

BETHPAGE WATER DISTRICT

ANNUAL FINANCIAL REPORT
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT

December 31, 2021

BETHPAGE WATER DISTRICT
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Independent Auditors' Report

The Board of Commissioners of the Bethpage Water District, New York

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Bethpage Water District, New York (the "District"), as of and for the year ended December 31, 2021, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 GAAS and *Government 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Hauppauge, New York

June 28, 2022

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Bethpage Water District's (District) discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2021 in comparison with the year ended December 31, 2020, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

A. FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021 fiscal year are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$3,777,577. This was due to an excess of revenues over expenses using the economic resources measurement focus and the accrual basis of accounting.
- The District's general fund-fund balance, as reflected in the fund financial statements was \$25,897,801 at December 31, 2021. This balance represents an increase of \$8,728,129 over the prior year as follows:

Nonspendable fund balance increased by \$6,252 to \$338,966, which represents the changes in inventory and prepaids.

The restricted fund balances increased by \$5,284,228 to \$11,962,837. This increase is primarily due to the District receiving amounts from communication companies for the rental of space on the District's water towers that is allocated to future water tank repairs and grant amounts earmarked to service debt.

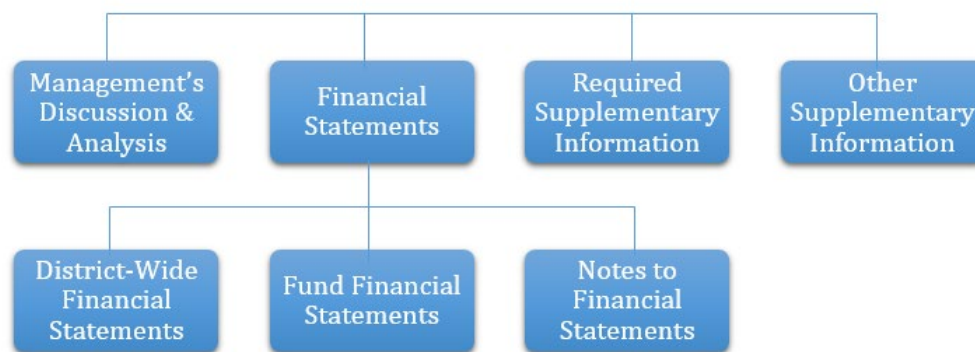
Assigned fund balances increased over the prior year by \$1,354,399 to \$8,456,729.

Unassigned fund balance increased by \$2,083,250 to \$5,139,269.

- The District's 2021 property tax levy of \$8,035,828, as authorized by the Board, was a 9.54% increase over the 2020 levy. The District's property tax cap was 2.54%. The increase was needed to provide funding for salaries, employee benefits and transfers to the capital projects fund.

B. OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the financial statements, required supplementary information, and other supplementary information. The financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. District-Wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported as governmental funds.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, retainage, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds: general fund, debt service fund and capital projects fund, all of which are considered to be major funds and are presented separately in the fund financial statements.

C. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$3,777,577 between fiscal year 2021 and 2020. The increase is due to revenues in excess of expenses using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2021	2020	Increase (Decrease)	Percentage Change
Assets				
Current and other assets	\$ 32,663,432	\$ 29,505,189	\$ 3,158,243	10.70 %
Capital assets, net	79,536,736	72,230,096	7,306,640	10.12 %
Total Assets	<u>112,200,168</u>	<u>101,735,285</u>	<u>10,464,883</u>	10.29 %
Deferred Outflows of Resources	<u>3,410,438</u>	<u>2,409,556</u>	<u>1,000,882</u>	41.54 %
Liabilities				
Current and other liabilities	6,100,188	3,731,722	2,368,466	63.47 %
Long-term liabilities	47,195,266	43,839,231	3,356,035	7.66 %
Net pension liability - proportionate share	4,320	1,232,077	(1,227,757)	(99.65)%
Total OPEB liability	<u>10,069,251</u>	<u>7,835,273</u>	<u>2,233,978</u>	28.51 %
Total Liabilities	<u>63,369,025</u>	<u>56,638,303</u>	<u>6,730,722</u>	11.88 %
Deferred Inflows of Resources	<u>2,013,340</u>	<u>1,055,874</u>	<u>957,466</u>	90.68 %
Net Position				
Net investment in capital assets	35,179,579	34,992,213	187,366	0.54 %
Restricted	11,962,837	6,678,609	5,284,228	79.12 %
Unrestricted	<u>3,085,825</u>	<u>4,779,842</u>	<u>(1,694,017)</u>	(35.44)%
Total Net Position	<u>\$ 50,228,241</u>	<u>\$ 46,450,664</u>	<u>\$ 3,777,577</u>	8.13 %

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The increase in current and other assets is primarily due to an increase in cash offset by a decrease in due from state and federal. The increase in cash is primarily related to the increase in real property taxes, conservative spending by the District and the collection of grant receivables. The decrease in due from state and federal is primarily related to the partial collection of WIIA grants from the State for capital improvements.

The increase in capital assets, net is due to capital outlays for buildings, improvements, infrastructure and purchases of furniture and equipment in excess of the current year's depreciation expense. The accompanying Notes to Financial Statements, Note 7 "Capital Assets" provides additional information.

Deferred outflows of resources represent contributions to the pension plan subsequent to the measurement date and actuarial adjustments to the pension and OPEB plans that will be amortized in future years.

The increase in current and other liabilities is primarily due to increases in accounts payable and retainage payable, which were related to on-going capital projects.

The increase in long-term liabilities is primarily the result of the issuance of long-term bond anticipation notes payable, offset by the repayment of the current maturity of bond and long-term bond anticipation indebtedness.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 9 "Pension Plans – New York State," provides additional information.

The total other postemployment benefits (OPEB) liability increased over the prior year based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 10 "Postemployment Healthcare Benefits," provides additional information.

Deferred inflows of resources represent actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets reflects the District's investment in capital assets at cost such as land; construction in progress; buildings; improvements other than buildings; furniture and equipment; and infrastructure, net of accumulated depreciation and related outstanding debt. This balance as of December 31, 2021, is computed as follows:

Capital assets, net	\$ 79,536,736
Deduct:	
Retainage payable	(1,188,352)
Bond anticipation notes payable	(28,468,333)
Bonds payable, net of premiums	(18,373,650)
Unspent debt proceeds	<u>3,673,178</u>
Net investment in capital assets	<u>\$ 35,179,579</u>

The restricted amount relates to the District's reserves. This balance increased from the prior year as a result of grant funds earmarked to a fund a portion of the subsequent year debt service payments, the funding of the water tank capital reserve from cell tower rental revenues, the funding of reserves from unassigned fund balance and interest earned on the reserve balances.

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The unrestricted amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB liability.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in the accompanying financial statements. A summary of these statements for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)	Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 3,051,666	\$ 3,255,397	\$ (203,731)	(6.26)%
Capital grants		3,874,600	(3,874,600)	(100.00)%
General revenues				
Real property taxes	8,035,857	7,336,099	699,758	9.54 %
Real property tax items	666,330	522,897	143,433	27.43 %
Use of money and property	914,887	770,893	143,994	18.68 %
Other	1,231,681	603,265	628,416	104.17 %
Total Revenues	<u>13,900,421</u>	<u>16,363,151</u>	<u>(2,462,730)</u>	(15.05)%
Expenses				
Program expenses				
Water administration	2,268,100	2,421,008	(152,908)	(6.32)%
Source of supply, power and pumping	2,012,829	1,706,023	306,806	17.98 %
Purification	2,212,485	1,664,479	548,006	32.92 %
Transmission and distribution	2,504,903	2,474,383	30,520	1.23 %
Debt service - interest	1,124,527	1,105,150	19,377	1.75 %
Total Expenses	<u>10,122,844</u>	<u>9,371,043</u>	<u>751,801</u>	8.02 %
Total Change in Net Position	<u>\$ 3,777,577</u>	<u>\$ 6,992,108</u>	<u>\$ (3,214,531)</u>	(45.97)%

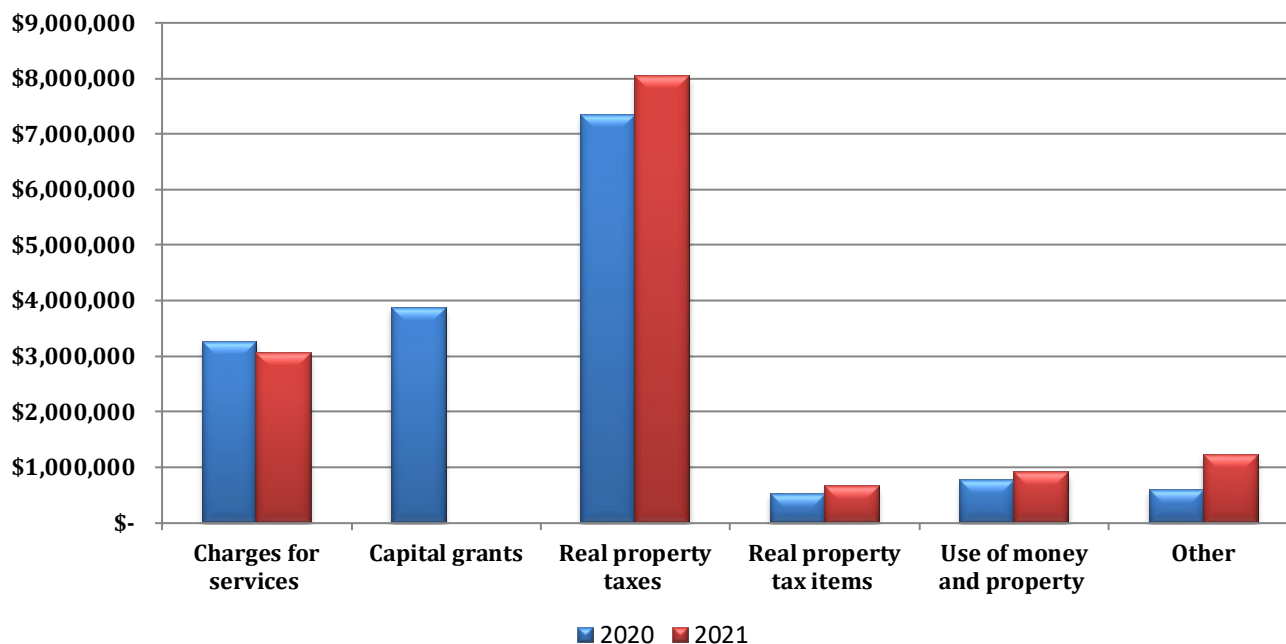
The District's net position increased by \$3,777,577 and \$6,992,108 for the years ended December 31, 2021 and December 31, 2020, respectively.

The net decrease in total revenues in 2021 compared to 2020 was \$2,462,730. The decrease is primarily due to decreases in capital grants and charges for services, offset by increases in general revenues. In 2020, the District recognized \$3,874,600 in capital grants with no similar revenue recognized in 2021. The increase in real property taxes was in accordance with the 2021 budget, which increased in anticipation of increased operating costs and a transfer to the capital projects fund.

The net increase in expenses in 2021 as compared to 2020 was \$751,801, as shown above. This increase is due to increases in all categories except water administration. These increases are primarily due to increases related to chemical treatment and other postemployment benefits, partially offset by a decrease in pension costs.

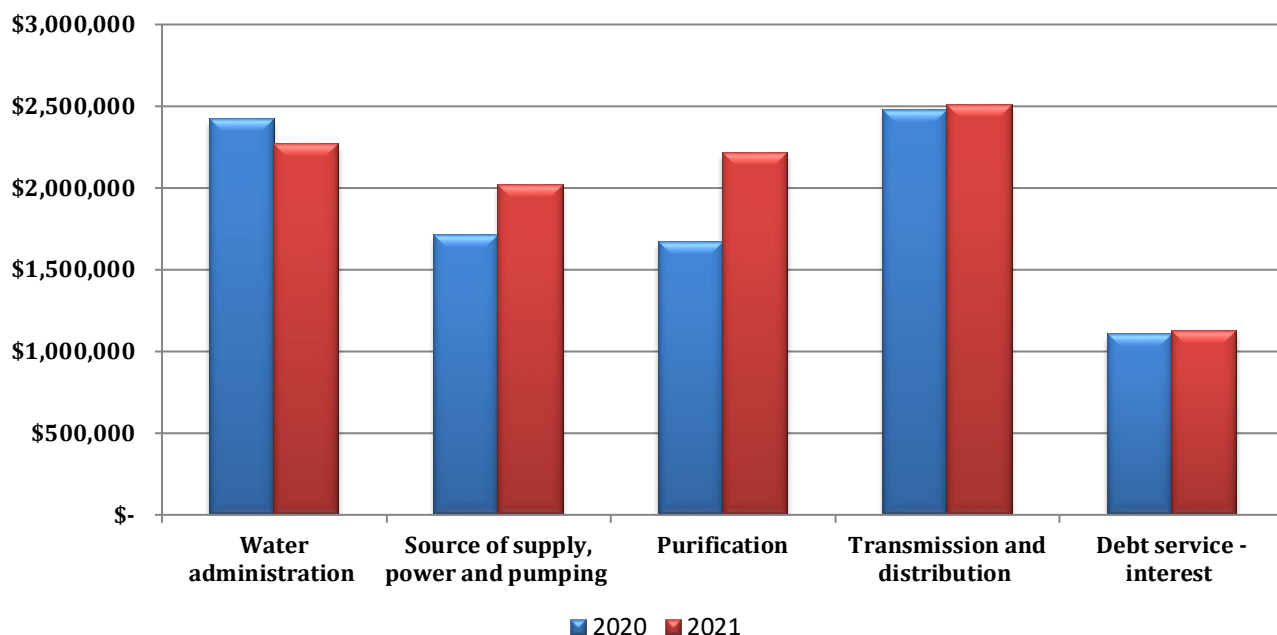
BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A graphic display of the distribution of revenues for the two years follows:



	Charges for services	Capital grants	Real property taxes	Real property tax items	Use of money and property	Other
2020	19.89%	23.68%	44.83%	3.20%	4.71%	3.69%
2021	21.95%	0.00%	57.81%	4.79%	6.58%	8.87%

A graphic display of the distribution of expenses for the two years follows:



	Water administration	Source of supply, power and pumping	Purification	Transmission and distribution	Debt service - interest
2020	25.83%	18.21%	17.76%	26.40%	11.80%
2021	22.41%	19.88%	21.86%	24.75%	11.10%

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

D. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of December 31, 2021, the governmental funds reported a combined fund balance of \$27,045,962, an increase of \$1,017,664 or 3.91% over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2021	2020	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable:				
Inventory	\$ 225,441	\$ 236,773	\$ (11,332)	(4.79)%
Prepays	113,525	95,941	17,584	18.33 %
Restricted:				
Retirement contribution	231,233	200,880	30,353	15.11 %
Employee benefit accrued liability	374,437	174,131	200,306	115.03 %
Capital, general	149,452	149,188	264	0.18 %
Capital, water tank	6,966,382	6,113,247	853,135	13.96 %
Debt service	4,241,333	41,163	4,200,170	10,203.75 %
Assigned:				
Appropriated	250,000	250,000		0.00 %
Other purposes	477,755	91,346	386,409	423.02 %
Future debt service	5,962,159	5,212,159	750,000	14.39 %
Future water treatment	1,292,990	1,200,000	92,990	7.75 %
Upgrade of wells	473,825	348,825	125,000	35.83 %
Unassigned: Fund balance	5,139,269	3,056,019	2,083,250	68.17 %
	<u>25,897,801</u>	<u>17,169,672</u>	<u>8,728,129</u>	50.83 %
Capital Projects Fund				
Restricted				
Unspent debt proceeds	3,673,178	7,319,646	(3,646,468)	(49.82)%
Assigned: Unappropriated fund balance		1,538,980	(1,538,980)	(100.00)%
Unassigned: Fund balance (deficit)	(2,525,017)		(2,525,017)	100.00 %
	<u>1,148,161</u>	<u>8,858,626</u>	<u>(7,710,465)</u>	(87.04)%
Total Governmental Funds				
Fund Balance	<u>\$ 27,045,962</u>	<u>\$ 26,028,298</u>	<u>\$ 1,017,664</u>	3.91 %

A. General Fund

The net change in the general fund-fund balance is an increase of \$8,728,129, as revenues and other financing sources of \$17,681,756 exceeded expenditures and other financing uses of \$8,953,627, compared to an increase of \$3,062,812 in 2020. Revenues and other financing sources increased by \$5,120,311 or 40.76% over fiscal 2020 totals. This is due primarily to increase in real property taxes, in accordance with the 2020 budget and a transfer in from the capital projects fund of grant monies earmarked to service debt.

Expenditures and other financing uses decreased \$545,006 or 5.74% over fiscal 2020 totals. This decrease was primarily due to the decrease in expenditures of new installations by developers from 2020, as well as a decrease in the transfer out to the capital projects fund, offset by increases in debt service. The decrease in the transfer out is due to the timing and amount of capital expenditures funded through general fund appropriations. The increase in debt service is primarily due to the increase in long-term bond anticipation notes outstanding in 2020.

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The restricted fund balances increased by \$5,284,228 over fiscal year 2020 totals. This increase is due to the District receiving amounts from communications companies for the rental of space on the District's water tanks that are earmarked for the water tank capital reserve, interest allocated to reserves, and grant monies earmarked to service debt, offset by the use of the debt service reserve to fund current year debt service payments.

Assigned fund balance increased \$1,354,399 over fiscal year 2020 totals, as the Board of Commissioners approved increasing the assignments for future debt service (\$750,000), upgrade of wells (\$125,000) and future water treatments (\$365,000). In addition, the District appropriated \$272,010 from the assignment for future water treatment and \$386,409 for accounting fees and the purchase of meter endpoints.

B. Capital Projects Fund

The capital projects fund is used to account for financial resources earmarked for specific capital projects. For 2021, the fund balance decreased due to expenditures and other financing uses of \$13,711,363, in excess of revenues and other financing sources of \$6,000,898.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2021 Budget

The District's general fund approved budget for 2021 by the Board of Commissioners was \$12,245,518, which represented a \$681,658 (5.89%) increase over the 2020 budget. This amount was increased by encumbrances carried forward from the prior year in the amount of \$91,346, and budget revisions totaling \$806,860 for a total final budget of \$13,143,724.

The final budget was primarily funded through a combination of property taxes, non-property tax revenues, and charges for services of \$11,421,468.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget and other assignments, and amounts classified as nonspendable. The change in this balance for 2021 demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 3,056,019
Revenues Over Budget	5,618,388
Expenditures and Encumbrances Under Budget	3,712,342
Net Change in Nonspendable Fund Balance	(6,252)
Net Change in Restricted Fund Balance	(5,324,228)
Net Change in Assigned Fund Balance	(1,667,000)
Appropriated for the Budget	<u>(250,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 5,139,269</u>

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Opening, Unassigned Fund Balance

The \$3,056,019 shown in the table is the District's December 31, 2020 unassigned fund balance.

Revenues Over Budget

The 2021 final budget for revenues and other financing sources was \$12,063,368. Actual revenues and other financing sources recognized for the year were \$17,681,756. The excess of actual revenues over estimated or budgeted revenues was \$5,618,388. This was primarily due to the District receiving more than anticipated in PILOT, interest and rental income, miscellaneous revenue, premium on obligations and transfers in from the capital projects fund. This change contributes directly to the change to the unassigned portion of the general fund-fund balance from December 31, 2020 to December 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2021 final budget for expenditures and other financing uses was \$13,143,724. Actual expenditures and other financing uses for the year were \$8,953,627 and outstanding encumbrances were \$477,755. Combined, the expenditures plus encumbrances for 2021 were \$9,431,382. The final budget was under expended by \$3,712,342. The under expenditure of the budget was primarily related to purification, transmission and distribution, employee benefits and transfers to the capital fund. In addition, the District anticipated \$505,000 more in principal payments on the outstanding bonds and BANs than was needed. The 2021 budget included \$1,034,000 in funding for the water tank capital reserve and the assignment for future debt service payments. The funding of the reserves does not result in actual expenditures, but rather a reclassification of fund balance categories. This under-expenditure contributes to the change to the unassigned portion of the general fund-fund balance from December 31, 2020 to December 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Net Change in Nonspendable Fund Balance

The District maintained a small amount of supplies and materials inventory and prepaid certain expenditures at year-end. The resulting balance sheet asset cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The increase in nonspendable fund balance decreases unassigned fund balance.

Net Change in Restricted Fund Balance

The \$5,284,228 shown in the table consists of revenue and surplus allocated to the reserves. The revenue consists of amounts received from communication companies for the rental of space on the District's water towers (\$829,288), grant monies earmarked to service debt (\$4,240,098), funding of the reserves approved by the Board of Commissioners (\$230,000) and interest earnings on restricted reserves (\$24,842). The revenue and surplus allocations serve to fund the reserves for amounts that may be appropriated from the reserves to finance future expenditures, primarily for capital improvements. This decreases the unassigned portion of the general fund-fund balance at December 31, 2021.

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Net Change in Assigned Fund Balance

The \$1,667,000 shown in the table represents an assignment for future debt service (\$750,000), an assignment for upgrade of wells (\$125,000), an assignment for future water treatment (\$365,000) and an additional appropriation for meter endpoints of (\$427,000). This decreases the unassigned portion of the general fund's fund balance at December 31, 2021.

Appropriated Fund Balance

The District has chosen to use \$250,000 of the available December 31, 2021 unassigned fund balance to partially fund the 2022 approved operating budget. As such, the December 31, 2021 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary of changes shown in the previous table, the District will begin the 2022 fiscal year with an unassigned fund balance of \$5,139,269. This is an increase of \$2,083,250 over the unassigned balance of the prior year.

F. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At December 31, 2021, the District had invested in a broad range of capital assets, as indicated in the table below. A summary of capital assets, net of accumulated depreciation at year-end is as follows:

	2021	2020*	Increase (Decrease)
Land	\$ 2,531,845	\$ 2,531,845	\$ -
Construction in progress	34,110,743	31,395,238	2,715,505
Buildings	8,404	9,051	(647)
Improvements other than buildings	32,710,145	28,766,018	3,944,127
Furniture and equipment	389,506	504,238	(114,732)
Infrastructure	9,786,093	9,023,706	762,387
Capital assets, net	<u>\$ 79,536,736</u>	<u>\$ 72,230,096</u>	<u>\$ 7,306,640</u>

* Certain reclassifications have been made to the previously reported balances.

The District's capital additions totaled \$9,637,745. The majority of the 2021 additions were related to the following projects:

- IMA Watermain Replacement
- Plant 6 Dual Air Stripping Tower Wellhead Treatment
- North South Transmission Main
- Plant 1 AOP and Ion Exchange Treatment
- Plant BGD Interim AOP

Reductions to capital assets were due to depreciation of \$2,331,105.

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Debt Administration

As of December 31, 2021, the District had \$28,468,333 in outstanding bond anticipation notes and \$18,292,000 in outstanding serial bonds payable. The bond anticipation notes and bonds were issued for the construction and improvements to the District's facilities and infrastructure. The increase in bond anticipation notes was due to the District issuing bond anticipation notes to fund capital projects, net of the repayment of principal due on the notes. The decrease in the outstanding bonds is due to principal being paid, offset by the issuance of bonds in 2021 to refund the March 2014 bonds.

A summary of outstanding BANs and bonds at December 31, 2021 and 2020 is as follows:

	Final Maturity	Interest	2021	2020	Increase (Decrease)
Bond anticipation notes					
	2021	1.25 - 2.00%	\$	\$ 23,700,000	\$ (23,700,000)
	2022	2.00%	28,468,333		28,468,333
			<u>\$ 28,468,333</u>	<u>\$ 23,700,000</u>	<u>\$ 4,768,333</u>
Bonds					
	2028	3.00-4.00%	\$	\$ 858,000	\$ (858,000)
	2031	3.25-4.00%	6,550,000	7,110,000	(560,000)
	2033	3.00-3.50%	3,205,000	3,420,000	(215,000)
	2033	3.00-4.00%	7,450,000	7,960,000	(510,000)
	2027	2.00-4.00%	398,000	457,000	(59,000)
	2028	2.00-4.00%	689,000		689,000
			<u>\$ 18,292,000</u>	<u>\$ 19,805,000</u>	<u>\$ (1,513,000)</u>

In November 2015, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$22,500,000 for improvements to the District's facilities. As of December 31, 2021, the District has issued \$5,033,250 in serial bonds and \$12,750,000 in long term BANs through the Town to provide funding for the projects.

In February 2020, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$66,858,000 for construction and improvements to the District's facilities and infrastructure. As of December 31, 2021, the District issued \$16,000,000 in long term BANs through the Town to provide funding for the projects.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, net pension liability – proportionate share and total other postemployment benefits liability. The compensated absences liability is based on employment contracts. The net pension liability – proportionate share and the total other postemployment benefits liability are based on actuarial valuations.

BETHPAGE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2021	2020	Increase (Decrease)
Compensated absences payable	\$ 353,283	\$ 334,231	\$ 19,052
Net pension liability - proportionate share	4,320	1,232,077	(1,227,757)
Total OPEB liability	10,069,251	7,835,273	2,233,978
	<u>\$ 10,426,854</u>	<u>\$ 9,401,581</u>	<u>\$ 1,025,273</u>

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Commissioners adopted the District's 2022 budget on September 9, 2021. The 2022 budget of \$13,421,335 represents a \$1,175,817 (9.60%) increase over the 2021 budget. This increase is primarily due to increases in salaries, fuel, employee benefits, and debt service areas of the budget. Estimated revenues other than property taxes increased by \$99,150 over the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of \$250,000 is unchanged from the previous year. A real property tax levy increase of \$1,116,667 (13.90%) was needed to meet the funding shortfall and cover the increase in appropriations.

B. Tax Cap

New York state law limits the increase in the property tax levy of municipalities to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Municipalities may override the tax levy by drafting a local law or resolution that overrides the tax levy limit and having it approved by a 60 percent rate of the governing body. Based on the law the District's tax levy cap was 2.19% for 2022. The District's tax levy increase of 13.90% exceeded the tax cap and was approved by the Board of Commissioners.

C. NAVY Settlement

The District sought recovery against the United States of America and the United States Department of the Navy and Northrop Grumman Systems Corporation and Northrop Grumman Corporation, in their capacities as prior owners and/or operators, of response costs incurred and to be incurred in connection with the disposal and release of hazardous substance(s) at or from the former Naval Weapons Industrial Reserve Plant and the former Northrop Grumman Bethpage Facility. In April 2022, the District entered a consent judgment to receive \$49.0 million in damages and all other remedies. In June 2022, the District received \$20.0 million of this consent judgment from the United States of America and the United States Department of the Navy. The District expects to receive the remaining \$29.0 million from Northrop Grumman Systems Corporation and Northrop Grumman Corporation in installments over the next few years.

H. ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's taxpayers, customers and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Bethpage Water District's Superintendent at Bethpage Water District, 25 Adams Avenue, Bethpage, New York 11714

**BETHPAGE WATER DISTRICT
STATEMENT OF NET POSITION**

December 31, 2021

ASSETS

Cash	
Unrestricted	\$ 10,325,355
Restricted	11,962,837
Receivables	
Accounts receivable	832,082
Due from state and federal	963,750
Due from other governments	8,240,442
Inventory	225,441
Prepays	113,525
Capital assets:	
Not being depreciated	36,642,588
Being depreciated, net of accumulated depreciation	<u>42,894,148</u>
Total Assets	<u>112,200,168</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	1,094,506
Other postemployment benefits	<u>2,315,932</u>
Total Deferred Outflows of Resources	<u>3,410,438</u>

LIABILITIES

Accounts payable	4,019,183
Accrued liabilities	771,831
Retainage payable	1,188,352
Collections in advance	25,210
Developer deposits	95,612
Long-term liabilities	
Due within one year	
Bond anticipation notes payable	5,030,098
Bonds payable, net of premiums	1,475,241
Compensated absences payable	14,938
Due after one year	
Bond anticipation notes payable	23,438,235
Bonds payable, net of premiums	16,898,409
Compensated absences payable	338,345
Net pension liability - proportionate share	4,320
Total other postemployment benefits liability	<u>10,069,251</u>
Total Liabilities	<u>63,369,025</u>

DEFERRED INFLOWS OF RESOURCES

Pension	1,290,990
Other postemployment benefits	<u>722,350</u>
Total Deferred Inflows of Resources	<u>2,013,340</u>

NET POSITION

Net investment in capital assets	<u>35,179,579</u>
Restricted	
Retirement contribution	231,233
Employee benefit accrued liability	374,437
Capital, general	149,452
Capital, water tank	6,966,382
Debt service	<u>4,241,333</u>
	<u>11,962,837</u>
Unrestricted	<u>3,085,825</u>
Total Net Position	<u><u>\$ 50,228,241</u></u>

BETHPAGE WATER DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Program Expenses

Home and Community Services

Water Supply Services

Water administration	\$ 2,268,100
Source of supply, power and pumping	2,012,829
Purification	2,212,485
Transmission and distribution	2,504,903
Debt service - interest	<u>1,124,527</u>

Total Program Expenses	<u>10,122,844</u>
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Program Revenues

Charges for services	<u>3,051,666</u>
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Net Revenue (Expense)	<u><u>(7,071,178)</u></u>
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General Revenues

Real property taxes	8,035,857
Real property tax items	666,330
Use of money and property	914,887
Sale of property and compensation for loss	269,475
Miscellaneous	<u>962,206</u>

Total General Revenues	<u>10,848,755</u>
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Change in Net Position	3,777,577
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Net Position - Beginning of Year	<u>46,450,664</u>
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Net Position - End of Year	<u><u>\$ 50,228,241</u></u>
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BETHPAGE WATER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash				
Unrestricted	\$ 10,291,596	\$	\$ 33,759	\$ 10,325,355
Restricted	11,962,837			11,962,837
Receivables				
Accounts receivable	832,082			832,082
Due from other funds	2,478,298			2,478,298
Due from state and federal			963,750	963,750
Due from other governments	831,230		7,409,212	8,240,442
Inventory	225,441			225,441
Prepays	113,525			113,525
Total Assets	<u>\$ 26,735,009</u>	<u>\$ -</u>	<u>\$ 8,406,721</u>	<u>\$ 35,141,730</u>
LIABILITIES				
Accounts payable	\$ 202,671	\$	\$ 3,816,512	\$ 4,019,183
Accrued liabilities	57,436			57,436
Due to other funds			2,478,298	2,478,298
Collections in advance	25,210			25,210
Developer deposits	95,612			95,612
Total Liabilities	<u>380,929</u>	<u>-</u>	<u>6,294,810</u>	<u>6,675,739</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>456,279</u>		<u>963,750</u>	<u>1,420,029</u>
FUND BALANCES				
Nonspendable:				
Inventory	225,441			225,441
Prepays	113,525			113,525
Restricted:				
Retirement contribution	231,233			231,233
Employee benefit accrued liability	374,437			374,437
Capital, general	149,452			149,452
Capital, water tank	6,966,382			6,966,382
Debt service	4,241,333			4,241,333
Unspent debt proceeds			3,673,178	3,673,178
Assigned:				
Appropriated fund balance	250,000			250,000
Other purposes	477,755			477,755
Future debt service	5,962,159			5,962,159
Future water treatment	1,292,990			1,292,990
Upgrade of wells	473,825			473,825
Unassigned: Fund balance (deficit)	<u>5,139,269</u>		<u>(2,525,017)</u>	<u>2,614,252</u>
Total Fund Balances	<u>25,897,801</u>	<u>-</u>	<u>1,148,161</u>	<u>27,045,962</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,735,009</u>	<u>\$ -</u>	<u>\$ 8,406,721</u>	<u>\$ 35,141,730</u>

BETHPAGE WATER DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2021

Total fund balances of governmental funds \$ 27,045,962

Amounts reported for governmental activities in the Statement of Net Position are different because:

The costs of constructing and acquiring capital assets (such as land, buildings and improvements, equipment, and infrastructure) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their

Original cost of capital assets	\$ 110,390,857	
Less: Accumulated depreciation	<u>(30,854,121)</u>	
		79,536,736

Proportionate share of long-term liability, and deferred outflows and inflows associated with participation in the state retirement system are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	1,094,506	
Net pension liability - employees' retirement system	(4,320)	
Deferred inflows of resources	<u>(1,290,990)</u>	
		(200,804)

Total other postemployment benefits liability and deferred outflows and inflows of resources related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds.

Deferred outflows of resources	2,315,932	
Total other postemployment benefits liability	(10,069,251)	
Deferred inflows of resources	<u>(722,350)</u>	
		(8,475,669)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.

1,420,029

Long-term and related liabilities are reported in the Statement of Net Position but not in the governmental funds because they are not due and payable in the current period. Balances at year end consist of:

Accrued interest on bonds and bond anticipation notes payable	(714,395)	
Retainage payable	(1,188,352)	
Bond anticipation notes payable	(28,468,333)	
Bonds payable, net	(18,373,650)	
Compensated absences	<u>(353,283)</u>	
		<u>(49,098,013)</u>

Net position of governmental activities	<u><u>\$ 50,228,241</u></u>
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BETHPAGE WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Real property taxes	\$ 8,035,857	\$	\$	\$ 8,035,857
Real property tax items	666,330			666,330
Program revenues	2,839,912			2,839,912
Use of money and property	914,887			914,887
Sale of property and compensation for loss	29,849		484,500	514,349
Miscellaneous	954,823		7,383	962,206
	<u>13,441,658</u>	<u>-</u>	<u>491,883</u>	<u>13,933,541</u>
Total Revenues				
Expenditures				
<i>Home and Community Services</i>				
<i>Water Supply Services</i>				
Water administration	1,450,892	6,732		1,457,624
Source of supply, power and pumping	1,251,852			1,251,852
Purification	967,272			967,272
Transmission and distribution	1,046,817			1,046,817
Employee benefits	992,447			992,447
Debt service				
Principal	1,668,667			1,668,667
Interest	1,066,665	9,952		1,076,617
Capital outlay			9,471,265	9,471,265
	<u>8,444,612</u>	<u>16,684</u>	<u>9,471,265</u>	<u>17,932,561</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>4,997,046</u>	<u>(16,684)</u>	<u>(8,979,382)</u>	<u>(3,999,020)</u>
Other Financing Sources (Uses)				
Proceeds from debt, net			5,000,000	5,000,000
Premium on obligations		92,684		92,684
Refunding bond issued		689,000		689,000
Payment to refunded bond escrow agent		(765,000)		(765,000)
Operating transfers in	4,240,098		509,015	4,749,113
Operating transfers (out)	(509,015)		(4,240,098)	(4,749,113)
	<u>3,731,083</u>	<u>16,684</u>	<u>1,268,917</u>	<u>5,016,684</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	8,728,129	-	(7,710,465)	1,017,664
Fund Balances - Beginning of Year	17,169,672		8,858,626	26,028,298
Fund Balances - End of Year	<u>\$ 25,897,801</u>	<u>\$ -</u>	<u>\$ 1,148,161</u>	<u>\$ 27,045,962</u>

BETHPAGE WATER DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

Net change in fund balances		\$ 1,017,664
Amounts reported for governmental activities in the Statement of Activities are different because:		
<u>Long-Term Revenue and Expense Differences</u>		
In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amount received).	\$ (33,120)	
The increase in retainage payable is effectively an expense in the Statement of Activities, however, it does not require the use of current financial resources and, therefore is not reported as an expenditure in the governmental funds.	(135,823)	
Certain amounts incurred during the year may exceed the expenditures in the governmental funds requiring the use of current financial resources (amounts paid), resulting in an increase of the long-term liability and an decrease in net position.		
Increase in compensated absences payable	<u>(19,052)</u>	(187,995)
<u>Capital Related Differences</u>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.		
Capital outlay and other additions	9,637,745	
Depreciation expense	<u>(2,331,105)</u>	7,306,640
<u>Long-Term Debt Transactions Differences</u>		
Proceeds from the issuance of long-term bond anticipation notes and serial bonds are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	(5,689,000)	
Payment to escrow agent is an other financing use in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	765,000	
Repayment of long-term bond anticipation notes and serial bond principal is an expenditure in the general fund, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	1,668,667	
Premiums on obligations related to the issuance of serial bonds are other financing sources in the governmental funds and increase long-term liabilities in the Statement of Net Position. Amortization of these premiums are a decrease to interest expense in the Statement of Activities.	(81,650)	
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. This is the amount by which accrued interest increased from December 31, 2020 to December 31, 2021.	<u>(58,944)</u>	(3,395,927)
<u>Pension and Other Postemployment Benefits Differences</u>		
The change in the proportionate share of the collective pension expense of the state retirement plan and the change in other postemployment benefits reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.		
Employees' retirement system	149,839	
Other postemployment benefits	<u>(1,112,644)</u>	(962,805)
Change in net position of governmental activities		<u>\$ 3,777,577</u>

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bethpage Water District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

The reporting entity of the District is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Commissioners. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no component units or other entities included in the District's reporting entity.

The District is a component unit of the Town of Oyster Bay, New York. In addition to the Town of Oyster Bay, the District has a financial and operational association with the Town of Hempstead, New York. The District receives its property tax revenue through the aforementioned Towns' tax levies. Approximately 89% of the District's total property taxes are received from the Town of Oyster Bay and approximately 11% from the Town of Hempstead. Additionally, the District borrows through bonds and BANs issued by the Town of Oyster Bay.

B. Basis of Presentation

District-Wide Statements

The Statement of Net Position and the Statement of Activities present information about the governmental activities of the District. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, program revenues, and other exchange and non-exchange transactions. Capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program revenues and expenses for each function of the District's governmental activities. Program expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges to customers for water usage and grants that are restricted to meeting capital requirements. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The District's financial statements present the following funds:

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Debt Service Fund: This is used to account for the refunding of a portion of the District's outstanding serial bonds.

Capital Projects Fund: This fund is used to account for the financial resources that are restricted, committed or assigned to expenditures for capital outlay, including the acquisition or construction, of major capital facilities and other assets.

C. Measurement Focus and Basis of Accounting

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes and grants. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. 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 the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, retainage, compensated absences, pension costs and postemployment healthcare benefits, which are recognized as expenditures to the extent they have matured. Capital asset

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

D. Real Property Taxes

Real property taxes for the Towns of Oyster Bay and Hempstead are levied annually by the Town Boards. The taxes are liened and levied on January 1st and due in two installments of 50% on January 1st and July 1st without penalty to February 10th and August 10th, respectively. Late payments are subject to penalties. The taxes are collected by the Towns and subsequently forwarded to the District. Uncollected taxes are subsequently enforced by Nassau County.

Water sales that are uncollected from the prior year as of August 31st, are turned over to the Towns for collection. These balances become liens on the respective delinquent properties. The Towns remit to the District the amount of the receivables plus penalties, regardless of their ability to collect on the liens. Uncollected amounts are subsequently enforced by Nassau County.

E. Payments in Lieu of Taxes (PILOT)

The District reports PILOT revenues in the general fund as part of other real property tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected payments to the District.

District's PILOT revenues also include payments from the Long Island Power Authority (LIPA) remitted by Nassau County. Beginning in the 2015-16 fiscal year, the Nassau County Legislature removed properties owned by LIPA from the assessment and tax rolls and, instead, allowed LIPA to make payments in lieu of taxes with annual increases of no more than 2% in response to the New York State Public Authorities Law §1020-q (the "LIPA Reform Act") enacted by the state in 2013. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments. The District received \$232,611 in LIPA PILOT revenue during the year.

F. 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.

G. Interfund Transactions

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 transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

H. Use of Estimates

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

I. Cash and Cash Equivalents/Investments

Cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

Investments are reported at fair value based on quoted market price.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements. The District does not have any cash equivalents or investments at December 31, 2021.

J. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventory and Prepaids

Inventory consists of supplies and materials, and is recorded at cost on a first-in, first-out basis. Prepaids 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 as prepaids in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the inventory and prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

L. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost for acquisitions subsequent to December 31, 2001. For assets acquired prior to December 31, 2001 both actual cost and estimated historical costs were used. Donated assets are reported at acquisition value at the date of donation.

Capitalization thresholds, (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight line	20-50 years
Improvements other than buildings	5,000	Straight line	5-50 years
Furniture and equipment	500	Straight line	7-12 years
Infrastructure	5,000	Straight line	50 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension liability not included in collective pension expense as well as the District's contributions to the pension system subsequent to the measurement date. The second item is related to OPEB and represents changes in total other postemployment benefits not included in OPEB expense.

N. Short-Term Debt

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

The District issued \$28,468,333 in BANs (\$5,000,000 of new money and \$23,468,333 of renewed 2020 BANs) during the year ended December 31, 2021; however, these BANs were renewed prior to the financial statements being issued and were treated as long-term liabilities.

O. Employee Benefits - Compensated Absences

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, as defined by contractual provisions.

The liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by December 31st.

P. Other Benefits

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

The District provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing pension benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording insurance premiums as expenditures in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

Q. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First 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 of certain program revenues and grant funding. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the district-wide financial statements, unavailable revenues are treated as revenues. The second item represents the District's proportionate share of changes in the collective net pension liability not included in the collective pension expense. The third item is related to OPEB and represents the change in total other postemployment benefits obligation not included in OPEB expense.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

R. Equity Classifications

District-Wide Statements

In the district-wide statements there are three classes of net position:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted – Reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory and prepaids, which are recorded in the general fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Retirement Contribution Reserve - Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account and transfers from reserves and other funds that may legally be appropriated. This reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve – Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday or vacation time due an employee upon termination of the employee's service. This reserve was established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Capital Reserve, General – Capital reserve general was established pursuant to section 6-c of the General Municipal Law of the State of New York. This reserve is a general reserve for improvements as defined by the District's engineers. This reserve is accounted for in the general fund.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Reserve, Water Tank – Capital reserve water tank was established pursuant to section 6-c of the General Municipal Law of the State of New York. This reserve is used for the maintenance of the District's water tanks. This reserve is accounted for in the general fund.

Restricted Debt Service – This represents interest and premiums earned on borrowings, unspent bond proceeds and grant amounts that are restricted for future debt service payments. These amounts are accounted for in the general fund.

Restricted Unspent Debt Proceeds – Unspent long-term debt proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Commissioners. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. Assigned fund balance also includes the following fund balance assignments:

Assigned for Future Debt Service - The balance represents an amount set aside to make future debt service payments on new serial bonds.

Assigned for Future Water Treatment – The balance represents an amount set aside for future water treatments for emerging contaminants.

Assigned for Upgrade of Wells - The balance represents an amount set aside for the upgrade of wells.

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from the overspending of available resources.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Commissioners if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Commissioners.

The Board of Commissioners shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) 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.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but statements that the District feels may have a future impact on these financial statements. The District will evaluate the impact of these pronouncements and implement them, as applicable, if material.

Effective for the Year Ending	Statement
December 31, 2022	GASB No. 87 - Leases

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN DISTRICT-WIDE STATEMENTS AND GOVERNMENTAL FUND STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the district-wide fund statements and the governmental statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the district-wide statements versus the current financial resources focus of the governmental funds Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Policies

Budgets are adopted annually on a basis consistent with GAAP. The District's procedures for establishing its budget are as follows:

- The District's administration prepares a proposed budget for the general fund and submits it to the Board of Commissioners for approval.
- The proposed budget for the general fund is then submitted to the Oyster Bay and Hempstead Town Boards for approval.
- Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.
- Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year, except for extenuating circumstances. Appropriations authorized for the current year can be funded by the planned use of specific reserves and can be increased by budget amendments as a result of new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them, because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additional appropriation for meter endpoints	\$ 427,000
Designation for future water treatment	272,010
Unanticipated expenditures for contract work funded by escrow deposits	<u>107,850</u>
	<u>\$ 806,860</u>

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- 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.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by letters of credit and collateral pledged by a third party financial institution on the District's behalf at year-end in the District's name.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material credit risk, interest rate risk or concentration of credit risk.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. INTERFUND TRANSACTIONS

Interfund balances and activity at December 31, 2021 are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,478,298	\$	\$ 4,240,098	\$ 509,015
Capital Projects Fund		2,478,298	509,015	4,240,098
Totals	<u>\$ 2,478,298</u>	<u>\$ 2,478,298</u>	<u>\$ 4,749,113</u>	<u>\$ 4,749,113</u>

Interfund receivables and payables are eliminated on the Statement of Net Position.

The transfer to the capital projects fund was to provide funding for capital improvement projects. The transfer to the general fund was to move capital grant funds earmarked to service the debt.

All interfund payables are expected to be repaid within one year.

7. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2021, were as follows:

	Beginning Balance*	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,531,845	\$	\$	\$ 2,531,845
Construction in progress	31,395,238	9,600,159	(6,884,654)	34,110,743
Total capital assets not being depreciated	<u>33,927,083</u>	<u>9,600,159</u>	<u>(6,884,654)</u>	<u>36,642,588</u>
Capital assets being depreciated:				
Buildings	252,371			252,371
Improvements other than buildings	49,120,721	5,954,734		55,075,455
Furniture and equipment	1,740,856	22,433		1,763,289
Infrastructure	15,712,081	945,073		16,657,154
Total capital assets being depreciated	<u>66,826,029</u>	<u>6,922,240</u>	<u>-</u>	<u>73,748,269</u>
Less: accumulated depreciation for:				
Buildings	243,320	647		243,967
Improvements other than buildings	20,354,703	2,010,607		22,365,310
Furniture and equipment	1,236,618	137,165		1,373,783
Infrastructure	6,688,375	182,686		6,871,061
Total accumulated depreciation	<u>28,523,016</u>	<u>2,331,105</u>	<u>-</u>	<u>30,854,121</u>
Total capital assets being depreciated, net	<u>38,303,013</u>	<u>4,591,135</u>	<u>-</u>	<u>42,894,148</u>
Capital assets, net	<u>\$ 72,230,096</u>	<u>\$ 14,191,294</u>	<u>\$ (6,884,654)</u>	<u>\$ 79,536,736</u>

* Certain reclassifications have been made to the previously reported balances.

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether or not impairment of a capital asset has occurred. The District's policy is to record an impairment

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At December 31, 2021, the District has not recorded any such impairment losses.

Depreciation expense was charged to Home and Community Services and allocated to the components of this function as follows:

Water administration	\$ 60,699
Source of supply, power and pumping	549,498
Purification	1,279,995
Transmission and distribution	<u>440,913</u>
	<u>\$ 2,331,105</u>

8. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits liabilities, are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt:					
Bond anticipation					
notes payable	\$ 23,700,000	\$ 5,000,000	\$ (231,667)	\$ 28,468,333	\$ 5,030,098
Bonds payable	19,805,000	689,000	(2,202,000)	18,292,000	1,462,000
Plus premiums on issuance		92,684	(11,034)	81,650	13,241
Total bonds payable, net	19,805,000	781,684	(2,213,034)	18,373,650	1,475,241
Other long-term liabilities:					
Compensated absences	334,231	165,060	(146,008)	353,283	14,938
	<u>\$ 43,839,231</u>	<u>\$ 5,946,744</u>	<u>\$ (2,590,709)</u>	<u>\$ 47,195,266</u>	<u>\$ 6,520,277</u>

The general fund is used to liquidate all long-term liabilities.

B. Bonds Anticipation Notes

The following is a summary of bond anticipation notes payable for the year ended December 31, 2021:

	Maturity	Stated Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance
BAN - 2020	3/12/2021	1.25 - 2.00%	\$ 23,700,000	\$	\$ (23,700,000)	\$
BAN - 2021	3/11/2022	2.00%		28,468,333		28,468,333
			<u>\$ 23,700,000</u>	<u>\$ 28,468,333</u>	<u>\$ (23,700,000)</u>	<u>\$ 28,468,333</u>

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Bonds Payable

The District conducts its long-term borrowing through participation in the Town of Oyster Bay bond issues. Details pertaining to the District's share of the long-term serial bonds outstanding at December 31, 2021 are summarized as follows:

Town	Issue Date	Final Maturity	Interest Rate	Outstanding at Year-End
Town of Oyster Bay	8/7/2014	8/1/2031	3.25-4.00%	\$ 6,550,000
Town of Oyster Bay	2/1/2018	2/1/2033	3.00-3.50%	3,205,000
Town of Oyster Bay	5/31/2018	2/1/2033	3.00-4.00%	7,450,000
Town of Oyster Bay	8/5/2020	11/1/2027	2.00-4.00%	398,000
Town of Oyster Bay	2/3/2021	3/1/2028	2.00-4.00%	689,000
				<u>\$ 18,292,000</u>

The following is a summary of debt service requirements of bonds payable:

<u>Year ending December 31,</u>	Principal	Interest	Total
2022	\$ 1,462,000	\$ 612,513	\$ 2,074,513
2023	1,513,000	565,654	2,078,654
2024	1,559,000	516,208	2,075,208
2025	1,603,000	465,314	2,068,314
2026	1,644,000	412,286	2,056,286
2027-2031	8,437,000	1,202,016	9,639,016
2032-2033	2,074,000	77,787	2,151,787
	<u>\$ 18,292,000</u>	<u>\$ 3,851,778</u>	<u>\$ 22,143,778</u>

D. Interest Expense

Interest on long-term debt for the year was comprised of:

Interest paid	\$ 1,076,617
Less: interest accrued in the prior year	(655,451)
Plus: interest accrued in the current year	714,395
Less: amortization of premium	<u>(11,034)</u>
Total expense	<u>\$ 1,124,527</u>

E. Unissued Debt

In November 2015, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$22,500,000 for improvements to the District's facilities. As of December 31, 2021, the District has issued \$5,033,250 in serial bonds and \$12,750,000 in BANs related to this authorization, and \$4,716,750 remains unissued.

In February 2020, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$66,858,000 for improvements to the District's facilities. As of December 31, 2021, the District has issued \$16,000,000 in BANs related to this authorization, and \$50,858,000 remains unissued.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Bond Refunding

On February 3, 2021, the District issued \$689,000 in general obligation bonds with an interest rate ranging from 2.0% to 4.0%. The net proceeds of \$774,952 (the par amount plus a premium of \$92,684 less underwriter's fees, insurance and other issuance costs of \$6,732) were used to refund outstanding 2014 public improvement serial bonds with an interest rate ranging from 3.0% to 4.0%. The net proceeds were used to pay \$765,000 of outstanding principal and \$9,952 of accrued interest. As a result, the liability for those bonds has been removed from the District's financial statements. None of the refunded bonds remained outstanding at December 31, 2021. The refunding decreased total debt service payments by \$89,884. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$84,277.

9. PENSION PLANS – NEW YORK STATE

A. Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple employer, public employee retirement system. The system provides retirement, disability, withdrawal, and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, 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 ERS 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 on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the ERS for the current

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

year. The District's average contribution rate was 14.6% of covered payroll for the ERS' fiscal year ending March 31, 2021.

The District's share of the required contributions, based on covered payroll for the District's year ended December 31, 2021, was \$253,726 at an average contribution rate of 17.12%.

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

At December 31, 2021, the District reported the following liability for its proportionate share of the net pension liability for the ERS. The net pension liability was measured as of March 31, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the system relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the District.

Measurement date	March 31, 2021
District's proportionate share of the net pension liability	\$ 4,320
District's portion of the Plan's total net pension liability	0.0043381%
Change in proportion since the prior measurement date	(0.0003147)

For the year ended December 31, 2021, the District recognized pension expense of \$103,887. At December 31, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,754	\$
Changes of assumptions	794,239	14,980
Net difference between projected and actual earnings on pension plan investments		1,240,849
Changes in proportion and differences between the District's contributions and proportionate share of contributions	46,590	35,161
District contributions subsequent to the measurement date	200,923	
Total	<u>\$ 1,094,506</u>	<u>\$ 1,290,990</u>

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ending, December 31	Amount
2022	\$ (69,139)
2023	(22,565)
2024	(66,128)
2025	(239,575)
	<u>\$ (397,407)</u>

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. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2021
Actuarial valuation date	April 1, 2020
Inflation	2.7%
Salary increases	4.4%
Investment rate of return (net of investment expense, including inflation)	5.9%
Cost of living adjustments	1.4%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2019 used April 1, 2010 - March 31, 2015 System experience, mortality improvements based on the Society of Actuaries Scale MP-2018, inflation of 2.5%, cost-of-living adjustments of 1.3%, salary increases of 4.5%, and investment rate of return of 6.8%.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2021
Asset type		
Domestic equity	32.0%	4.05%
International equity	15.0%	6.30%
Private equity	10.0%	6.75%
Real estate	9.0%	4.95%
Opportunistic/Absolute return strategy	3.0%	4.50%
Credit	4.0%	3.63%
Real assets	3.0%	5.95%
Fixed Income	23.0%	0.00%
Cash	1.0%	0.50%
	100.0%	

Real rates of return are net of a long-term inflation assumption of 2.0%.

Discount Rate

The discount rate used to measure the total pension liability was 5.90% (the discount rate used at the prior year's measurement date of March 31, 2020 was 6.80%). 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 the assumptions, the ERS' 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.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.90%, 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 percentage point lower (4.90%) or 1 percentage point higher (6.90%) than the current rate:

ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset (liability)	\$ (1,198,959)	\$ (4,320)	\$ 1,097,418

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date were as follows:

	<i>Dollars in Thousands</i>
Measurement date	March 31, 2021
Employers' total pension liability	\$ (220,680,157)
Plan fiduciary net position	<u>220,580,583</u>
Employers' net pension liability	<u>\$ (99,574)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	99.95%

Prepayments to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Annual payments are due February 1st. An employer can elect to prepay the amount due by December 15th to receive a 1% discount. The District paid the annual invoice in December. This resulted in a prepayment of \$66,975 for the period of January 1, 2022 through March 31, 2022. Employee contributions are remitted monthly.

10. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District provides other postemployment benefits for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in various contracts the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare benefits and Medicare Part B coverage for eligible retirees. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At January 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>14</u>
	<u>26</u>

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

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$10,069,251 was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2021. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% average, including inflation
Discount rate	2.06%
Healthcare cost trend rates	7.00% pre-65 and 5.0% post-65 for 2021, decreasing to an ultimate rate of 5.0% by 2025
Retirees' share of benefit-related costs	0.00% of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer's 20 Bond Index, updated as of December 31, 2021 to reflect current interest rate trends.

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

The demographic assumptions used for the valuation were based on the rates developed in the report, "Development of Recommended Actuarial Assumptions" for New York/SUNY GASB 45 Valuation prepared by the AON Hewitt dated August 2018.

C. Changes in the Total OPEB Liability

Balance at December 31, 2020	<u>\$ 7,835,273</u>
Changes for the year	
Service cost	399,246
Interest	203,264
Changes of benefit terms	266,795
Differences between expected and actual experience	1,633,627
Changes in assumptions or other inputs	(83,913)
Benefit payments	<u>(185,041)</u>
	<u>2,233,978</u>
Balance at December 31, 2021	<u>\$ 10,069,251</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.12% in 2020 to 2.06% in 2021.

The healthcare cost trend rates were updated from 6.50% to 5.00% by 2023 in 2020 to 7.00% to 5.00% by 2025 in 2021.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(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 (1.06%) or 1 percentage point higher (3.06%) than the current discount rate:

OPEB	1% Decrease 1.06%	Discount Rate 2.06%	1% Increase 3.06%
Total OPEB liability	<u>\$ (12,058,894)</u>	<u>\$ (10,069,251)</u>	<u>\$ (8,514,846)</u>

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 are 1 percentage point lower (6.00% decreasing to 4.00%) or 1 percentage point higher (8.00% decreasing to 6.00%) than the current healthcare cost trend rate:

OPEB	1% Decrease 6.00% decreasing to 4.00%	Healthcare Cost Trend Rates 7.00% decreasing to 5.00%	1% Increase 8.00% decreasing to 6.00%
Total OPEB liability	<u>\$ (8,389,006)</u>	<u>\$ (10,069,251)</u>	<u>\$ (12,283,298)</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the District recognized OPEB expense of \$1,297,685. At December 31, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,251,044	\$ 505,784
Changes of assumptions	<u>1,064,888</u>	<u>216,566</u>
Total	<u>\$ 2,315,932</u>	<u>\$ 722,350</u>

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 428,380
2023	555,535
2024	511,677
2025	<u>97,990</u>
	<u>\$ 1,593,582</u>

11. TAX ABATEMENT PROGRAMS

The District is subject to tax abatements (real property taxes) granted by the Town of Oyster Bay and administered by the Receiver of Taxes (ROT). This abatement program is designed to promote affordable senior citizen housing within the Town of Oyster Bay. Pursuant to Section 125 of the Private Housing Finance Law of the State of New York, a Town qualified project will be included into its privately financed affordable senior citizen housing program. This program provides property tax abatements of 100% of real property taxes for 25 years on qualified new capital improvements. During the term of the agreements, the benefiting entity must operate and maintain the property consistent with the terms of the agreement. As a general condition of providing assistance, the benefiting company enters into a 'payment in lieu of taxes' ("PILOT") agreement to offset the taxes abated. During 2021, the agreements the Town ratified resulted in an abatement of \$626,092 of the District's real property taxes and the PILOTs received totaled \$13,386.

The District is also subject to tax abatements granted by the Nassau County Industrial Development Agency ('NCIDA'), an entity created as a New York State public benefit corporation. The NCIDA was established by Code Section 922, which became Chapter 674 of the Laws of 1975. The NCIDA offers sound commerce and industry base to prevent unemployment. At December 31, 2021, only the real estate tax abatement program offered by NCIDA impacts the District's revenues. Generally, a qualified project is an applicant submitted project which meet certain economic development criteria (such as job creation/retention) and which either 1) has been or will be financed by the issuance of NCIDA bonds, notes or other evidences of indebtedness with respect thereto or 2) is a straight lease transaction which the NCIDA has determined to undertake pursuant to a Lease Policy. The NCIDA, as a condition of providing assistance, may require that the benefiting company remit a PILOT payment to offset the amount of taxes abated. During the year ended December 31, 2021, the agreements the NCIDA ratified resulted in an abatement of \$779,595 of the District's real property tax and the receipt of \$420,333 in PILOT payments.

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

13. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$250,000 has been appropriated to reduce taxes for the year ending December 31, 2022.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as restricted, assigned or unassigned fund balance. At December 31, 2021, the District encumbered the following amounts:

Restricted and unassigned fund balance	
Capital Projects Fund	
Capital projects	<u>\$ 9,460,661</u>
Assigned: Unappropriated Fund Balance	
General Fund	
Water administration	\$ 16,500
Transmission & distribution	<u>461,255</u>
	<u>\$ 477,755</u>

B. Operating Leases

The District leases various equipment under non-cancelable leases. Rental expense for the year was \$73,433. The minimum remaining operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 73,433
2023	73,433
2024	73,433
2025	<u>19,553</u>
	<u>\$ 239,852</u>

C. Litigation

The District is not aware of any material pending or threatened litigation claims against the District. The District is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

D. Coronavirus

On January 30, 2020, the World Health Organization declared coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of coronavirus include restrictions on travel, and quarantines in certain areas, and forced closure for certain types of public places and businesses. The coronavirus and actions taken globally and especially in New York State to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the District's financial position at this time, but does not believe it to be material.

BETHPAGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. SUBSEQUENT EVENTS

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

A. Bond Refunding

On May 11, 2022, the Town of Oyster Bay on behalf of the District issued \$5,553,100 in public improvement refunding (serial) bonds with an interest rate of 5.0%. The net proceeds (the par amount plus premium less underwriter's fees, insurance and other issuance costs) were used to refund outstanding 2014 public improvement serial bonds with interest rates ranging from 3.25% to 4.0%. The net proceeds were used to pay \$5,982,000 of outstanding principal. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$160,877.

B. Issuance of Bond Anticipation Notes

On March 10, 2022, the Town of Oyster Bay issued BANs on behalf of the District in the amount of \$35,388,235, which mature on March 9, 2023 and bear an interest rate of 3.00%. The proceeds of this BAN will be used to pay the BAN that matures March 11, 2022 along with \$5,030,098 of general fund appropriations. The BANs were issued to pay the costs of improvements to the District's facilities.

C. NAVY Settlement

The District sought recovery against the United States of America and the United States Department of the Navy and Northrop Grumman Systems Corporation and Northrop Grumman Corporation, in their capacities as prior owners and/or operators, of response costs incurred and to be incurred in connection with the disposal and release of hazardous substance(s) at or from the former Naval Weapons Industrial Reserve Plant and the former Northrop Grumman Bethpage Facility. Hazardous substance(s) released and disposed of at the sites during the time the defendants owned and/or operated the sites threaten public water supply wells owned and operated by the District. In April 2022, the District entered a consent judgment to receive \$49.0 million in damages and all other remedies, including but not limited to all necessary funds to reimburse the District for the costs of treating contaminated water to remove hazardous substances from its drinking water wells that emanate from the sites, and to ensure that the parties responsible for the drinking water contamination bear this expense, rather than the District and its ratepayers. In June 2022, the District received \$20.0 million of this consent judgment from the United States of America and the United States Department of the Navy. The District expects to receive the remaining \$29.0 million from Northrop Grumman Systems Corporation and Northrop Grumman Corporation in installments over the next few years.

BETHPAGE WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Required Supplementary Information
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Revenues				
Real property taxes	\$ 8,035,828	\$ 8,035,828	\$ 8,035,857	\$ 29
Real property tax items				
Other payments in lieu of taxes	395,000	395,000	666,330	271,330
Program revenues				
Metered sales	2,760,000	2,760,000	2,515,372	(244,628)
Unmetered sales - house repair	5,500	5,500		(5,500)
Unmetered sales - sprinkler & hydrant	111,790	111,790	202,889	91,099
Unmetered sales - 500F			2,761	2,761
Penalties on water sales	5,500	5,500	11,040	5,540
Construction water charges		107,850	107,850	
	2,882,790	2,990,640	2,839,912	(150,728)
Use of money & property				
Interest	74,400	74,400	85,599	11,199
Rental income	534,000	534,000	829,288	295,288
	608,400	608,400	914,887	306,487
Sale of property & compensation for loss				
Sales to contractors	9,500	9,500	26,897	17,397
Insurance recoveries			2,952	2,952
	9,500	9,500	29,849	20,349
Miscellaneous				
Refund of prior year expenditures			362,553	362,553
Miscellaneous	24,000	24,000	592,270	568,270
	24,000	24,000	954,823	930,823
Total Revenues	11,955,518	12,063,368	13,441,658	1,378,290
Other Financing Sources				
Transfer in			4,240,098	4,240,098
Total Revenues and Other Sources	11,955,518	12,063,368	17,681,756	\$ 5,618,388
Appropriated Fund Balance				
Prior Year's Surplus	250,000	677,000		
Prior Year's Encumbrances	91,346	91,346		
Restricted for debt service	40,000	312,010		
Total Revenues, Other Financing Sources and Appropriated Fund Balance	\$ 12,336,864	\$ 13,143,724		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

BETHPAGE WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

Required Supplementary Information
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
Expenditures					
Water administration					
Salaries	\$ 577,945	\$ 577,945	\$ 529,569	\$	\$ 48,376
Commissioners' fees	46,800	46,800	43,090		3,710
Equipment and vehicle	63,740	62,990			62,990
Office building maintenance	10,000	10,000	2,294		7,706
Office equipment maintenance	55,358	55,358	24,781		30,577
Auto - gasoline	4,680	4,680	2,041		2,639
Auto - repairs & maintenance	4,500	4,500	1,198		3,302
Telephone	40,428	40,428	38,064		2,364
Heat	8,000	8,000	4,566		3,434
Insurance - fire, auto & liability	150,000	150,000	149,167		833
Insurance - bonding	600	600	275		325
Stationery & office expenses	26,894	29,858	29,857		1
Postage	35,000	31,156	20,948		10,208
Engineering fees - retainer	10,800	12,000	12,000		
Engineering fees - other	199,800	168,755	148,994		19,761
Accounting fees	48,000	48,000	11,550	16,500	19,950
Audit fees	35,000	35,000	25,600		9,400
Legal fees	91,200	91,200	88,908		2,292
Notices & advertising	23,450	22,700	10,952		11,748
Education, dues & professional meetings	26,125	26,125	12,313		13,812
Election expenditure	2,250	3,130	3,130		
Other professional fees	150,200	287,895	287,895		
Easements	100,000	63,000			63,000
MTA tax liability	6,292	6,292	3,365		2,927
Miscellaneous		750	335		415
Total Water administration	1,717,062	1,787,162	1,450,892	16,500	319,770
Source of supply, power & pumping					
Salaries	161,013	171,503	171,503		
Operating equipment	26,000	26,000	350		25,650
Plant - repairs & maintenance - recurring	180,563	217,563	189,186		28,377
Grounds - repair & maintenance	27,100	27,100	20,743		6,357
Electric	934,000	881,561	782,894		98,667
Diesel	30,250	20,622	11,209		9,413
Heat	9,000	18,628	17,245		1,383
Water purchase	10,000	10,000	4,641		5,359
Auto - gasoline		3,500	1,821		1,679
Miscellaneous		52,260	52,260		
Total Source of supply, power & pumping	1,377,926	1,428,737	1,251,852	-	176,885
Purification					
Chemical treatment	695,775	967,785	664,794		302,991
Lab analysis	381,280	381,280	310,210		71,070
Auto - repairs & maintenance	2,000				
Auto - gasoline	4,500	4,500			4,500
Plant - repairs & maintenance - recurring	120,000	120,000	(7,732)		127,732
Total Purification	1,203,555	1,473,565	967,272	-	506,293
Transmission and distribution					
Salaries	1,064,695	1,052,788	767,892		284,896
Operating equipment	10,000	10,000	5,100		4,900
Meters	72,037	497,403	61,530	369,909	65,964
Mains, valves & hydrants	69,344	70,978	70,977		1

BETHPAGE WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

Required Supplementary Information
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
Transmission and distribution (Cont'd)					
Vehicles	\$ 146,446	\$ 146,446	\$ 4,798	\$ 91,346	\$ 50,302
House services - repairs & maintenance	24,000	24,000	13,215		10,785
Equipment - repairs & maintenance	5,000	1,858	139		1,719
Mains, valves & hydrants - repairs & maintenance	151,700	151,700	77,346		74,354
Meters - repairs & maintenance	3,265	3,265	1,097		2,168
Truck - gasoline	16,575	13,075	12,949		126
Truck - repairs & maintenance	26,100	32,171	21,913		10,258
Uniforms	8,450	9,867	9,861		6
Total Transmission and distribution	<u>1,597,612</u>	<u>2,013,551</u>	<u>1,046,817</u>	<u>461,255</u>	<u>505,479</u>
Employee benefits					
New York State retirement	297,923	297,923	253,726		44,197
Social security	141,560	141,560	109,111		32,449
Workers' compensation	142,607	142,607	37,139		105,468
Unemployment insurance	500	500			500
New York State disability	786	786	447		339
Medical insurance	710,503	710,503	543,873		166,630
Dental insurance	27,795	27,795	22,588		5,207
Employee life insurance	50,000	50,000			50,000
Supplemental insurance - AFLAC	27,227	27,227	25,563		1,664
Compensated absences	100,000	100,000			100,000
Total Employee benefits	<u>1,498,901</u>	<u>1,498,901</u>	<u>992,447</u>	<u>-</u>	<u>506,454</u>
Debt service					
Principal	2,173,667	2,173,667	1,668,667		505,000
Interest	1,134,141	1,134,141	1,066,665		67,476
Total Debt service	<u>3,307,808</u>	<u>3,307,808</u>	<u>2,735,332</u>	<u>-</u>	<u>572,476</u>
Total Expenditures	10,702,864	11,509,724	8,444,612	477,755	2,587,357
Other Financing Uses					
Operating transfers out	<u>1,634,000</u>	<u>1,634,000</u>	<u>509,015</u>		<u>1,124,985</u>
Total Expenditures & Other Uses	<u>\$ 12,336,864</u>	<u>\$ 13,143,724</u>	<u>8,953,627</u>	<u>\$ 477,755</u>	<u>\$ 3,712,342</u>
Net Change in Fund Balance			8,728,129		
Fund Balance - Beginning of Year			<u>17,169,672</u>		
Fund Balance - End of Year			<u>\$ 25,897,801</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

BETHPAGE WATER DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Required Supplementary Information
Last Seven Fiscal Years

	<i>Employees' Retirement System</i>						
	<u>2021*</u>	<u>2020*</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0043381%	0.0046528%	0.0048348%	0.0048135%	0.0047698%	0.0047230%	0.0051574%
District's proportionate share of the net pension liability	\$ 4,320	\$ 1,232,077	\$ 342,563	\$ 155,353	\$ 448,179	\$ 758,048	\$ 174,230
District's covered payroll	\$ 1,499,084	\$ 1,356,062	\$ 1,324,724	\$ 1,281,768	\$ 1,210,090	\$ 1,139,902	\$ 1,084,726
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.29 %	90.86 %	25.86 %	12.12 %	37.04 %	66.50 %	16.06 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

Note to Required Supplementary Information

* - The increase and reduction in the District's proportionate share of the net pension liability is mainly attributable to the decrease and increase in plan fiduciary net position, respectively due to investment losses and gains, respectively.

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

BETHPAGE WATER DISTRICT
Schedule of District Pension Contributions
Required Supplementary Information
Last Ten Fiscal Years

	<i>Employees' Retirement System</i>									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 253,726	\$ 209,546	\$ 203,110	\$ 196,672	\$ 188,154	\$ 182,990	\$ 201,982	\$ 232,787	\$ 233,691	\$ 205,673
Contributions in relation to the contractually required contribution	<u>253,726</u>	<u>209,546</u>	<u>203,110</u>	<u>196,672</u>	<u>188,154</u>	<u>182,990</u>	<u>201,982</u>	<u>232,787</u>	<u>233,691</u>	<u>205,673</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,482,037	\$ 1,508,683	\$ 1,372,361	\$ 1,334,075	\$ 1,245,037	\$ 1,201,864	\$ 1,161,528	\$ 1,081,679	\$ 1,136,047	\$ 1,087,336
Contributions as a percentage of covered payroll	17.12%	13.89%	14.80%	14.74%	15.11%	15.23%	17.39%	21.52%	20.57%	18.92%

BETHPAGE WATER DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Required Supplementary Information
Last Four Fiscal Years

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 399,246	\$ 315,057	\$ 220,991	\$ 277,233
Interest	203,264	188,734	214,781	228,332
Changes in benefit terms	266,795	-	-	-
Differences between expected and actual experience	1,633,627	-	(1,183,178)	-
Changes in assumptions or other inputs	(83,913)	814,586	1,374,581	(711,225)
Benefit payments	<u>(185,041)</u>	<u>(111,549)</u>	<u>(89,164)</u>	<u>(127,420)</u>
Net change in total OPEB liability	2,233,978	1,206,828	538,011	(333,080)
Total OPEB liability, beginning	<u>7,835,273</u>	<u>6,628,445</u>	<u>6,090,434</u>	<u>6,423,514</u>
Total OPEB liability, ending	<u><u>\$ 10,069,251</u></u>	<u><u>\$ 7,835,273</u></u>	<u><u>\$ 6,628,445</u></u>	<u><u>\$ 6,090,434</u></u>
Covered employee payroll	\$ 1,628,153	\$ 1,291,762	\$ 1,260,255	\$ 1,166,642
Total OPEB liability as a percentage of covered employee payroll	618.45%	606.56%	525.96%	522.05%
Discount rate	2.06%	2.12%	2.74%	4.10%
Healthcare trend rates	7.00 to 5.00% by 2025	6.50 to 5.00% by 2023	7.00 to 5.00% by 2023	8.00 to 5.00% by 2021

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

Note to Required Supplementary Information

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay the related benefits.

BETHPAGE WATER DISTRICT
SCHEDULE OF EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended December 31, 2021

		Expenditures				Unexpended Balance
		Adjusted Budget	Prior Years	Current Year Capital Outlay	Total	
13-09	BPWD Well Head Treatment Improve Plant 6 (Design)	\$ 21,151,363	\$ 16,714,365	\$ 3,073,650	\$ 19,788,015	\$ 1,363,348
15-54	North South Transmission Main	1,518,726	46,756	980,922	1,027,678	491,048
18-01	Plant 6 AOP	2,412,268	2,340,245		2,340,245	72,023
18-04	Plant #1 Nitrate Vessel Repair	116,810	63,693	19,899	83,592	33,218
18-06	BGD - 2 Well	1,555,750	1,418,523	137,227	1,555,750	
19-07	Plant BGD Interim AOP	7,946,012	7,118,259	626,036	7,744,295	201,717
19-09	Plant 5 AOP	1,951,585	1,838,742	81,272	1,920,014	31,571
3993	IMA Watermain Replacement	7,141,364	133,888	3,166,552	3,300,440	3,840,924
19-53A	Mill Page WM Replacement	1,211,097	1,196,635	3,565	1,200,200	10,897
20-02	New Garage @ Adams Ave	500,000	104,251		104,251	395,749
20-52	11th Street WM Replacement	381,010	23,500	357,510	381,010	
20-53	Coronet WM Replacement	560,228	557,670	2,558	560,228	
18-05	Plant 1 Package Booster	373,205		151,481	151,481	221,724
21-02	BGD Chemical Storage Container	15,500		8,835	8,835	6,665
21-03	BGD Temporary Generator (2021 set-up)	33,750		33,750	33,750	
21-05	Well House 7&8 - Roor Replacement	61,590		61,590	61,590	
21-07	Plant 1 AOP and Ion Exchange Treatment	4,473,917		723,245	723,245	3,750,672
21-50	Plant 6 New sidewalk @ Park Lane frontage	36,245		36,245	36,245	
	Fiscal Agent Fees			6,928	6,928	(6,928)
Grand Total		<u>\$ 51,440,420</u>	<u>\$ 31,556,527</u>	<u>\$ 9,471,265</u>	<u>\$ 41,027,792</u>	<u>\$ 10,412,628</u>

BETHPAGE WATER DISTRICT
SCHEDULE OF DEVELOPER DEPOSITS - RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 2021

	Balance 12/31/20	Cash Receipts	Cash Disbursements	Balance 12/31/21
PROJECT				
Car Wash 960 Stewart Avenue	\$ 497	\$	\$ 497	\$
Plainedge Baptist Church	4,115		4,115	
Chai Noon 114 Stewart Ave	7,675		7,675	
1040 Hicksville Road	46		46	
Steel Los - Dominion Freight Line	4,745		4,745	
Hero's Court	1,161		1,161	
The Seasons at Bethpage	41,512		41,512	
Steel O LLC - Dal Tile	5,800		5,800	
Bethpage Ice Skating	962		962	
CVS Stewart Ave	4,787		4,787	
Steel O LLC - Area B	5,566		5,566	
Sawmill Construction	5,000		5,000	
Rte 107 Medical Building	7,414		7,414	
ACLD	8,695		8,695	
114 Stewart Avenue	7,887		7,887	
648 Union Avenue, Lewis Construction	11,198		11,198	
Bolla Oper. Hydrant 100 Hicksville Road	5,010		5,010	
14-51 ACLD 857A SOB Rd	2,878			2,878
15-52 Steel G- Fedex Fright Building	3,350			3,350
15-53 NCPD 8th Precinct Building	225			225
16-51 NCPD Garage 8th Precinct	7,252			7,252
16-52 Quickcheck 3965 Hempstead Turnpike	4,220			4,220
17-51 ACLD Care Facility 857 SOB Rd	1,000			1,000
17-52 Zorns/Honda 4321 Hempstead Turnpike	17,988			17,988
18-13 Nassau Steel LLC 999 SOB Rd	8,446			8,446
18-15 Sterling Equities 999 Steward Ave	1,824			1,824
19-51 Fed-Ex WM Nassau Steel LLC	17,562			17,562
19-52 7/11 500 Hicksville Rd-Pathlan		14,000	6,193	7,807
20-54 N/G-RW1 Treatment Facility Svc Stub	5,000	8,800	8,878	4,922
20-51 Bristol Asst Living Facility Stewart Ave	21,517	89,400	92,779	18,138
	<u>\$ 213,332</u>	<u>\$ 112,200</u>	<u>\$ 229,920</u>	<u>\$ 95,612</u>