				
Emergency disaster assistance			9,138	9,138
Total Revenue	11,175,900	11,175,900	11,436,072	260,172
Other Financing Sources				
Premium on bonds			184,646	184,646
Total Other Financing Sources	-0-	-0-	184,646	184,646
Appropriated fund balance and reserves				
Assigned fund balance		203,347		
Appropriated reserves	133,563	133,563		
Total appropriated fund balance and reserves	133,563	336,910		
Total Revenue, Other Financing Sources, Appropriated Fund Balance and Reserves	<u>\$ 11,309,463</u>	<u>\$ 11,512,810</u>	<u>\$ 11,620,718</u>	<u>\$ 444,818</u>

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

SOUTH HUNTINGTON WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
Year Ended December 31, 2021

	Budget Amounts		Actual	Encum- brances	Variance Positive (Negative)
	Original	Final			
Administration					
Personal Services:					
Administrative salaries	\$ 330,000	\$ 341,000	\$ 340,189		\$ 811
Commissioners fees	44,000	47,000	46,300		700
Equipment:					
Communications equipment	2,500	4,500	2,841		1,659
Office equipment	15,000	16,000	15,937		63
Contractual and other expenditures:					
Professional services-legal	41,000	41,000	30,450		10,550
Professional services-auditing	67,000	67,000	64,000		3,000
Professional services-bond fees	4,000	4,000	1,433		2,567
Professional services-consultant fees		26,000	25,500		500
Data processing	42,000	42,000	38,682		3,318
Insurance	250,000	230,000	194,926		35,074
Telephone	90,000	81,000	69,987		11,013
Postage and office supplies	79,000	84,000	83,409		591
Fuel and heat	54,000	54,000	39,237		14,763
Education and travel	11,000	20,000	19,999		1
Newsletter	19,000	34,000	21,991		12,009
Contingencies	50,000				-0-
Total Administration	1,098,500	1,091,500	994,881	\$ -0-	96,619
Source of Supply, Power, and Pumping					
Power and light	1,500,000	1,524,000	1,523,603		397
Purchase of water	30,000	36,000	35,048		952
Total Source of Supply, Power, and Pumping	1,530,000	1,560,000	1,558,651	-0-	1,349
Purification					
Water analysis	225,000	225,000	174,639		50,361
Water treatment	425,000	395,000	276,185		118,815
Total Purification	650,000	620,000	450,824	-0-	169,176
Transmission and Distribution					
Personal services - supervision and labor	1,300,000	1,398,747	1,167,736		231,011
Equipment:					
Autos and trucks purchased	55,000	58,000	450	56,949	601
Meter purchases	300,000	426,000	324,964	100,534	502
Hydrant purchases	32,000	32,000	27,455		4,545
Contractual and other expenditures:					
Mapping	20,000	20,000	13,464		6,536
Materials and supplies	27,500	34,500	33,751		749
Maintenance - wells	350,000	153,000	148,822		4,178
Maintenance - grounds	30,000	62,000	59,380		2,620
Maintenance - mains and hydrants	120,000	153,000	152,208		792
Maintenance - autos and trucks	23,000	27,000	26,414		586
Maintenance - building	45,000	60,000	34,659	24,900	441
Professional services - engineering	85,000	93,000	92,607		393
Road restoration	25,000	20,000	15,827		4,173
Sundry	1,000	1,000	695		305
Small tools and shop supplies	17,000	22,000	21,719		281
Safety and markout	5,000	12,000	9,023		2,977
Gas and oil	35,000	36,000	35,907		93
Total Transmission and Distribution	2,470,500	2,608,247	2,165,081	182,383	260,783
Employee Benefits					
State retirement	225,000	262,000	261,593		407
Social security	133,802	133,802	118,370		15,432
Hospital and medical insurance	830,500	793,500	661,388		132,112
Total Employee Benefits	1,189,302	1,189,302	1,041,351	-0-	147,951

SOUTH HUNTINGTON WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
Year Ended December 31, 2021

	Budget Amounts		Actual	Encum- brances	Variance Positive (Negative)
	Original	Final			
Debt Service					
Serial bond principal	2,030,061	1,982,061	1,975,152		6,909
Serial bond interest	440,100	465,100	464,214		886
Debt issuance costs	440,000	23,000	22,554		446
Total Debt Service	2,910,161	2,470,161	2,461,920	-0-	8,241
Total Expenditures	9,848,463	9,539,210	8,672,708	182,383	684,119
Other Financing Uses					
Transfers out	1,461,000	1,973,600	1,750,275		223,325
Total Other Financing Uses	1,461,000	1,973,600	1,750,275	-0-	223,325
Total Expenditures and Other Financing Uses	<u>\$ 11,309,463</u>	<u>\$ 11,512,810</u>	<u>\$ 10,422,983</u>	<u>\$ 182,383</u>	<u>\$ 907,444</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, 2021

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, 2021 - December 31, 2021	\$ 9,690,614	\$ 476,183	\$ 245,742	\$ 1,849,115	\$ -0-	\$ (114,884)	\$ (269,050)	\$ 11,877,720	\$ 890,704	1333.52%
January 1, 2020 - December 31, 2020	\$ 8,454,371	\$ 287,797	\$ 236,157	\$ -0-	\$ -0-	\$ 960,550	\$ (248,261)	\$ 9,690,614	\$ 818,438	1184.04%
January 1, 2019 - December 31, 2019	\$ 7,836,032	\$ 198,918	\$ 277,389	\$ (1,394,701)	\$ -0-	\$ 1,719,320	\$ (182,587)	\$ 8,454,371	\$ 798,476	1058.81%
January 1, 2018 - December 31, 2018	\$ 8,794,141	\$ 281,211	\$ 285,143	\$ -0-	\$ -0-	\$ (1,305,561)	\$ (218,902)	\$ 7,836,032	\$ 1,251,421	626.17%

Notes to Schedule:

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

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

Changes of assumptions.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

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

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

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

Notes to the Schedule:

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

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

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

	NYSERS										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
Contractually required contribution	\$ 261,593	\$ 203,980	\$ 195,746	\$ 202,948	\$ 189,105	\$ 193,255	\$ 205,756	\$ 326,700	\$ 215,311	\$ 255,066	
Contributions in relation to the contractually required contribution	261,593	203,980	195,746	202,948	189,105	193,255	205,756	326,700	215,311	255,066	
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
District's covered-employee payroll	\$ 1,535,570	\$ 1,446,165	\$ 1,354,420	\$ 1,291,865	\$ 1,329,652	\$ 1,228,663	\$ 1,316,312	\$ 1,373,704	\$ 1,352,331	\$ 1,204,400	
Contributions as a percentage of covered-employee payroll	17.04%	14.10%	14.45%	15.71%	14.22%	15.73%	15.63%	23.78%	15.92%	21.18%	

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

OTHER SUPPLEMENTARY INFORMATION

SOUTH HUNTINGTON WATER DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
Year Ended December 31, 2021

PROJECT TITLE	Expenditures		Encum - brances	Total
	Prior Years	Current Year		
Developers Escrow Projects		\$ 560,361		\$ 560,361
Capital Reserve Project:				
Hydrant Replacement	\$ 299,228	67,954		367,182
General Projects:				
Water Main Replacement 110		39,907		39,907
Jones Lane WM Replacement		23,200		23,200
Bond Projects:				
Plant 8 Rehabilitation		127,327	\$ 309,943	437,270
Plant 3 Rehabilitation		551,214	5,085,165	5,636,379
Treatment Plant 10	2,057,763	4,657,874	907,935	7,623,572
Total Capital Projects	\$ 2,356,991	\$ 6,027,837	\$ 6,303,043	\$ 14,687,871

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