



SOUTH HUNTINGTON WATER DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Huntington Water District (the "District"), a component unit of the Town of Huntington, New York as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Huntington Water District as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 3-7 and 37-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

Board of Commissioners
South Huntington Water District
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information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Huntington Water District's basic financial statements. The other supplementary information on page 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Raich Ende Malter & Co LLP

RAICH ENDE MALTER & CO. LLP
Melville, New York
April 10, 2018

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Our discussion and analysis of the South Huntington Water District (the "District"), a component unit of the Town of Huntington, New York (the "Town"), financial performance provides an overview of the District's financial activities for the year ended December 31, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of two sets of financial statements.

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

CONDENSED FINANCIAL INFORMATION

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

Statement of Net Position:
As of December 31,

	<u>2017</u>	<u>2016</u>
Assets		
Current assets	\$ 11,003,808	\$ 13,269,511
Capital assets	<u>44,021,969</u>	<u>43,501,914</u>
Total Assets	<u>55,025,777</u>	<u>56,771,425</u>
Deferred Outflows of Resources		
Pensions	423,825	809,697
Deferred charges on refundings	<u>67,855</u>	<u>92,529</u>
Total Deferred Outflows of Resources	<u>491,680</u>	<u>902,226</u>
Liabilities		
Current liabilities	3,159,362	3,288,951
Non-current liabilities	<u>18,687,885</u>	<u>20,926,291</u>
Total Liabilities	<u>21,847,247</u>	<u>24,215,242</u>
Deferred Inflows of Resources		
Pensions	<u>67,040</u>	<u>85,549</u>
Total Deferred Inflows of Resources	<u>67,040</u>	<u>85,549</u>
Net Position		
Net investment in capital assets	27,942,485	27,692,439
Restricted for capital projects, repairs, and debt service	4,064,962	4,063,434
Unrestricted	<u>1,595,723</u>	<u>1,616,987</u>
Total Net Position	<u>\$ 33,603,170</u>	<u>\$ 33,372,860</u>

SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

CONDENSED FINANCIAL INFORMATION (continued)

Changes in Net Position

For the years ended December 31,

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services	\$ 4,093,426	\$ 4,367,110
General revenues:		
Real property taxes	3,956,089	3,928,737
Other real property tax items	35,238	30,015
Other general revenues	758,683	1,066,787
Total Revenues	<u>8,843,436</u>	<u>9,392,649</u>
Expenses – Water supply services	<u>8,613,126</u>	<u>8,469,597</u>
Changes in Net Position	<u>\$ 230,310</u>	<u>\$ 923,052</u>

FINANCIAL HIGHLIGHTS

The District's total assets and deferred outflows of resources at December 31, 2017 were \$55,517,457, a decrease of \$2,156,194 from the prior year. The decrease is primarily due to the decrease in cash balances and deferred outflows of resources for pensions, offset by an increase in capital assets. Total liabilities and deferred inflows of resources at December 31, 2017 were \$21,914,287, a decrease of \$2,386,504 from the prior year. This decrease is primarily due to the repayment of bonds payable, decreases in net pension liability and accounts payable and accrued expenses, offset by the increase in other postemployment benefits.

The District's net position at December 31, 2017 is \$33,603,170, an increase of \$230,310 from the prior year. Of the District's total net position, \$27,942,485 was a net investment in capital assets, \$4,064,962 was restricted for capital projects, repairs, and debt service, and \$1,595,723 was unrestricted.

These financial statements include a liability for other postemployment benefits ("OPEB"). OPEB cost must now be recognized during the period of the employees' years of service and, for benefits already earned by current and former employees, amortized over a period of 30 years. It is not currently required that this liability for OPEB actually be funded; accordingly, unrestricted net position will continue to be impacted in subsequent years due to the recognition of this liability for OPEB.

Program revenues decreased by \$273,684, which was primarily due to a decrease in metered water sales which was consistent with the reduction in gallons pumped that resulted from unfavorable local weather conditions.

General revenues decreased \$275,529 as compared to the prior year, which was primarily due to decreased revenue from developer's fees and system construction charges.

Expenses for water supply services increased \$143,529, primarily due to increases in transmission and distribution costs.

SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

General Fund

Fund balance in the general fund decreased this year by \$223,185 to \$8,274,690, as a result of an excess of expenditures and other financing uses over revenues and other financing sources. Of this total, \$2,174,544 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance consists of \$192,230 of nonspendable related to inventory and prepaid items, \$1,359,341 assigned to expenditures in subsequent years, and \$4,548,575 restricted for capital costs, debt service, and emergency repair.

Capital Projects Fund

Fund balance in the capital projects fund of \$2,046,399 is restricted or assigned for capital expenditures.

BUDGETARY HIGHLIGHTS

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Encum- brances</u>	<u>Variance</u>
Revenues	\$ 8,584,250	\$ 8,584,250	\$ 8,743,457		\$ 159,207
Expenditures	8,920,250	8,995,909	8,243,667	\$ 32,804	719,438
Other Financing Sources		1,912,947	1,929,025		16,078
Other Financing Uses		<u>2,652,000</u>	<u>2,652,000</u>		-0-
	<u>\$ (336,000)</u>	<u>\$ (1,150,712)</u>	<u>\$ (223,185)</u>	<u>\$ 32,804</u>	<u>\$ 894,723</u>

The general fund reported an excess of expenditures and other financing uses over revenues and other financing sources this year of \$223,185, decreasing fund balance to \$8,274,690. Actual revenues were higher than anticipated resulting in a positive budgetary variance. Total expenditures were lower than budgeted resulting in a positive budgetary variance.

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 2017, the District expended \$2,630,948 for capital assets and improvements to the water system. 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 \$1.99 million within the next two years.

**SOUTH HUNTINGTON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

CAPITAL ASSETS AND LONG-TERM DEBT (continued)

As of December 31, 2017, the District had \$17,236,881 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>
2017	3.539	3.089	\$ 3,423,939
2016	3.880	3.392	3,732,223
2015	3.948	3.481	3,668,725
2014	3.710	3.146	3,383,572
2013	3.883	3.297	3,418,845

The decrease in metered water revenue for the year ended December 31, 2017 was the result of unfavorable local weather conditions.

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 2018 budget, the District has limited the increase in the real property tax levy to 1.84%, which is within the property tax levy limit.

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, W. 13th Street and 5th Ave South, Huntington Station, NY 11746.

BASIC FINANCIAL STATEMENTS

SOUTH HUNTINGTON WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
December 31, 2017

Assets	
Current assets:	
Cash and investments	\$ 9,693,548
Accounts receivable	1,008,734
Due from other governments	65,479
Inventory of materials and supplies	144,307
Prepaid expenses	91,740
	<hr/>
Total Current Assets	11,003,808
Non-current assets:	
Non-depreciable capital assets	7,690,061
Depreciable capital assets, net of depreciation	36,331,908
	<hr/>
Total Non-current Assets	44,021,969
	<hr/>
Total Assets	55,025,777
	<hr/>
Deferred Outflows of Resources	
Pensions	423,825
Deferred charges on refundings	67,855
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Total Deferred Outflows of Resources	491,680
	<hr/>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	404,522
Retainage payable	236,866
Due to other governments	6,206
Developer deposits	151,306
Non-current liabilities due within one year:	
General obligation bonds payable, inclusive of premiums	2,344,576
Compensated absences	15,886
	<hr/>
Total Current Liabilities	3,159,362
Non-current liabilities:	
General obligation bonds payable, inclusive of premiums	14,892,305
Compensated absences	301,833
Other postemployment benefits payable	3,096,701
Net pension liability - proportionate share	397,046
	<hr/>
Total Non-current Liabilities	18,687,885
	<hr/>
Total Liabilities	21,847,247
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Deferred Inflows of Resources	
Pensions	67,040
	<hr/>
Total Deferred Inflows of Resources	67,040
	<hr/>
Net Position	
Net investment in capital assets	27,942,485
Restricted	4,064,962
Unrestricted	1,595,723
	<hr/>
Total Net Position	\$ 33,603,170
	<hr/>

See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

Governmental Activities

Expenses - Water supply services	\$ 8,613,126
Program revenues - Charges for services	<u>4,093,426</u>
Net Program Expenses	<u>(4,519,700)</u>

General Revenues

Real property taxes	3,956,089
Other real property tax items	35,238
Use of money and property	498,323
Sale of property and compensation for loss	62,302
Other local sources	<u>198,058</u>
Total General Revenues	<u>4,750,010</u>

Change in Net Position 230,310

Net Position - Beginning of the Year 33,372,860

Net Position - End of the Year \$ 33,603,170

SOUTH HUNTINGTON WATER DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
 December 31, 2017

	General Fund	Capital Projects Fund	Total
Assets			
Cash and investments	\$ 7,884,178	\$ 1,809,370	\$ 9,693,548
Accounts receivable	798,625		798,625
Due from other governments	65,479		65,479
Due from other fund		422,307	422,307
Inventory of materials and supplies	144,307		144,307
Prepaid expenses	47,923		47,923
Total Assets	\$ 8,940,512	\$ 2,231,677	\$ 11,172,189
Liabilities			
Accounts payable and accrued expenses	\$ 237,309	\$ 33,972	\$ 271,281
Due to other governments	6,206		6,206
Due to other fund	422,307		422,307
Developer deposits		151,306	151,306
Total Liabilities	665,822	185,278	851,100
Fund Balances			
Fund Balance:			
Nonspendable	192,230		192,230
Restricted	4,548,575	842,795	5,391,370
Assigned	1,359,341	1,203,604	2,562,945
Unassigned	2,174,544		2,174,544
Total Fund Balances	8,274,690	2,046,399	10,321,089
Total Liabilities and Fund Balances	\$ 8,940,512	\$ 2,231,677	\$ 11,172,189

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

Total Governmental Fund Balances	\$ 10,321,089
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets - non-depreciable	7,690,061
Capital assets - depreciable	80,607,363
Accumulated depreciation	(44,275,455)
	44,021,969
Certain prepaid assets are not current financial resources and therefore are not reported in the funds.	
	43,817
Deferred charges on refunding is included in the Statement of Net Position.	
	67,855
Amounts reported for the District's deferred outflows for pensions are not considered a current available resource and is therefore not reported in the funds.	
	423,825
Certain liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Retainage payable	(236,866)
General obligation bonds payable, inclusive of premiums	(17,236,881)
Accrued interest payable	(133,241)
Compensated absences	(317,719)
Other postemployment benefits payable	(3,096,701)
Net pension liability - proportionate share	(397,046)
	(21,418,454)
Deferred inflows of resources related to pension plans are included in the Statement of Net Position.	
	(67,040)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	
	210,109
Net Position of Governmental Activities	\$ 33,603,170

See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended December 31, 2017

	General Fund	Capital Projects Fund	Total
Revenues			
Real property taxes	\$ 3,956,089		\$ 3,956,089
Other real property tax items	35,238		35,238
Departmental income	4,085,380		4,085,380
Use of money and property	498,323		498,323
Sale of property and compensation for loss	62,302		62,302
Other local sources	106,125	\$ 91,933	198,058
Total Revenues	8,743,457	91,933	8,835,390
Expenditures			
Administration	817,224		817,224
Source of supply, power, and pumping	1,387,266		1,387,266
Purification	507,836		507,836
Transmission and distribution	1,830,274		1,830,274
Employee benefits	884,323		884,323
Debt service	2,816,744		2,816,744
Capital outlay		2,630,948	2,630,948
Total Expenditures	8,243,667	2,630,948	10,874,615
Excess (Deficiency) of Revenues			
Over Expenditures	499,790	(2,539,015)	(2,039,225)
Other Financing Sources (Uses)			
Transfers in	16,078	782,000	798,078
Transfers out	(782,000)	(16,078)	(798,078)
Premium on bonds	207,947		207,947
Refunding bonds issued	1,705,000		1,705,000
Debt service - principal	(1,870,000)		(1,870,000)
Total Other Financing Sources (Uses)	(722,975)	765,922	42,947
Net Change in Fund Balances	(223,185)	(1,773,093)	(1,996,278)
Fund Balances - Beginning of Year			
Fund Balances - End of Year	\$ 8,274,690	\$ 2,046,399	\$ 10,321,089

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

Net Change in Fund Balances	\$ (1,996,278)
Amounts reported in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlay	2,561,750
Depreciation expense	(2,126,318)
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:	
Repayment of bond principal	4,085,080
Amortization of deferred charge on refunding	(24,674)
Amortization of premium	60,998
Some revenues and expenses reported in the Statement of Activities are not reported as revenues or expenditures in the governmental funds:	
Prepaid insurance	4,336
Accrued interest cost	16,647
Compensated absences	3,525
Other postemployment benefits payable	(388,923)
Unbilled water revenue	8,046
Pension expense	(60,932)
Change in Net Position of Governmental Activities	\$ 230,310

See notes to financial statements.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

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

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

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

1. Financial Reporting

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

2. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation (continued)

Fund Financial Statements

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

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

The District reports the following major governmental funds:

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

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

3. Measurement Focus/Basis of Accounting

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

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

**SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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.

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

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

6. Prepaids

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

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.

**SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

A. Summary of Significant Accounting Policies (continued)

8. Interfund Receivables, Payables and Transfers

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

9. Unearned Revenue

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

10. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to the pension reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the change in the actuarial assumptions, difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense as well as differences between expected and actual experience. This amount also includes the District contributions to the pension systems subsequent to the measurement date (see Note H). The second amount reports deferred outflows for deferred charges on refundings that will be recognized in a future period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflow of resources relates to changes in proportion and differences between the contributions and proportionate share of the District's net pension liability as well as differences between expected and actual experience.

11. Capital Assets

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

11. Capital Assets (continued)

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

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

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

12. Developer Deposits

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

13. Long-Term Debt

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

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

14. Compensated Absences

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

15. Other Postemployment Benefits

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

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

16. Insurance

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

17. Net Position and Fund Equity Classifications

Government-Wide Financial Statements

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

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

**SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

A. Summary of Significant Accounting Policies (continued)

17. Net Position and Fund Equity Classifications (continued)

Fund Financial Statements

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

- a. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes prepaid items and the inventory of materials and supplies recorded in the general fund.
- b. Restricted fund balance includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- 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 benefit 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 or 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 other governmental funds.

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

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

**SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

A. Summary of Significant Accounting Policies (continued)

18. Use of Estimates

The preparation of basic financial statements in conformity 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.

B. Stewardship, Compliance, and Accountability

Budgetary Data

The District's budget policies are as follows:

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

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

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

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

For the 2017 budget, the District limited the increase in the real property tax levy to 0.68%, which was within the property tax levy limit.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 Funds	Total
Nonspendable:			
Prepaid items	\$ 47,923		\$ 47,923
Inventory of materials and supplies	144,307		144,307
Total Nonspendable	<u>192,230</u>	<u>\$ -0-</u>	<u>192,230</u>
Restricted for:			
Capital improvements		842,795	842,795
Capital projects reserves	3,964,183		3,964,183
Debt service	483,613		483,613
Repair reserve	100,779		100,779
Total Restricted	<u>4,548,575</u>	<u>842,795</u>	<u>5,391,370</u>
Assigned to:			
Subsequent year's budget	158,818		158,818
Contractual obligations, repairs, truck	32,804		32,804
Capital improvements	575,000	1,203,604	1,778,604
Employee benefit accrued liability	317,719		317,719
Judgments and claims	125,000		125,000
Retirement contributions	150,000		150,000
Total Assigned	<u>1,359,341</u>	<u>1,203,604</u>	<u>2,562,945</u>
Unassigned	<u>2,174,544</u>	<u>-0-</u>	<u>2,174,544</u>
Total Fund Balances	<u>\$ 8,274,690</u>	<u>\$ 2,046,399</u>	<u>\$ 10,321,089</u>

Reserves

A summary of activity in the reserves for 2017 is as follows:

Capital projects reserves

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

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

B. Stewardship, Compliance, and Accountability (continued)

Reserves (continued)

Capital projects reserves (continued)

These charges are recorded as revenue in the general fund and deposited into the capital reserve. This reserve is accounted for in the general fund. A summary of activity in the capital projects reserve fund for 2017 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 3,962,811
Transfer in	16,078
Transfer out	(125,000)
System construction charge	103,950
Interest earned on reserve cash	<u>6,344</u>
Balance - end	<u>\$ 3,964,183</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 2017 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 550,759
Transfer out	(68,000)
Interest earned on reserve cash	<u>854</u>
Balance - end	<u>\$ 483,613</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 2017 is as follows:

	<u>General Fund</u>
Balance - beginning	\$ 100,623
Interest earned on reserve cash	<u>156</u>
Balance - end	<u>\$ 100,779</u>

C. Cash and Investments

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

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

C. Cash and Investments (continued)

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, 2017, the District's bank balances consisted of deposits totaling \$10,149,812. Of the total bank balance, \$515,726 was covered by the FDIC and \$9,634,086 was covered by collateral with securities held by the District's agent, a third party financial institution, in the District's name.

As of December 31, 2017, the District did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

D. Deferred Charges on Refundings

Deferred outflows of resources from the debt refunding are as follows as of December 31, 2017:

Debt refunding	\$ 197,395
Less: accumulated amortization	<u>129,540</u>
Total deferred outflows of resources	<u>\$ 67,855</u>

E. Lease Income

The District leases space on its elevated water storage tanks for cell phone antennas. Such leases expire through 2039. Current-year lease income amounted to \$485,622 and is included in use of money and property.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

E. Lease Income (continued)

Future minimum rental receipts for these leases are as follows:

Years Ending December 31, 2018	\$	503,162
2019		513,750
2020		494,047
2021		477,874
2022		436,284
Thereafter		<u>5,505,701</u>
	\$	<u><u>7,930,818</u></u>

F. Capital Assets

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets not being depreciated:				
Land	\$ 1,109,751			\$ 1,109,751
Construction in progress	4,150,217	\$ 2,539,015	\$ 108,922	6,580,310
Total capital assets not being depreciated	<u>5,259,968</u>	<u>2,539,015</u>	<u>108,922</u>	<u>7,690,061</u>
Depreciable capital assets:				
Buildings	11,854,775			11,854,775
Improvements	1,998,914			1,998,914
Wells, water tanks, and structures	14,596,507			14,596,507
Machinery and equipment	16,262,189			16,262,189
Water mains	34,862,043	200,855		35,062,898
Equipment	56,816	1,440		58,256
Office furniture and equipment	102,348	13,985		116,333
Vehicles	657,491			657,491
Total depreciable capital assets	<u>80,391,083</u>	<u>216,280</u>	<u>-0-</u>	<u>80,607,363</u>
Less accumulated depreciation:				
Buildings	2,474,495	290,212		2,764,707
Improvements	835,438	96,765		932,203
Wells, water tanks and structures	6,292,383	323,268		6,615,651
Machinery and equipment	9,123,526	673,844		9,797,370
Water mains	22,869,696	690,896		23,560,592
Equipment	53,792	533		54,325
Office furniture and equipment	97,918	2,627		100,545
Vehicles	401,889	48,173		450,062
Total accumulated depreciation	<u>\$ 42,149,137</u>	<u>\$ 2,126,318</u>	<u>\$ -0-</u>	<u>44,275,455</u>
Total net depreciable capital assets				<u>36,331,908</u>
Total net capital assets				<u>\$ 44,021,969</u>

**SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

F. Capital Assets (continued)

Depreciation expense of \$2,126,318 was charged to water supply services expense for the year ended December 31, 2017.

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, 2017, the District has not recorded any such impairment losses.

G. Indebtedness

General obligation bonds - The District periodically borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit of the Town of Huntington, bear interest at rates ranging from 2.0% to 5.0%, and maturity dates ranging from 2018 to 2030.

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

Other Postemployment Benefits - Represents the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years is being phased in over 30 years, commencing with the 2007 liability.

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

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	Balance 1/1/2017	Increases	Reductions	Balance 12/31/2017	Non-current Liabilities Due Within One Year	Long-term
General obligation						
bonds payable	\$ 19,236,412	\$ 1,705,000	\$ 4,085,080	\$ 16,856,332	\$ 2,253,981	\$14,602,351
Plus premiums on issuance	233,600	207,947	60,998	380,549	90,595	289,954
	<u>19,470,012</u>	<u>\$ 1,912,947</u>	<u>4,146,078</u>	<u>17,236,881</u>	<u>2,344,576</u>	<u>14,892,305</u>
Compensated absences	321,244		3,525	317,719	15,886	301,833
Other postemployment						
benefits payable	2,707,778	585,447	196,524	3,096,701		3,096,701
Net pension liability -						
proportionate share	703,477	268,547	574,978	397,046		397,046
	<u>\$ 23,202,511</u>	<u>\$ 2,766,941</u>	<u>\$ 4,921,105</u>	<u>\$ 21,048,347</u>	<u>\$ 2,360,462</u>	<u>\$18,687,885</u>

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

G. Indebtedness (continued)

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2017 are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2018	\$ 2,253,981	\$ 524,078	\$ 2,778,059
2019	2,279,655	453,321	2,732,976
2020	2,068,479	374,116	2,442,595
2021	1,940,502	311,098	2,251,600
2022	1,829,358	253,140	2,082,498
2023-2027	5,597,213	551,985	6,149,198
2028-2030	887,144	43,408	930,552
	\$ 16,856,332	\$ 2,511,146	\$ 19,367,478

Current Refunding of Bonds – On August 22, 2017, the Town of Huntington, on behalf of the District issued, \$1,705,000 in Public Improvement Refunding Bonds with an interest rate of 5.00% and annual maturities through November 15, 2023. The net proceeds of this refunding were used to current refund \$1,870,000 of outstanding Public Improvement Serial Bonds with interest rates ranging from 3.625% to 4.50%. These refunded issues were called within 90 days of the issue.

The District reduced its total debt service payments over the next six years by \$181,523 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$170,196.

H. Pension Plan

1. Pension Obligations

New York State Employees' Retirement System (ERS)

2. Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

H. Pension Plan (continued)

2. Plan Descriptions And Benefits Provided (continued)

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

Tiers 1 and 2

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

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

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

Tiers 3, 4, and 5

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

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

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

**SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

H. Pension Plan (continued)

2. Plan Descriptions And Benefits Provided (continued)

Tier 6

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

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

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

Ordinary Disability Benefits

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

Accidental Disability Benefits

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

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

H. Pension Plan (continued)

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:

<u>Year</u>	<u>ERS</u>
2017	\$ 191,690
2016	181,353
2015	192,542

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

At December 31, 2017, the District reported the following liability of \$397,046 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016. 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.

	<u>ERS</u>
Actuarial valuation date	April 1, 2016
Net pension asset/(liability)	\$ (397,046)
District's portion of the Plan's total net pension asset/(liability)	0.0042256%
Change in allocation of the System's total Net Pension Liability since the prior measurement date	-0.0001574%

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

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, 2017, the District's recognized pension expense of \$250,038. At December 31, 2017, the District's reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experience	\$ 9,950	\$ 60,294
Changes of assumptions	135,645	
Net difference between projected and actual earnings on pension plan investments	79,306	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	55,156	6,746
District's contribution subsequent to the measurement date	143,768	
Total	\$ 423,825	\$ 67,040

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, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	ERS
Plan Year Ended December 31, 2018	\$ 97,753
2019	97,753
2020	69,212
2021	(51,702)
	\$ 213,016

5. Actuarial Assumptions

The total pension liability as of the measurement date of March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

H. Pension Plan (continued)

5. Actuarial Assumptions (continued)

The actuarial valuations used the following actuarial assumptions:

	ERS
Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Interest rate	7.0%
Salary scale	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Cost of living adjustment	1.3%
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

Asset Class	ERS	
	Target Allocation	Long-term Expected Rate of Return
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Private equity	10.0%	7.75%
Real estate	10.0%	5.80%
Absolute return strategies	2.0%	4.00%
Opportunistic portfolio	3.0%	5.89%
Real assets	3.0%	5.54%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation indexed bonds	4.0%	1.50%
	100.0%	

**SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

H. Pension Plan (continued)

6. Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%) or 1% point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset/(liability)	\$ (1,268,086)	\$ (397,046)	\$ 339,417

The components of the current-year net pension liability of the employers participating in the System's as of March 31, 2017 were as follows (in thousands):

	ERS April 1, 2016
Valuation date	April 1, 2016
Employers' total pension liability	\$ 177,400,586
Plan Fiduciary Net Position	(168,004,363)
Employers' net pension asset/(liability)	\$ 9,396,223
Ratio of plan fiduciary net position to the Employers' total pension liability	94.70%

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

I. Other Postemployment Benefits (Obligations for Health Insurance)

In the government-wide financial statements, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The District recognizes 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. Recognition of the liability accumulated from prior years is being phased in over 30 years, commencing with the 2007 liability.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

I. Other Postemployment Benefits (Obligations for Health Insurance) (continued)

Plan Description

The District, as a single-employer defined Other Postemployment Benefits (“OPEB”) plan, 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 continuous employment prior to the date of retirement, as per its contracts with employees. These contracts will be renegotiated at various times in the future. The retiree is also eligible for Medicare reimbursement in the amount of \$1,259 per year for members who retired prior to January 1, 2016 and \$1,462 for those members who retired after January 1, 2016. Healthcare benefits for non-union employees are similar to those of union employees. Upon death of an active employee with ten years of service, the District will pay 75% of the cost to continue coverage for the unmarried spouse and dependents of the employee.

The OPEB valuation is based on census data as of July 1, 2017. The number of participants as of this date is as follows:

Active employees	16
Retired employees	16
Spouses of retired employees	<u>10</u>
Total	<u><u>42</u></u>

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

Funding Policy

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

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2017, the District’s annual other postemployment benefits cost (expense) was \$585,447. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$196,524 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$388,923 for the year ended December 31, 2017.

Benefit Obligations and Normal Cost

Actuarial Accrued Liability (AAL)	
Retired employees	\$ 3,806,650
Active employees	<u>3,529,572</u>
Unfunded actuarial accrued liability (“UAAL”)	<u><u>\$ 7,336,222</u></u>

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

I. Other Postemployment Benefits (Obligations for Health Insurance) (continued)

Benefit Obligations and Normal Cost (continued)

The District's annual other postemployment benefit cost is calculated based on the annual required contribution ("ARC"), of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

<u>Level Percentage of Projected Pay Amortization</u>	
<u>Calculation of ARC under the Entry Age Actuarial Cost Method</u>	
Normal cost	\$ 214,402
Amortization of unfunded actuarial liability (UAAL) over 30 years	393,345
Interest	20,379
Annual required contribution (ARC)	<u>628,126</u>
Interest on net OPEB obligation	108,311
Adjustments to ARC	<u>(150,990)</u>
Annual OPEB Cost	585,447
Contribution for fiscal year ended December 31, 2017	<u>196,524</u>
Increase in other postemployment benefits liability	388,923
Other postemployment benefits liability at December 31, 2016	<u>2,707,778</u>
Other postemployment benefits liability at December 31, 2017	<u>\$ 3,096,701</u>
Percent of annual OPEB cost contributed	33.57%

Funded Status and Funding Progress

The District's annual OPEB cost, the percent of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2017 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2017	\$ 585,447	33.57%	\$ 3,096,701
12/31/2016	538,660	40.76%	2,707,778
12/31/2015	518,228	39.07%	2,388,668

**SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

I. Other Postemployment Benefits (Obligations for Health Insurance) (continued)

Funded Status and Funding Progress (continued)

The funded status of the plan as of January 1, 2017 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
1/1/2017	\$ -0-	\$ 7,336,222	\$ 7,336,222	0.0%	\$ 1,230,298	596.3%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer’s annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term liability in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the liabilities were computed using the entry age normal method and level percentage of projected payroll of active plan members on a closed basis. The actuarial assumptions utilized a 4.0% discount rate and a 2.5% payroll growth rate.

The valuation assumes a 9% (pre-65) or 5% (post-65) healthcare cost trend increase for the year ended December 31, 2017, with reduced decrements to a rate of 5% by 2021. The remaining amortization period at December 31, 2017 was 19 years.

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, 2017, the amount of District property tax abated was \$59,021.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

K. Commitments and Contingencies

Litigation

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

Capital Improvements

The District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contracts or is planning additional improvements amounting to approximately \$2.0 million within the next two years.

At December 31, 2017, the District had contracts and other commitments outstanding related to capital projects as follows:

Plant 10-1/10-2 Rehabilitation	\$	348,886
SCADA System Plant 3, 4, & 7		1,123,905
Plant 9 Rehabilitation		325,391
Plant 14 Rehabilitation		196,725
	\$	<u>1,994,907</u>

L. New Pronouncements

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 82, "Pension Issues – an Amendment of Statements No. 67, 68, and 73," the objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of the Statement are effective for reporting beginning after June 15, 2016, except for the requirements for selection of assumptions in a certain circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Statement No. 84, "Fiduciary Activities," the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018.

SOUTH HUNTINGTON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

L. New Pronouncements (continued)

Statement No. 85, "*Omnibus 2017*," the objective of which is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement specifically addresses issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and OPEB). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 86, "*Certain Debt Extinguishment Issues*," the objective of which is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 87, "*Leases*," the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

The District is currently evaluating the impact of the above pronouncements.

M. Subsequent Events

Subsequent events have been evaluated through April 10, 2018, the date the financial statements were available to be issued.

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

SOUTH HUNTINGTON WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF REVENUES
BUDGET AND ACTUAL
 Year Ended December 31, 2017

	Budget Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Real Property Taxes	\$ 3,955,400	\$ 3,955,400	\$ 3,956,089	\$ 689
Other Real Property Taxes	25,000	25,000	35,238	10,238
Departmental Income				
Metered water sales	3,550,000	3,550,000	3,423,939	(126,061)
Unmetered water sales	526,850	526,850	531,600	4,750
Hydrant permits	2,500	2,500	2,125	(375)
Interest and penalties - water rents	20,000	20,000	28,331	8,331
Water service charges	55,000	55,000	99,385	44,385
Total Departmental Income	4,154,350	4,154,350	4,085,380	(68,970)
Use of Money and Property				
Interest earnings	12,000	12,000	12,701	701
Tower rental	410,000	410,000	485,622	75,622
Total Use of Money and Property	422,000	422,000	498,323	76,323
Sale of Property and Compensation for Loss				
Sales of scrap and excess materials	1,500	1,500	4,558	3,058
Sales of taps, meters and supplies	26,000	26,000	37,366	11,366
Insurance recoveries			20,378	20,378
Total Sale of Property and Compensation for Loss	27,500	27,500	62,302	34,802
Other Local Sources				
Miscellaneous local sources			2,175	2,175
System construction charge			103,950	103,950
Total Other Local Sources	-0-	-0-	106,125	106,125
Total Revenue	8,584,250	8,584,250	8,743,457	159,207
Other Financing Sources				
Transfer from capital projects fund			16,078	16,078
Premium on obligations		207,947	207,947	-0-
Debt service - principal		1,705,000	1,705,000	-0-
Total Other Financing Sources	-0-	1,912,947	1,929,025	16,078
Total Revenue and Other Financing Sources	\$ 8,584,250	\$ 10,497,197	\$ 10,672,482	\$ 175,285

SOUTH HUNTINGTON WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
 Year Ended December 31, 2017

	Budget Amounts		Actual	Encum- brances	Variance Positive (Negative)
	Original	Final			
Administration					
Personal Services:					
Administrative salaries	\$ 290,000	\$ 307,000	\$ 306,259		\$ 741
Commissioners fees	27,000	27,000	19,500		7,500
Equipment:					
Communications equipment	5,000	5,000	301		4,699
Office equipment	20,000	32,696	21,648		11,048
Contractual and other expenditures:					
Professional services-legal	30,000	30,000	28,267		1,733
Professional services-auditing	62,000	62,000	57,119		4,881
Professional services-bond fees	12,000	12,000	3,742		8,258
Data processing	42,000	42,000	37,314		4,686
Insurance	200,000	200,000	173,741		26,259
Telephone	63,500	63,500	54,641	\$ 5,710	3,149
Postage and office supplies	75,000	75,000	66,475		8,525
Fuel and heat	53,000	36,000	30,886		5,114
Education and travel	27,000	27,000	17,033		9,967
Bank fees	1,000	1,000	298		702
Contingencies	50,000	50,000			50,000
Total Administration	<u>957,500</u>	<u>970,196</u>	<u>817,224</u>	<u>5,710</u>	<u>147,262</u>
Source of Supply, Power, and Pumping					
Power and light	1,500,000	1,500,000	1,370,911		129,089
Purchase of water	23,000	23,000	16,355		6,645
Total Source of Supply, Power, and Pumping	<u>1,523,000</u>	<u>1,523,000</u>	<u>1,387,266</u>		<u>135,734</u>
Purification					
Water analysis	87,500	115,500	115,129		371
Water treatment	440,000	412,000	392,707		19,293
Total Purification	<u>527,500</u>	<u>527,500</u>	<u>507,836</u>		<u>19,664</u>
Transmission and Distribution					
Personal services - supervision and labor	1,030,000	1,036,000	1,035,534		466
Equipment:					
Autos and trucks purchased					
Meter purchases	205,000	206,526	177,179		29,347
Hydrant purchases	32,000	32,000	27,708		4,292
Contractual and other expenditures:					
Mapping	20,000	20,000	10,328		9,672
Materials and supplies	19,000	27,000	26,671		329
Maintenance - wells	350,000	368,490	310,195	2,748	55,547
Maintenance - grounds	99,000	99,000	30,991	23,613	44,396
Maintenance - mains and hydrants	100,000	100,000	74,575		25,425
Maintenance - autos and trucks	27,500	27,500	19,792	733	6,975
Maintenance - building	110,000	96,000	32,386		63,614
Professional services - engineering	95,000	95,000	41,561		53,439
Road restoration	30,000	30,000	9,801		20,199
Sundry	1,000	1,000	697		303
Small tools and shop supplies	17,000	17,000	12,405		4,595
Gas and oil	35,000	35,000	20,451		14,549
Total Transmission and Distribution	<u>2,170,500</u>	<u>2,190,516</u>	<u>1,830,274</u>	<u>27,094</u>	<u>333,148</u>
Employee Benefits					
State retirement	220,000	220,000	189,106		30,894
Social security	103,602	103,602	100,218		3,384
Hospital and medical insurance	635,000	635,000	594,999		40,001
Total Employee Benefits	<u>958,602</u>	<u>958,602</u>	<u>884,323</u>		<u>74,279</u>

SOUTH HUNTINGTON WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
 Year Ended December 31, 2017

	Budget Amounts		Actual	Encum- brances	Variance Positive (Negative)
	Original	Final			
Debt Service					
Serial bond principal	2,205,080	2,215,080	2,215,080		
Serial bond interest	578,068	598,341	588,990		9,351
Debt issuance costs		12,674	12,674		-0-
Total Debt Service	<u>2,783,148</u>	<u>2,826,095</u>	<u>2,816,744</u>		<u>9,351</u>
Total Expenditures	<u>8,920,250</u>	<u>8,995,909</u>	<u>8,243,667</u>	32,804	<u>719,438</u>
Other Financing Uses					
Transfers out		782,000	782,000		-0-
Debt service - principal		1,870,000	1,870,000		-0-
Total Other Financing Uses		<u>2,652,000</u>	<u>2,652,000</u>		<u>-0-</u>
Total Expenditures and Other Financing Uses	<u>\$ 8,920,250</u>	<u>\$ 11,647,909</u>	<u>\$ 10,895,667</u>	<u>\$ 32,804</u>	<u>\$ 719,438</u>

SOUTH HUNTINGTON WATER DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
1/1/2017	\$ -0	* \$ 7,336,222	\$ 7,336,222	0.0%	\$ 1,230,298	596.3%
1/1/2015	-0	* 6,814,741	6,814,741	0.0%	1,018,862	668.9%
1/1/2013	-0	* 5,680,823	5,680,823	0.0%	1,215,360	467.4%
1/1/2011	-0	* 5,700,618	5,700,618	0.0%	1,052,723	541.5%
1/1/2009	-0	* 5,351,294	5,351,294	0.0%	1,008,963	530.4%
1/1/2007	-0	* 4,759,248	4,759,248	0.0%	N/A	N/A

* The 1/1/2009 valuation was actuarially determined using the attained age normal method and the 1/1/2007, 1/1/2011, 1/1/2013, 1/1/15 and 1/1/2017 valuations were determined using the entry age normal method.

SOUTH HUNTINGTON WATER DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2017

NYSERS	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0042256%	0.0043830%	0.0044837%	0.0044837%
District's proportionate share of the net pension liability (asset)	\$ 397,046	\$ 703,477	\$ 151,472	\$ 202,614
District's covered-employee payroll	\$ 1,256,412	\$ 1,184,360	\$ 1,358,006	\$ 1,364,290
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.60%	59.40%	11.15%	14.85%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	94.70%	90.68%	97.95%	97.20%

See independent auditors' report.

SOUTH HUNTINGTON WATER DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
December 31, 2017

	NYSERS									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 189,105	\$ 193,255	\$ 205,756	\$ 326,700	\$ 215,311	\$ 255,066	\$ 166,737	\$ 144,068	\$ 75,202	\$ 88,049
Contributions in relation to the contractually required contribution	<u>189,105</u>	<u>193,255</u>	<u>205,756</u>	<u>326,700</u>	<u>215,311</u>	<u>255,066</u>	<u>166,737</u>	<u>144,068</u>	<u>75,202</u>	<u>88,049</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>							
District's covered-employee payroll	\$ 1,329,652	\$ 1,228,683	\$ 1,316,312	\$ 1,373,704	\$ 1,352,331	\$ 1,204,400	\$ 1,265,077	\$ 1,203,485	\$ 1,108,048	\$ 1,034,812
Contributions as a percentage of covered-employee payroll	14.22%	15.73%	15.63%	23.78%	15.92%	21.18%	13.18%	11.97%	6.79%	8.51%

OTHER SUPPLEMENTARY INFORMATION

SOUTH HUNTINGTON WATER DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
Year Ended December 31, 2017

PROJECT TITLE	<u>Expenditures</u>		<u>Encum - brances</u>	<u>Total</u>
	<u>Prior Years</u>	<u>Current Year</u>		
Developers Escrow Projects		\$ 91,933		\$ 91,933
Capital Reserve Project				
Wallace Court Water Main Replacement		108,922		108,922
General Projects				
Plant 10-1/10-2 Rehabilitation		103,397	\$ 348,886	452,283
Bond Projects				
SCADA System Plant 3, 4, &7	\$ 72,485	502,763	1,123,905	1,699,153
Plant 9 Rehabilitation	3,928,869	325,504	325,391	4,579,764
Plant 14 Rehabilitation	148,863	1,498,429	196,725	1,844,017
	<u>\$ 4,150,217</u>	<u>\$ 2,630,948</u>	<u>\$ 1,994,907</u>	<u>\$ 8,776,072</u>

See independent auditors' report.