



SOUTH HUNTINGTON WATER DISTRICT

**A COMPONENT UNIT OF THE TOWN OF
HUNTINGTON**

FINANCIAL STATEMENTS

Year Ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
South Huntington District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Huntington Water District (the "District"), a component unit of the Town of Huntington, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2025, 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

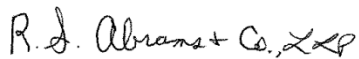
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, detailed schedule of revenues – budget and actual – general fund, detailed schedule of expenditures – budget and actual – general fund, schedule of changes in the District's total other postemployment benefits (OPEB) liability and related ratios, schedule of District's proportionate share of the net pension asset/(liability), and schedule of District's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The capital projects fund – schedule of project expenditures 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.

A handwritten signature in cursive script that reads "R.S. Abrams & Co., LLP".

R.S. Abrams & Co., LLP
Islandia, New York
May 20, 2026

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025**

Our discussion and analysis of the South Huntington Water District's (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, 2025. 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 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, 2025

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,

	2025	2024
Assets		
Current assets	\$ 37,657,706	\$ 35,882,858
Capital assets, net of accumulated depreciation	64,910,465	56,171,620
Other non-current assets	4,890,135	5,609,514
Total Assets	<u>107,458,306</u>	<u>97,663,992</u>
Deferred Outflows of Resources		
Pensions	659,416	821,731
Other postemployment benefits	60,932	389,232
Total Deferred Outflows of Resources	<u>720,348</u>	<u>1,210,963</u>
Liabilities		
Current liabilities	6,018,005	4,858,086
Non-current liabilities	33,605,109	34,313,732
Total Liabilities	<u>39,623,114</u>	<u>39,171,818</u>
Deferred Inflows of Resources		
Leases	4,813,851	5,630,908
Pensions	10,291	360,754
Other postemployment benefits	1,293,249	1,977,182
Total Deferred Inflows of Resources	<u>6,117,391</u>	<u>7,968,844</u>
Net Position		
Net investment in capital assets	48,256,300	45,354,019
Restricted	5,335,587	2,737,332
Unrestricted	8,846,262	3,642,942
Total Net Position	<u>\$ 62,438,149</u>	<u>\$ 51,734,293</u>

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025

CONDENSED FINANCIAL INFORMATION (continued)

Changes in Net Position

For the years ended December 31,

	2025	2024
Program revenues:		
Charges for services	\$ 6,463,077	\$ 5,872,133
Capital grants and contributions	2,021,041	8,500
General revenues:		
Real property taxes	4,690,154	4,590,002
Other real property tax items	17,501	25,463
Other general revenues	3,812,482	4,460,455
Total Revenues	17,004,255	14,956,553
Expenses - Water supply services	10,401,648	11,153,377
Special item - Litigation settlement	4,101,249	-0-
Changes in Net Position	\$ 10,703,856	\$ 3,803,176

FINANCIAL HIGHLIGHTS

The District's total assets and deferred outflows of resources at December 31, 2025 were \$108,178,654, an increase of \$9,303,699 from the prior year. The increase is primarily due to increases in cash, accounts receivable, and capital assets net of depreciation, offset by decreases in investments, leases receivable, and deferred outflows of resources for other postemployment benefits (OPEB) and pensions. Total liabilities and deferred inflows of resources at December 31, 2025 were \$45,740,505, a decrease of \$1,400,157 from the prior year. This decrease is primarily due to decreases in OPEB and general obligation bonds payable, inclusive of premiums, and deferred inflows of resources related to leases, pensions and other postemployment benefits, offset by increases in accounts payable and accrued expenses, net pension liability and developer deposits.

The District's net position at December 31, 2025 is \$62,438,149, an increase of \$10,703,856 from the prior year. Of the District's total net position, \$48,256,300 was a net investment in capital assets, \$5,335,587 was restricted for capital projects and repairs, and \$8,846,262 was unrestricted.

The unrestricted net position of \$8,846,262 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 by \$5,230,320, primarily as a result of the District receiving a litigation settlement, noted as a Special Item discussed below, as well as revenues exceeding expenditures on the full accrual basis of accounting.

Program revenues increased by \$2,603,485, which was primarily due to an increase in capital grants and contributions. General revenues decreased \$555,783 as compared to the prior year, which was primarily due to a decrease in revenue from other local sources.

Expenses for water supply services decreased \$751,729, primarily due to decreases in 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, 2025

CONDENSED FINANCIAL INFORMATION (continued)

FINANCIAL HIGHLIGHTS (continued)

The District recognized a Special item related to the net revenue received from litigation settlements related to water contamination claims in the amount of \$4,101,249. Of the \$4,101,249 litigation settlement recognized in the government-wide statements as a special item, \$2,609,355 was recognized in the governmental funds, with the remainder deferred in accordance with modified accrual accounting.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

General Fund

Fund balance in the general fund increased this year by \$2,217,937 to \$15,411,352 as a result of excess revenues and other financing sources over expenditures and other financing uses, as well as the litigation settlement received, noted above. Of this total, \$3,508,422 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance consists of \$373,952 of nonspendable related to inventory of materials and supplies, long-term receivables and prepaid expenses, \$7,095,962 assigned to various expenditures in subsequent years, and \$4,433,016 restricted for capital costs, debt service, and emergency repairs.

Capital Projects Fund

Fund balance in the capital projects fund totaled \$17,936,383 at December 31, 2025, representing a decrease of \$2,746,670 from the prior year balance of \$20,683,053. The fund balance is entirely restricted and assigned for capital purposes, reflecting resources committed to ongoing and future infrastructure improvements.

BUDGETARY HIGHLIGHTS

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

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance
Revenues	\$ 13,002,239	\$ 13,002,239	\$ 14,886,912		\$ 1,884,673
Expenditures	13,175,241	13,218,694	11,713,142	\$ 158,141	1,347,411
Other Financing Sources			65,827		65,827
Other Financing Uses	300,000	3,631,015	3,631,015		-0-
Special Item			2,609,355		2,609,355
	<u>\$ (473,002)</u>	<u>\$ (3,847,470)</u>	<u>\$ 2,217,937</u>	<u>\$ 158,141</u>	<u>\$ 5,907,266</u>

The general fund reported an excess of revenues and other financing sources over expenditures and other financing uses this year of \$2,217,937, increasing the fund balance to \$15,411,352. 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 and premium. Other financing uses includes transfer to the capital projects fund to fund various projects. The special item resulted from a litigation settlement, described above.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025

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 2025, the District expended \$10,817,251 for capital assets and improvements to the water system and issued \$2,330,097 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 \$39 million within the next five years.

As of December 31, 2025, the District had \$28,038,765 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>
2025	3.273	3.140	\$ 5,487,338
2024	3.410	3.337	5,102,196
2023	3.367	3.059	4,647,585
2022	3.337	3.065	4,347,805
2021	3.303	2.959	3,978,073

The increase in metered water revenue for the year ended December 31, 2025 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 2026 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, 2025

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.

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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, 2025

Assets

Current assets:	
Cash	\$ 32,627,561
Accounts receivable	3,867,873
Lease receivable	394,797
Due from other governments	395,961
Inventory of materials and supplies	160,415
Prepaid expenses	211,099
Total Current Assets	37,657,706
Non-current assets:	
Lease receivable	4,890,135
Non-depreciable capital assets	17,630,951
Depreciable capital assets, net of accumulated depreciation	47,279,514
Total Non-current Assets	69,800,600
Total Assets	107,458,306

Deferred Outflows of Resources

Pensions	659,416
Other postemployment benefits	60,932
Total Deferred Outflows of Resources	720,348

Liabilities

Current liabilities:	
Accounts payable and accrued expenses	2,731,220
Developer deposits	351,735
Non-current liabilities due within one year:	
General obligation bonds payable, inclusive of premiums	2,512,644
Compensated absences	17,579
Total Other postemployment benefits payable	404,827
Total Current Liabilities	6,018,005
Non-current liabilities:	
General obligation bonds payable, inclusive of premiums	25,526,121
Compensated absences	333,991
Net pension liability - proportionate share	878,964
Total Other postemployment benefits payable	6,866,033
Total Non-current Liabilities	33,605,109
Total Liabilities	39,623,114

Deferred Inflows of Resources

Lease related	4,813,851
Pensions	10,291
Other postemployment benefits	1,293,249
Total Deferred Inflows of Resources	6,117,391

Net Position

Net investment in capital assets	48,256,300
Restricted	5,335,587
Unrestricted	8,846,262
Total Net Position	\$ 62,438,149

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, 2025

Governmental Activities

Expenses - Water supply services	\$ 10,401,648
Program revenues - Charges for services	6,463,077
Program revenues - Capital grants and contributions	<u>2,021,041</u>
Net Program Expenses	<u>(1,917,530)</u>

General Revenues

Real property taxes	4,690,154
Other real property tax items	17,501
Use of money and property	1,755,416
Sale of property and compensation for loss	146,526
Other local sources	<u>1,910,540</u>
Total General Revenues	<u>8,520,137</u>

Special Item

Litigation settlement	<u>4,101,249</u>
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Change in Net Position

10,703,856

Net Position - Beginning of the Year

51,734,293

Net Position - End of the Year	<u><u>\$ 62,438,149</u></u>
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SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2025

	General Fund	Capital Projects Fund	Total
Assets			
Cash	\$ 12,817,891	\$ 19,809,670	\$ 32,627,561
Accounts receivable	3,464,184		3,464,184
Lease receivable	5,284,932		5,284,932
Due from other governments		395,961	395,961
Due from other fund	52,929		52,929
Inventory of materials and supplies	160,415		160,415
Prepaid expenses	137,253		137,253
Total Assets	<u>\$ 21,917,604</u>	<u>\$ 20,205,631</u>	<u>\$ 42,123,235</u>
Liabilities			
Accounts payable and accrued expenses	\$ 200,507	\$ 1,864,584	\$ 2,065,091
Due to other fund		52,929	52,929
Developer deposits		351,735	351,735
Total Liabilities	<u>200,507</u>	<u>2,269,248</u>	<u>2,469,755</u>
Deferred Inflows of Resources			
Lease related	4,813,851		4,813,851
Legal settlement	1,491,894		1,491,894
Total Deferred Inflows of Resources	<u>6,305,745</u>	<u>-0-</u>	<u>6,305,745</u>
Fund Balances			
Fund Balance:			
Nonspendable	373,952		373,952
Restricted	4,433,016	12,287,171	16,720,187
Assigned	7,095,962	5,649,212	12,745,174
Unassigned	3,508,422		3,508,422
Total Fund Balances	<u>15,411,352</u>	<u>17,936,383</u>	<u>33,347,735</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,917,604</u>	<u>\$ 20,205,631</u>	<u>\$ 42,123,235</u>

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

Total Governmental Fund Balances		\$ 33,347,735
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:		64,910,465
Capital assets - non-depreciable	\$ 17,630,951	
Capital assets - depreciable	111,419,803	
Accumulated depreciation	<u>(64,140,289)</u>	
Certain prepaid expenses are not current financial resources and therefore are not reported in the funds.		73,846
Deferred outflows of resources are included in the Statement of Net Position:		
Pension		659,416
Other postemployment benefits		60,932
Certain liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	(247,710)	
Retainage payable	(418,419)	
General obligation bonds payable	(26,217,661)	
Compensated absences	(351,570)	
Net pension liability - proportionate share	(878,964)	
Total Other postemployment benefits payable	<u>(7,270,860)</u>	
		(35,385,184)
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		(1,821,104)
Deferred inflows of resources are included in the Statement of Net Position:		
Pension		(10,291)
Other postemployment benefits		(1,293,249)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		<u>1,895,583</u>
Net Position of Governmental Activities		<u>\$ 62,438,149</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, 2025

	General Fund	Capital Projects Fund	Total
Revenues			
Real property taxes	\$ 4,690,154		\$ 4,690,154
Other real property tax items	17,501		17,501
Departmental income	6,385,300		6,385,300
Use of money and property	1,755,416		1,755,416
Sale of property and compensation for loss	146,526		146,526
Other local sources	1,892,015	\$ 18,525	1,910,540
State aid		2,021,041	2,021,041
Total Revenues	14,886,912	2,039,566	16,926,478
Expenditures			
Administration	1,233,891		1,233,891
Source of supply, power, and pumping	1,833,497		1,833,497
Purification	1,156,675		1,156,675
Transmission and distribution	2,736,104		2,736,104
Employee benefits	1,325,726		1,325,726
Debt service	3,427,249		3,427,249
Capital outlays		10,817,251	10,817,251
Total Expenditures	11,713,142	10,817,251	22,530,393
Excess (Deficiency) of Revenues Over Expenditures	3,173,770	(8,777,685)	(5,603,915)
Other Financing Sources (Uses)			
Transfers in		3,631,015	3,631,015
Transfers out	(3,631,015)		(3,631,015)
Proceeds of bonds		2,330,097	2,330,097
Premium on bonds	65,827	69,903	135,730
Total Other Financing Sources (Uses)	(3,565,188)	6,031,015	2,465,827
Special Item			
Litigation settlement	2,609,355		2,609,355
Total Special Item	2,609,355	-0-	2,609,355
Net Change in Fund Balances	2,217,937	(2,746,670)	(528,733)
Fund Balances - Beginning of Year	13,193,415	20,683,053	33,876,468
Fund Balances - End of Year	\$ 15,411,352	\$ 17,936,383	\$ 33,347,735

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

Net Change in Fund Balances \$ (528,733)

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	11,089,903
Depreciation expense	(2,769,477)

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	(2,330,097)
Repayment of bond principal	2,418,620
Premium on bonds	(135,730)
Amortization of premium	234,563

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

Prepaid insurance	8,061
Accrued interest cost	(12,096)
Compensated absences	(35,815)
Other postemployment benefits payable	1,186,638
Unbilled water revenue	77,777
Pension expense	8,348
Litigation settlement	1,491,894

Change in Net Position of Governmental Activities	\$ 10,703,856
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See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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, 2025

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, 2025

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, 2025

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 lease receivable. See Note D. The Governmental Funds Balance Sheet also includes a deferred inflow of resources related to future legal settlements. See Note K.

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, 2025

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 financing sources. 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 (deemed more likely than not to be used for time off, paid in cash, or settled through noncash means) 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, 2025

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

A. Summary of Significant Accounting Policies (continued)

16. Net Position and Fund Equity Classifications (continued)

Fund Financial Statements

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

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

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

A. Summary of Significant Accounting Policies (continued)

16. Net Position and Fund Equity Classifications (continued)

Fund Financial Statements (continued)

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.

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.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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	\$ 13,475,241
Prior year's contractual obligations	43,453
Additional use of capital appropriation funds	<u>3,331,015</u>
Total	<u>\$ 16,849,709</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 2025 budget, the District limited the increase in the real property tax levy to 2.18%, which was within the property tax levy limit.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

B. Stewardship, Compliance, and Accountability (continued)

Fund Balance

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

	General Fund	Capital Projects Fund	Total
Nonspendable:			
Inventory of materials and supplies	\$ 160,415		\$ 160,415
Prepaid expenses	137,253		137,253
Long-term receivable	76,284		76,284
Total Nonspendable	<u>373,952</u>	<u>\$ -0-</u>	<u>373,952</u>
Restricted for:			
Capital improvements - bonds/grants		11,281,246	11,281,246
Capital projects reserves	4,208,750	1,005,925	5,214,675
Debt service reserve	103,354		103,354
Repair reserve	120,912		120,912
Total Restricted	<u>4,433,016</u>	<u>12,287,171</u>	<u>16,720,187</u>
Assigned to:			
Subsequent year's budget	133,304		133,304
Contractual obligations, meters and supplies	158,141		158,141
Capital improvements	6,277,947	5,649,212	11,927,159
Employee benefit accrued liability	351,570		351,570
Judgments and claims	150,000		150,000
Retirement contributions	25,000		25,000
Total Assigned	<u>7,095,962</u>	<u>5,649,212</u>	<u>12,745,174</u>
Unassigned	<u>3,508,422</u>	<u>-0-</u>	<u>3,508,422</u>
Total Fund Balances	<u>\$ 15,411,352</u>	<u>\$ 17,936,383</u>	<u>\$ 33,347,735</u>

Reserves

A summary of activity in the reserves for 2025 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.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

B. Stewardship, Compliance, and Accountability (continued)

Reserves (continued)

Capital projects reserves (continued)

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

These charges are recorded as revenue in the general and capital funds and deposited into the capital reserve. This reserve is accounted for in the general and capital funds. A summary of activity in the capital projects reserves for 2025 is as follows:

	<u>General Fund</u>	<u>Capital Fund</u>
Balance - beginning	\$ 1,318,150	\$ 1,302,753
Transfers in/(out)	2,609,355	-0-
Interest earned on reserve cash	75,605	-0-
System expansion charges	205,640	-0-
Capital Outlay	<u>-0-</u>	<u>(296,828)</u>
Balance - end	<u>\$ 4,208,750</u>	<u>\$ 1,005,925</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 2025 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 287,115
Transfer out	<u>(183,761)</u>
Balance - end	<u>\$ 103,354</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 2025 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 116,429
Interest earned on reserve cash	<u>4,483</u>
Balance - end	<u>\$ 120,912</u>

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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, 2025, the District's bank balances (including all certificates of deposit) consisted of deposits totaling \$33,117,235. Of the total bank balance, \$250,000 was covered by the FDIC and \$32,867,235 was covered by an irrevocable stand by letter of credit issued by Federal Home Loan Bank of Pittsburgh, which is held by the pledging financial institution, in the District's name.

As of December 31, 2025, 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, 2025

D. Lease Receivable/Income

The District has entered into various leases with terms between 55 and 300 month leases as Lessor for the use of land and space on the District's water towers for cell service. As of December 31, 2025, the value of the lease receivable is \$5,284,932. The lessee is required to make monthly fixed payments ranging from \$417 to \$12,227. The leases have interest rates ranging from 0.3960% to 1.5410%. The value of the deferred inflow of resources as of December 31, 2025 was \$4,813,851, and the District recognized lease revenue of \$502,153 during the year.

Future principal and interest payments to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 394,797	\$ 47,735	\$ 442,532
2027	371,595	45,360	416,955
2028	369,141	43,010	412,151
2029	385,659	40,666	426,325
2030	407,765	38,187	445,952
2031-2035	1,699,853	151,492	1,851,345
2036-2040	511,175	107,125	618,300
2041-2045	660,991	63,090	724,081
2046-2050	483,956	12,498	496,454
	<u>\$ 5,284,932</u>	<u>\$ 549,163</u>	<u>\$ 5,834,095</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 2025, the District received revenues relating to this surcharge of \$1,685,475, 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, 2025

F. Capital Assets

Capital asset activity for the year ended December 31, 2025 is as follows:

	Balance 1/1/2025	Additions	Deletions	Balance 12/31/2025
Capital assets not being depreciated:				
Land	\$ 1,109,751			\$ 1,109,751
Construction in progress	6,103,726	\$ 11,321,815	\$ 904,341	16,521,200
Total capital assets not being depreciated	<u>7,213,477</u>	<u>11,321,815</u>	<u>904,341</u>	<u>17,630,951</u>
Depreciable capital assets:				
Buildings	17,939,072			17,939,072
Improvements	4,813,593			4,813,593
Wells, water tanks, and structures	27,450,117	342,829		27,792,946
Machinery and equipment	18,032,726			18,032,726
Water mains	40,949,140	579,094		41,528,234
Office furniture and equipment	146,306			146,306
Vehicles	998,001	168,925		1,166,926
Total depreciable capital assets	<u>110,328,955</u>	<u>1,090,848</u>	<u>-0-</u>	<u>111,419,803</u>
Less accumulated depreciation:				
Buildings	5,154,094	441,291		5,595,385
Improvements	2,302,043	216,936		2,518,979
Wells, water tanks, and structures	9,623,488	649,997		10,273,485
Machinery and equipment	14,311,285	440,862		14,752,147
Water mains	29,031,029	965,588		29,996,617
Office furniture and equipment	141,507	3,077		144,584
Vehicles	807,366	51,726		859,092
Total accumulated depreciation	<u>\$ 61,370,812</u>	<u>\$ 2,769,477</u>	<u>\$ -0-</u>	<u>64,140,289</u>
Total net depreciable capital assets				<u>47,279,514</u>
Total net capital assets				<u><u>\$ 64,910,465</u></u>

Depreciation expense of \$2,769,477 was charged to water supply services expense for the year ended December 31, 2025.

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, 2025, 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, 2025

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 2026 to 2040.

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).

Total 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, 2025:

	Balance 1/1/2025	Increases	Reductions	Balance 12/31/2025	Non-current Liabilities Due Within One Year
General obligation					
bonds payable	\$ 26,306,184	\$ 2,330,097	\$ 2,418,620	\$ 26,217,661	\$ 2,313,476
Plus premiums on issuance	1,919,937	135,730	234,563	1,821,104	199,168
	28,226,121	2,465,827	2,653,183	28,038,765	2,512,644
Compensated absences	315,755	35,815		351,570	17,579
Net pension liability - proportionate share	699,164	613,172	433,372	878,964	
Total Other postemployment benefits payable	8,101,865	497,495	1,328,500	7,270,860	404,827
	<u>\$ 37,342,905</u>	<u>\$ 3,612,309</u>	<u>\$ 4,415,055</u>	<u>\$ 36,540,159</u>	<u>\$ 2,935,050</u>

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

G. Long Term Liabilities (continued)

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2025 are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2026	\$ 2,313,476	\$ 969,899	\$ 3,283,375
2027	2,144,532	865,756	3,010,288
2028	2,242,756	768,879	3,011,635
2029	1,974,140	676,313	2,650,453
2030	2,046,364	604,029	2,650,393
2031-2035	10,086,253	1,982,140	12,068,393
2036-2040	5,410,138	429,468	5,839,606
	<u>\$ 26,217,659</u>	<u>\$ 6,296,484</u>	<u>\$ 32,514,143</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
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NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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, 2025

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 two 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, 2025

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
2025	\$ 273,108
2024	264,905
2023	229,685

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

At December 31, 2025, the District reported a liability of \$878,964 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2024. 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, 2024
Net pension Asset/(Liability)	\$ (878,964)
District's proportion of the Plan's total net pension liability	0.0051264%
Change in proportion since the prior measurement date	0.0003779%

SOUTH HUNTINGTON WATER DISTRICT
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NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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, 2025, the District's recognized pension expense of \$262,708. At December 31, 2025, 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
	<u>ERS</u>	
Differences between expected and actual experience	\$ 218,165	\$ 10,291
Changes of assumptions	36,862	
Net difference between projected and actual earnings on pension plan investments	68,961	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	130,597	
District's contribution subsequent to the measurement date	<u>204,831</u>	
Total	<u>\$ 659,416</u>	<u>\$ 10,291</u>

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, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>
Year Ended December 31, 2026	\$ 211,344
2027	257,858
2028	(47,025)
2029	<u>22,117</u>
	<u>\$ 444,294</u>

5. Actuarial Assumptions

The total pension liability as of the measurement date of March 31, 2025 was determined by using an actuarial valuation as of April 1, 2024, 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, 2025

H. Pension Plan (continued)

5. Actuarial Assumptions (continued)

The actuarial valuations used the following actuarial assumptions:

	ERS
Measurement date	March 31, 2025
Actuarial valuation date	April 1, 2024
Interest rate	5.9%
Salary scale	4.3%
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, 2024 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 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, 2025 are summarized below:

	ERS	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	25.0%	3.54%
International equity	14.0%	6.57%
Private equity	15.0%	7.25%
Real estate	12.0%	4.95%
Opportunistic/Absolute return strategies	3.0%	5.25%
Credit	4.0%	5.40%
Real assets	4.0%	5.55%
Fixed Income	22.0%	2.00%
Cash and cash equivalents	1.0%	0.25%
	<u>100.0%</u>	

The real rate of return is net of the long-term inflation assumption of 2.9%.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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%)
District's proportionate share of the net pension asset/(liability)	\$ (2,543,832)	\$ (878,964)	\$ 511,202

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, 2025 were as follows (in thousands):

	ERS
Measurement date	March 31, 2025
Employers' total pension liability	\$ (247,600,239)
Plan Fiduciary Net Position	230,454,512
Employers' net pension asset/(liability)	<u>\$ (17,145,727)</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	93.08%

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
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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, 2025, the effective date of the OPEB valuation, is as follows:

	<u>Participants</u>
Active employees	18
Inactive employees or beneficiaries currently receiving benefit payments	<u>20</u>
Total	<u><u>38</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 \$7,270,860 was measured as of December 31, 2025 and was determined by an actuarial valuation as of January 1, 2025.

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, 2025

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, 2025 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	2.50%
Discount rate	4.83%
Healthcare cost trend rates	
Pre-65	8.5% in 2025, grading down 0.5% per annum to an ultimate rate of 4.5% in years 2035 and later
Post-65	6.0% in 2025, grading down 0.5% per annum to an ultimate rate of 4.5% in years 2032 and later

The discount rate was based on the Bond Buyer's 20 Bond Index as of December 31, 2025.

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, 2025 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 pre-65 healthcare cost trend rate was reset to 8.5% in 2025, grading down 0.5% per annum to an ultimate rate of 4.5% in years 2035 and later. The post-65 healthcare cost trend rate was reset to 6.0% in 2025, grading down 0.5% per annum to an ultimate rate of 4.5% in years 2032 and later.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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:

	<u>Total OPEB Liability</u>
Balance at December 31, 2024	\$ 8,101,865
Changes for the year:	
Service cost	176,625
Interest	320,870
Differences between expected and actual experience	(562,225)
Changes of assumptions or other inputs	(398,085)
Benefit payments	<u>(368,190)</u>
Net Changes	<u>(831,005)</u>
Balance at December 31, 2025	<u><u>\$ 7,270,860</u></u>

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 (3.83%) or 1-percentage-point higher (5.83%) than the current discount rate:

	One Percent Decrease 3.83%	Current Discount Rate 4.83%	One Percent Increase 5.83%
Total OPEB liability	\$ 8,269,492	\$ 7,270,860	\$ 6,459,444

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 (8.00%) or 1-percentage-point higher (10.00%) than the current healthcare cost trend rates:

	One Percent Decrease (8.00% to 3.50%)	Healthcare Cost Trend Rates (9.00% to 4.50%)	One Percent Increase (10.00% to 5.50%)
Total OPEB liability	\$ 6,376,865	\$ 7,270,860	\$ 8,375,668

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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, 2025, the District recognized OPEB expense of \$818,448. At December 31, 2025, the District reported deferred outflows or inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 604,365
Changes of assumptions or other inputs	\$ 60,932	688,884
Total	<u>\$ 60,932</u>	<u>\$ 1,293,249</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, 2026	\$ (734,299)
2027	(356,159)
2028	(141,859)
	<u>\$ (1,232,317)</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, 2025, the amount of District property tax abated was \$23,919, and the District received payments in lieu of taxes of \$17,501.

K. Special Item

During the year ended December 31, 2025, the District recognized a special item of \$4,101,249 related to the settlement of litigation claims. The special item represents proceeds received from certain claims related to water contamination and is reported separately in the Government-Wide Statement of Activities as it is considered both unusual in nature and infrequent in occurrence.

In the Governmental Fund Financial Statements, revenues are recognized in accordance with the modified accrual basis of accounting. Accordingly, a portion of the settlement proceeds that did not meet the availability criteria has been deferred and will be recognized in a subsequent period. The full amount of the settlement has been recognized in the Government-Wide Financial Statements under the accrual basis of accounting.

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

L. 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 \$39 million within the next five years.

At December 31, 2025, the District had contracts and other commitments outstanding related to capital projects in the amount of \$10,356,892.

M. Future Pronouncements

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

Statement No. 103, "*Financial Reporting Model Improvements*", has been issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for the year ending December 31, 2026.

Statement No. 104, "*Disclosure of Certain Capital Assets*", has been issued to improve disclosures about certain types of capital assets by requiring additional disclosures for capital assets held for resale (historical cost and accumulated depreciation and carrying amount of debt for which capital asset is pledged as collateral) as well as requiring certain types of assets to be disclosed separately in the capital asset footnote (such as right to use assets recognized from lease liabilities, subscription liabilities and public-private and public-public partnerships and availability payment arrangements). The requirements of this Statement are effective for the year ending December 31, 2026.

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.

N. Subsequent Events

Subsequent events have been evaluated through May 20, 2026, the date the financial statements were available to be issued.

On April 8, 2026, the District was notified of two finalized settlements related to multi-district litigation involving contaminants. Under the agreements, the District will receive a total of \$680,835, which is net of legal fees and other costs. The underlying ruling occurred after December 31, 2025; therefore, no receivable or revenue is recorded in the accompanying 2025 financial statements. As such, this will be recorded as revenue for the year ended December 31, 2026.

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

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES
BUDGET AND ACTUAL
Year Ended December 31, 2025

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Real Property Taxes	\$ 4,690,000	\$ 4,690,000	\$ 4,690,154	\$ 154
Other Real Property Taxes	46,525	46,525	17,501	(29,024)
Departmental Income				
Metered water sales	4,950,000	4,950,000	5,487,338	537,338
Unmetered water sales	560,115	560,115	610,550	50,435
Hydrant permits	62,800	62,800	4,850	(57,950)
Interest and penalties - water rents	25,000	25,000	61,452	36,452
Water service charges			221,110	221,110
Total Departmental Income	5,597,915	5,597,915	6,385,300	787,385
Use of Money and Property				
Interest earnings	400,000	400,000	1,174,290	774,290
Tower rental	561,349	561,349	581,126	19,777
Total Use of Money and Property	961,349	961,349	1,755,416	794,067
Sale of Property and Compensation for Loss				
Sales of scrap and excess materials			25,719	25,719
Sales of taps, meters and supplies	26,000	26,000	55,547	29,547
Insurance recoveries			65,260	65,260
Total Sale of Property and Compensation for Loss	26,000	26,000	146,526	120,526
Other Local Sources				
Miscellaneous local sources			900	900
Dioxane surcharge fee	1,680,450	1,680,450	1,685,475	5,025
System construction charge			205,640	205,640
Total Other Local Sources	1,680,450	1,680,450	1,892,015	211,565
Total Revenue	13,002,239	13,002,239	14,886,912	1,884,673
Other Financing Sources				
Premium on bonds			65,827	65,827
Total Other Financing Sources	-0-	-0-	65,827	65,827
Special Item				
Litigation settlement			2,609,355	2,609,355
Total Special Item	-0-	-0-	2,609,355	2,609,355
Appropriated fund balance and reserves				
Assigned fund balance	289,241	3,663,709		
Appropriated reserves	183,761	183,761		
Total appropriated fund balance and reserves	473,002	3,847,470		
Total Revenue, Other Financing Sources, Appropriated Fund Balance and Reserves	\$ 13,475,241	\$ 16,849,709	\$ 17,562,094	\$ 4,559,855

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, 2025

	Budget Amounts		Actual	Encum- brances	Variance with Final Budget
	Original	Final			
Administration					
Personal Services:					
Administrative salaries	\$ 393,000	\$ 411,000	\$ 410,909		\$ 91
Commissioners fees	48,000	48,000	46,980		1,020
Equipment:					
Communications equipment	7,000	7,000	3,171		3,829
Office equipment	17,500	17,500	16,081		1,419
Contractual and other expenditures:					
Professional services-legal	66,000	77,000	76,910		90
Professional services-auditing	95,000	95,000	90,908		4,092
Professional services-bond fees	4,000	4,000			4,000
Professional services-consultant fees					-0-
Data processing	75,000	84,000	83,162		838
Insurance	360,000	313,000	271,210		41,790
Telephone	91,500	91,500	83,373		8,127
Postage and office supplies	93,500	103,500	102,626		874
Fuel and heat	62,000	59,000	18,074		40,926
Education and travel	23,000	23,000	11,482		11,518
Bank fees		2,000	1,740		260
Newsletter	20,000	20,000	17,265		2,735
Contingencies	100,000				-0-
Total Administration	1,455,500	1,355,500	1,233,891	\$ -0-	121,609
Source of Supply, Power, and Pumping					
Power and light	2,150,000	2,150,000	1,809,628		340,372
Purchase of water	50,000	50,000	23,869		26,131
Total Source of Supply, Power, and Pumping	2,200,000	2,200,000	1,833,497	-0-	366,503
Purification					
Water analysis	350,000	229,000	228,921		79
Water treatment	750,000	928,000	927,754		246
Total Purification	1,100,000	1,157,000	1,156,675	-0-	325
Transmission and Distribution					
Personal services - supervision and labor	1,515,000	1,515,000	1,336,341		178,659
Equipment:					
Autos and trucks purchased	85,000	417,000	275,483	141,345	172
Meter purchases	300,000	335,640	159,288	16,796	159,556
Hydrant purchases	33,000	40,813	27,463		13,350
Contractual and other expenditures:					
Mapping	25,000	25,000	6,767		18,233
Materials and supplies	35,000	41,000	40,598		402
Maintenance - wells	870,000	687,000	311,492		375,508
Maintenance - grounds	40,000	40,000	36,776		3,224
Maintenance - mains and hydrants	140,000	140,000	138,387		1,613
Maintenance - autos and trucks	40,000	68,000	67,626		374
Maintenance - building	50,000	50,000	6,577		43,423
Professional services - engineering	200,000	248,000	247,795		205
Road restoration	25,000	25,000	8,113		16,887
Sundry	1,250	1,250	1,197		53
Small tools and shop supplies	25,000	25,000	20,369		4,631
Safety and markout	10,000	11,000	10,092		908
Gas and oil	50,000	50,000	41,740		8,260
Total Transmission and Distribution	3,444,250	3,719,703	2,736,104	158,141	825,458
Employee Benefits					
State retirement	280,000	280,000	270,932		9,068
Social security	157,026	157,026	138,010		19,016
Hospital and medical insurance	1,112,000	922,000	916,784		5,216
Total Employee Benefits	1,549,026	1,359,026	1,325,726	-0-	33,300

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, 2025

		Budget Amounts			Encum-	Variance
		Original	Final	Actual	brances	with Final
						Budget
Debt Service						
Serial bond principal		\$ 2,418,619	\$ 2,418,620	\$ 2,418,620		\$ -0-
Serial bond interest		982,846	982,846	982,846		-0-
Debt issuance costs		25,000	25,999	25,783		216
Total Debt Service		3,426,465	3,427,465	3,427,249	\$ -0-	216
Total Expenditures		13,175,241	13,218,694	11,713,142	158,141	1,347,411
Other Financing Uses						
Transfers out		300,000	3,631,015	3,631,015		-0-
Total Other Financing Uses		300,000	3,631,015	3,631,015	-0-	-0-
Total Expenditures and Other Financing Uses		<u>\$ 13,475,241</u>	<u>\$ 16,849,709</u>	<u>\$ 15,344,157</u>	<u>\$ 158,141</u>	<u>\$ 1,347,411</u>
Net change in fund balance				2,217,937		
Fund balance - beginning				<u>13,193,415</u>		
Fund balance - ending				<u>\$ 15,411,352</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
FOR THE YEARS ENDED DECEMBER 31,

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, 2025 - December 31, 2025	\$ 8,101,865	\$ 176,625	\$ 320,870	\$ (562,225)		\$ (398,085)	\$ (368,190)	\$ 7,270,860	\$ 1,402,342	518.48%
January 1, 2024 - December 31, 2024	\$ 8,965,980	\$ 237,401	\$ 294,357	\$ -0-	\$ -0-	\$ (1,044,992)	\$ (350,881)	\$ 8,101,865	\$ 1,757,427	461.01%
January 1, 2023 - December 31, 2023	\$ 9,765,364	\$ 204,194	\$ 305,220	\$ (1,463,529)	\$ -0-	\$ 441,767	\$ (287,036)	\$ 8,965,980	\$ 1,714,563	522.93%
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:

2025	4.83%
2024	4.08%
2023	3.26%
2022	3.72%
2021	2.06%
2020	2.12%
2019	2.74%
2018	4.10%

SOUTH HUNTINGTON WATER DISTRICT
A COMPONENT UNIT OF THE TOWN OF HUNTINGTON
REQUIRED SUPPLEMENTARY INFORMATION

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

NYSERS	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension asset/(liability)	0.0051264%	0.0047485%	0.0045689%	0.0044815%	0.0038073%	0.0038141%	0.0045444%	0.0043350%	0.0042256%	0.0043830%
District's proportionate share of the net pension asset/(liability)	\$ (878,964)	\$ (699,164)	\$ (979,760)	\$ 366,341	\$ (3,791)	\$ (1,009,994)	\$ (321,983)	\$ (139,909)	\$ (397,046)	\$ (703,477)
District's covered-employee payroll	\$ 1,807,785	\$ 1,756,051	\$ 1,745,655	\$ 1,465,752	\$ 1,602,090	\$ 1,345,966	\$ 1,262,071	\$ 1,371,833	\$ 1,256,412	\$ 1,184,360
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	48.62%	39.81%	56.13%	24.99%	0.24%	75.04%	25.51%	10.20%	31.60%	59.40%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%
Discount Rate	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%

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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE YEARS ENDED DECEMBER 31,

NYSERS

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 271,057	\$ 256,100	\$ 211,199	\$ 186,675	\$ 261,593	\$ 203,980	\$ 195,746	\$ 202,948	\$ 189,105	\$ 193,255
Contributions in relation to the contractually required contribution	<u>271,057</u>	<u>256,100</u>	<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>
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	\$ 1,777,245	\$ 1,858,831	\$ 1,742,968	\$ 1,721,212	\$ 1,535,570	\$ 1,446,165	\$ 1,354,420	\$ 1,291,865	\$ 1,329,652	\$ 1,228,683
Contributions as a percentage of covered-employee payroll	15.25%	13.78%	12.12%	10.85%	17.04%	14.10%	14.45%	15.71%	14.22%	15.73%

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, 2025

PROJECT TITLE	Expenditures		Encum - brances	Total
	Prior Years	Current Year		
Developers Escrow Projects	\$ 744,841	\$ 18,525		\$ 763,366
Capital Reserve Project:				
Well 18-1 Pump	70,904	271,925		342,829
Hydrant Replacement		174,903		174,903
General Projects:				
Plant 11		25,000	180,831	205,831
Sewer Project (Emergency Valve Install Rt. 110)		385,666	11,080	396,746
Bond Projects:				
Admin building	426,687	1,651,939	3,187,540	5,266,166
Plant 4 & 8 Rehabilitation	4,745,045	6,404,920	5,480,962	16,630,927
Plant 3 Rehabilitation	5,878,031	943		5,878,974
Plant 12 Rehab & Tank	720,676	626,371	271,902	1,618,949
Plant 15	140,413	1,198,618	1,060,317	2,399,348
Plant 16 Building Repairs		25,685		25,685
Well Abandonments - Plant 1		3,829	2,422	6,251
Well Abandonments - Plant 5		3,829	2,422	6,251
Well Abandonments - Plant 16		6,473	20,516	26,989
Rehab of 12-2, Tank Vents 11-1,11-2 and 12-1		18,625	138,900	157,525
Total Capital Projects	<u>\$ 12,726,597</u>	<u>\$ 10,817,251</u>	<u>\$ 10,356,892</u>	<u>\$ 33,900,740</u>