



FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORT

December 31, 2025

TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1-2
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Management's Discussion and Analysis.....	3-8
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position.....	9
Statement of Activities .....	10
Fund Financial Statements	
Balance Sheet and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	11
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 .....	12
Notes to Financial Statements.....	13-45
<b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	
General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual .....	46-48
Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability and Related Ratios .....	49
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability).....	50
Schedule of District Pension Contributions .....	51



## 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 ("the District"), a component unit of the Town of Oyster Bay, New York, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Farmingdale Water District as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial 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.

### 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 46 through 51, 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*

Port Jefferson Station, New York

June 9, 2026

**SOUTH FARMINGDALE WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended December 31, 2025

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, 2025 in comparison with the year ended December 31, 2024, with emphasis on the current year. Please read it in conjunction with the District's financial statements, notes to financial statements, and required supplementary information.

**FINANCIAL HIGHLIGHTS**

- At the end of 2025, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,342,841 (net position).
- At the end of 2025, the governmental funds reported a combined ending fund balance of \$44,579,141. Of this amount, \$172,089 is not in spendable form and is required to remain intact. The remaining \$44,407,052 represents total fund balances in spendable form with various levels of spending constraint: restricted, assigned, or unassigned.
- At the end of 2025, the total fund balance for the general fund was \$24,336,720, a decrease of \$9,793,353 (28.69%) from the prior year. The unassigned fund balance for the general fund was \$3,161,476 (25.12%) of total general fund expenditures excluding other financing uses.

**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, 2025

**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,**

	2025	2024
<b>Assets</b>		
Current assets	\$ 46,614,170	\$ 47,915,365
Capital assets, net	41,700,618	39,455,115
Receivable - long-term	1,765,064	1,987,177
Total Assets	90,079,852	89,357,657
<b>Deferred Outflows of Resources</b>		
Other postemployment benefits	1,464,458	1,637,433
Pensions	657,496	860,061
Total Deferred Outflows of Resources	2,121,954	2,497,494
<b>Liabilities</b>		
Current liabilities	5,156,243	6,073,751
Non-current liabilities	29,666,960	32,791,984
Total Liabilities	34,823,203	38,865,735
<b>Deferred Inflows of Resources</b>		
Lease related	1,765,946	2,111,151
Other postemployment benefits	3,198,226	3,373,363
Pensions	71,590	522,588
Total Deferred Inflows of Resources	5,035,762	6,007,102
<b>Net Position</b>		
Net investment in capital assets	24,420,503	20,306,852
Restricted	3,844,864	4,078,338
Unrestricted	24,077,474	22,597,124
Total Net Position	\$ 52,342,841	\$ 46,982,314

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

**SOUTH FARMINGDALE WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 Year Ended December 31, 2025

**CONDENSED FINANCIAL INFORMATION** (continued)

**Changes in Net Position**  
**for the years ended December 31,**

	2025	2024
<b>Program Revenues</b>		
Charges for services	\$ 5,209,673	\$ 5,687,461
Capital grant - state aid	1,000,100	2,259,050
<b>Total Program Revenues</b>	<b>6,209,773</b>	<b>7,946,511</b>
<b>General Revenues</b>		
Real property taxes	4,295,789	4,106,000
Other real property tax items	88,454	92,552
Use of money and property	2,045,961	2,415,145
Other general revenues	2,544,594	211,713
<b>Total General Revenues</b>	<b>8,974,798</b>	<b>6,825,410</b>
<b>Total Revenues</b>	<b>15,184,571</b>	<b>14,771,921</b>
<b>Expenses - Water supply services</b>	<b>9,824,044</b>	<b>9,548,427</b>
<b>Changes in Net Position</b>	<b>\$ 5,360,527</b>	<b>\$ 5,223,494</b>

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total assets and deferred outflows of resources at December 31, 2025 were \$92,201,806, an increase of \$346,655 over the prior year. The increase is primarily due to increases in capital assets and investments offset by a decrease in amounts due from the Town of Oyster Bay. Total liabilities and deferred inflows of resources at December 31, 2025, were \$39,858,965, a decrease of \$5,013,872 from the prior year. The decrease is primarily due to decreases in bond anticipation notes (BAN), bonds payable, and deferred inflows of resources related to leases, pensions, and other postemployment benefits. This decrease was offset by increases in accounts payable and accrued expenses, as well as net pension liability.

**SOUTH FARMINGDALE WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended December 31, 2025

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE** (continued)

The District's net position at December 31, 2025 was \$52,342,841, an increase of \$5,360,527 over the prior year. Of the District's total net position, \$24,420,503 was invested in capital assets; \$3,844,864 was restricted for future capital assets additions, improvements, and repairs, while \$24,077,474 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 postemployment benefits trusts.

General revenues were \$8,974,798 in the current year, an increase of \$2,149,388 over the prior year. The increase is primarily due to the District receiving a litigation settlement for water contamination in the amount of \$2,382,705 during 2025. This increase was offset by a decrease in use of money and property of \$369,184. Program revenues were \$6,209,773 in the current year, a decrease of \$1,736,738. This decrease was attributable to less capital grants and charges for services recognized in the current year. Total expenses increased by \$275,617 over the prior year, primarily due to an increase in personnel costs.

**Governmental Funds**

**General Fund**

Fund balance in the general fund decreased by \$9,793,353 to \$24,336,720 for the year ended December 31, 2025. Of this total, \$2,832,845 is restricted for future capital costs and emergency repairs, \$18,170,310 is assigned, of which \$2,767,513 is for future operations and maintenance of the VOC facilities, \$13,907,330 is for various capital projects, \$104,842 is for contractual obligations and \$1,390,625 is for the subsequent year's budget, \$172,089 is non-spendable related to supplies inventory, and prepaid amounts, and \$3,161,476 constitutes unassigned fund balance, which is available for spending at the District's discretion. The District's fund balance decreased during the year primarily because expenditures and transfers to the capital projects fund exceeded current year revenues. The transfers were made to finance approved capital improvement projects.

**Capital Projects Fund**

Capital project expenditures amounted to \$4,072,830 in the current year. The fund balance of the capital projects fund increased by \$7,664,644 from a fund balance surplus of \$12,577,777 to \$20,242,421. The increase is primarily due to transfers from the general fund to finance approved projects, offset by capital outlay.

**BUDGETARY HIGHLIGHTS**

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

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance
Revenues	\$ 10,774,911	\$ 11,410,268	\$ 13,529,680		\$ 2,119,412
Other Financing Sources		2,250,000	2,582,418		332,418
Expenditures	(10,915,536)	(14,350,685)	(12,585,659)	\$ (104,842)	1,660,184
Other Financing (Uses)		(13,319,792)	(13,319,792)		-0-
	<u>\$ (140,625)</u>	<u>\$ (14,010,209)</u>	<u>\$ (9,793,353)</u>	<u>\$ (104,842)</u>	<u>\$ 4,112,014</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, 2025

**BUDGETARY HIGHLIGHTS** (continued)

For the year ended December 31, 2025, the general fund expenditures and other financing uses exceeded revenues and other financing sources resulting in a decrease in fund balance of \$9,793,353 for a total fund balance of \$24,336,720. The final budget was funded through a combination of estimated revenues and appropriated fund balance.

Actual revenues and other financing sources were higher than final estimated revenues by \$2,451,830, primarily due to a legal settlement and interest earnings. Actual expenditures, other financing uses, and encumbrances were less than final estimated expenditures by \$1,660,184, primarily due to lower than anticipated utility costs, purification 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 2025, the District expended \$4,563,308, primarily on improvements of the water distribution system, machinery and equipment and vehicles of the District. Additional information on the District's capital assets can be found in Note F to the financial statements.

In addition to the capital improvements described above, the District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contracts or is planning additional improvements amounting to approximately \$20,000,000 within the next few years.

As of December 31, 2025, the District had \$8,021,109 outstanding of general obligation bonds. Additional information on the District's long-term debt can be found in Note G to the financial statements.

The District also has \$16,243,000 of outstanding BANs to provide temporary financing for capital projects, all of which 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, 2025

**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
2025	1,514	\$ 4,872
2024	1,558	5,354
2023	1,542	4,665
2022	1,510	4,425
2021	1,471	4,000

The decrease in metered water revenue for the year ended December 31, 2025 was primarily the result of a reduction in gallons billed.

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. The District did not pierce the tax levy cap with the 2026 budget.

For the 2026 budget in the amount of \$12,645,903, operating costs increased by 1.59% as compared to the 2025 budget. The increase is primarily due to increases in pumping and distribution of water, office and general expenses, equipment purchases, and bonds to be retired. The District's metered water sales estimated revenue increased by 4.01% and the District's real property tax levy increased by 2.60%.

**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**  
(A COMPONENT UNIT OF THE TOWN OF OYSTER BAY)  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION**  
December 31, 2025

<b>Assets</b>	
Current assets:	
Cash and cash equivalents:	
Unrestricted	\$ 18,284,793
Restricted	3,844,864
Investments	13,909,310
Accounts receivable	2,365,879
Leases receivable	222,113
Due from Town of Oyster Bay	7,815,122
Prepays	155,101
Inventory of materials and supplies	<u>16,988</u>
Total Current Assets	<u>46,614,170</u>
Non-current assets:	
Leases receivable	1,765,064
Non-depreciable capital assets	10,777,721
Depreciable/amortizable capital assets, net of depreciation/amortization	<u>30,922,897</u>
Total Non-current Assets	<u>43,465,682</u>
Total Assets	<u>90,079,852</u>
 <b>Deferred Outflows of Resources</b>	
Other postemployment benefits	1,464,458
Pensions	<u>657,496</u>
Total Deferred Outflows of Resources	<u>2,121,954</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued expenses	1,836,207
Developer deposits	350
Non-current liabilities due within one year:	
Compensated absences payable	26,953
Bond anticipation notes payable	1,670,000
General obligation bonds payable, inclusive of premiums	1,375,050
Subscription-Based IT Arrangement liability	26,118
Total other postemployment benefits liability	<u>221,565</u>
Total Current Liabilities	<u>5,156,243</u>
Non-current liabilities due in more than one year:	
Compensated absences payable	512,105
Bond anticipation notes payable	14,573,000
General obligation bonds payable, inclusive of premiums	6,849,305
Subscription-Based IT Arrangement liability	26,818
Total other postemployment benefits liability	6,645,565
Net pension liability - proportionate share	<u>1,060,167</u>
Total Non-current Liabilities	<u>29,666,960</u>
Total Liabilities	<u>34,823,203</u>
 <b>Deferred Inflows of Resources</b>	
Lease related	1,765,946
Other postemployment benefits	3,198,226
Pensions	<u>71,590</u>
Total Deferred Inflows of Resources	<u>5,035,762</u>
 <b>Net Position</b>	
Net investment in capital assets	24,420,503
Restricted	3,844,864
Unrestricted	<u>24,077,474</u>
Total Net Position	<u>\$ 52,342,841</u>

See Notes to Financial Statements.

**SOUTH FARMINGDALE WATER DISTRICT**  
(A COMPONENT UNIT OF THE TOWN OF OYSTER BAY)  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2025

**Governmental Activities**

**Expenses - Water Supply Services** \$ (9,824,044)

**Program Revenues**

Charges for services 5,209,673

Capital grants 1,000,100

Net Program Expense (3,614,271)

**General Revenues**

Real property taxes 4,295,789

Other real property taxes 88,454

Use of money and property 2,045,961

Sale of property and compensation for loss 33,715

Litigation settlement for contamination 2,382,705

Other local sources 128,174

Total General Revenues 8,974,798

**Change in Net Position** 5,360,527

**Net Position - Beginning of the Year** 46,982,314

**Net Position - End of the Year** \$ 52,342,841

**SOUTH FARMINGDALE WATER DISTRICT**  
 (A COMPONENT UNIT OF THE TOWN OF OYSTER BAY)  
**BALANCE SHEET AND RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**

December 31, 2025

	General	Capital Projects	Total
<b>Assets</b>			
Cash and cash equivalents:			
Unrestricted	\$ 5,905,113	\$ 12,379,680	\$ 18,284,793
Restricted	2,832,845	1,012,019	3,844,864
Investments	13,909,310		13,909,310
Accounts receivable	2,365,879		2,365,879
Leases receivable	1,987,177		1,987,177
Due from Town of Oyster Bay	479,164	7,335,958	7,815,122
Prepaid items	155,101		155,101
Inventory of materials and supplies	16,988		16,988
Total Assets	\$ 27,651,577	\$ 20,727,657	\$ 48,379,234
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 295,761	\$ 485,236	\$ 780,997
Developer deposits	350		350
Total Liabilities	296,111	485,236	781,347
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - legal settlements	676,304		676,304
Unavailable revenue - unbilled metered water sales	496,778		496,778
Unavailable revenue - interest	79,718		79,718
Lease related	1,765,946		1,765,946
Total Deferred Inflows of Resources	3,018,746	-0-	3,018,746
<b>Fund Balances</b>			
Non-spendable	172,089		172,089
Restricted	2,832,845	9,145,095	11,977,940
Assigned	18,170,310	11,097,326	29,267,636
Unassigned	3,161,476		3,161,476
Total Fund Balances	24,336,720	20,242,421	44,579,141
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 27,651,577	\$ 20,727,657	\$ 48,379,234
<b>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position</b>			
Total Governmental Fund Balances			\$ 44,579,141
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 assets, net			41,700,618
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Retainage			(407,664)
Compensated absences			(539,058)
Subscription-Based IT Arrangement liability			(52,936)
Total other postemployment benefits liability			(6,867,130)
General obligation bonds payable, inclusive of premiums			(8,224,355)
Bond anticipation notes payable			(16,243,000)
Accrued interest payable			(647,546)
Net pension liability - proportionate share			(1,060,167)
Some of the District's receivables will be collected after the year end, but are not available soon enough to pay the current period's expenditures and, therefore, are not recognized in the governmental funds, but are on the Statement on Net Position			
			1,252,800
Certain amounts reported for the District's pension and other postemployment benefits deferred outflows or inflows are not considered current available resources, or are not payable in the current period and, accordingly, are not reported in the funds:			
Other postemployment benefits - deferred outflows			1,464,458
Other postemployment benefits - deferred inflows			(3,198,226)
Pensions - deferred outflows			657,496
Pensions - deferred inflows			(71,590)
Net Position of Governmental Activities			\$ 52,342,841

See Notes to Financial Statements.

**SOUTH FARMINGDALE WATER DISTRICT**  
 (A COMPONENT UNIT OF THE TOWN OF OYSTER BAY)  
 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, 2025

	General	Capital Projects	Total
<b>Revenues</b>			
Real property taxes	\$ 4,295,789		\$ 4,295,789
Other real property tax items	88,454		88,454
Departmental income	5,187,172		5,187,172
Use of money and property	1,973,822		1,973,822
Sale of property and compensation for loss	1,779,003		1,779,003
Miscellaneous local sources	205,440		205,440
State aid		\$ 1,000,100	1,000,100
Total Revenues	13,529,680	1,000,100	14,529,780
<b>Expenditures</b>			
Home and Community Service - Water Supply Services			
Administration	2,149,743		2,149,743
Source of supply, power, and pumping	1,360,157		1,360,157
Purification	553,790		553,790
Transmission and distribution	1,812,387		1,812,387
Employee benefits	1,360,802		1,360,802
Debt service	5,348,780		5,348,780
Capital outlay		4,072,830	4,072,830
Total Expenditures	12,585,659	4,072,830	16,658,489
Excess (Deficiency) of Revenues over Expenditures	944,021	(3,072,730)	(2,128,709)
<b>Other Financing Sources (Uses)</b>			
Interfund Transfers In	2,582,418	13,319,792	15,902,210
Interfund Transfers Out	(13,319,792)	(2,582,418)	(15,902,210)
Total Other Financing Sources (Uses)	(10,737,374)	10,737,374	-0-
Net Changes in Fund Balance	(9,793,353)	7,664,644	(2,128,709)
Fund Balance at Beginning of Year	34,130,073	12,577,777	46,707,850
Fund Balance at End of Year	\$ 24,336,720	\$ 20,242,421	\$ 44,579,141
<b>Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities</b>			
Net Changes in Fund Balances - Total Governmental Funds			\$ (2,128,709)
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			4,563,308
Depreciation/amortization expense			(2,278,918)
Loss on disposition of capital assets			(38,887)
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:			
Amortization of bond premiums			63,666
Payment of SBITA, bond, and bond anticipation notes principal			4,217,701
Some revenues and expenses reported in the Statement of Activities are not reported as revenues or expenditures in the governmental funds:			
Earned but unavailable legal settlements			676,304
Earned but unavailable unbilled metered water sales			22,501
Retainage			(116,391)
Interest expense			112,395
Interest earnings			72,139
Compensated absences			(12,096)
Other postemployment benefits			126,432
Pension expense			81,082
<b>Change in Net Position of Governmental Activities</b>			<b>\$ 5,360,527</b>

**NOTES TO FINANCIAL STATEMENTS**

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**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 (the "Board") is the legislative body responsible for overall operations. The Board consists of three members, all of whom are elected by the residents of the District for terms of three years. The primary function of the District is to provide water service to District 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, 2025

**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 services – 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/amortization) 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 capital grants reflect 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, construction, renovation, or major repair, or the right-to-use major capital facilities and other capital assets.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**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 is 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 investments consist of cash on hand, bank deposits, and short-term investments (certificates of deposit) with original maturities of 90 days or less from date of acquisition. Included in cash and cash equivalents are highly liquid investments held with New York Cooperative Liquid Assets Securities System (NYCLASS). Included in investments are certificates of deposit with original maturities of more than three months from the date of acquisition.

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

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**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 "Receiver") on behalf of the District. The Receiver 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 1<sup>st</sup>, and are due in two installments payable by February 10<sup>th</sup> and August 10<sup>th</sup>. The Receiver remits 100% of the amount of real property tax levied and the delinquent water bills to the District. Responsibility for collection of unpaid taxes is assumed by Nassau County.

The District will also receive payments in lieu of taxes (PILOT) from LIPA pursuant to NYS Public Authorities Law Section 1020-q whereas such PILOTs shall not exceed the PILOT made to such municipalities in the immediately preceding year by more than two percent. These LIPA payments are not the result of tax abatement agreements but were designed to compensate local taxing jurisdictions for property tax revenue lost due to LIPA's tax-exempt status.

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 its 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 government-wide financial statements and when available in the fund financial statements. Revenue from legal settlements and 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 first-in, first-out method, which approximates fair value.

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, or for initial implementation stage costs associated with subscription based information technology arrangements, the prepaid amount is capitalized upon commencement of the subscription. 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, 2025

**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), and intangible assets, with an original cost of \$5,000 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/amortization of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation/amortization reflected in the Statement of Net Position. Depreciation/amortization is provided over the assets' estimated useful lives using the straight-line method of depreciation/amortization. Intangible assets follow the same capitalization policies as tangible assets and are reported with tangible assets in the appropriate capital asset class.

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
Right to use assets – subscriptions	1-5 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, 2025

**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, and prior to the issuance of the financial statements, are treated as long-term obligations, as these notes will not require the use of working capital during that period. There were no outstanding short-term BANs as of December 31, 2025.

**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, net pension liability, SBITAs, and total OPEB 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 financing 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. Bond issuance costs are expensed as incurred. The liability for compensated absences, general obligation bonds payable, net pension liability, SBITAs, and total OPEB liability are liquidated through future budget appropriations in the general fund.

**15. Compensated Absences**

The liability for compensated absences represents the sick time ("leave"/"leave days") and salary related payments which have been earned for services previously rendered by employees in accordance with the District's collective bargaining agreement, accumulates, is allowed to be carried over to subsequent year(s) and is deemed more likely than not (by management) to be used for time off or otherwise paid/settled in the future.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**A. Summary of Significant Accounting Policies** (continued)

**15. Compensated Absences** (continued)

The liability is calculated based on each employee's rate of pay and the number of unused leave days accumulated as of year-end, management's assumption that the likelihood of future use (either by use during employment or settlement/payment upon separation from service) is probable, and the salary related payments are directly and incrementally associated with payments for the leave.

The District utilizes historical data of past usage patterns to estimate the expected usage and payment of compensated absences. The liability for compensated absences is reflected in the government-wide financial statements as current and long-term liabilities. In the fund financial statements, only the compensated absences liability that has matured through employee resignation or retirement and is expected to be payable from expendable available financial resources is reported. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 101, *Compensated Absences*.

**16. Other Benefits**

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

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.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**A. Summary of Significant Accounting Policies** (continued)

**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 and intangible assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, improvement, or the right-to-use those assets, net of any unexpended proceeds.
- 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.
- 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.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**A. Summary of Significant Accounting Policies** (continued)

**18. Net Position and Fund Equity Classifications** (continued)

**Fund Financial Statements** (continued)

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.

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 assignment, 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 leases receivable, compensated absences, other postemployment benefits, pension liability, potential contingent liabilities, SBITA's, 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 Government-Wide Statement of Net Position and are detailed further in Notes H and J.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District 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 Government-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 legal settlements and unbilled water services. 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. Leases 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 both 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, 2025

**A. Summary of Significant Accounting Policies** (continued)

**22. Subscription-Based Information Technology Arrangements**

The District has entered into a subscription-based information technology arrangement (SBITA) with Univerus. SBITAs are defined as arrangements in which a government entity contracts with a vendor to access and use software applications and related data hosted by the vendor on the vendors' servers. The District recognizes a right-to-use subscription asset associated with its SBITA arrangements and discloses the total amount of subscription assets and the related accumulated amortization, disclosed separately from other capital assets. The District also discloses any payments not included in the measurement of subscription assets.

**B. New Accounting Pronouncement**

GASB Statement No. 102, *Certain Risk Disclosures*, provides guidance on disclosure for risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints limit a government's ability to acquire resources or control spending. Under this Statement, a government is required to assess whether an event or events associated with a concentration or constraint that could cause substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of GASB Statement No. 102 are effective for the District's fiscal year ended December 31, 2025. Management has determined that no events have occurred, have begun to occur or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

**C. 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.

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.

**SOUTH FARMINGDALE WATER DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025

**C. Stewardship, Compliance, and Accountability** (continued)

**Budgetary Data** (continued)

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	\$ 10,915,536
Prior year's contractual obligations	549,792
Appropriated assigned fund balance for capital projects	11,908,718
Appropriated restricted fund balance for capital projects	1,411,074
Additional bond anticipation note principal	2,367,000
Legal fees related to settlement	<u>518,357</u>
Final budget	<u>\$27,670,477</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. During 2025, the District exceeded the 2% property tax cap with proper authority by the governing body.

For the 2025 budget, the District adopted a budget that includes an increase in the real property tax levy of 4.62% over 2024.

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**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2025

**C. Stewardship, Compliance and Accountability** (continued)

**Fund Balance**

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

	General Fund	Capital Projects Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Nonspendable:			
Inventory of materials and supplies	\$ 16,988		\$ 16,988
Prepaid items	155,101		155,101
Total Nonspendable	<u>172,089</u>	<u>\$ -0-</u>	<u>172,089</u>
Restricted for:			
Capital projects reserves	1,595,744	1,012,019	2,607,763
Repairs reserve	1,237,101		1,237,101
Unspent bond proceeds		8,133,076	8,133,076
Total Restricted	<u>2,832,845</u>	<u>9,145,095</u>	<u>11,977,940</u>
Assigned to:			
VOC Facilities capital projects and operations and maintenance	2,767,513		2,767,513
Capital projects- various	13,907,330	11,097,326	25,004,656
Contractual obligations	104,842		104,842
Appropriated for subsequent year's budget	1,390,625		1,390,625
Total Assigned	<u>18,170,310</u>	<u>11,097,326</u>	<u>29,267,636</u>
Unassigned	<u>3,161,476</u>	<u>-0-</u>	<u>3,161,476</u>
Total Fund Balances	<u>\$ 24,336,720</u>	<u>\$ 20,242,421</u>	<u>\$ 44,579,141</u>

**Restricted for Capital Projects**

In accordance with New York State General Municipal Law (GML) §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, 2025

**C. 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, 2025, is as follows:

	Capital Reserve	Capital Reserve MTBE	Total
Balance 1/1	\$ 1,731,531	\$ 1,157,973	\$ 2,889,504
Interest earned on reserve cash	70,300	47,014	117,314
Transfer out	(367,274)	(1,043,800)	(1,411,074)
Balance 12/31	\$ 1,434,557	\$ 161,187	\$ 1,595,744

**Restricted for Repairs to Capital Assets**

In accordance with GML §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 resolution to approve use of the reserve is subject to a public hearing. Any emergency use of the reserve must be repaid within two years. 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, 2025, is as follows:

	Repairs Reserve
Balance 1/1	\$ 1,188,834
Interest earned on reserve cash	48,267
Balance 12/31	\$ 1,237,101

**Assigned for VOC Facilities Capital Projects and Operations 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 costs 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 endpoint replacement, future plant improvements, and remediation for contaminants.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**D. Cash and Cash Equivalents/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 Federal Deposit Insurance Corporation 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, obligations of New York State or its localities, and investments made by the NYCLASS.

NYCLASS 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. NYCLASS was established as a cooperative investment arrangement organized under the NYCLASS Municipal Cooperation Agreement made pursuant to GML, Articles 3A 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 District's bank balances that were not covered by FDIC insurance were exposed to custodial credit risk as described above.

At December 31, 2025, the District's cash and investments, excluding petty cash of \$286, totaled \$36,038,681 of which \$11,706,971 is considered cash and cash equivalents and \$10,422,400 is investments in NYCLASS and \$13,909,310 is investments in Certificates of Deposits with maturities of 90 days or more. Bank deposit balances were \$25,608,791. Of this balance, \$750,000 was covered by the FDIC and \$24,858,791 was covered by collateral held by the District's agent, a third-party financial institution, in the District's name. The District's \$10,422,400 NYCLASS investment consists of U.S. Treasury obligations and is not subject to risk categorization.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**D. Cash and Cash Equivalents/Investments** (continued)

As of December 31, 2025, the District reported investments of \$13,909,310, which consisted of certificates of deposit with original maturities in excess of three months. These certificates of deposit have various maturity dates from March 11, 2026 through December 16, 2026 and bear interest at rates ranging from 3.14% to 3.84%.

The District also had investments as discussed in the note below. Consequently, the District was not exposed to any material credit risk, interest-rate risk or concentration of credit risk.

The District participates in the NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to GML Articles 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. NYCLASS is rated 'AAAm' by S&P Global Ratings. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS portfolio holdings are collateralized in accordance with GML §10.

The District's investments in NYCLASS consisted of repurchase agreements, U.S. Treasury Securities, and collateralized bank deposits, with various interest rates and due dates. The dollar weighted average days to maturity (WAM) of NYCLASS at December 31, 2025, was 41 days and the weighted average life (WAL) was 80 days. These investments are included in cash in the general fund of \$10,422,400.

Securities, other than repurchase agreements, are valued at the most recent market bid price obtained as of one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates fair value. The lead participant of NYCLASS is the Village of Rhinebeck. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

**E. Leases Receivable**

The District accounts for leases in accordance with 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, the District 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, 2025, the value of the lease receivable is \$715,836 and 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, 2025 was \$638,937, and the District recognized lease revenue of \$105,031 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**E. Leases Receivable** (continued)

On January 1, 2022, the District 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, 2025, the value of the lease receivable is \$1,271,341, and 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, 2025 was \$1,127,009, and the District 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, the District 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, 2025, the value of the lease receivable is \$0 and 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, 2025 was \$0, and the District recognized lease revenue of \$100,750 during the fiscal year.

Principal and Interest Expected to Maturity

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 222,113	\$ 25,472	\$ 247,585
2027	237,572	22,392	259,964
2028	253,864	19,099	272,963
2029	271,029	15,581	286,610
2030	289,114	11,827	300,941
2031 - 2034	713,485	13,812	727,297
	<u>\$ 1,987,177</u>	<u>\$ 108,183</u>	<u>\$ 2,095,360</u>

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**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2025

**F. Capital Assets**

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

	Balance 1/1/25	Additions	Reductions	Balance 12/31/25
Capital assets not being depreciated:				
Land	\$ 320,309			\$ 320,309
Construction in progress	6,739,545	\$ 4,189,221	\$ 471,354	10,457,412
Total capital assets not being depreciated	<u>7,059,854</u>	<u>4,189,221</u>	<u>471,354</u>	<u>10,777,721</u>
Depreciable/amortizable capital assets:				
Buildings	8,011,037			8,011,037
Improvements	1,795,247	519,625		2,314,872
Wells, water tanks, and structures	31,080,426		219,043	30,861,383
Water mains	10,637,771			10,637,771
Machinery and equipment	11,138,689	167,528	511,348	10,794,869
Office furniture and equipment	159,255	16,001	82,997	92,259
Vehicles	853,158	142,287	140,227	855,218
SBITAs right-to-use assets	129,878			129,878
Intangible asset - software	120,000			120,000
Total depreciable/amortizable capital assets	<u>63,925,461</u>	<u>845,441</u>	<u>953,615</u>	<u>63,817,287</u>
Accumulated depreciation/amortization:				
Building	2,743,165	191,498		2,934,663
Improvements	1,396,391	64,247		1,460,638
Wells, water tanks, and structures	12,144,430	1,449,060	188,521	13,404,969
Water mains	6,596,120	141,593		6,737,713
Machinery and equipment	7,781,273	320,993	511,348	7,590,918
Office furniture and equipment	153,595	3,102	82,997	73,700
Vehicles	659,312	52,422	131,862	579,872
SBITAs right-to-use assets	31,914	32,003		63,917
Intangible asset - software	24,000	24,000		48,000
Total accumulated depreciation/amortization	<u>\$ 31,530,200</u>	<u>\$ 2,278,918</u>	<u>\$ 914,728</u>	<u>32,894,390</u>
Total net depreciable/amortizable capital assets				<u>30,922,897</u>
Total capital assets				<u>\$ 41,700,618</u>

Depreciation/amortization expense of \$2,278,918 was charged to water supply services expense for the year ended December 31, 2025.

The District evaluates significant events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At December 31, 2025, the District had not recorded any such impairment losses.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2025

**G. Indebtedness**

**Long-Term Debt**

The following is a summary of changes in non-current liabilities for the year ended December 31, 2025:

	Balance 1/1/25	Increases	Reductions	Balance 12/31/25	Non-current liabilities due within one year
General obligation bonds	\$ 9,296,118		\$ (1,275,009)	\$ 8,021,109	\$ 1,319,261
Plus premiums on issuance	266,912		(63,666)	203,246	55,789
	9,563,030	\$ -0-	(1,338,675)	8,224,355	1,375,050
Bond anticipation notes	19,160,000		(2,917,000) *	16,243,000	1,670,000
Compensated absences	526,962	12,096		539,058	26,953
Net pension liability - proportionate share	892,816	673,713	(506,362)	1,060,167	
Subscription-Based IT Arrangement liability	78,628		(25,692)	52,936	26,118
Total other postemployment benefits liability	6,991,400	897,473	(1,021,743)	6,867,130	221,565
	<u>\$ 37,212,836</u>	<u>\$ 1,583,282</u>	<u>\$ (5,809,472)</u>	<u>\$ 32,986,646</u>	<u>\$ 3,319,686</u>

\*BAN paydown includes a \$117,000 resizing premium

**General Obligation Bonds**

The District periodically borrows money through the issuance of 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, 2025, were as follows:

	Principal	Interest	Total Principal and Interest
Years ending December 31, 2026	\$ 1,319,261	\$ 311,013	\$ 1,630,274
2027	1,369,065	256,734	1,625,799
2028	1,110,383	204,438	1,314,821
2029	1,000,000	161,501	1,161,501
2030	1,040,000	119,850	1,159,850
2031 - 2033	2,182,400	118,744	2,301,144
	<u>\$ 8,021,109</u>	<u>\$ 1,172,280</u>	<u>\$ 9,193,389</u>

Interest expense of \$874,629 on long-term bonded debt and BANs has been included in the expenses - water supply services on the government-wide statement of activities.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2025

**G. Indebtedness** (continued)

**Other Non-Current Liabilities**

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

Bond Anticipation Notes Payable - A bond anticipation note in the amount of \$16,243,000 was issued on March 6, 2025, with an interest rate of 4.00%. 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.

Subscription-Based IT Arrangement Liability – The Subscription-Based IT Arrangement Liability at December 31, 2025, was:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rate	Amount Outstanding at December 31, 2025
Subscriptions	2024	\$ 105,536	January 2024 - December 2027	2.682%	<u>\$ 52,936</u>

Interest expenditures/expense of \$1,845 were recorded in the fund financial statements in the general fund and the District’s government-wide financial statements.

Future principal and interest payments for subscriptions payable related to governmental activities are as follows:

Year Ending December 31,	Principal	Interest	Total Payments
2026	\$ 26,118	\$ 1,419	\$ 27,537
2027	26,818	719	27,537
Total	<u>\$ 52,936</u>	<u>\$ 2,138</u>	<u>\$ 55,074</u>

**Premiums on Issuance**

The District issued various general obligation bonds and received premiums on these obligations. These premiums are being amortized as a component of interest expense on the weighted average basis over the life of these serial bonds in the government-wide statements as follows:

Years ending December 31,	2026	\$ 55,789
	2027	47,576
	2028	39,006
	2029	29,956
	2030	20,447
	2031	10,472
	Total	<u>\$ 203,246</u>

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**H. 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 2022, he was elected for a new term commencing January 1, 2023. 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](http://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.

**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.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**H. Pension Plan** (continued)

**2. Vesting and Benefits Provided** (continued)

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 five 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.

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.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**H. Pension Plan** (continued)

**2. Vesting and Benefits Provided** (continued)

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. Subsequent to the measurement date, the plan was amended which changed the definition of the final average earnings to be based on the average of the members three highest consecutive years of earning. The plan amendment also excludes certain earned overtime pay between April 1, 2022 and March 31, 2024 from the Tier 6 contribution rates. The Amendment is effective for those members who retire on or after April 1, 2024.

*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, 2025

**H. 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, 2025 was \$303,795.

At December 31, 2025, 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, 2025. 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, 2025
Net pension asset/(liability)	\$ (1,060,167)
District's proportionate share of the net pension liability	0.0061833%
Change in allocation of the System's total net pension liability since the prior measurement date	0.0001196

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

For the year ended December 31, 2025, the District recognized pension expense of \$222,713. At December 31, 2025, the District's reported deferred outflows and inflows of resources related to pension from the following sources:

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2025

**H. Pension Plan (continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 263,141	\$ 12,412
Changes of assumptions	44,461	
Net difference between projected and actual earnings on pension plan investments	83,178	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	29,903	59,178
District's contributions subsequent to the measurement date	236,813	
Total	\$ 657,496	\$ 71,590

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

Year ending December 31, 2026	\$ 168,154
2027	269,236
2028	(96,582)
2029	8,285
Total	\$ 349,093

**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, 2025
Actuarial valuation date	April 1, 2024
Investment rate of return (net of investment expense, including inflation)	5.9%
Salary increases	4.3%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience
Cost of living adjustments	1.5%
Inflation	2.9%

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2025

**H. Pension Plan** (continued)

**5. Actuarial Assumptions** (continued)

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-2021. The previous actuarial valuation as of April 1, 2021 used annuitant mortality rates based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

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.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2025 are summarized below:

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

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

**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, 2025

**H. 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%)
District's proportionate share of the net pension asset/(liability)	\$ (3,068,257)	\$ (1,060,167)	\$ 616,589

**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, 2025
Employers' total pension liability	\$ (247,600,239)
Plan Fiduciary Net Position	230,454,512
Employers' net pension liability	\$ (17,145,727)
Ratio of plan fiduciary net position to the Employers' total pension liability	93.08%

**I. 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, 2025 totaled \$112,762.

**J. 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, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**J. Other Postemployment Liabilities** (continued)

The District will pay 100% for non-union employees and, pursuant to its contracts with union employees, 90% of premium costs for medical insurance coverage (currently provided by the 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 age 55 and has been employed by the District for at least 10 years prior to the date of retirement for non-CSEA employees, or age 55 and has been employed by the District for at least 20 years prior to the date of retirement for CSEA employees. For CSEA employees hired prior to January 1, 2025, retiree medical contribution rates range from 10% to 12.5% based on the year of retirement. For CSEA employees hired on or after January 1, 2025, retirees are required to contribute 12.5% of premium costs. 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 \$2,220 per year.

Employees Covered by Benefit Terms

The number of participants as of December 31, 2025, 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	22
Inactive employees and/or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefit payments	<u>0</u>
Total	<u><u>34</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, 2025, the District paid \$190,154 for retiree insurance premiums and Medicare Part B premiums.

Total OPEB Liability

The District's total OPEB liability of \$6,867,130 was measured as of December 31, 2025 and was determined by an actuarial valuation as of January 1, 2025.

Funding Policy

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

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**J. Other Postemployment Liabilities** (continued)

Actuarial Assumptions and Other Inputs

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

The total OPEB liability in the January 1, 2025 valuation was determined using the following actuarial assumptions and other inputs as of the December 31, 2025 measurement date:

Inflation	2.50%
Discount Rate	4.83%
Healthcare cost trend rates	Pre-65: 8.5% for 2025, decreasing 0.5 percent per year to an ultimate rate of 4.5% in years 2035 and later Post-65: 6.0% for 2025, decreasing 0.5 percent per year to an ultimate rate of 4.5% in years 2032 and later

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

Mortality rates were based on the PUB-10 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, 2024	\$6,991,400
Changes for the year:	
Service cost	167,033
Interest on total OPEB liability	308,878
Changes in Benefit Terms	(49,961)
Differences between expected and actual experience	421,562
Changes in assumptions and other inputs	(781,628)
Benefit payments	(190,154)
Balance at December 31, 2025	<u>\$6,867,130</u>

Change in benefit terms reflect a change in the retiree contribution amounts.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.08% in 2024 to 4.83% in 2025.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2025

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

1% Decrease 3.83%	Discount Rate 4.83%	1% Increase 5.83%
\$ 8,131,015	\$ 6,867,130	\$ 5,885,691

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (8.0%) or 1-percentage-point higher (10.0%) than the current discount rate:

1% Decrease (7.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (8.5% decreasing to 4.5%)	1% Increase (9.5% decreasing to 5.5%)
\$ 5,834,359	\$ 6,867,130	\$ 8,210,048

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

For the year ended December 31, 2025, the District recognized OPEB expense of \$63,722. At December 31, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience loss (gain)	\$ 777,390	\$ 510,715
Changes of assumptions	687,068	2,687,511
Total	\$ 1,464,458	\$ 3,198,226

**SOUTH FARMINGDALE WATER DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025

**J. 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 and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31, 2026	\$	(355,503)
2027		(353,375)
2028		(471,112)
2029		(509,910)
2030		<u>(43,868)</u>
		<u>\$ (1,733,768)</u>

**K. Interfund Transactions**

Interfund balances and activities at December 31, 2025, are as follows:

	<u>Interfund</u>	
	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 2,582,418	\$ 13,319,792
Capital Projects Fund	<u>13,319,792</u>	<u>2,582,418</u>
Total	<u>\$ 15,902,210</u>	<u>\$ 15,902,210</u>

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

The above transfers are presented net. The District typically transfers from the general fund to the capital projects fund. The transfer to the capital projects fund was for capital projects that were approved. The transfer to the general fund represents grant reimbursements that were remitted to the Town of Oyster Bay to pay down outstanding debt related to the District's BAN.

**L. Commitments and Contingencies**

Litigation

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

Capital Improvements

The District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. The District is currently committed on contracts or is planning additional improvements amounting to approximately \$20,000,000 within the next few years.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**L. Commitments and Contingencies** (continued)

Capital Improvements (continued)

At December 31, 2025, the District had contracts and other commitments outstanding related to capital projects in the amount of \$464,738.

Encumbrances

At December 31, 2025, the District had encumbered the following amounts:

Administration	\$	36,911
Source of Supply, Power and Pumping		67,931
	<u>\$</u>	<u>104,842</u>

**M. New Pronouncements**

The following statements have been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in future years:

GASB Statement No. 103, "Financial Reporting Model Improvements", has been issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104, "Disclosure of Certain Capital Assets", has been issued to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 105, "Subsequent Events", has been issued to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2026.

**N. 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 5, 2026, the Town of Oyster Bay issued BANs, which included amounts on behalf of the District, in the amount of \$19,753,000, including \$5,000,000 of new money. The BANs will mature on March 5, 2027, and bear an interest rate of 4.0%. The proceeds of the BANs along with \$1,670,000 in available funds were used to redeem \$16,243,000 of BANs that matured on March 6, 2026.

**SOUTH FARMINGDALE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

**N. Subsequent Events** (continued)

On April 8, 2026, the District was notified of two finalized settlements related to multi-district litigation involving contaminants. Under the agreements, the District will receive a total of \$310,712, which is net of legal fees and other costs. The underlying ruling occurred after December 31, 2025; therefore no receivable or revenue is recorded in the accompanying 2025 financial statements. As such, this will be recorded as revenue for the year ended December 31, 2026.

On April 30, 2026, the Town of Oyster Bay refinanced \$89,811,430 of existing bonds into a new issuance with a principal value of \$82,430,000 and premium of \$7,381,430, saving nearly \$2.9 million over the next eight years. The new bonds will be paid down between 2027 and 2033 and bear an interest rate of 5%. The proceeds will be used to retire \$2,805,000 of Public Improvements Refunding (Serial) Bonds 2014 series A, \$5,645,000 of Public Improvements (Serial) Bonds 2018 series A dated February 1, 2018, which mature on February 1 in the years 2027 through 2033, inclusive, and \$80,190,000 of Public Improvements (Serial) Bonds 2018 series B which mature on February 1 in the years 2027 through 2033, inclusive (collectively, the Refunded Bonds).

At the time the financial statements were available to be issued, information was not available to determine South Farmingdale Water District's share of the economic gain on the transaction, measured as the difference between the present value of the debt service payments on the old and new debt, or the net impact of the refunding on the District.

**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**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year Ended December 31, 2025**

	Budget Amounts		Actual Amounts	Variance Final to Actual
	Original	Final		
<b>REVENUES</b>				
<b>Real property taxes</b>	\$ 4,295,800	\$ 4,295,800	\$ 4,295,789	\$ (11)
<b>Other real property tax items</b>	92,552	92,552	88,454	(4,098)
<b>Departmental income</b>				
Metered water sales	4,767,000	4,767,000	4,872,212	105,212
Unmetered water sales	113,000	113,000	113,545	545
Water service charges	37,000	37,000	47,516	10,516
Water services other governments	50,000	50,000	56,023	6,023
Interest and penalties - water rents	92,000	92,000	97,876	5,876
Total Departmental Income	5,059,000	5,059,000	5,187,172	128,172
<b>Use of money and property</b>				
Interest earnings	950,000	950,000	1,614,251	664,251
Rental of real property	367,559	367,559	359,571	(7,988)
Total Use of Money and Property	1,317,559	1,317,559	1,973,822	656,263
<b>Sale of property and compensation for loss</b>				
Sale of excess material	1,000	1,000	1,193	193
Sale of water supplies	9,000	9,000	21,981	12,981
Sale of equipment	-0-	-0-	9,100	9,100
Insurance recoveries	-0-	-0-	40,328	40,328
Legal settlement	-0-	518,357	1,706,401	1,188,044
Total Sale of Property and Compensation for Loss	10,000	528,357	1,779,003	1,250,646
<b>Miscellaneous local sources</b>				
Other miscellaneous receipts	-0-	-0-	11,174	11,174
Premiums	-0-	117,000	194,266	77,266
Total Miscellaneous Local Sources	-0-	117,000	205,440	88,440
Total Revenues	10,774,911	11,410,268	13,529,680	2,119,412
<b>Other Financing Sources</b>				
Interfund transfers in - capital projects	-0-	2,250,000	2,582,418	332,418
Total Other Financing Sources	-0-	2,250,000	2,582,418	332,418
Total Revenues and Other Financing Sources	10,774,911	13,660,268	16,112,098	\$ 2,451,830
<b>Appropriated fund balance</b>				
Prior year's encumbrances	-0-	549,792		
Appropriated fund balance - Assigned	140,625	12,049,343		
Appropriated reserves - Restricted	-0-	1,411,074		
Total Appropriated Fund Balance	140,625	14,010,209		
<b>Total Revenues, Other Financing Sources and Appropriated Fund Balance</b>	\$ 10,915,536	\$ 27,670,477		

**SOUTH FARMINGDALE WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year Ended December 31, 2025**

	Budget Amounts		Actual Amounts	Encum- brances	Variance Final to Actual & Encumbrances
	Original	Final			
<b>EXPENDITURES</b>					
<b>Administration</b>					
Personal services:					
Commissioners fees	\$ 44,000	\$ 44,000	\$ 42,340		\$ 1,660
Office salaries	495,000	495,000	468,726		26,274
Equipment and capital outlay:					
Office equipment	37,500	37,500	25,250		12,250
Other expenditures:					
Engineering services	200,000	218,500	113,850		104,650
Legal services	70,000	588,357	586,563		1,794
Computer consulting services	206,000	375,929	311,002	\$ 36,911	28,016
Auditing and accounting services	90,000	108,000	107,007		993
Public relations services	10,000	11,000	10,400		600
Bank Service fees	45,000	45,000	31,123		13,877
Payroll fees	8,000	8,000	6,157		1,843
Credit card fees	5,000	5,000	2,591		2,409
Insurance	210,000	177,000	158,324		18,676
Professional services - other	10,000	15,000	14,299		701
Telephone	75,000	76,000	75,468		532
Office maintenance	43,000	33,000	27,615		5,385
Office supplies and expenses	110,000	100,000	95,070		4,930
Education and election	73,500	73,500	63,634		9,866
Advertising	2,000	2,000	744		1,256
MTA payroll tax	8,000	8,000	4,218		3,782
Other miscellaneous expenditures	100,000	72,463	5,362		67,101
Total Administration	1,842,000	2,493,249	2,149,743	36,911	306,595
<b>Source of Supply, Power and Pumping</b>					
Supervision and labor	229,000	359,000	358,260		740
Equipment and capital outlay:					
Pumping equipment	15,000	15,000	11,480		3,520
Other expenditures:					
Maintenance - pump units	160,000	160,000	29,641	53,695	76,664
Maintenance - water tower	50,000	50,000	5,700		44,300
Maintenance - buildings and grounds	384,000	486,332	280,061	14,236	192,035
Other unclassified expenses	11,793	11,793	1,100		10,693
Heat, light and power - electric	850,000	850,000	600,707		249,293
Heat, light and power - gas	100,000	100,000	73,208		26,792
Total Source of Supply, Power and Pumping	1,799,793	2,032,125	1,360,157	67,931	604,037
<b>Purification</b>					
Chemicals	688,000	697,107	417,135		279,972
Testing and analysis	200,000	200,000	136,655		63,345
Total Purification	888,000	897,107	553,790	-0-	343,317
<b>Transmission and Distribution</b>					
Supervision and labor	1,371,000	1,371,000	1,322,927		48,073
Equipment and capital outlay:					
Purchase of equipment	40,000	47,885	3,619		44,266
Auto and trucks	120,000	224,960	142,287		82,673
Meters and supplies	22,000	23,000	22,292		708
Other expenditures:					
Maintenance - mains and hydrants	250,000	263,079	222,974		40,105
Maintenance - autos and trucks	25,000	25,000	23,856		1,144
Maintenance - other equipment	4,000	21,000	20,899		101
Uniforms	13,000	13,000	11,979		1,021
Small tools and shop supplies	8,000	11,000	10,299		701
Gas and oil	40,000	40,000	30,902		9,098
Other miscellaneous expenditures	-0-	1,000	353		647
Total Transmission and Distribution	1,893,000	2,040,924	1,812,387	-0-	228,537

**SOUTH FARMINGDALE WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year Ended December 31, 2025**

(continued)

	Budget Amounts		Actual Amounts	Encumbrances	Variance Final to Actual & Encumbrances
	Original	Final			
<b>EXPENDITURES</b>					
<b>Employee Benefits</b>					
State retirement	\$ 330,000	\$ 330,000	\$ 303,795		\$ 26,205
Social security	165,000	165,000	159,430		5,570
Workers' compensation insurance	65,000	70,000	69,790		210
Life insurance	16,000	16,000	13,488		2,512
Disability insurance	500	500	113		387
Hospital and medical insurance	962,000	957,000	814,186		142,814
Total Employee Benefits	1,538,500	1,538,500	1,360,802	-0-	177,698
<b>Debt Service</b>					
Serial bonds - principal	1,275,009	1,275,009	1,275,009		-0-
Serial bonds - interest	362,834	362,834	362,834		-0-
Bond anticipation note - principal	550,000	2,917,000	2,917,000		-0-
Bond anticipation note - interest	766,400	766,400	766,400		-0-
SBITA - principal	-0-	25,692	25,692		-0-
SBITA - interest	-0-	1,845	1,845		-0-
Total Debt Service	2,954,243	5,348,780	5,348,780	-0-	-0-
Total Expenditures	10,915,536	14,350,685	12,585,659	104,842	1,660,184
<b>Other Financing Uses</b>					
Interfund transfers out - capital projects	-0-	13,319,792	13,319,792		-0-
Total Other Financing Uses	-0-	13,319,792	13,319,792	-0-	-0-
Total Expenditures and Other Financing Uses	\$ 10,915,536	\$ 27,670,477	25,905,451	\$ 104,842	\$ 1,660,184
Net Change in Fund Balance			(9,793,353)		
<b>Fund Balance at Beginning of Year</b>			34,130,073		
Fund Balance at End of Year			\$ 24,336,720		

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>								
Service cost	\$ 167,033	\$ 222,187	\$ 188,630	\$ 475,528	\$ 455,047	\$ 349,824	\$ 238,698	\$ 284,643
Interest on total OPEB liability	308,878	260,031	262,284	211,910	206,593	201,515	230,944	256,144
Changes in benefit terms	(49,961)					-	-	-
Differences between expected and actual experience	421,562		(577,647)		1,169,679		(1,509,941)	
Changes of assumptions	(781,628)	(1,133,590)	470,294	(2,640,882)	(26,595)	912,579	1,489,002	(791,565)
Benefit payments	(190,154)	(221,116)	(195,532)	(282,688)	(219,743)	(201,909)	(153,614)	(199,749)
Net Change in Total OPEB Liability	(124,270)	(872,488)	148,029	(2,236,132)	1,584,981	1,262,009	295,089	(450,527)
Total OPEB Liability - Beginning	6,991,400	7,863,888	7,715,859	9,951,991	8,367,010	7,105,001	6,809,912	7,260,439
Total OPEB Liability - Ending	<u>\$ 6,867,130</u>	<u>\$ 6,991,400</u>	<u>\$ 7,863,888</u>	<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	\$ 1,626,780	\$ 1,623,822	\$ 1,584,217	\$ 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	422%	431%	496%	553%	731%	554%	482%	388%
<b>Note:</b>								
Discount rate	4.83%	4.08%	3.26%	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*

For CSEA employees hired prior to January 1, 2025, retiree medical contribution rates range from 10% to 12.5% based on the year of retirement. For CSEA employees hired on or after January 1, 2025, retirees are required to contribute 12.5% of premium costs.

*Changes of Assumptions*

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period and the healthcare cost trend rates and demographic assumptions were updated.

**SOUTH FARMINGDALE WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)**  
 Last Ten Fiscal Years

NYSERS	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension asset/(liability)	0.00618333%	0.0060637%	0.0063149%	0.0054570%	0.0060278%	0.0057456%	0.0066789%	0.0062894%	0.0063213%	0.0057508%
District's proportionate share of the net pension asset/(liability)	\$ (1,060,167)	\$ (892,816)	\$ (1,354,170)	\$ 446,089	\$ (6,002)	\$ (1,521,466)	\$ (473,220)	\$ (202,986)	\$ (593,960)	\$ (923,023)
District's covered payroll	\$ 1,931,126	\$ 1,794,110	\$ 1,790,562	\$ 1,666,111	\$ 1,576,227	\$ 1,679,892	\$ 1,777,693	\$ 1,755,396	\$ 1,636,272	\$ 1,687,141
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	54.90%	49.76%	75.63%	26.77%	0.38%	90.57%	26.62%	11.56%	36.30%	54.71%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%
Discount Rate	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%

**SOUTH FARMINGDALE WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**  
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 303,795	\$ 257,887	\$ 217,535	\$ 201,760	\$ 244,615	\$ 235,086	\$ 233,633	\$ 261,694	\$ 246,565	\$ 260,269
Contributions in relation to the contractually required contribution	<u>303,795</u>	<u>257,887</u>	<u>217,535</u>	<u>201,760</u>	<u>244,615</u>	<u>235,086</u>	<u>233,633</u>	<u>261,694</u>	<u>246,565</u>	<u>260,269</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered payroll	\$ 2,194,524	\$ 1,929,927	\$ 2,248,427	\$ 1,818,724	\$ 1,630,732	\$ 1,977,392	\$ 1,663,547	\$ 1,823,993	\$ 1,701,482	\$ 1,600,403
Contributions as a percentage of covered payroll	13.84%	13.36%	9.67%	11.09%	15.00%	11.89%	14.04%	14.35%	14.49%	16.26%

