



FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Farmingdale Water District (District), a component unit of the Town of Oyster Bay, New York, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Farmingdale Water District as of December 31, 2022 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note A.23 to the financial statements, "New Accounting Standards", the District has adopted the provisions of GASB Statement No. 87, Leases, as of December 31, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, general fund schedule of revenues, expenditures, and changes in fund balance – budget and actual, schedule of changes in the District's total other postemployment benefits liability and related ratios, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions on pages 3 through 8 and 45 through 50, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cullen & Danowski, LLP

June 23, 2023

SOUTH FARMINGDALE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022

Our discussion and analysis of the South Farmingdale Water District, a component unit of the Town of Oyster Bay, New York (the "District"), financial performance provides an overview of the District's financial activities for the year ended December 31, 2022 in comparison with the year ended December 31, 2021, with emphasis on the current year. Please read it in conjunction with the District's financial statements and notes to financial statements.

FINANCIAL HIGHLIGHTS

- At the end of 2022, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40,505,508 (net position).
- At the end of 2022, the governmental funds reported a combined ending fund balance of \$38,120,760. Of this amount, \$240,337 is not in spendable form or required to remain intact. The remaining \$37,880,423 represents total fund balances in spendable form with various levels of spending constraint: restricted, assigned, or unassigned.
- At the end of 2022, the total fund balance for the general fund was \$27,255,771, an increase of \$14,012,736 (105.81%) over the prior year. The unassigned fund balance for the general fund was \$5,918,643 (45.49%) of total general fund expenditures.
- The District received 2 settlements during the year totaling \$28,000,000, related to lawsuits filed by the District for 1,4 Dioxane findings in the water supply.

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 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. These statements are presented using the economic resources measurement focus and are presented using the accrual basis of accounting. 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 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 into and out of those funds and the balances left at year-end that are available for spending. These funds are reported utilizing the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

See Paragraph on Required Supplementary Information Included in Auditor's Report.

SOUTH FARMINGDALE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022
(continued)

USING THIS ANNUAL REPORT (continued)

Governmental Fund Financial Statements (continued)

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 reconciliations at the bottom of the fund financial statements.

CONDENSED FINANCIAL INFORMATION

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

**Condensed Statement of Net Position
as of December 31,**

	2022	(Revised) 2021
Assets		
Current assets	\$ 53,076,489	\$ 18,412,357
Capital assets	36,617,563	34,000,449
Receivable - long-term	8,085,238	4,022,203
Net pension asset - proportionate share	446,089	-0-
Total Assets	<u>98,225,379</u>	<u>56,435,009</u>
Deferred Outflows of Resources		
Other postemployment benefits	2,207,251	2,650,461
Pensions	943,476	1,399,020
Total Deferred Outflows of Resources	<u>3,150,727</u>	<u>4,049,481</u>
Liabilities		
Current liabilities	13,262,113	2,685,467
Non-current liabilities	38,783,182	33,174,751
Total Liabilities	<u>52,045,295</u>	<u>35,860,218</u>
Deferred Inflows of Resources		
Lease related	3,914,771	4,437,138
Other postemployment benefits	3,321,634	1,321,810
Pensions	1,588,898	1,787,625
Total Deferred Inflows of Resources	<u>8,825,303</u>	<u>7,546,573</u>
Net Position		
Net investment in capital assets	14,572,160	13,518,245
Restricted	4,349,308	4,174,142
Unrestricted (Deficit)	21,584,040	(614,688)
Total Net Position	<u>\$ 40,505,508</u>	<u>\$ 17,077,699</u>

See Paragraph on Required Supplementary Information Included in Auditor's Report.

SOUTH FARMINGDALE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022
(continued)

CONDENSED FINANCIAL INFORMATION (continued)

Changes in Net Position
for the years ended December 31,

	2022	2021
Program Revenues		
Charges for services	\$ 4,723,181	\$ 4,303,753
Capital grant - state aid	1,156,747	1,881,626
Total Program Revenues	5,879,928	6,185,379
General Revenues		
Real property taxes	3,780,590	3,706,786
Other real property tax items	93,960	79,405
Use of money and property	959,663	455,166
Litigation settlement for contamination	28,000,000	-0-
Other general revenues	516,729	216,466
Total General Revenues	33,350,942	4,457,823
Total Revenues	39,230,870	10,643,202
Expenses - Water supply services	15,803,061	8,219,247
Changes in Net Position	<u>\$ 23,427,809</u>	<u>\$ 2,423,955</u>

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The 2021 revised Statement of Net Position includes the adjustment for the implementation of the provisions of GASB Statement No. 87, "Leases," for the year ended December 31, 2022, which established a single model for lease accounting based on the concept that leases are a financing of a "right-to-use" underlying asset. This statement requires a lessor to recognize a lease receivable and lease related deferred inflow of resources. As a result, the District has reported a cumulative effect of change in accounting principle of \$4,437,138 for the lease receivable and a \$(4,437,138) lease related deferred inflow of resources for a net cumulative effect of \$0.

In 2022, the District received 2 settlements during the year, one from the Navy (gross settlement amount of \$15,500,000) and one from Northrup Grumman (gross settlement amount of \$12,500,000), related to lawsuits filed by the District for 1,4 Dioxane findings in the water supply. These amounts are reported as other general revenues above. The District has and will continue to evaluate these contaminants and apply settlement funds in an appropriate manner.

The District's total assets and deferred outflows of resources at December 31, 2022 were \$101,376,106, an increase of \$40,891,616 over the prior year. The increase is primarily due to increases in capital assets, cash and investments, amounts due from Town of Oyster Bay, and receivable related to the legal settlement. Total liabilities and deferred inflows of resources at December 31, 2022 were \$60,870,598, an increase of \$17,463,807 over the prior year. The increase is primarily due to increases in debt issued during the year and the amount due for legal expense related to the settlement.

See Paragraph on Required Supplementary Information Included in Auditor's Report.

SOUTH FARMINGDALE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022
(continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

The District's net position at December 31, 2022 was \$40,505,508, an increase of \$23,427,809 over the prior year. Of the District's total net position, \$14,572,160 was invested in capital assets; \$4,349,308 was restricted for future capital assets additions, improvements, and repairs, while \$21,584,040 was unrestricted net position. These financial statements include a liability for other postemployment benefits ("OPEB"). At this time, there is no New York State statute providing local governments with the authority for establishing a postemployment benefits trust.

General revenues were \$33,350,942 in the current year, an increase of \$28,893,119 over the prior year. The increase is primarily due to the litigation settlement won by the District for \$28,000,000, as well as increases of real property taxes, other local sources, and money and property. Program revenues were \$5,879,928 in the current year, a decrease from the prior year of \$305,451. The decreased revenues were mainly due to a decrease in state aid compared to the prior year, offset by an increase in charges for services. Total expenses increased by \$7,583,814 over the prior year, primarily due to increases in legal costs related to the settlement and salaries.

Governmental Funds

General Fund

Fund balance in the general fund increased by \$14,012,736 to \$27,255,771 for the year ended December 31, 2022. Of this total, \$3,903,219 is restricted for future capital costs and emergency repairs, \$17,193,572 is assigned, of which \$2,908,138 is for future operations and maintenance of the VOC facilities, \$7,545,046 is for various capital projects, \$149,763 is for contractual obligations and \$6,590,625 is for the subsequent year's budget, \$240,337 is non-spendable related to supplies inventory, prepaid and long-term receivable amounts, and \$5,918,643 constitutes unassigned fund balance, which is available for spending at the District's discretion. The increase in the fund balance is due to revenues and other financing sources being higher than expenditures and other financing uses for the year.

Capital Projects Fund

State aid received for capital projects amounted to \$1,156,747. Capital project expenditures amounted to \$4,605,335 in the current year. The fund balance of the capital projects fund increased by \$6,990,044 from a fund balance surplus of \$3,874,945 to \$10,864,989. The increase is primarily due to proceeds of debt and state aid, offset by capital outlays during the year.

BUDGETARY HIGHLIGHTS

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

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance
Revenues	\$ 8,636,615	\$ 13,201,615	\$ 27,510,131		\$ 14,308,516
Other Financing Sources	-0-	4,661,928	5,096,291		434,363
Expenditures	(8,777,240)	(14,077,954)	(13,011,691)	\$ (149,763)	916,500
Other Financing (Uses)	-0-	(5,581,995)	(5,581,995)		-0-
	<u>\$ (140,625)</u>	<u>\$ (1,796,406)</u>	<u>\$ 14,012,736</u>	<u>\$ (149,763)</u>	<u>\$ 15,659,379</u>

See Paragraph on Required Supplementary Information Included in Auditor's Report.

SOUTH FARMINGDALE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022
(continued)

BUDGETARY HIGHLIGHTS (continued)

For the year ended December 31, 2022, the general fund revenues and other financing sources exceeded expenditures resulting in an increase in fund balance of \$14,012,736 for a total fund balance to \$27,255,771. The final budget was funded through a combination of estimated revenues and appropriated fund balance.

Actual revenues were higher than final estimated revenues and other financing sources by \$14,308,516 due to a legal settlement, higher than anticipated metered water sales, interest earnings, and premiums from debt issuances. Actual expenditures, other financing uses, and encumbrances were less than final estimated expenditures by \$916,500, primarily due to lower than anticipated meter costs, benefit costs, and other maintenance costs.

CAPITAL ASSETS AND LONG-TERM DEBT

The District has been financing all capital expenditures from proceeds of general obligation bonds, annual budgetary appropriations, grants, and litigation settlements received for ground water contamination. During 2022, the District expended \$4,688,494, primarily on improvements of the water distribution system and operating plants of the District. Additional information on the District's capital assets can be found in Note E to the financial statements.

In addition to the capital improvements described above, the District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contracts or is planning additional improvements amounting to approximately \$11 million within the next few years.

As of December 31, 2022, the District had \$11,710,581 outstanding of general obligation bonds. Additional information on the District's long-term debt can be found in Note F to the financial statements.

The District also has \$26,055,000 outstanding of bond anticipation notes to provide temporary financing for capital projects, of which \$20,300,000 is being reported as non-current. These notes will either be converted into serial bonds or redeemed from appropriations from the general fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District derives a substantial portion of its operating revenues from metered 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 for the District can vary significantly from a rainy year to a dry year. The District also believes that such adverse weather conditions can easily recur consecutively over two years or more.

SOUTH FARMINGDALE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022
(continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

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

	Gallons billed In millions	Water Revenue Recognized in the General Fund In thousands
2022	1,510	\$ 4,425
2021	1,471	4,000
2020	1,529	3,800
2019	1,408	3,600
2018	1,453	3,565

The increase in metered water revenue for the year ended December 31, 2022 was primarily the result of increased gallons used.

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), plus any statutory adjustments allowed in the law; however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. On September 8, 2022, the District's Board of Commissioners unanimously voted and approved a resolution that was within the tax levy cap imposed by the State for the 2023 Budget.

For the 2023 budget in the amount of \$15,803,598, operating costs increased by 80.05% as compared to the 2022 budget. The increase is primarily due to the planned use of a portion of the legal settlement received in 2022 to pay down a portion of the bond anticipation notes payable in March of 2023. The District's metered water sales estimated revenue increased by 7.80% and the District's real property tax levy increased by 1.99%.

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 Business Manager at South Farmingdale Water District, 40 Langdon Road, P.O. Box 3319, Farmingdale, NY 11735.

BASIC FINANCIAL STATEMENTS

SOUTH FARMINGDALE WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2022

Assets

Current assets:

Cash and investments:

Unrestricted \$ 21,647,270

Restricted 3,903,219

Accounts receivable 7,524,210

Lease receivable 436,965

Due from Town of Oyster Bay 19,431,920

Prepays 121,364

Inventory of materials and supplies 11,541

Total Current Assets 53,076,489

Non-current assets:

Accounts receivable 4,500,000

Lease receivable 3,585,238

Non-depreciable capital assets 4,392,138

Depreciable capital assets, net of depreciation 32,225,425

Net pension asset-proportionate share 446,089

Total Non-current Assets 45,148,890

Total Assets 98,225,379

Deferred Outflows of Resources

Other postemployment benefits 2,207,251

Pensions 943,476

Total Deferred Outflows of Resources 3,150,727

Liabilities

Current liabilities:

Accounts payable and accrued expenses 5,255,781

Bond anticipation notes payable 5,755,000

Developer deposits 350

Non-current liabilities due within one year:

Compensated absences payable 409,669

Bond anticipation notes payable 580,000

General obligation bonds payable, inclusive of premiums 1,261,313

Total Current Liabilities 13,262,113

Non-current liabilities:

Compensated absences payable 481,380

Bond anticipation notes payable 19,720,000

General obligation bonds payable, inclusive of premiums 10,865,943

Total other postemployment benefits liabilities 7,715,859

Total Non-current Liabilities 38,783,182

Total Liabilities 52,045,295

Deferred Inflows of Resources

Lease related 3,914,771

Other postemployment benefits 3,321,634

Pensions 1,588,898

Total Deferred Inflows of Resources 8,825,303

Net Position

Net investment in capital assets 14,572,160

Restricted 4,349,308

Unrestricted 21,584,040

Total Net Position \$ 40,505,508

See Notes to Financial Statements.

SOUTH FARMINGDALE WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

Governmental Activities

Expenses - Water Supply Services \$ (15,803,061)

Program Revenues

Charges for services 4,723,181

Capital grant - state aid 1,156,747

Net Program Expense (9,923,133)

General Revenues

Real property taxes 3,780,590

Other real property taxes 93,960

Use of money and property 959,663

Sale of property and compensation for loss 22,510

Litigation settlement for contamination 28,000,000

Other local sources 494,219

Total General Revenues 33,350,942

Change in Net Position 23,427,809

Net Position at Beginning of the Year 17,077,699

Net Position at End of the Year \$ 40,505,508

SOUTH FARMINGDALE WATER DISTRICT
BALANCE SHEET AND RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2022

	General	Capital Projects	Total
Assets			
Cash and investments:			
Unrestricted	\$ 21,647,270		\$ 21,647,270
Restricted	3,903,219		3,903,219
Accounts receivable	12,024,210		12,024,210
Lease receivable	4,022,203		4,022,203
Due from other fund		\$ 333,367	333,367
Due from Town of Oyster Bay	1,143,770	18,288,150	19,431,920
Prepaid items	121,364		121,364
Inventory of materials and supplies	11,541		11,541
Total Assets	<u>\$ 42,873,577</u>	<u>\$ 18,621,517</u>	<u>\$ 61,495,094</u>
Liabilities			
Accounts payable and accrued expenses	\$ 400,748	\$ 2,001,528	\$ 2,402,276
Bond anticipation notes payable		5,755,000	5,755,000
Developer deposits	350		350
Due to other fund	333,367		333,367
Total Liabilities	<u>734,465</u>	<u>7,756,528</u>	<u>8,490,993</u>
Deferred Inflows of Resources			
Unavailable Revenue - Government Receivables	10,968,570		10,968,570
Lease related	3,914,771		3,914,771
Total Deferred Inflows of Resources	<u>14,883,341</u>	<u>-0-</u>	<u>14,883,341</u>
Fund Balances			
Non-spendable	240,337		240,337
Restricted	3,903,219	10,864,989	14,768,208
Assigned	17,193,572		17,193,572
Unassigned	5,918,643		5,918,643
Total Fund Balances	<u>27,255,771</u>	<u>10,864,989</u>	<u>38,120,760</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 42,873,577</u>	<u>\$ 18,621,517</u>	<u>\$ 61,495,094</u>
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position			
Total Governmental Fund Balances			\$ 38,120,760
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Certain assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital asset			36,617,563
Net pension asset - proportionate share			446,089
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Accrued expenses related to legal settlement			(1,875,000)
Retainage payable			(149,769)
Compensated absences			(891,049)
Total other postemployment benefits liability			(7,715,859)
General obligation bonds payable, inclusive of premiums			(12,127,256)
Bond anticipation notes payable			(20,300,000)
Accrued interest expense			(828,736)
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay the current period's expenditures and, therefore, are not reconized in the governmental funds, but are on the Statement on Net Position			10,968,570
Certain amounts reported for the District's pension and other postemployment benefits deferred outflows or inflows are not considered a current available resource, or are not payable in the current period and, accordingly, are not reported in the funds:			
Other postemployment benefits - deferred outflows			2,207,251
Other postemployment benefits - deferred inflows			(3,321,634)
Pensions - deferred outflows			943,476
Pensions - deferred inflows			(1,588,898)
Net Position of Governmental Activities			<u>\$ 40,505,508</u>

See Notes to Financial Statements.

SOUTH FARMINGDALE WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	General	Capital Projects	Total
Revenues			
Real property taxes	\$ 3,780,590		\$ 3,780,590
Other real property tax items	93,960		93,960
Departmental income	4,659,189		4,659,189
Use of money and property	959,663		959,663
Sale of property and compensation for loss	17,522,510		17,522,510
Miscellaneous local sources	494,219		494,219
State aid		\$ 1,156,747	1,156,747
Total Revenues	<u>27,510,131</u>	<u>1,156,747</u>	<u>28,666,878</u>
Expenditures			
Home and Community Service - Water Supply Services			
Administration	6,014,625		6,014,625
Source of supply, power and pumping	1,406,898		1,406,898
Purification	545,858		545,858
Transmission and distribution	1,510,535		1,510,535
Employee benefits	1,056,029		1,056,029
Debt service	2,477,746		2,477,746
Capital outlay		4,605,335	4,605,335
Total Expenditures	<u>13,011,691</u>	<u>4,605,335</u>	<u>17,617,026</u>
Excess (Deficiency) of Revenues over Expenditures	<u>14,498,440</u>	<u>(3,448,588)</u>	<u>11,049,852</u>
Other Financing Sources (Uses)			
Refunding bond proceeds	4,227,700		4,227,700
Proceeds of debt		9,845,000	9,845,000
Premiums	434,228		434,228
Debt service - principal - current refunding	(4,554,000)		(4,554,000)
Interfund Transfers In (Out)	(593,632)	593,632	-0-
Total Other Financing Sources (Uses)	<u>(485,704)</u>	<u>10,438,632</u>	<u>9,952,928</u>
Net Changes in Fund Balance	14,012,736	6,990,044	21,002,780
Fund Balance at Beginning of Year	<u>13,243,035</u>	<u>3,874,945</u>	<u>17,117,980</u>
Fund Balance at End of Year	<u>\$ 27,255,771</u>	<u>\$ 10,864,989</u>	<u>\$ 38,120,760</u>
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities			
Net Changes in Fund Balances - Total Governmental Funds			\$ 21,002,780
Amounts reported for governmental activities 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			4,688,494
Depreciation expense			(2,071,380)
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:			
Bond/Bond Anticipation Note proceeds			(9,845,000)
Refunding bond proceeds			(4,227,700)
Premium on bonds issued			(434,228)
Amortization of bond premiums			17,553
Payment of bond and bond anticipation note principal			6,282,563
Some revenues and expenses reported in the Statement of Activities are not reported as revenues or expenditures in the governmental funds:			
Accounts receivable related to legal settlement			10,500,000
Accounts receivable related to unbilled amounts			63,992
Retainage payable			(13,065)
Accrued expenses related to legal settlement			(1,875,000)
Accrued interest			(494,394)
Compensated absences			(155,178)
Other postemployment benefits			(206,902)
Pension expense			195,274
Change in Net Position of Governmental Activities			<u>\$ 23,427,809</u>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies

The South Farmingdale Water District (the "District"), a component unit of the Town of Oyster Bay, New York (the "Town"), which was established in 1931, is governed by Town Law and other general laws of the State of New York. The Board of Commissioners (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 residents.

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

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.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation (continued)

Government-wide Financial Statements (continued)

The government-wide Statement of Activities reports both the gross and net cost 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 and 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. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflects capital-specific grants. The net cost is ideally 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.

Fund Financial Statements

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

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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.

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 financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

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.

In the fund 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. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when incurred except that:

- a. Expenditures for prepaid items and inventory are recognized at the time of consumption or services are provided.
- b. Principal and interest on indebtedness are not recognized as expenditures until due.
- c. Compensated absences, such as vacation and sick leave, which vests or accumulates, OPEB and pension costs are charged as expenditures to the extent they have matured.

4. Cash and Cash Equivalents/Investments

The District's cash and cash equivalents consist of cash on hand, bank deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Investments are reported at fair value, based on quoted market prices.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

5. Property Taxes and Delinquent Water Bills

Property taxes and delinquent water bills are collected by the Town of Oyster Bay Receiver of Taxes (the "Town") on behalf of the District. The Town collects all real property taxes for the Town, Nassau County, Town Special Districts and School Districts. Town, County and Town special district taxes are levied on January 1st, and are due in two installments payable by February 10th and August 10th. The Town 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 Nassau County.

The District will also receive payments in lieu of taxes from LIPA due to an agreement between LIPA and Nassau County.

Water sales that go uncollected are turned over to the Town with the tax warrant for collection. These balances become part of the tax levy on the respective delinquent properties. The Town remits to the District the amount of the receivable plus penalties, regardless of their ability to collect on the levy.

6. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

7. Receivables

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

8. Inventory and Prepaids

The District records inventory using the consumption method. Inventory is valued at cost utilizing the latest invoice price, which approximates the first-in, first-out method.

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded using the consumption method.

Under the consumption method, a current asset for inventory and prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported when the goods or services are consumed or used. In addition the amount of fund balance equal to the balance of inventory and prepaid items is categorized as nonspendable to indicate the resources are not in spendable form.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

9. Interfund Receivables, Payables and Transfers

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the government-wide statements eliminations have been made for all interfund receivables and payables between funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

10. Restricted Assets

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

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 donated capital assets, which are recorded at acquisition value at the date of donation. 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.

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

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

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

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

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 funds remaining after the installation is completed are refunded to the developer.

13. Short-Term Debt

The Town may issue bond anticipation notes (BAN) on behalf of the District, in anticipation of proceeds from the subsequent issuance of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during the calendar year 2015 through, and including 2021. However, bond anticipation notes issued in anticipation of bonds for an assessable improvement may be renewed from time-to-time for a period not exceeding one year for each such renewal, and without limitation as to the number of such renewals. These renewals cannot extend beyond the period of probable usefulness of the object or purpose for which it is issued, as computed from the date of the first note or notes issued. BANs that are replaced with long-term financing, or renewed subsequent to year end, are treated as long-term obligations, as these notes will not require the use of working capital during that period.

14. Long-Term Obligations

In the government-wide statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. The long-term debt and other long-term obligations consists of compensated absences, bond anticipation notes, general obligation bonds payable, premiums, and total other postemployment benefits liability.

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 sources. Premiums received on long-term 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, and total other postemployment benefits liability are liquidated through future budget appropriations in the general fund.

15. Compensated Absences

District employees earn vacation and sick leave in varying amounts. In the event of separation from service (except termination for cause), employees are paid for accumulated unused vacation and sick leave subject to certain 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. Compensated absence liability and expenditures are reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

16. Other Benefits

Eligible District employees participate in the New York State and Local Employees' Retirement System.

District employees may choose to participate in the District's elective deferred compensation plan established under Internal Revenue Code Section 457.

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially, all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District and employed by the District for the required minimum amount of years. Healthcare and survivor's benefits are in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), and are provided through the New York State Empire Plan (the "Empire Plan") whose premiums are based on the benefits paid throughout the State during the year.

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

17. Insurance

The District purchases insurance against losses from 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 the loss can be reasonably estimated. There have been no claims in excess of coverage within the last three years.

18. 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 - Reports 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 – Reports 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.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

18. Net Position and Fund Equity Classifications (continued)

Government-Wide Financial Statements (continued)

- c. Unrestricted net position – Reports all other amounts that do not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use; it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

In the fund financials 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.

Non-spendable 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. Non-spendable fund balance includes the inventory of materials and supplies, prepaids, and long-term receivables related to leases recorded in the general fund.

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.

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 will not have committed fund balances.

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 Board of Commissioners has the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

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.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

18. Net Position and Fund Equity Classifications (continued)

Fund Financial Statements (continued)

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 committed fund balance to the extent that there is a commitment, to assigned fund balance to the extent that there is an appropriation, and then to the unassigned fund balance.

19. Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including revenue availability, compensated absences, other postemployment benefits, pension liability, potential contingent liabilities and useful lives of capital assets.

20. 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 assets 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. They are deferred outflows of resources related to pensions and the other postemployment benefits reported in the District-Wide Statement of Net Position and are detailed further in Note G and I.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

20. Deferred Outflows and Inflows of Resources (continued)

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 asset that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first is deferred inflows of resources relating to the leases. These amounts are deferred and are amortized to lease revenue in a systematic and rational manner over the term of the lease. The second and third is related to pensions and the other postemployment benefits reported in the District-Wide Statement of Net Position and are detailed further in note G and I. The fourth is unavailable revenues reported in the governmental funds, when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables for unbilled water. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the government-wide financial statements, unavailable revenues are treated as revenues.

21. Lease Receivable

Lessor

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

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

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

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

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

A. Summary of Significant Accounting Policies (continued)

22. New Accounting Standards

The District has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2022, The District adopted the following:

The District implemented the provisions of GASB Statement No. 87, "Leases," for the year ended December 31, 2022, which established a single model for lease accounting based on the concept that leases are a financing of a "right-to-use" underlying asset. This statement requires a lessor to recognize a lease receivable and lease related deferred inflow of resources. As a result, the District has reported a cumulative effect of change in accounting principle of \$4,437,138 for the lease receivable and a \$(4,437,138) lease related deferred inflow of resources, which had no impact on the December 31, 2022 fund balance of the general fund.

23. Future Changes in Accounting Standards

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users. This Statement defines a SBITA and establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding liability. The Statement also provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, as well as detailing the requirements for note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

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 Oyster Bay for inclusion in the Town Budget and a public hearing is held thereon. The budget is not subject to referendum. The annual budget lapses at year-end and any revisions to the annual budget are adopted by resolution of the Board of Commissioners.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

B. Stewardship, Compliance and Accountability (continued)

Budgetary Data (continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purpose, is employed in the governmental funds. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in period in which the liability is incurred.

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

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

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

Original budget	\$ 8,777,240
Prior year's contractual obligations	627,786
Additional use of capital reserve funds	346,059
Additional use of capital assignment funds	681,936
Additional appropriation related to legal cost of settlement	4,565,000
Additional appropriation related to refunding of debt	<u>4,661,928</u>
Total	<u>\$ 19,659,949</u>

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

For the 2022 budget year, the District's real property tax levy increased by 1.99% and did not exceed the property tax levy cap provisions.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

B. Stewardship, Compliance and Accountability (continued)

Fund Balance

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

	General Fund	Capital Projects Funds	Total
Nonspendable:			
Long-term Receivable	\$ 107,432		\$ 107,432
Inventory of materials and supplies	11,541		11,541
Prepaid items	121,364		121,364
Total Nonspendable	<u>240,337</u>	<u>\$ -0-</u>	<u>240,337</u>
Restricted for:			
Capital projects reserves	2,677,853		2,677,853
Repairs reserve	1,225,366		1,225,366
Unspent bond proceeds		10,864,989	10,864,989
Total Restricted	<u>3,903,219</u>	<u>10,864,989</u>	<u>14,768,208</u>
Assigned to:			
VOC Facilities capital projects and operations and maintenance	2,908,138		2,908,138
Capital projects- various	7,545,046		7,545,046
Contractual obligations	149,763		149,763
Designated for subsequent year's budget	6,590,625		6,590,625
Total Assigned	<u>17,193,572</u>	<u>-0-</u>	<u>17,193,572</u>
Unassigned	<u>5,918,643</u>	<u>-0-</u>	<u>5,918,643</u>
Total Fund Balances	<u>\$ 27,255,771</u>	<u>\$ 10,864,989</u>	<u>\$ 38,120,760</u>

Restricted for Capital Projects

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

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

B. Stewardship, Compliance and Accountability (continued)

Restricted for Capital Projects (continued)

A summary of activity in the capital reserve funds for the year ended December 31, 2022 is as follows:

	Capital Reserve	Capital Reserve MTBE	Total
Balance 1/1	\$ 1,916,342	\$ 1,054,101	\$ 2,970,443
Interest earned on reserve cash	34,495	18,974	53,469
Expenditures	(346,059)		(346,059)
Balance 12/31	<u>\$ 1,604,778</u>	<u>\$ 1,073,075</u>	<u>\$ 2,677,853</u>

Restricted for Repairs to Capital Assets

In accordance with New York State General Municipal Law §6-d, the District has established a repairs 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 general fund's repairs reserve fund for the year ended December 31, 2022 is as follows:

	Repairs Reserve
Balance 1/1	\$ 1,203,699
Interest earned on reserve cash	21,667
Balance 12/31	<u>\$ 1,225,366</u>

Assigned for VOC Facilities Capital Project and Operation and Maintenance

The District has received settlement money to cover capital costs and operating and maintenance costs related to two contaminated well sites. These funds will be used to offset future cost associated with these sites.

Assigned for Various Capital Expenditures

The District has assigned a portion of fund balance to fund various capital expenditures, including meter end point replacement, future plant improvements and remediation for contaminates.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

C. Cash and Investments

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 FDIC-insured commercial banks or trust companies located within the state. The Business Manager 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 and investments made by the Cooperative Liquid Asset Security System (CLASS).

CLASS is a cooperative investment plan consisting of U.S. Treasury Obligations and repurchase agreements relating to U.S. Treasury Obligations. Investments are stated at cost, which approximates market. CLASS was established as a cooperative investment arrangement organized under the CLASS Municipal Cooperation Agreement made pursuant to New York General Municipal Law, Article 2A and 5-G.

Collateral is required for demand deposits and time deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, and obligations of the State and its municipalities.

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 if they are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

None of the Districts' bank balances that were not covered by Federal deposit insurance were exposed to custodial credit risk as described above.

At December 31, 2022, the District's cash and investments, excluding petty cash of \$286, totaled \$25,550,203 of which \$25,523,395 is considered cash and cash equivalents and \$26,808 is investments in CLASS. Bank deposit balances were \$25,614,337. Of this balance, \$750,000 was covered by the Federal Deposit Insurance Corporation and \$24,864,337 was covered by collateral held by the District's agent, a third-party financial institution, in the District's name. The District's \$26,808 CLASS investment consists of U.S. Treasury obligations and is not subject to risk categorization.

As of December 31, 2022 the South Farmingdale Water District did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

D. Leases Receivable

For the year ended December 31, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On January 1, 2022, South Farmingdale Water District, NY entered into a 121-month lease as Lessor for the use of Verizon. An initial lease receivable was recorded in the amount of \$1,059,059. As of December 31, 2022, the value of the lease receivable is \$978,727. The lessee is required to make monthly fixed payments of \$7,503. The lease has an interest rate of 1.3050%. The value of the deferred inflow of resources as of December 31, 2022 was \$954,029, and South Farmingdale Water District, NY recognized lease revenue of \$105,031 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

On January 1, 2022, South Farmingdale Water District, NY entered into a 145-month lease as Lessor for the use of T-Mobile. An initial lease receivable was recorded in the amount of \$1,684,705. As of December 31, 2022, the value of the lease receivable is \$1,591,855. The lessee is required to make monthly fixed payments of \$9,147. The lease has an interest rate of 1.3757%. The value of the deferred inflow of resources as of December 31, 2022 was \$1,545,281, and South Farmingdale Water District, NY recognized lease revenue of \$139,424 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

On January 1, 2022, South Farmingdale Water District, NY entered into a 94-month lease as Lessor for the use of Sprint. An initial lease receivable was recorded in the amount of \$1,229,922. As of December 31, 2022, the value of the lease receivable is \$1,100,215. The lessee is required to make monthly fixed payments of \$11,140. The lease has an interest rate of 0.4757%. The value of the deferred inflow of resources as of December 31, 2022 was \$1,072,911, and South Farmingdale Water District, NY recognized lease revenue of \$157,011 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On January 1, 2022, South Farmingdale Water District, NY entered into a 46-month lease as Lessor for the use of AT&T. An initial lease receivable was recorded in the amount of \$463,451. As of December 31, 2022, the value of the lease receivable is \$351,406. The lessee is required to make monthly fixed payments of \$9,407. The lease has an interest rate of 0.4757%. The value of the deferred inflow of resources as of December 31, 2022 was \$342,551, and South Farmingdale Water District, NY recognized lease revenue of \$120,900 during the fiscal year.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

D. Leases Receivable (continued)

Principal and Interest Expected to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 436,965	\$ 39,910	\$ 476,875
2024	462,664	36,149	498,813
2025	468,571	32,155	500,726
2026	383,125	28,296	411,421
2027	407,562	24,431	431,993
2028 - 2032	1,652,244	60,168	1,712,411
2023 - 2034	211,072	1,703	212,775
	<u>\$ 4,022,203</u>	<u>\$ 222,811</u>	<u>\$ 4,245,014</u>

E. Capital Assets

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance 1/1/22	Additions	Reductions	Balance 12/31/22
Capital assets not being depreciated:				
Land	\$ 320,309			\$ 320,309
Construction in progress	4,033,849	\$ 4,618,399	\$ 4,580,419	4,071,829
Total capital assets not being depreciated	4,354,158	4,618,399	4,580,419	4,392,138
Depreciable capital assets:				
Buildings	8,011,037			8,011,037
Improvements	1,689,275	46,667		1,735,942
Wells, water tanks, and structures	22,261,072	4,536,027		26,797,099
Water mains	10,637,771			10,637,771
Machinery and equipment	11,063,831	34,595		11,098,426
Office furniture and equipment	152,324			152,324
Vehicles	726,617	33,225		759,842
Intangible asset - software	77,555			77,555
Total depreciable capital assets	54,619,482	4,650,514	-0-	59,269,996
Accumulated Depreciation:				
Building	2,168,670	191,499		2,360,169
Improvements	1,215,502	61,441		1,276,943
Wells, water tanks, and structures	8,204,495	1,136,739		9,341,234
Water mains	6,159,346	149,590		6,308,936
Machinery and equipment	6,493,571	459,316		6,952,887
Office furniture and equipment	152,324			152,324
Vehicles	530,039	57,284		587,323
Intangible asset - software	49,244	15,511		64,755
Total accumulated depreciation	\$ 24,973,191	\$ 2,071,380	\$ -0-	27,044,571
Total net depreciable capital assets				32,225,425
Total capital assets				<u>\$ 36,617,563</u>

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

E. Capital Assets (continued)

Depreciation expense of \$2,071,380 was charged to water supply services expense for the year ended December 31, 2022.

South Farmingdale Water 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, 2022, the District has not recorded any such impairment losses.

F. Indebtedness

Short-Term Debt

Bond Anticipation Notes (BANS) – Bond anticipation notes (BANS) are used as a temporary means of financing capital expenditures in the capital projects fund. State law requires that BANS issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. BANS on assessable improvements can remain as BANS.

Liabilities for BANS are generally accounted for in the capital projects fund. BANS are expected to be paid from the proceeds of future bond issues after renewal of these notes.

A summary of changes in BAN for the year ended December 31, 2022 is included below and in the long-term debt section.

	Balance 1/1/22	Increases	Reductions	Balance 12/31/22
Bond Anticipation Notes, short-term	\$ -0-	\$ 5,755,000	\$ -0-	\$ 5,755,000

Long-Term Debt

The following is a summary of changes in non-current liabilities for the year ended December 31, 2022:

	Balance 1/1/22	Increases	Reductions	Balance 12/31/22	Noncurrent Liabilities Due Within One Year
General obligation bonds	\$ 13,265,444	\$ 4,227,700	\$ (5,782,563)	\$ 11,710,581	\$ 1,182,809
Plus premiums on issuance	-0-	434,228	(17,553)	416,675	78,504
	13,265,444	4,661,928	(5,800,116)	12,127,256	1,261,313
Bond anticipation notes	10,955,000	9,845,000	(500,000)	20,300,000	580,000
Compensated absences(A)	735,871	155,178		891,049	409,669
	\$ 24,956,315	\$ 14,662,106	\$ (6,300,116)	\$ 33,318,305	\$ 2,250,982

(A) Increases and reductions to compensated absences are shown net, since it is impracticable to determine these amounts separately.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

F. Indebtedness (continued)

Long-Term Debt (continued)

General Obligation Bonds

The District periodically borrows money through general obligation serial bonds 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 full faith and credit debt of the Town of Oyster Bay, bear interest at rates ranging from 2.0 to 5.0 percent and have maturities through 2033.

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2022 are as follows:

	Principal	Interest	Total Principal and Interest
Years ending December 31, 2023	\$ 1,182,809	\$ 460,737	\$ 1,643,546
2024	1,231,654	412,337	1,643,991
2025	1,275,009	362,834	1,637,843
2026	1,319,261	311,013	1,630,274
2027	1,369,065	256,734	1,625,799
2028-2032	4,773,783	593,353	5,367,136
2033	559,000	11,180	570,180
	\$ 11,710,581	\$ 2,408,188	\$ 14,118,769

Interest expense of \$973,811 on long-term bonded debt has been included in the expenses - water supply services on the government-wide statement of activities.

Current Bond Refunding

On May 11, 2022, the Town issued, on behalf of the District, \$4,227,700 in Public Improvement Refunding Bonds with an interest rate of 5% and annual maturities beginning August 1, 2023 through August 2031. The net proceeds of \$4,628,206 (the par amount of the bonds plus a premium of \$434,228 less underwriter's fees, insurance and other issuance costs of \$33,721) were used to current refund \$4,554,000 of outstanding 2014 Series A Public Improvement Bonds. The net proceeds were used to pay \$4,554,000 of outstanding principal and \$74,206 of accrued interest. The current refunding was done in order to reduce debt payments in the short-term. The refunding decreased total debt service payments by \$142,282, of which \$2,518,054 and the overall transaction resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$122,625.

Other Non-Current Liabilities

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

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

F. Indebtedness (continued)

Other Non-Current Liabilities (continued)

Bond Anticipation Notes Payable - A bond anticipation note in the amount of \$26,055,000 was issued on March 9, 2022 with an interest rate of 3.00%. The District, pursuant to GASB guidance, did not record a portion of this note as a liability in the fund financial statements since the notes were refinanced subsequent to year end.

G. Pension Plan

1. Plan Description

The District participates in the New York State and Local Employees' Retirement System ("System"). This is a cost-sharing multiple-employer, defined benefit, pension plan. 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 ("Fund"), which was established to hold all assets and record changes in fiduciary 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. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2018, he was elected for a new term commencing January 1, 2019. 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/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244-0001.

2. Vesting and Benefits Provided

Members need five years of service to be 100% vested.

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 for Tier 1 members. 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.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

G. Pension Plan (continued)

2. Vesting and Benefits Provided (continued)

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, Tiers 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 of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in final average salary calculation is limited to no more than 20% greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% greater than the average of the previous two years.

Tiers 3, 4 and 5

Eligibility: Tiers 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. Tiers 3, 4 and 5 members with five or more years of service can retire as early as age 55 with reduced benefits. Tiers 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 of employment. For Tiers 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10% greater than the average of the previous two years.

Tier 6

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

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

G. Pension Plan (continued)

2. Vesting and Benefits Provided (continued)

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

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

Disability Retirement Benefits

Disability retirement benefits are available to members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets of other benefits depend on a member's tier, years of service and plan.

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 FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

G. Pension Plan (continued)

3. Funding Policy

Generally, Tiers 3, 4 and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tiers 5 and 6 members are required to contribute for all years of service. Under the authority of the New York State Retirement and Social Security Law, 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.

The contributions paid during the current year was equal to 100% of the required payment. The contractually required contributions for the year ended December 31, 2022 was \$201,760.

At December 31, 2022, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for the System. The net pension asset/(liability) was measured as of March 31, 2022. The total pension liability used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(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>
Measurement date	March 31, 2022
Net pension asset	\$ 446,089
District's portionate share of the net pension asset	0.0054570%
Change in allocation of the System's total net pension liability since the prior measurement date	(0.0005708)

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

G. Pension Plan (continued)

4. Pension Asset/(Liability), Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the District recognized pension expense of \$6,486. At December 31, 2022, the District's reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,783	\$ 43,818
Changes of assumptions	744,472	12,562
Net difference between projected and actual earnings on pension plan investments	-0-	1,460,754
Changes in proportion and differences between the District's contributions and proportionate share of contributions	25,047	71,764
District's contributions subsequent to the measurement date	140,174	-0-
Total	<u>\$ 943,476</u>	<u>\$ 1,588,898</u>

The District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31, 2023	\$ (125,442)
2024	(183,218)
2025	(386,452)
2026	(90,484)
Total	<u>\$ (785,596)</u>

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

G. Pension Plan (continued)

5. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2022
Actuarial valuation date	April 1, 2021
Investment rate of return (net of investment expense, including inflation)	5.9%
Salary increases	4.4%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience
Cost of living adjustments	1.4%
Inflation	2.7%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions for the measure of total pension liability.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term expected 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 return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

G. Pension Plan (continued)

5. Actuarial Assumptions (continued)

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2022 are summarized below:

Asset class	ERS	
	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	32.0%	3.30%
International equity	15.0%	5.58%
Private equity	10.0%	6.50%
Real estate	9.0%	5.00%
Opportunistic/ARS portfolio	3.0%	4.10%
Credit	4.0%	3.78%
Real assets	3.0%	5.58%
Fixed Income	23.0%	0.00%
Cash	1.0%	-1.00%
	100.0%	

The real rate of return is net of the long-term inflation assumption of 2.50%.

6. Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those 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.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

G. Pension Plan (continued)

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

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

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share Of the net pension asset/(liability)	\$ (1,148,227)	\$ 446,089	\$ 1,779,657

8. Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the measurement date, were as follows:

	(Dollars in Thousands)
	ERS
Measurement date	March 31, 2022
Employers' total pension liability	\$ (223,874,888)
Plan Fiduciary Net Position	232,049,473
Employers' net pension asset	<u>\$ 8,174,585</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	103.65%

H. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code Section 457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended December 31, 2022 totaled \$112,493.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

I. Other Postemployment Liabilities

Plan Description

The District established and administers a single-employer defined benefit OPEB plan for its employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board ("GASB") Statement No. 75.

The District will pay 100% for non-union employees and per its contracts with union employees 90% in premium costs for the medical insurance coverage (currently provided by Empire Core Plan Plus Enhancements of the New York State Government Employees Health Insurance Program) and 100% of dental premium costs for an employee of the District at retirement, provided the employee has reached an age of 50 and has been employed by the District for at least 10 years prior to the date of retirement for non CSEA employees or 55 and has been employed by the District for at least 20 years prior to the date of retirement for CSEA employees. Commissioners may become eligible for these benefits if they reach age 50 with 9 years of service while working for the District.

These contracts will be renegotiated at various times in the future. Upon death of an active employee with ten years of service, the District will pay seventy-five percent, or an amount determined by the Commissioners based on the circumstances of the District, of the cost to continue coverage for the non-remarried spouse and dependents of the employee.

The retiree is also eligible for Medicare reimbursement in the amount of \$1,782 per year.

Employees Covered by Benefit Terms

The number of participants as of January 1, 2022, the census date of the most recent actuarial valuation, follows. There have been no significant changes in the number or the type of coverage since that date.

Active employees	19
Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet Receiving benefit payments	<u>0</u>
Total	<u><u>29</u></u>

Contributions

The District pays the cost of basic single and family coverage for both medical and dental as those premiums come due each year along with Medicare Part B premiums. During the year ended December 31, 2022, the District paid \$282,688 for retiree insurance premiums and Medicare Part B premiums.

Total OPEB Liability

The District's total OPEB liability of \$7,715,859 was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2021. Update procedures were used to roll forward the total OPEB liability to the measurement date.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

I. Other Postemployment Liabilities (continued)

Funding Policy

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

Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The total OPEB liability in the January 1, 2022 valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.50%
Discount Rate	3.72%
Healthcare cost trend rates	6.5% for 2022, decreasing 0.5 percent per year to an ultimate rate of 5.0% in 2025

The discount rate was based on the Bond Buyer's 20 Year Bond Index.

Mortality rates were based on the RPH-2014 Total Dataset mortality table projected full generationally using projection scale MP-2021.

Changes in the Total OPEB Liability

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

Balance at December 31, 2021	\$9,951,991
Changes for the year:	
Service cost	475,528
Interest on total OPEB liability	211,910
Changes in assumptions and other inputs	(2,640,882)
Benefit payments	<u>(282,688)</u>
Balance at December 31, 2022	<u>\$7,715,859</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.06% in 2021 to 3.72 % in 2022.

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

I. Other Postemployment Liabilities (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.72%) or 1-percentage-point higher (4.72%) than the current rate:

1% Decrease	Discount Rate	1% Increase
<u>2.72%</u>	<u>3.72%</u>	<u>4.72%</u>
\$ (9,171,579)	\$ (7,715,859)	\$ (6,575,830)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current discount rate:

1% Decrease	Healthcare Cost	1% Increase
(5.5% decreasing	Trend Rates	(7.5% decreasing
to 4.0%)	(6.5% decreasing	to 6.0%)
<u>to 4.0%)</u>	<u>to 5.0%)</u>	<u>to 6.0%)</u>
\$ (6,372,720)	\$ (7,715,859)	\$ (9,527,179)

Other Postemployment Benefits Expense, and Deferred Outflows/Inflows of Resources Related to Other Postemployment Benefits

For the year ended December 31, 2022, the District recognized OPEB expense of \$489,590. At December 31, 2022, the District reported deferred outflows or inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience loss (gain)	\$ 873,931	\$ 770,677
Changes of assumptions	<u>1,333,320</u>	<u>2,550,957</u>
Total	<u>\$ 2,207,251</u>	<u>\$ 3,321,634</u>

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

I. Other Postemployment Liabilities (continued)

Other Postemployment Benefits Expense, and Deferred Outflows/Inflows of Resources Related to Other Postemployment Benefits (continued)

The amounts reported as deferred outflows/ inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31, 2023	\$ (197,848)
2024	(197,848)
2025	(92,453)
2026	(85,728)
2027	(83,600)
Thereafter	<u>(456,906)</u>
	<u>\$ (1,114,383)</u>

J. Interfund Transactions

Interfund balances and activities at December 31, 2022, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund		\$ 333,367		\$ 593,632
Capital Projects Fund	\$ 333,367		\$ 593,632	
Total	<u>\$ 333,367</u>	<u>\$ 333,367</u>	<u>\$ 593,632</u>	<u>\$ 593,632</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The District typically transfers from the general fund to the capital projects fund. The transfer to the capital projects fund was for capital improvements.

K. Commitments and Contingencies

Litigation

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

SOUTH FARMINGDALE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

K. Commitments and Contingencies (continued)

Capital Improvements

The District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contracts or is planning additional improvements amounting to approximately \$11 million within the next few years.

At December 31, 2022, the District had contracts and other commitments outstanding related to capital projects in the amount of \$804,262.

Encumbrances

At December 31, 2022, the District had encumbered the following amounts:

Administration	\$ 34,077
Transmission and Distribution	115,686
	<u>\$ 149,763</u>

L. Subsequent Events

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustments or disclosure in the financial statements, except for the following:

On March 8, 2023, the Town of Oyster Bay issued bond anticipation notes, which included amounts on behalf of the District, in the amount of \$19,720,000. The bond anticipation notes will mature on March 8, 2024 and bear an interest rate of 5.0%. The proceeds of the bond anticipation notes along with \$6,335,000 in available funds were used to redeem \$26,055,000 of bond anticipation notes that matured on March 8, 2023.

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

Notes to Required Supplementary Information

The budgets are adopted on a basis of accounting consistent with GAAP.

SOUTH FARMINGDALE WATER DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2022

	Budget Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Real property taxes	<u>\$ 3,780,600</u>	<u>\$ 3,780,600</u>	<u>\$ 3,780,590</u>	<u>\$ (10)</u>
Other real property tax items	<u>80,000</u>	<u>80,000</u>	<u>93,960</u>	<u>13,960</u>
Departmental income				
Metered water sales	4,070,000	4,070,000	4,425,627	355,627
Unmetered water sales	111,000	111,000	112,662	1,662
Water service charges	31,000	31,000	29,380	(1,620)
Interest and penalties - water rents	<u>70,000</u>	<u>70,000</u>	<u>91,520</u>	<u>21,520</u>
Total Departmental Income	<u>4,282,000</u>	<u>4,282,000</u>	<u>4,659,189</u>	<u>377,189</u>
Use of money and property				
Interest earnings	5,515	5,515	389,787	384,272
Rental of real property	<u>455,000</u>	<u>455,000</u>	<u>569,876</u>	<u>114,876</u>
Total Use of Money and Property	<u>460,515</u>	<u>460,515</u>	<u>959,663</u>	<u>499,148</u>
Sale of property and compensation for loss				
Sale of excess material	2,500	2,500	1,225	(1,275)
Sale of water supplies	16,000	16,000	21,285	5,285
Sale of equipment	15,000	15,000	-0-	(15,000)
Settlement for ground water contamination - Northrop Grumman	-0-	-0-	2,000,000	2,000,000
Settlement for ground water contamination - US Navy	<u>-0-</u>	<u>4,565,000</u>	<u>15,500,000</u>	<u>10,935,000</u>
Total Sale of Property and Compensation for Loss	<u>33,500</u>	<u>4,598,500</u>	<u>17,522,510</u>	<u>12,924,010</u>
Miscellaneous local sources				
Other miscellaneous receipts	<u>-0-</u>	<u>-0-</u>	<u>494,219</u>	<u>494,219</u>
Total Revenues	<u>8,636,615</u>	<u>13,201,615</u>	<u>27,510,131</u>	<u>14,308,516</u>
Other Financing Sources				
Refunding bond proceeds	-0-	4,227,700	4,227,700	-0-
Premiums	-0-	434,228	434,228	-0-
Interfund transfers in - capital projects	<u>-0-</u>	<u>-0-</u>	<u>434,363</u>	<u>434,363</u>
Total Other Financing Sources	<u>-0-</u>	<u>4,661,928</u>	<u>5,096,291</u>	<u>434,363</u>
Total Revenues and Other Financing Sources	<u>8,636,615</u>	<u>17,863,543</u>	<u>32,606,422</u>	<u>\$ 14,742,879</u>
Appropriated fund balance				
Prior year's encumbrances	-0-	627,786		
Appropriated fund balance - Assigned	140,625	822,561		
Appropriated reserves - Restricted	<u>-0-</u>	<u>346,059</u>		
Total Appropriated Fund Balance	<u>140,625</u>	<u>1,796,406</u>		
Total Revenues, Other Financing Sources, and Appropriated Fund Balance	<u>\$ 8,777,240</u>	<u>\$ 19,659,949</u>		

SOUTH FARMINGDALE WATER DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2022

(continued)

(continued)

	Budget Amounts		Actual Amounts	Encum- brances	Variance Positive (Negative)
	Original	Final			
EXPENDITURES					
Administration					
Personal services:					
Commissioners fees	\$ 43,000	\$ 43,000	\$ 42,350		\$ 650
Office salaries	510,000	510,000	492,210		17,790
Equipment and capital outlay:					
Office equipment	20,000	20,000	6,369		13,631
Other expenditures:					
Engineering services	160,000	193,000	192,690		310
Legal services	75,000	58,860	58,246		614
Legal services - Settlement	-0-	4,583,140	4,583,018		122
Computer consulting services	200,000	200,000	113,639	\$ 34,077	52,284
Auditing and accounting services	80,000	86,000	85,729		271
Public relations services	-0-	10,000	9,310		690
Bank Service fees	26,000	26,000	18,125		7,875
Payroll fees	5,000	6,000	5,295		705
Credit card fees	1,000	3,000	2,970		30
Inventory services	12,000	12,000	-0-		12,000
Insurance	137,000	137,000	121,245		15,755
Professional services - other	6,500	9,500	9,454		46
Telephone	37,000	115,000	114,151		849
Office maintenance	52,000	52,000	21,000		31,000
Office supplies and expenses	80,000	80,000	70,964		9,036
Education and election	120,500	120,500	61,432		59,068
Advertising	2,000	2,000	601		1,399
MTA payroll tax	7,000	7,000	5,156		1,844
Other miscellaneous expenditures	180,755	45,755	671		45,084
Total Administration	1,754,755	6,319,755	6,014,625	34,077	271,053
Source of Supply, Power and Pumping					
Supervision and labor	195,000	199,000	198,009		991
Equipment and capital outlay:					
Pumping equipment	15,000	15,000	-0-		15,000
Other expenditures:					
Maintenance - pump units	160,000	123,000	121,176		1,824
Maintenance - water tower	-0-	15,000	14,900		100
Maintenance - buildings and grounds	298,000	265,161	261,895		3,266
Other unclassified expenses	1,000	1,000	200		800
Heat, light and power - electric	630,000	730,000	729,527		473
Heat, light and power - gas	80,000	82,000	81,191		809
Total Source of Supply, Power and Pumping	1,379,000	1,430,161	1,406,898	-0-	23,263
Purification					
Chemicals	390,000	388,000	369,414		18,586
Testing and analysis	175,000	177,000	176,444		556
Total Purification	565,000	565,000	545,858	-0-	19,142
Transmission and Distribution					
Supervision and labor	1,000,000	1,082,000	1,081,962		38
Equipment and capital outlay:					
Purchase of equipment	-0-	33,000	32,221		779
Auto and trucks	150,000	183,225	33,225	100,494	49,506
Meters and supplies	10,000	350,400	1,572		348,828
Other expenditures:					
Maintenance - mains and hydrants	216,000	275,000	264,233	9,990	777
Maintenance - autos and trucks	20,000	32,000	26,312	5,202	486
Maintenance - other equipment	9,000	9,000	6,674		2,326
Uniforms	14,000	14,000	11,115		2,885
Small tools and shop supplies	8,000	8,000	6,401		1,599
Gas and oil	30,000	47,000	46,820		180
Total Transmission and Distribution	1,457,000	2,033,625	1,510,535	115,686	407,404

See Paragraph on Required Supplementary Information Included in Auditor's Report

SOUTH FARMINGDALE WATER DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2022

(continued)	Budget Amounts		Actual	Encum-	Variance
	Original	Final	Amounts	brances	Positive (Negative)
EXPENDITURES					
Employee Benefits					
State retirement	\$ 300,000	\$ 291,000	\$ 201,760		\$ 89,240
Social security	133,722	133,722	131,932		1,790
Workers' compensation insurance	100,000	100,000	79,609		20,391
Life insurance	15,000	15,000	9,534		5,466
Unemployment insurance	-0-	9,000	8,598		402
Disability insurance	500	500	89		411
Hospital and medical insurance	693,000	693,000	624,507		68,493
Total Employee Benefits	1,242,222	1,242,222	1,056,029	\$ -0-	186,193
Debt Service					
Serial bonds - principal	1,202,763	1,228,763	1,228,563		200
Serial bonds - interest	458,009	506,216	496,971		9,245
Bond anticipation note - principal	500,000	500,000	500,000		-0-
Bond anticipation note - interest	218,491	218,491	218,491		-0-
Bond issuance costs	-0-	33,721	33,721		-0-
Total Debt Service	2,379,263	2,487,191	2,477,746	-0-	9,445
Total Expenditures	8,777,240	14,077,954	13,011,691	149,763	916,500
Other Financing Uses					
Debt service - principal	-0-	4,554,000	4,554,000		-0-
Interfund transfers out - capital projects	-0-	1,027,995	1,027,995		-0-
Total Other Financing Uses	-0-	5,581,995	5,581,995	-0-	-0-
Total Expenditures and Other Financing					
Uses	\$ 8,777,240	\$ 19,659,949	18,593,686	\$ 149,763	\$ 916,500
Net Change in Fund Balance			14,012,736		
Fund Balance at Beginning of Year			13,243,035		
Fund Balance at End of Year			\$ 27,255,771		

SOUTH FARMINGDALE WATER DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT
BENEFITS LIABILITY (OPEB) AND RELATED RATIOS
Last Five Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 475,528	\$ 455,047	\$ 349,824	\$ 238,698	\$ 284,643
Interest on total OPEB liability	211,910	206,593	201,515	230,944	256,144
Differences between expected and actual experience		1,169,679		(1,509,941)	
Changes of assumptions	(2,640,882)	(26,595)	912,579	1,489,002	(791,565)
Benefit payments	<u>(282,688)</u>	<u>(219,743)</u>	<u>(201,909)</u>	<u>(153,614)</u>	<u>(199,749)</u>
Net Change in Total OPEB Liability	(2,236,132)	1,584,981	1,262,009	295,089	(450,527)
Total OPEB Liability - Beginning	<u>9,951,991</u>	<u>8,367,010</u>	<u>7,105,001</u>	<u>6,809,912</u>	<u>7,260,439</u>
Total OPEB Liability - Ending	<u>\$ 7,715,859</u>	<u>\$ 9,951,991</u>	<u>\$ 8,367,010</u>	<u>\$ 7,105,001</u>	<u>\$ 6,809,912</u>
Covered-employee payroll	\$ 1,395,206	\$ 1,361,177	\$ 1,510,362	\$ 1,473,524	\$ 1,755,396
Total OPEB liability as a percentage of covered-employee payroll	553%	731%	554%	482%	388%
<u>Note:</u>					
Discount rate	3.72%	2.06%	2.12%	2.74%	4.10%

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no other data, prior to 2018 is available. However, additional years will be included as they become available.

Notes to Schedule:

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

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

Changes of Benefit Terms

None

Changes of Assumptions

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

SOUTH FARMINGDALE WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
 Last Eight Fiscal Years

NYSERS	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.0054570%	0.0060278%	0.0057456%	0.0066789%	0.0062894%	0.0063213%	0.0057508%	0.0060195%
District's proportionate share of the net pension asset/(liability)	\$ 446,089	\$ (6,002)	\$ (1,521,466)	\$ (473,220)	\$ (202,986)	\$ (593,960)	\$ (923,023)	\$ (203,353)
District's covered payroll	\$ 1,666,111	\$ 1,576,227	\$ 1,679,892	\$ 1,777,693	\$ 1,755,396	\$ 1,636,272	\$ 1,687,141	\$ 1,433,082
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	26.77%	0.38%	90.57%	26.62%	11.56%	36.30%	54.71%	14.19%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount Rate	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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

SOUTH FARMINGDALE WATER DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 201,760	\$ 244,615	\$ 235,086	\$ 233,633	\$ 261,694	\$ 246,565	\$ 260,269	\$ 247,148	\$ 333,679	\$ 262,697
Contributions in relation to the contractually required contribution	201,760	244,615	235,086	233,633	261,694	246,565	260,269	247,148	333,679	262,697
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered payroll	\$ 1,818,724	\$ 1,630,732	\$ 1,977,392	\$ 1,663,547	\$ 1,823,993	\$ 1,701,482	\$ 1,600,403	\$ 1,640,894	\$ 1,505,557	\$ 1,486,285
Contributions as a percentage of covered payroll	11.09%	15.00%	11.89%	14.04%	14.35%	14.49%	16.26%	15.06%	22.16%	17.67%