



SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF
HUNTINGTON

FINANCIAL STATEMENTS

Year Ended December 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-3
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	4-9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Governmental Fund Financial Statements	
Balance Sheet and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances and Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14-40
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS	
General Fund:	
Detailed Schedule of Revenues – Budget and Actual.....	41
Detailed Schedule of Expenditures – Budget and Actual.....	42-43
Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability and Related Ratios.....	44
Schedule of District's Proportionate Share of The Net Pension Asset/(Liability).....	45
Schedule of District's Contributions	46
OTHER SUPPLEMENTARY INFORMATION	
Capital Projects Fund – Schedule of Project Expenditures	47

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
South Huntington Water District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Huntington Water District (the "Water District"), a component unit of the Town of Huntington, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Water District as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, detailed schedule of revenues – budget and actual – general fund, detailed schedule of expenditures – budget and actual – general fund, schedule of changes in the Water District's total other post-employment benefits (OPEB) liability and related ratios, schedule of Water District's proportionate share of the net pension asset/(liability), and schedule of Water District's pension contributions on pages 4-9 and 41-46 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 Water District's basic financial statements. The capital projects fund – schedule of project expenditures on page 47 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.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
April 24, 2024

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

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, 2023. 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
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2023

CONDENSED FINANCIAL INFORMATION

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

Statement of Net Position:
As of December 31,

	2023	2022
Assets		
Current assets	\$ 31,412,909	\$ 22,794,772
Capital assets, net of accumulated depreciation	55,373,382	52,201,580
Other non-current assets	7,395,367	8,205,675
Total Assets	94,181,658	83,202,027
Deferred Outflows of Resources		
Pensions	891,063	925,811
Other postemployment benefits	1,073,156	1,470,930
Total Deferred Outflows of Resources	1,964,219	2,396,741
Liabilities		
Current liabilities	4,896,425	4,690,065
Non-current liabilities	33,212,167	30,151,050
Total Liabilities	38,108,592	34,841,115
Deferred Inflows of Resources		
Leases	7,500,664	8,084,483
Pensions	47,895	1,264,490
Other postemployment benefits	2,480,171	2,244,073
Total Deferred Inflows of Resources	10,028,730	11,593,046
Net Position		
Net investment in capital assets	43,979,994	37,336,941
Restricted	2,768,967	3,524,460
Unrestricted (Deficit)	1,259,594	(1,696,794)
Total Net Position	\$ 48,008,555	\$ 39,164,607

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2023

CONDENSED FINANCIAL INFORMATION (continued)

Changes in Net Position

For the years ended December 31,

	2023	2022
Program revenues:		
Charges for services	\$ 5,350,950	\$ 5,069,472
Capital grants and contributions	5,733,283	536,625
General revenues:		
Real property taxes	4,427,822	4,340,641
Other real property tax items	61,164	60,149
Other general revenues	3,992,480	3,830,790
Total Revenues	19,565,699	13,837,677
Expenses - Water supply services	10,721,751	10,268,779
Changes in Net Position	\$ 8,843,948	\$ 3,568,898

FINANCIAL HIGHLIGHTS

The District's total assets and deferred outflows of resources at December 31, 2023 were \$96,145,877, an increase of \$10,547,109 from the prior year. The increase is primarily due to increases in capital assets net of depreciation, investments, and due from other governments, offset by decreases in leases receivable, net pension asset – proportionate share, and deferred outflows of resources for other postemployment benefits (OPEB). Total liabilities and deferred inflows of resources at December 31, 2023 were \$48,137,322, an increase of \$1,703,161 from the prior year. This increase is primarily due to increases in developer deposits, net pension liability – proportionate share, and general obligation bonds payable, inclusive of premium, offset by decreases in accounts payable and accrued expenses, OPEB, and deferred inflows of resources related to leases and pensions.

The District's net position at December 31, 2023 is \$48,008,555, an increase of \$8,843,948 from the prior year. Of the District's total net position, \$43,979,994 was a net investment in capital assets, \$2,768,967 was restricted for capital projects and repairs, and \$1,259,594 was unrestricted.

The unrestricted net position of \$1,259,594 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 net position increased from the prior year net deficit by \$2,956,388, primarily as a result of revenues exceeding expenditures on the full accrual basis of accounting.

Program revenues increased by \$5,478,136, which was primarily due to an increase in capital grants and contributions. General revenues increased \$249,886 as compared to the prior year, which was primarily due to increased revenue from interest.

Expenses for water supply services increased \$452,972, primarily due to increases in purification, transmission and distribution, and employee benefits.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

General Fund

Fund balance in the general fund increased this year by \$1,469,153 to \$12,040,050, as a result of excess revenues and other financing sources over expenditures and other financing uses. Of this total, \$3,256,261 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance consists of \$654,529 of nonspendable related to inventory of materials and supplies, long-term receivables and prepaid expenses, \$5,255,890 assigned to expenditures in subsequent years, and \$2,873,370 restricted for capital costs, debt service, and emergency repairs.

Capital Projects Fund

Fund balance in the capital projects fund of \$17,198,040 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	\$ 11,560,825	\$ 11,560,825	\$ 13,343,968		\$ 1,783,143
Expenditures	11,864,313	12,088,334	10,957,758	\$ 77,385	1,053,191
Other Financing Sources		20,000	232,943		212,943
Other Financing Uses	95,000	1,150,000	1,150,000		-0-
	<u>\$ (398,488)</u>	<u>\$ (1,657,509)</u>	<u>\$ 1,469,153</u>	<u>\$ 77,385</u>	<u>\$ 3,049,277</u>

The general fund reported an excess of revenues and other financing sources over expenditures and other financing uses this year of \$1,469,153, increasing the fund balance to \$12,040,050. Actual revenues were higher than anticipated resulting in a positive budgetary variance. Total expenditures were lower than budgeted resulting in a positive budgetary variance. Other financing sources includes bond premium and the refunding of debt. Other financing uses includes transfer to the capital projects fund to fund various projects and items related to the refunding of debt.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

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 2023, the District expended \$7,012,190 for capital assets and improvements to the water system and issued \$5,454,374 of general obligation bonds to fund capital projects. Additional information on the District's capital assets can be found in Note F to the financial statements.

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

As of December 31, 2023, the District had \$25,863,271 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>
2023	3.367	3.059	\$ 4,647,585
2022	3.337	3.065	4,347,805
2021	3.303	2.959	3,978,073
2020	3.344	3.046	3,955,170
2019	3.258	3.097	3,554,452

The increase in metered water revenue for the year ended December 31, 2023 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 2024 budget, the District did not exceed the property tax levy cap provisions.

**SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023**

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
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION
 December 31, 2023

Assets	
Current assets:	
Cash	\$ 18,229,536
Investments	8,072,598
Accounts receivable	1,877,463
Lease receivable	443,967
Due from other governments	2,417,398
Inventory of materials and supplies	187,137
Prepaid expenses	<u>184,810</u>
Total Current Assets	<u>31,412,909</u>
Non-current assets:	
Lease receivable	7,395,367
Non-depreciable capital assets	18,821,423
Depreciable capital assets, net of accumulated depreciation	<u>36,551,959</u>
Total Non-current Assets	<u>62,768,749</u>
Total Assets	<u><u>94,181,658</u></u>
 Deferred Outflows of Resources	
Pensions	891,063
Other postemployment benefits	<u>1,073,156</u>
Total Deferred Outflows of Resources	<u>1,964,219</u>
 Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	873,762
Developer deposits	1,052,624
Non-current liabilities due within one year:	
General obligation bonds payable, inclusive of premiums	2,600,498
Compensated absences	18,660
Other postemployment benefits payable	<u>350,881</u>
Total Current Liabilities	<u>4,896,425</u>
Non-current liabilities:	
General obligation bonds payable, inclusive of premiums	23,262,773
Compensated absences	354,535
Net pension liability - proportionate share	979,760
Other postemployment benefits payable	<u>8,615,099</u>
Total Non-current Liabilities	<u>33,212,167</u>
Total Liabilities	<u><u>38,108,592</u></u>
 Deferred Inflows of Resources	
Lease related	7,500,664
Pensions	47,895
Other postemployment benefits	<u>2,480,171</u>
Total Deferred Inflows of Resources	<u>10,028,730</u>
 Net Position	
Net investment in capital assets	43,979,994
Restricted	2,768,967
Unrestricted (Deficit)	<u>1,259,594</u>
Total Net Position	<u><u>\$ 48,008,555</u></u>

See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

Governmental Activities

Expenses - Water supply services	\$ 10,721,751
Program revenues - Charges for services	5,350,950
Program revenues - Capital grants and contributions	<u>5,733,283</u>
Net Program Expenses	<u>362,482</u>

General Revenues

Real property taxes	4,427,822
Other real property tax items	61,164
Use of money and property	1,507,789
Sale of property and compensation for loss	148,990
Other local sources	<u>2,335,701</u>
Total General Revenues	<u>8,481,466</u>

Change in Net Position

8,843,948

Net Position - Beginning of the Year

39,164,607

Net Position - End of the Year \$ 48,008,555

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 December 31, 2023

	General Fund	Capital Projects Fund	Total
Assets			
Cash	\$ 10,144,887	\$ 8,084,649	\$ 18,229,536
Investments	1,000,432	7,072,166	8,072,598
Accounts receivable	1,607,265		1,607,265
Lease receivable	7,839,334		7,839,334
Due from other governments		2,417,398	2,417,398
Due from other fund		1,022,307	1,022,307
Inventory of materials and supplies	187,137		187,137
Prepaid expenses	128,722		128,722
Total Assets	<u>\$ 20,907,777</u>	<u>\$ 18,596,520</u>	<u>\$ 39,504,297</u>
Liabilities			
Accounts payable and accrued expenses	\$ 344,756	\$ 345,856	\$ 690,612
Due to other fund	1,022,307		1,022,307
Developer deposits		1,052,624	1,052,624
Total Liabilities	<u>1,367,063</u>	<u>1,398,480</u>	<u>2,765,543</u>
Deferred Inflows of Resources			
Lease related	7,500,664		7,500,664
Total Deferred Inflows of Resources	<u>7,500,664</u>	<u>-0-</u>	<u>7,500,664</u>
Fund Balances			
Fund Balance:			
Nonspendable	654,529		654,529
Restricted	2,873,370	14,388,824	17,262,194
Assigned	5,255,890	2,809,216	8,065,106
Unassigned	3,256,261		3,256,261
Total Fund Balances	<u>12,040,050</u>	<u>17,198,040</u>	<u>29,238,090</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,907,777</u>	<u>\$ 18,596,520</u>	<u>\$ 39,504,297</u>

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

Total Governmental Fund Balances		\$ 29,238,090
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:		55,373,382
Certain prepaid expenses are not current financial resources and therefore are not reported in the funds.		56,088
Deferred outflows of resources are included in the Statement of Net Position:		
Pension		891,063
Other postemployment benefits		1,073,156
Certain liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	\$ (183,150)	
General obligation bonds payable	(24,083,519)	
Compensated absences	(373,195)	
Net pension liability - proportionate share	(979,760)	
Other postemployment benefits payable	(8,965,980)	(34,585,604)
Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Premiums on general obligation bonds		(1,779,752)
Deferred inflows of resources are included in the Statement of Net Position:		
Pension		(47,895)
Other postemployment benefits		(2,480,171)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		270,198
Net Position of Governmental Activities		<u>\$ 48,008,555</u>

See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Year Ended December 31, 2023

	General Fund	Capital Projects Fund	Total
Revenues			
Real property taxes	\$ 4,427,822		\$ 4,427,822
Other real property tax items	61,164		61,164
Departmental income	5,343,282		5,343,282
Use of money and property	1,507,789		1,507,789
Sale of property and compensation for loss	148,990		148,990
Other local sources	1,854,921	\$ 480,780	2,335,701
State aid		5,733,283	5,733,283
Total Revenues	13,343,968	6,214,063	19,558,031
Expenditures			
Administration	1,114,168		1,114,168
Source of supply, power, and pumping	1,681,410		1,681,410
Purification	801,526		801,526
Transmission and distribution	2,805,863		2,805,863
Employee benefits	1,210,539		1,210,539
Debt service	3,344,252		3,344,252
Capital outlays		5,669,714	5,669,714
Total Expenditures	10,957,758	5,669,714	16,627,472
Excess (Deficiency) of Revenues Over Expenditures	2,386,210	544,349	2,930,559
Other Financing Sources (Uses)			
Transfers in		1,150,000	1,150,000
Transfers out	(1,150,000)		(1,150,000)
Proceeds of bonds		5,454,374	5,454,374
Premium on bonds	232,943	145,626	378,569
Total Other Financing Sources (Uses)	(917,057)	6,750,000	5,832,943
Net Change in Fund Balances	1,469,153	7,294,349	8,763,502
Fund Balances - Beginning of Year	10,570,897	9,903,691	20,474,588
Fund Balances - End of Year	\$ 12,040,050	\$ 17,198,040	\$ 29,238,090

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

Net Change in Fund Balances	\$ 8,763,502
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	5,734,630
Depreciation expense	(2,562,828)
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	(5,454,374)
Repayment of bond principal	2,448,282
Premium on bonds	(378,569)
Amortization of premium	259,662
Some revenues and expenses reported in the Statement of Activities are not reported as revenues or expenditures in the governmental funds:	
Prepaid insurance	4,765
Accrued interest cost	30,155
Compensated absences	(10,203)
Other postemployment benefits payable	165,512
Unbilled water revenue	7,668
Pension expense	(164,254)
Change in Net Position of Governmental Activities	\$ 8,843,948

See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

A. Summary of Significant Accounting Policies

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

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

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

1. Financial Reporting

The Town is financially accountable, as a result of fiscal dependency by the District. Long-term debt of the District, which is backed by the full faith and credit of the Town, and other fiscal matters result in a fiscal interdependency with the Town. Accordingly, the District has been determined to be a component unit of the Town.

2. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation (continued)

Fund Financial Statements

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

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

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

The District reports the following major governmental funds:

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

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

3. Measurement Focus/Basis of Accounting

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

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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 governmental 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
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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 assets 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 assets 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. In addition, both the Statement of Net Position and the Governmental Funds Balance Sheet include deferred inflows of resources relating to leases receivable. See Note D.

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
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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, net of the current portion, 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."

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.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

A. Summary of Significant Accounting Policies (continued)

16. Net Position and Fund Equity Classifications (continued)

Fund Financial Statements (continued)

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

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

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

A. Summary of Significant Accounting Policies (continued)

17. Leases

Lessor

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

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

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

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

18. Use of Estimates

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

19. New Accounting Standards

The District has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2023, The District adopted the following:

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users. This Statement defines a SBITA and establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding liability. The Statement also provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, as well as detailing the requirements for note disclosures regarding a SBITA. The District has completed its evaluation of the financial impact of GASB Statement No. 96 and determined that the implementation of this standard was not required as it did not have a material impact on the District's financial statements.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

B. Stewardship, Compliance, and Accountability

Budgetary Data

The District's budget policies are as follows:

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general and capital projects funds. Expenditures for such commitments are recorded in the period in which the liability is incurred.

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

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

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

Original budget	\$ 11,959,313
Prior year's contractual obligations	204,021
Additional use of capital reserve funds	950,000
Additional appropriation of fund balance	105,000
Additional appropriation related to refunding of debt	<u>20,000</u>
Total	<u>\$ 13,238,334</u>

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

For the 2023 budget, the District limited the increase in the real property tax levy to 1.99%, which was within the property tax levy limit.

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.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

B. Stewardship, Compliance, and Accountability (continued)

Fund Balance (continued)

	General Fund	Capital Projects Fund	Total
Nonspendable:			
Inventory of materials and supplies	\$ 187,137		\$ 187,137
Prepaid expenses	128,721		128,721
Long-term receivable	338,671		338,671
Total Nonspendable	654,529	\$ -0-	654,529
Restricted for:			
Capital improvements - Bonds/Grants		14,001,619	14,001,619
Capital projects reserves	2,269,972	387,205	2,657,177
Debt service reserve	491,608		491,608
Repair reserve	111,790		111,790
Total Restricted	2,873,370	14,388,824	17,262,194
Assigned to:			
Subsequent year's budget	288,717		288,717
AOP Operating expenses	346,575		346,575
Contractual obligations, repairs, truck	77,385		77,385
Capital improvements	3,972,000	2,809,216	6,781,216
Employee benefit accrued liability	371,213		371,213
Judgments and claims	150,000		150,000
Retirement contributions	50,000		50,000
Total Assigned	5,255,890	2,809,216	8,065,106
Unassigned	3,256,261	-0-	3,256,261
Total Fund Balances	\$ 12,040,050	\$ 17,198,040	\$ 29,238,090

Reserves

A summary of activity in the reserves for 2023 is as follows:

Capital projects reserves

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

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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 2023 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 2,979,471
Transfers out	(950,000)
Interest earned on reserve cash	134,076
System expansion charges	<u>106,425</u>
Balance - end	<u>\$ 2,269,972</u>

Debt service reserve

The Board of Commissioners, in accordance with New York State Finance Law, has established a debt service reserve. These funds arose from unspent bond proceeds resulting from completed capital projects. These funds will be used to pay off outstanding general obligation debt as the particular issues become due. This reserve is accounted for in the general fund. A summary of activity in the debt service reserve fund for 2023 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 600,193
Transfer out	(135,594)
Interest earned on reserve cash	<u>27,009</u>
Balance - end	<u>\$ 491,608</u>

Repair reserve

In accordance with New York State General Municipal Law §6-d, the District has established a repair reserve to pay for certain repairs to capital improvements or equipment. Expenditures from this reserve require the approval of the Board of Commissioners. The reserve may be funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account. This reserve is accounted for in the general fund. A summary of activity in the repair reserve fund for 2023 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 106,976
Interest earned on reserve cash	<u>4,814</u>
Balance - end	<u>\$ 111,790</u>

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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, 2023, the District's bank balances consisted of deposits totaling \$26,234,895. Of the total bank balance, \$250,000 was covered by the FDIC and \$25,984,895 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.

At December 31, 2023, the District reported investments of \$8,072,598, which consisted of certificates of deposit with original maturities in excess of three months. These certificates of deposits have various maturity dates from January 29, 2024 through April 26, 2024 and bear interest at rates ranging from 5.18% to 5.31%.

As of December 31, 2023, the District did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

D. Lease Receivable/Income

The District has entered into various leases with terms between 55 and 427 month leases as Lessor for the use of land and space on the District's water towers for cell service. As of December 31, 2023, the value of the lease receivable is \$7,839,334. The lessee is required to make monthly fixed payments ranging from \$500 to \$11,548. The leases have interest rates ranging from 0.3960% to 1.5410%. The value of the deferred inflow of resources as of 12/31/2023 was \$7,500,664, and the District recognized lease revenue of \$583,820 during the year.

Fiscal Year	Principal	Interest	Total Receipt
2024	\$ 443,967	\$ 76,845	\$ 520,812
2025	467,815	73,535	541,350
2026	460,719	70,082	530,801
2027	440,970	66,800	507,770
2028	442,269	63,494	505,763
2029-2033	2,546,732	263,319	2,810,051
2034-2038	1,122,531	177,263	1,299,794
2039-2043	977,315	106,689	1,084,004
2044-2048	757,802	42,141	799,943
2049-2053	125,805	7,069	132,874
2054-2057	53,409	1,698	55,107
	<u>\$ 7,839,334</u>	<u>\$ 948,935</u>	<u>\$ 8,788,269</u>

E. Surcharge for Remediation of Water Contaminate

The District established a surcharge for all District residents to treat for a chemical known 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 2023, the District received revenues relating to this surcharge of \$1,681,450, which are reported as other local sources on the District's statement of revenues, expenditures, and changes in fund balance.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

F. Capital Assets

Capital asset activity for the year ended December 31, 2023 is as follows:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
Capital assets not being depreciated:				
Land	\$ 1,109,751			\$ 1,109,751
Construction in progress	13,800,298	\$ 5,188,934	\$ 1,277,560	17,711,672
Total capital assets not being depreciated	14,910,049	5,188,934	1,277,560	18,821,423
Depreciable capital assets:				
Buildings	13,644,180			13,644,180
Improvements	4,353,287	149,621		4,502,908
Wells, water tanks, and structures	18,545,855	120,771		18,666,626
Machinery and equipment	17,293,909			17,293,909
Water mains	38,582,802	1,487,948		40,070,750
Office furniture and equipment	146,306			146,306
Vehicles	854,415	64,916		919,331
Total depreciable capital assets	93,420,754	1,823,256	-0-	95,244,010
Less accumulated depreciation:				
Buildings	4,394,707	334,947		4,729,654
Improvements	1,867,387	217,866		2,085,253
Wells, water tanks, and structures	8,594,023	429,341		9,023,364
Machinery and equipment	13,301,343	587,550		13,888,893
Water mains	27,142,519	932,040		28,074,559
Office furniture and equipment	130,106	5,944		136,050
Vehicles	699,138	55,140		754,278
Total accumulated depreciation	\$ 56,129,223	\$ 2,562,828	\$ -0-	58,692,051
Total net depreciable capital assets				36,551,959
Total net capital assets				\$ 55,373,382

Depreciation expense of \$2,562,828 was charged to water supply services expense for the year ended December 31, 2023.

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, 2023, the District has not recorded any such impairment losses.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

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 2024 to 2038.

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

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).

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

The following is a summary of changes in long-term liabilities for the year ended December 31, 2023:

	Balance 1/1/2023	Increases	Reductions	Balance 12/31/2023	Non-current Liabilities Due Within One Year	Long-term
General obligation						
bonds payable	\$ 21,077,427	\$ 5,454,374	\$ 2,448,282	\$ 24,083,519	\$ 2,356,362	\$ 21,727,157
Plus premiums on issuance	1,660,845	378,569	259,662	1,779,752	244,136	1,535,616
	<u>22,738,272</u>	<u>5,832,943</u>	<u>2,707,944</u>	<u>25,863,271</u>	<u>2,600,498</u>	<u>23,262,773</u>
Compensated absences	362,992	10,203		373,195	18,660	354,535
Net pension liability - proportionate share	-0-	979,760		979,760		979,760
Other postemployment benefits payable	9,765,364	951,181	1,750,565	8,965,980	350,881	8,615,099
	<u>\$ 32,866,628</u>	<u>\$ 7,774,087</u>	<u>\$ 4,458,509</u>	<u>\$ 36,182,206</u>	<u>\$ 2,970,039</u>	<u>\$ 33,212,167</u>

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

G. Long Term Liabilities (continued)

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2023 are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2024	\$ 2,356,362	\$ 895,105	\$ 3,251,467
2025	2,198,866	785,352	2,984,218
2026	1,974,389	678,983	2,653,372
2027	1,789,846	590,660	2,380,506
2028	1,869,552	511,517	2,381,069
2029-2033	7,861,400	1,684,568	9,545,968
2034-2038	6,033,104	487,968	6,521,072
	<u>\$ 24,083,519</u>	<u>\$ 5,634,153</u>	<u>\$ 29,717,672</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
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

H. Pension Plan (continued)

2. Plan Descriptions and Benefits Provided (continued)

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

Tiers 1 and 2

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

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

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

Tiers 3, 4, and 5

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

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

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

H. Pension Plan (continued)

2. Plan Descriptions and Benefits Provided (continued)

Tier 6

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

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

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

Ordinary Disability Benefits

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

Accidental Disability Benefits

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

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

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
2023	\$ 229,685
2022	155,741
2021	279,476

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

At December 31, 2023, the District reported the following liability of \$979,760 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2022. 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, 2022
Net pension Asset/(Liability)	\$ (979,760)
District's portion of the Plan's total net pension liability	0.0045689%
Change in allocation of the System's total Net Pension Liability since the prior measurement date	0.0000874%

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

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, 2023, the District's recognized pension expense of \$394,945. At December 31, 2023, the District's reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experience	\$ 104,352	\$ 27,515
Changes of assumptions	475,834	5,259
Net difference between projected and actual earnings on pension plan investments		5,756
Changes in proportion and differences between the District's contributions and proportionate share of contributions	138,613	9,365
District's contribution subsequent to the measurement date	172,264	
Total	\$ 891,063	\$ 47,895

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, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	ERS
Year Ended December 31, 2024	\$ 172,153
2025	(7,685)
2026	234,028
2027	272,408
	\$ 670,904

5. Actuarial Assumptions

The total pension liability as of the measurement date of March 31, 2023 was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll forward the total pension liability to the measurement date.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

H. Pension Plan (continued)

5. Actuarial Assumptions (continued)

The actuarial valuations used the following actuarial assumptions:

	ERS
Measurement date	March 31, 2023
Actuarial valuation date	April 1, 2022
Interest rate	5.9%
Salary scale	4.4%
Decrement tables	April 1, 2015 - March 31, 2020
	System's Experience
Cost of living adjustment	1.5%
Inflation rate	2.9%

Annuitant mortality rates are based on the System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

The actuarial assumptions used in the April 1, 2022 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, 2023 are summarized below:

Asset Class	ERS	
	Target Allocation	Long-term Expected Rate of Return
Domestic equity	32.0%	4.30%
International equity	15.0%	6.85%
Private equity	10.0%	7.50%
Real estate	9.0%	4.60%
Opportunistic/Absolute return strategies	3.0%	5.38%
Credit	4.0%	5.43%
Real assets	3.0%	5.84%
Fixed Income	23.0%	1.50%
Cash and cash equivalents	1.0%	0.00%
	100.0%	

The real rate of return is net of the long-term inflation assumption of 2.5%.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

H. Pension Plan (continued)

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 Asset/(Liability) to the Discount Rate Assumption

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

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset/(liability)	\$ (2,367,659)	\$ (979,760)	\$ 179,992

8. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers participating in the System's as of March 31, 2023 were as follows (in thousands):

	ERS
Measurement date	March 31, 2023
Employers' total pension liability	\$ (232,627,259)
Plan Fiduciary Net Position	211,183,223
Employers' net pension asset/(liability)	\$ (21,444,036)
Ratio of plan fiduciary net position to the Employers' total pension liability	90.78%

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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, 2023, the effective date of the OPEB valuation, is as follows:

	<u>Participants</u>
Active employees	19
Inactive employees or beneficiaries currently receiving benefit payments	<u>17</u>
Total	<u><u>36</u></u>

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

Total OPEB Liability

The District's total OPEB liability of \$8,965,980 was measured as of December 31, 2023 and was determined by an actuarial valuation as of January 1, 2023.

Funding Policy

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

I. Other Postemployment Benefits (OPEB) (continued)

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, 2023 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	3.50%
Discount rate	3.26%
Healthcare cost trend rates	7.0% in 2023, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2027 and later

The discount rate was based on the Bond Buyer's 20 Bond Index as of December 31, 2023.

Mortality rates utilized in this valuation were based on PUB-10 mortality table projected fully generationally using projection scale MP-2021.

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

In the December 31, 2023 actuarial valuation, the liabilities were computed using the entry age actuarial cost 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 2023, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2027 and later.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

I. Other Postemployment Benefits (OPEB) (continued)

Changes in the Total OPEB Liability

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

	Total OPEB Liability
Balance at December 31, 2022	\$ 9,765,364
Changes for the year:	
Service cost	204,194
Interest	305,220
Differences between expected and actual experience	(1,463,529)
Changes of assumptions or other inputs	441,767
Benefit payments	(287,036)
Net Changes	(799,384)
Balance at December 31, 2023	\$ 8,965,980

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (3.26%) than the current discount rate:

	One Percent Decrease 2.26%	Current Discount Rate 3.26%	One Percent Increase 4.26%
Total OPEB liability	\$ 10,527,211	\$ 8,965,980	\$ 7,737,498

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

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

	One Percent Decrease (5.50% to 4.00%)	Healthcare Cost Trend Rates (6.50% to 5.00%)	One Percent Increase (7.50% to 6.00%)
Total OPEB liability	\$ 7,611,131	\$ 8,965,980	\$ 10,705,735

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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, 2023, the District recognized OPEB expense of \$121,524. At December 31, 2023, the District reported deferred outflows or inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 758,334	\$ 1,042,974
Changes of assumptions or other inputs	314,822	1,437,197
Total	<u>\$ 1,073,156</u>	<u>\$ 2,480,171</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, 2024	\$ (543,507)
2025	(722,576)
2026	(140,932)
	<u>\$ (1,407,015)</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, 2023, the amount of District property tax abated was \$74,312, and the District received payments in lieu of taxes of \$61,164.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

K. Commitments and Contingencies

Litigation

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

Capital Improvements

The District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contracts or is planning additional improvements amounting to approximately \$17 million within the next five years.

At December 31, 2023, the District had contracts and other commitments outstanding related to capital projects in the amount of \$1,517,841.

L. New Pronouncement

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

GASB Statement No. 101, *Compensated Absences*, this Statement has been issued to update the recognition and measurement guidance for compensated absences. The requirements of the Statement are effective for reporting periods beginning after December 15, 2023.

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

M. Subsequent Events

Subsequent events have been evaluated through April 24, 2024, the date the financial statements were available to be issued.

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 GENERAL FUND
 DETAILED SCHEDULE OF REVENUES
 BUDGET AND ACTUAL
 Year Ended December 31, 2023

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Real Property Taxes	\$ 4,426,900	\$ 4,426,900	\$ 4,427,822	\$ 922
Other Real Property Taxes	50,000	50,000	61,164	11,164
Departmental Income				
Metered water sales	4,150,000	4,150,000	4,647,585	497,585
Unmetered water sales	544,550	544,550	558,560	14,010
Hydrant permits	2,200	2,200	3,175	975
Interest and penalties - water rents	20,000	20,000	51,342	31,342
Water service charges	95,000	95,000	82,620	(12,380)
Total Departmental Income	4,811,750	4,811,750	5,343,282	531,532
Use of Money and Property				
Interest earnings	140,000	140,000	851,456	711,456
Tower rental	420,000	420,000	656,333	236,333
Total Use of Money and Property	560,000	560,000	1,507,789	947,789
Sale of Property and Compensation for Loss				
Sales of scrap and excess materials	8,500	8,500	6,364	(2,136)
Sales of taps, meters and supplies	26,000	26,000	49,320	23,320
Insurance recoveries			93,306	93,306
Total Sale of Property and Compensation for Loss	34,500	34,500	148,990	114,490
Other Local Sources				
Miscellaneous local sources			67,046	67,046
Dioxane surcharge fee	1,677,675	1,677,675	1,681,450	3,775
System construction charge			106,425	106,425
Total Other Local Sources	1,677,675	1,677,675	1,854,921	177,246
Total Revenue	11,560,825	11,560,825	13,343,968	1,783,143
Other Financing Sources				
Premium on bonds		20,000	232,943	212,943
Total Other Financing Sources	-0-	20,000	232,943	212,943
Appropriated fund balance and reserves				
Assigned fund balance	262,894	571,915		
Appropriated reserves	135,594	1,085,594		
Total appropriated fund balance and reserves	398,488	1,657,509		
Total Revenue, Other Financing Sources, Appropriated Fund Balance and Reserves	<u>\$ 11,959,313</u>	<u>\$ 13,238,334</u>	<u>\$ 13,576,911</u>	<u>\$ 1,996,086</u>

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 GENERAL FUND
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL
 Year Ended December 31, 2023

	Budget Amounts		Actual	Encum- brances	Variance with Final Budget
	Original	Final			
Administration					
Personal Services:					
Administrative salaries	\$ 340,000	\$ 354,000	\$ 353,329		\$ 671
Commissioners fees	48,000	48,000	41,760		6,240
Equipment:					
Communications equipment	5,500	5,500	2,736		2,764
Office equipment	17,500	17,500	13,731		3,769
Contractual and other expenditures:					
Professional services-legal	43,000	48,000	47,048		952
Professional services-auditing	80,000	101,000	100,354		646
Professional services-bond fees	4,000	4,000	346		3,654
Professional services-consultant fees	34,000	34,000	19,833		14,167
Data processing	43,000	82,000	81,174		826
Insurance	275,000	266,000	240,348		25,652
Telephone	91,000	91,000	76,976		14,024
Postage and office supplies	95,000	95,000	77,698		17,302
Fuel and heat	62,000	52,000	35,496		16,504
Education and travel	22,000	22,000	9,491		12,509
Newsletter	35,000	25,000	13,848		11,152
Contingencies	100,000				-0-
Total Administration	<u>1,295,000</u>	<u>1,245,000</u>	<u>1,114,168</u>	\$ -0-	<u>130,832</u>
Source of Supply, Power, and Pumping					
Power and light	2,040,000	2,040,000	1,647,439		392,561
Purchase of water	45,000	45,000	33,971		11,029
Total Source of Supply, Power, and Pumping	<u>2,085,000</u>	<u>2,085,000</u>	<u>1,681,410</u>	-0-	<u>403,590</u>
Purification					
Water analysis	430,000	430,000	252,266		177,734
Water treatment	590,000	590,000	549,260		40,740
Total Purification	<u>1,020,000</u>	<u>1,020,000</u>	<u>801,526</u>	-0-	<u>218,474</u>
Transmission and Distribution					
Personal services - supervision and labor	1,400,000	1,400,000	1,363,657		36,343
Equipment:					
Autos and trucks purchased	125,000	189,916	66,516		123,400
Meter purchases	200,000	339,105	212,039	59,500	67,566
Hydrant purchases	32,000	50,000	21,459	17,885	10,656
Contractual and other expenditures:					
Mapping	25,000	25,000	23,192		1,808
Materials and supplies	29,000	31,000	30,669		331
Maintenance - wells	650,000	601,000	590,972		10,028
Maintenance - grounds	32,000	34,000	33,700		300
Maintenance - mains and hydrants	120,000	120,000	112,953		7,047
Maintenance - autos and trucks	35,000	35,000	32,928		2,072
Maintenance - building	60,000	20,000	12,594		7,406
Professional services - engineering	110,000	216,000	215,483		517
Road restoration	25,000	25,000	21,567		3,433
Sundry	1,250	1,250	455		795
Small tools and shop supplies	25,000	25,000	19,054		5,946
Safety and markout	10,000	10,000	6,533		3,467
Gas and oil	50,000	50,000	42,092		7,908
Total Transmission and Distribution	<u>2,929,250</u>	<u>3,172,271</u>	<u>2,805,863</u>	77,385	<u>289,023</u>
Employee Benefits					
State retirement	240,000	218,000	211,199		6,801
Social security	145,608	137,608	134,077		3,531
Hospital and medical insurance	825,000	866,000	865,263		737
Total Employee Benefits	<u>1,210,608</u>	<u>1,221,608</u>	<u>1,210,539</u>	-0-	<u>11,069</u>

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 GENERAL FUND
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL
 Year Ended December 31, 2023

	Budget Amounts		Actual	Encum- brances	Variance with Final Budget
	Original	Final			
Debt Service					
Serial bond principal	\$ 2,448,282	\$ 2,448,282	\$ 2,448,282		\$ -0-
Serial bond interest	866,173	866,173	866,173		-0-
Debt issuance costs	10,000	30,000	29,797		203
Total Debt Service	<u>3,324,455</u>	<u>3,344,455</u>	<u>3,344,252</u>	<u>-0-</u>	<u>203</u>
Total Expenditures	<u>11,864,313</u>	<u>12,088,334</u>	<u>10,957,758</u>	<u>77,385</u>	<u>1,053,191</u>
Other Financing Uses					
Transfers out	95,000	1,150,000	1,150,000		-0-
Total Other Financing Uses	<u>95,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures and Other Financing Uses	<u>\$ 11,959,313</u>	<u>\$ 13,238,334</u>	<u>\$ 12,107,758</u>	<u>\$ 77,385</u>	<u>\$ 1,053,191</u>

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
 December 31, 2023

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 1,2023 - December 31, 2023	\$ 9,765,364	\$ 204,194	\$ 305,220	\$ (1,463,529)	\$ -0-	\$ 441,767	\$ (287,036)	\$ 8,965,980	\$ 1,721,357	520.87%
January 1,2022 - December 31, 2022	\$ 11,877,720	\$ 501,078	\$ 247,682	\$ 459,290	\$ -0-	\$ (2,963,161)	\$ (357,245)	\$ 9,765,364	\$ 912,972	1069.62%
January 1,2021 - December 31, 2021	\$ 9,690,614	\$ 476,183	\$ 245,742	\$ 1,849,115	\$ -0-	\$ (114,884)	\$ (269,050)	\$ 11,877,720	\$ 890,704	1333.52%
January 1,2020 - December 31, 2020	\$ 8,454,371	\$ 287,797	\$ 236,157	\$ -0-	\$ -0-	\$ 960,550	\$ (248,261)	\$ 9,690,614	\$ 818,438	1184.04%
January 1,2019 - December 31, 2019	\$ 7,836,032	\$ 198,918	\$ 277,389	\$ (1,394,701)	\$ -0-	\$ 1,719,320	\$ (182,587)	\$ 8,454,371	\$ 798,476	1058.81%
January 1,2018 - December 31, 2018	\$ 8,794,141	\$ 281,211	\$ 285,143	\$ -0-	\$ -0-	\$ (1,305,561)	\$ (218,902)	\$ 7,836,032	\$ 1,251,421	626.17%

Notes to Schedule:

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

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

Changes of assumptions.

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

The following are the discount rates used in each period:

2023	3.26%
2022	3.72%
2021	2.03%
2020	2.12%
2019	2.74%
2018	4.10%
2017	3.18%

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

NYSERS	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.0045689%	0.0044815%	0.0038073%	0.0038141%	0.0045444%	0.0043350%	0.0042256%	0.0043830%	0.0044837%	0.0044837%
District's proportionate share of the net pension asset/(liability)	\$ (979,760)	\$ 366,341	\$ (3,791)	\$ (1,009,994)	\$ (321,983)	\$ (139,909)	\$ (397,046)	\$ (703,477)	\$ (151,472)	\$ (202,614)
District's covered-employee payroll	\$ 1,745,655	\$ 1,465,752	\$ 1,602,090	\$ 1,345,966	\$ 1,262,071	\$ 1,371,833	\$ 1,256,412	\$ 1,184,360	\$ 1,358,006	\$ 1,364,290
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	56.13%	24.99%	0.24%	75.04%	25.51%	10.20%	31.60%	59.40%	11.15%	14.85%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

Notes to the Schedule:

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

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

	NYSERS									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 211,199	\$ 186,675	\$ 261,593	\$ 203,980	\$ 195,746	\$ 202,948	\$ 189,105	\$ 193,255	\$ 205,756	\$ 326,700
Contributions in relation to the contractually required contribution	<u>211,199</u>	<u>186,675</u>	<u>261,593</u>	<u>203,980</u>	<u>195,746</u>	<u>202,948</u>	<u>189,105</u>	<u>193,255</u>	<u>205,756</u>	<u>326,700</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered-employee payroll	\$ 1,742,968	\$ 1,721,212	\$ 1,535,570	\$ 1,446,165	\$ 1,354,420	\$ 1,291,865	\$ 1,329,652	\$ 1,228,683	\$ 1,316,312	\$ 1,373,704
Contributions as a percentage of covered-employee payroll	12.12%	10.85%	17.04%	14.10%	14.45%	15.71%	14.22%	15.73%	15.63%	23.78%

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

OTHER SUPPLEMENTARY INFORMATION

**SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
Year Ended December 31, 2023**

PROJECT TITLE	Expenditures		Encum - brances	Total
	Prior Years	Current Year		
Developers Escrow Projects	\$ 1,371,843	\$ 480,780		\$ 1,852,623
Capital Reserve Project:				
Hydrant Replacement	493,214	173,084		666,298
General Projects:				
Water Main Replacement 110	86,879	747,205		834,084
Jones Lane WM Replacement	23,200			23,200
Pump Repair at Plant 19-1	300,945	8,509		309,454
Admin building	10,900	31,969		42,869
Garage Roof	27,164	122,457		149,621
Bond Projects:				
Plant 4 & 8 Rehabilitation	1,161,060	2,168,532	\$ 152,663	3,482,255
Plant 3 Rehabilitation	4,826,561	907,105	188,689	5,922,355
Plant 12 Rehab & Tank	22,276	396,255	1,115,097	1,533,628
Plant 11 Tank	10,163	110,608		120,771
Plant 15		21,861		21,861
Treatment Plant 10	7,354,351	501,349	61,392	7,917,092
Total Capital Projects	<u>\$ 15,688,556</u>	<u>\$ 5,669,714</u>	<u>\$ 1,517,841</u>	<u>\$ 22,876,111</u>