



**BETHPAGE WATER DISTRICT, NEW YORK**  
(A Component Unit of The Town of Oyster Bay)

ANNUAL FINANCIAL REPORT  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORT

December 31, 2025

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
TABLE OF CONTENTS  
December 31, 2025

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	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis (MD&amp;A)</b>	4
<b>Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Notes to Financial Statements	23
<b>Required Supplementary Information Other than MD&amp;A:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	51
Schedule of the District's Proportionate Share of the Net Pension (Asset) Liability	54
Schedule of District Pension Contributions	55
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	56
<b>Other Supplementary Information</b>	
Schedule of Expenditures - Capital Projects Fund	57
Schedule of Developer Deposits – Receipts and Disbursements	58
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	59-62



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

In our opinion, the 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, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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.

### ***Responsibilities of Management for the Financial Statements (continued)***

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 judgement, 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 Schedule of Expenditures – Capital Projects Fund and Schedule of Developer Deposits – Receipts and Disbursements 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 Schedule of Expenditures – Capital Projects Fund and Schedule of Developer Deposits – Receipts and Disbursements are 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 May 20, 2026, 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  
May 20, 2026

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2025 in comparison with the year ended December 31, 2024, 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 2025 fiscal year are as follows:

- The District's total ending net position of \$113,951,046, as reflected in the district-wide financial statements, increased by \$9,867,264. 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 \$77,126,306 at December 31, 2025. This balance represents an increase of \$6,066,078 over the prior year as follows:

Nonspendable fund balance increased by \$249,466 to \$739,883, which represents the changes in long-term receivables, inventory and prepaids.

The restricted fund balances decreased by \$46,831 to \$10,688,481. This decrease is primarily due to the District expending funds to overcoat a water tank and utilizing premiums on debt issuances earmarked to service debt. This decrease was offset by 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, premiums on debt issuances earmarked to service debt, and interest earnings on the reserves.

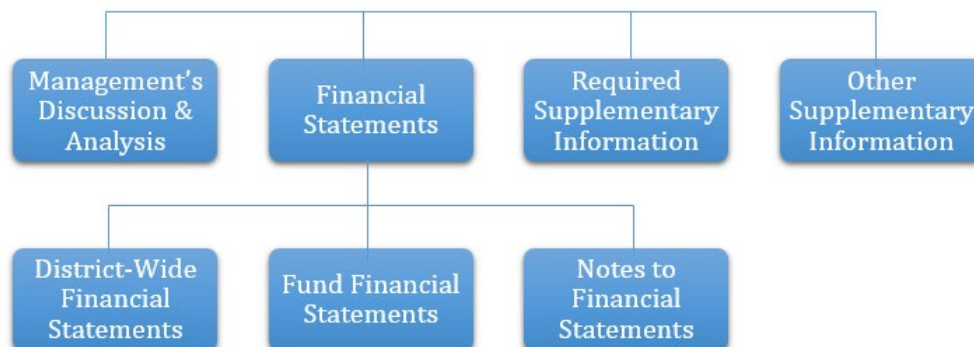
Assigned fund balances decreased over the prior year by \$419,882 to \$48,785,927.

Unassigned fund balance increased by \$6,283,325 to \$16,912,015.

- The District's 2025 property tax levy of \$9,604,216, as authorized by the Board, was a .43% increase over the 2024 levy. The District's property tax cap was 2.60%. The increase was needed to provide funding for water administration and employee benefits.

**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**  
(A Component Unit of The Town of Oyster Bay)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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**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**  
(A Component Unit of The Town of Oyster Bay)  
**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 two individual governmental funds: general fund and capital projects fund, both 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 \$9,867,264, from the net position of \$104,083,782 in 2024. 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 at December 31, 2025 and 2024 is as follows:

	2025	2024	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and other assets	\$ 89,894,815	\$ 86,182,838	\$ 3,711,977	4.31 %
Capital assets, net	100,398,419	89,066,732	11,331,687	12.72 %
Total Assets	<u>190,293,234</u>	<u>175,249,570</u>	<u>15,043,664</u>	8.58 %
<b>Deferred Outflows of Resources</b>	<u>598,820</u>	<u>1,167,080</u>	<u>(568,260)</u>	(48.69)%
<b>Liabilities</b>				
Current and other liabilities	16,245,618	7,633,104	8,612,514	112.83 %
Long-term liabilities	45,452,034	46,224,139	(772,105)	(1.67)%
Net pension liability - proportionate share	605,674	597,198	8,476	1.42 %
Total OPEB liability	<u>6,545,318</u>	<u>7,739,560</u>	<u>(1,194,242)</u>	(15.43)%
Total Liabilities	<u>68,848,644</u>	<u>62,194,001</u>	<u>6,654,643</u>	10.70 %
<b>Deferred Inflows of Resources</b>	<u>8,092,364</u>	<u>10,138,867</u>	<u>(2,046,503)</u>	(20.18)%
<b>Net Position</b>				
Net investment in capital assets	40,976,917	39,275,939	1,700,978	4.33 %
Restricted	10,688,481	10,735,312	(46,831)	(0.44)%
Unrestricted	<u>62,285,648</u>	<u>54,072,531</u>	<u>8,213,117</u>	15.19 %
Total Net Position	<u>\$ 113,951,046</u>	<u>\$ 104,083,782</u>	<u>\$ 9,867,264</u>	9.48 %

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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The increase in current and other assets is primarily due to increases in cash, offset by decreases in receivables. The increase in cash is related to interest earned on cash and investments and the District receiving settlement proceeds arising from contamination of public water wells by perfluorooctane sulfonate (PFOS), perfluorooctanoic acid (PFOA), and per- and polyfluoroalkyl substances (PFAS), and other contaminants identified. The decreases in accounts receivable were primarily related to decreases in the amount due from the Town of Oyster Bay as unspent debt proceeds were eliminated by capital outlays, and decreases in leases receivable due to principal payments received and the District determining that one lessee's future renewals were no longer reasonably certain.

The increase in capital assets, net is due to the 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 9 "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, as well as deferred amounts on refundings, all which will be amortized in future years.

The increase in current and other liabilities is primarily due to increases in the amount due to the Town of Oyster Bay, which is related to capital outlays in excess of available proceeds of debt.

The decrease in long-term liabilities is primarily the result of the repayment of the current maturity of bond and long-term bond anticipation indebtedness.

Net pension (asset) 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 11 "Pension Plans – New York State," provides additional information.

The total other postemployment benefits (OPEB) liability decreased over the prior year based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 12 "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 and resources related to the leases receivable that will be recognized as revenue 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.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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This balance as of December 31, 2025, is computed as follows:

Capital assets, net	\$ 100,398,419
Add:	
Deferred amount on refunding	64,362
Deduct:	
Accounts payable	(4,849,218)
Due to the Town of Oyster Bay	(8,703,892)
Retainage payable	(877,739)
Bond anticipation notes payable	(32,775,000)
Bonds payable, net of premiums	<u>(12,280,015)</u>
Net investment in capital assets	<u>\$ 40,976,917</u>

The restricted net position amounts relate to the District's reserves. This balance decreased from the prior year as a result of the District expending funds to overcoat a water tank and utilizing premiums on debt issuances earmarked to service debt. This decrease was offset by 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, premiums on debt issuances earmarked to service debt, and interest earnings on the reserves.

The unrestricted net position 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.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**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, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 3,076,627	\$ 3,173,359	\$ (96,732)	(3.05)%
Capital grants		3,000,000	(3,000,000)	(100.00)%
General revenues				
Real property taxes	9,594,973	9,562,852	32,121	0.34 %
Real property tax items	870,801	977,404	(106,603)	(10.91)%
Use of money and property	4,393,771	3,514,517	879,254	25.02 %
Other	2,857,175	489,148	2,368,027	484.11 %
Total Revenues	<u>20,793,347</u>	<u>20,717,280</u>	<u>76,067</u>	0.37 %
<b>Expenses</b>				
Program expenses				
Water administration	2,801,863	2,750,868	50,995	1.85 %
Source of supply, power and pumping	2,390,612	2,169,851	220,761	10.17 %
Purification	2,532,116	2,950,241	(418,125)	(14.17)%
Transmission and distribution	1,717,043	2,214,003	(496,960)	(22.45)%
Debt service - interest	1,484,449	1,835,826	(351,377)	(19.14)%
Total Expenses	<u>10,926,083</u>	<u>11,920,789</u>	<u>(994,706)</u>	(8.34)%
Total Change in Net Position	<u>\$ 9,867,264</u>	<u>\$ 8,796,491</u>	<u>\$ 1,070,773</u>	12.17 %

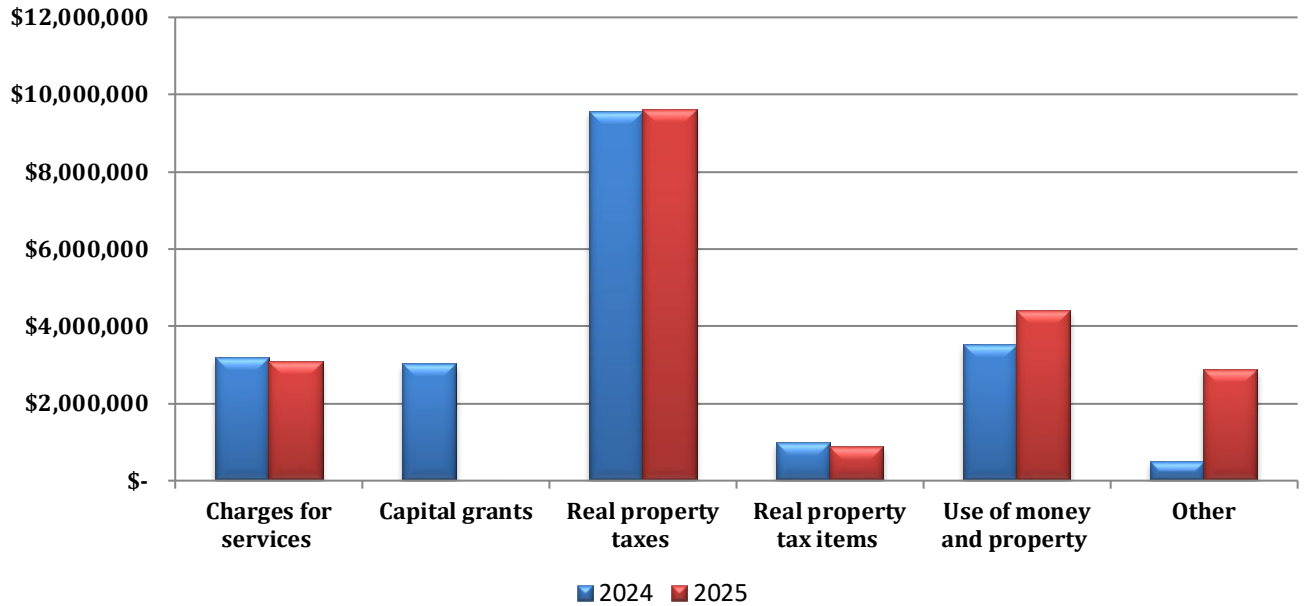
The District's net position increased by \$9,867,264 and \$8,796,491 for the years ended December 31, 2025 and December 31, 2024, respectively.

The net increase in total revenues in 2025 compared to 2024 was \$76,067. The increase is primarily due to the District recognizing increased interest earnings on cash and investments and the recognition of settlement proceeds offset by decreases in capital grants in relation to capital project expenditures incurred and a decrease in real property taxes.

The net decrease in expenses in 2025 as compared to 2024 was \$994,706, as shown above. This decrease is primarily due to a decrease in chemical treatment due to carbon replacements in 2024, decreases in employee benefits related to the net pension and OPEB liabilities, and decreases in debt service interest due to premiums related to a debt resizing. These decreases were offset by an increase in water administration due to class action legal fees incurred.

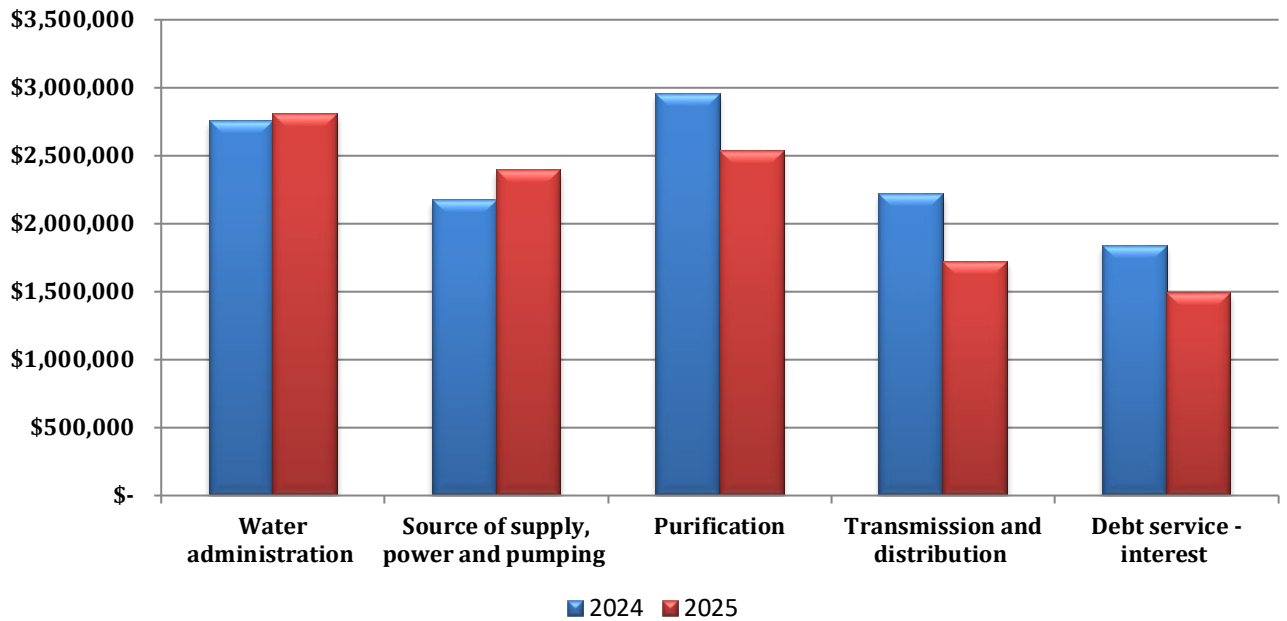
**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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
2024	15.32%	14.48%	46.16%	4.72%	16.96%	2.36%
2025	14.80%	0.00%	46.14%	4.19%	21.13%	13.74%

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
2024	23.08%	18.20%	24.75%	18.57%	15.40%
2025	25.64%	21.88%	23.17%	15.72%	13.59%

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**D. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As of December 31, 2025, the governmental funds reported a combined fund balance of \$67,149,613, a decrease of \$3,618,134 or 5.11% over the prior year. This decrease is due to an excess of expenditures and other financing uses over revenues and other financing sources 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:

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>General Fund</b>				
Nonspendable:				
Long-term receivable	\$ 255,374	\$ 59,150	\$ 196,224	331.74 %
Inventory	353,939	295,403	58,536	19.82 %
Prepays	130,570	135,864	(5,294)	(3.90)%
Restricted:				
Retirement contribution	233,520	232,863	657	0.28 %
Employee benefit accrued liability	378,140	377,076	1,064	0.28 %
Capital, general	150,930	150,506	424	0.28 %
Capital, water tank	9,765,662	9,717,472	48,190	0.50 %
Debt service	160,229	257,395	(97,166)	(37.75)%
Assigned:				
Appropriated	250,000	250,000	-	0.00 %
Other purposes	20,414	29,750	(9,336)	(31.38)%
Future debt service	6,301,613	6,712,159	(410,546)	(6.12)%
Future water treatment	1,552,990	1,552,990	-	0.00 %
Upgrade of wells	598,825	598,825	-	0.00 %
Easements	600,000	600,000	-	0.00 %
Water main replacement	1,790,985	1,790,985	-	0.00 %
Navy settlement	15,348,473	15,348,473	-	0.00 %
Northrop Grumman settlement	22,322,627	22,322,627	-	0.00 %
Unassigned: Fund balance	16,912,015	10,628,690	6,283,325	59.12 %
	<u>77,126,306</u>	<u>71,060,228</u>	<u>6,066,078</u>	8.54 %
<b>Capital Projects Fund</b>				
Unassigned: Fund balance	<u>(9,976,693)</u>	<u>(292,481)</u>	<u>(9,684,212)</u>	3,311.06 %
	<u>(9,976,693)</u>	<u>(292,481)</u>	<u>(9,684,212)</u>	3,311.06 %
Total Governmental Funds				
Fund Balance	<u>\$ 67,149,613</u>	<u>\$ 70,767,747</u>	<u>\$ (3,618,134)</u>	(5.11)%

**A. General Fund**

The net change in the general fund-fund balance is an increase of \$6,066,078, as revenues and other financing sources of \$20,245,403 exceeded expenditures and other financing uses of \$14,179,325, compared to an increase of \$3,384,771 in 2024.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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Revenues and other financing sources increased by \$2,629,026 or 14.92% over fiscal 2024 totals. This is due primarily to the District recognizing \$1,884,740 in other compensation for loss revenue in the current year and increases in investment earnings due to increases in cash and maturities of cash and investments.

Expenditures and other financing uses decreased \$52,281 or 0.37% over fiscal 2024 totals. This decrease was primarily due to decreases in transfers out to the capital projects fund and decreases in debt service payments offset by increases in water administration due to class action legal fees incurred.

The restricted fund balances decreased by \$46,831 over fiscal year 2024 totals. This decreased from the prior year as a result of the District expending funds to overcoat a water tank and utilizing premiums on debt issuances earmarked to service debt. This increase was offset by 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, premiums on debt issuances earmarked to service debt, and interest earnings on the reserves.

Assigned fund balance decreased \$419,882 over fiscal year 2024 totals, due to use of fund balance to fund the 2025 budget and decreases in encumbrances.

**B. Capital Projects Fund**

The capital projects fund is used to account for financial resources earmarked for specific capital projects. For 2025, the fund balance decreased due to expenditures of \$13,899,746, in excess of other financing sources of \$4,215,534.

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2025 Budget**

The District's general fund approved budget for 2025 by the Board of Commissioners was \$15,443,450, which represented a \$438,886 (2.93%) increase over the 2024 budget. This amount was increased by encumbrances carried forward from the prior year in the amount of \$29,750 and the appropriation of the use of the tank reserve of \$965,200 for a total final budget of \$16,438,400.

The final budget was primarily funded through real property taxes and program revenues of \$12,535,154.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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**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 2025 demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 10,628,690
Revenues Over Budget	5,806,834
Expenditures and Encumbrances Under Budget	2,238,661
Net Change in Nonspendable Fund Balance	(249,466)
Net Change in Restricted Fund Balance	(1,173,250)
Appropriated for the Budget	<u>(339,454)</u>
Closing, Unassigned Fund Balance	<u>\$ 16,912,015</u>

Opening, Unassigned Fund Balance

The \$10,628,690 shown in the table is the District's December 31, 2024 unassigned fund balance.

Revenues Over Budget

The 2025 final budget for revenues and other financing sources was \$14,438,569. Actual revenues and other financing sources recognized for the year were \$20,245,403. The excess of actual revenues and other financing sources over estimated or budgeted revenues was \$5,806,834. This was primarily due to the District's conservative budgeting of other payment in lieu of taxes, unanticipated investment earnings due to increases in cash and maturity of time deposits, and unanticipated settlement proceeds. 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 2025 final budget for expenditures and other financing uses was \$16,438,400. Actual expenditures and other financing uses for the year were \$14,179,325 and outstanding encumbrances were \$20,414. Combined, the expenditures and other financing uses plus encumbrances for 2025 were \$14,199,739. The final budget was under expended by \$2,238,661. The under expenditure of the budget was primarily related to transfers out for amounts received from communications companies for the rental of space on the District's water tanks that are earmarked to increase the water tank capital reserve fund balance, water administration, transmission and distribution and employee benefits. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Net Change in Nonspendable Fund Balance

The District has long-term receivables, maintains 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 decrease in nonspendable fund balance increases unassigned fund balance.

Net Change in Restricted Fund Balance

The \$1,173,250 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 (\$622,617), premiums earmarked to service debt (\$156,989), and interest earnings on restricted reserves (\$393,644). 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, 2025.

Appropriated Fund Balance

The District has chosen to use \$250,000 of the available December 31, 2025 unassigned fund balance to partially fund the 2026 approved operating budget and \$89,454 to fund 2026 debt service payments. As such, the December 31, 2025 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 2026 year with an unassigned fund balance of \$16,912,015. This is an increase of \$6,283,325 over the unassigned balance of the prior year.

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

**A. Capital Assets**

At December 31, 2025, 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:

	<u>2025</u>	<u>2024</u>	Increase (Decrease)
Land	\$ 2,531,845	\$ 2,531,845	\$ -
Construction in progress	29,772,551	19,660,418	10,112,133
Buildings	11,662	12,642	(980)
Improvements other than buildings	48,157,503	50,016,782	(1,859,279)
Furniture and equipment	707,790	537,994	169,796
Infrastructure	<u>19,217,068</u>	<u>16,307,051</u>	<u>2,910,017</u>
Capital assets, net	<u>\$ 100,398,419</u>	<u>\$ 89,066,732</u>	<u>\$ 11,331,687</u>

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The District's capital additions totaled \$14,527,782. The majority of the 2025 additions were related to the following projects:

- Plant 1 AOP and Ion Exchange Treatment
- Renovation of the Administration Building
- North South Transmission Main
- Water Main Replacements at Harrison and Sherman Avenues

Reductions to capital assets were due to depreciation of \$3,196,095.

**B. Debt Administration**

As of December 31, 2025, the District had \$32,775,000 in outstanding bond anticipation notes and \$11,911,100 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's needs to finance capital outlays. The decrease in the outstanding bonds was due to the payment of principal.

A summary of outstanding BANs and bonds at December 31, 2025 and 2024 is as follows:

	Final Maturity	Interest	2025	2024	Increase (Decrease)
<b>Bond anticipation notes</b>					
	2025	4.00%	\$	\$ 31,980,000	\$ (31,980,000)
	2026	4.00%	32,775,000		32,775,000
			<u>\$ 32,775,000</u>	<u>\$ 31,980,000</u>	<u>\$ 795,000</u>
<b>Bonds</b>					
	2033	3.00-3.50%	\$ 2,271,000	\$ 2,516,000	\$ (245,000)
	2033	3.00-4.00%	5,254,000	5,827,000	(573,000)
	2027	2.00-4.00%	143,000	210,000	(67,000)
	2028	2.00-4.00%	322,000	420,000	(98,000)
	2031	5.00%	3,921,100	4,474,900	(553,800)
			<u>\$ 11,911,100</u>	<u>\$ 13,447,900</u>	<u>\$ (1,536,800)</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, 2025, the District has issued \$5,033,250 in serial bonds and \$15,350,000 in BANs and premiums 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, 2025, the District issued \$27,350,000 in long term BANs through the Town to provide funding for the projects.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**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.

	2025	2024	Increase (Decrease)
Compensated absences payable	\$ 421,019	\$ 350,785	\$ 70,234
Net pension liability - proportionate share	605,674	597,198	8,476
Total OPEB liability	6,545,318	7,739,560	(1,194,242)
	\$ 7,572,011	\$ 8,687,543	\$ (1,115,532)

**G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The Board of Commissioners adopted the District's 2026 budget on September 18, 2025. The 2026 budget of \$16,036,986 represents a \$593,536 (3.84%) increase over the 2025 budget. This increase is primarily due to increases in water administration, purification, transmission and distribution and employee benefits. Estimated revenues other than property taxes increased by \$1,037,340 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. The real property tax levy was increased by \$64,634 (.67%).

**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 2.60% for 2026. The District' tax levy increase of .67% did not exceed the tax cap.

**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**  
(A Component Unit of The Town of Oyster Bay)  
**STATEMENT OF NET POSITION**  
December 31, 2025

**ASSETS**

Cash and investments	
Unrestricted	\$ 68,147,410
Restricted	10,688,481
Receivables	
Accounts receivable	1,885,110
Due from state and federal	750,000
Due from primary government	629,635
Leases receivable	7,309,670
Inventory	353,939
Prepays	130,570
Capital assets:	
Not being depreciated	32,304,396
Being depreciated, net of accumulated depreciation	68,094,023
Total Assets	190,293,234

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred amount on refunding	64,362
Pension	496,222
Other postemployment benefits	38,236
Total Deferred Outflows of Resources	598,820

**LIABILITIES**

Accounts payable	5,184,465
Accrued liabilities	1,286,358
Retainage payable	877,739
Bond anticipation notes payable	24,000
Due to other governments	8,703,892
Other liabilities	36,868
Developer deposits	132,296
Long-term liabilities	
Due within one year	
Bond anticipation notes payable	5,030,000
Bonds payable, net of premiums	1,662,239
Compensated absences payable	250,000
Total other postemployment benefits liability	283,628
Due after one year	
Bond anticipation notes payable	27,721,000
Bonds payable, net of premiums	10,617,776
Compensated absences payable	171,019
Total other postemployment benefits liability	6,261,690
Net pension liability - proportionate share	605,674
Total Liabilities	68,848,644

**DEFERRED INFLOWS OF RESOURCES**

Leases	6,601,709
Pension	85,988
Other postemployment benefits	1,404,667
Total Deferred Inflows of Resources	8,092,364

**NET POSITION**

Net investment in capital assets	40,976,917
Restricted	
Retirement contribution	233,520
Employee benefit accrued liability	378,140
Capital, general	150,930
Capital, water tank	9,765,662
Debt service	160,229
	10,688,481
Unrestricted	62,285,648
Total Net Position	\$ 113,951,046

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2025

**Governmental Activities**

**Program Expenses**

*Home and Community Services*

*Water Supply Services*

Water administration	\$ 2,801,863
Source of supply, power and pumping	2,390,612
Purification	2,532,116
Transmission and distribution	1,717,043
Debt service - interest	1,484,449
	10,926,083

Total Program Expenses 10,926,083

**Program Revenues**

Charges for services	3,076,627
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**Net Revenue (Expense)** (7,849,456)

**General Revenues**

Real property taxes	9,594,973
Real property tax items	870,801
Use of money and property	4,393,771
Sale of property and compensation for loss	2,699,686
Miscellaneous	157,489
	17,716,720

Total General Revenues 17,716,720

**Change in Net Position** 9,867,264

**Net Position - Beginning of Year** 104,083,782

**Net Position - End of Year** \$ 113,951,046

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
December 31, 2025

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments			
Unrestricted	\$ 67,920,234	\$ 227,176	\$ 68,147,410
Restricted	10,688,481		10,688,481
Receivables			
Accounts receivable	1,885,110		1,885,110
Due from other funds		3,373,241	3,373,241
Due from state and federal		750,000	750,000
Due from primary government	629,635		629,635
Leases receivable	7,309,670		7,309,670
Inventory	353,939		353,939
Prepays	130,570		130,570
Total Assets	<u>\$ 88,917,639</u>	<u>\$ 4,350,417</u>	<u>\$ 93,268,056</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 335,247	\$ 4,849,218	\$ 5,184,465
Accrued liabilities	28,474		28,474
Bond anticipation notes payable		24,000	24,000
Due to other funds	3,373,241		3,373,241
Due to other governments		8,703,892	8,703,892
Other liabilities	36,868		36,868
Developer deposits	132,296		132,296
Total Liabilities	<u>3,906,126</u>	<u>13,577,110</u>	<u>17,483,236</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	6,601,709		6,601,709
Unavailable revenues	1,283,498	750,000	2,033,498
Total Deferred Inflows of Resources	<u>7,885,207</u>	<u>750,000</u>	<u>8,635,207</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Long-term receivable	255,374		255,374
Inventory	353,939		353,939
Prepays	130,570		130,570
Restricted:			
Retirement contribution	233,520		233,520
Employee benefit accrued liability	378,140		378,140
Capital, general	150,930		150,930
Capital, water tank	9,765,662		9,765,662
Debt service	160,229		160,229
Assigned:			
Appropriated fund balance	250,000		250,000
Other purposes	20,414		20,414
Future debt service	6,301,613		6,301,613
Future water treatment	1,552,990		1,552,990
Upgrade of wells	598,825		598,825
Easements	600,000		600,000
Water main replacement	1,790,985		1,790,985
Navy settlement	15,348,473		15,348,473
Northrop Grumman settlement	22,322,627		22,322,627
Unassigned: Fund balance (deficit)	16,912,015	(9,976,693)	6,935,322
Total Fund Balances (Deficit)	<u>77,126,306</u>	<u>(9,976,693)</u>	<u>67,149,613</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 88,917,639</u>	<u>\$ 4,350,417</u>	<u>\$ 93,268,056</u>

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
December 31, 2025

Total fund balances of governmental funds \$ 67,149,613

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 useful lives. Balances at December 31, 2025 were:

Original cost of capital assets	\$ 139,983,848	
Less: Accumulated depreciation	<u>(39,585,429)</u>	
		100,398,419

Proportionate share of the net pension 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	496,222	
Net pension liability - employees' retirement system	(605,674)	
Deferred inflows of resources	<u>(85,988)</u>	
		(195,440)

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	38,236	
Total other postemployment benefits liability	(6,545,318)	
Deferred inflows of resources	<u>(1,404,667)</u>	
		(7,911,749)

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.

2,033,498

Deferred amount on refunding

64,362

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	(1,257,884)	
Retainage payable	(877,739)	
Bond anticipation notes payable	(32,751,000)	
Bonds payable, net	(12,280,015)	
Compensated absences	<u>(421,019)</u>	
		<u>(47,587,657)</u>

Net position of governmental activities \$ 113,951,046

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2025

	General	Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Real property taxes	\$ 9,594,973	\$	\$ 9,594,973
Real property tax items	870,801		870,801
Program revenues	3,054,667		3,054,667
Use of money and property	4,393,771		4,393,771
Sale of property and compensation for loss	1,952,702		1,952,702
Miscellaneous	157,489		157,489
	<u>20,024,403</u>		<u>20,024,403</u>
<b>Expenditures</b>			
<i>Home and Community Services</i>			
<i>Water Supply Services</i>			
Water administration	2,430,914		2,430,914
Source of supply, power and pumping	1,790,002		1,790,002
Purification	934,288		934,288
Transmission and distribution	1,091,275		1,091,275
Employee benefits	1,174,381		1,174,381
Debt service			
Principal	2,727,800		2,727,800
Interest	1,791,131		1,791,131
Capital outlay		13,899,746	13,899,746
	<u>11,939,791</u>	<u>13,899,746</u>	<u>25,839,537</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>8,084,612</u>	<u>(13,899,746)</u>	<u>(5,815,134)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from debt, net		1,962,000	1,962,000
Premium on obligations	221,000	14,000	235,000
Operating transfers in		2,239,534	2,239,534
Operating transfers (out)	(2,239,534)		(2,239,534)
	<u>(2,018,534)</u>	<u>4,215,534</u>	<u>2,197,000</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	6,066,078	(9,684,212)	(3,618,134)
Fund Balances (Deficit) - Beginning of Year	<u>71,060,228</u>	<u>(292,481)</u>	<u>70,767,747</u>
Fund Balances (Deficit) - End of Year	<u>\$ 77,126,306</u>	<u>\$ (9,976,693)</u>	<u>\$ 67,149,613</u>

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**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, 2025

Net change in fund balances		\$ (3,618,134)
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).	\$ 768,944	
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.	(283,141)	
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 a decrease in net position.		
Increase in compensated absences payable	(70,234)	415,569
<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	14,527,782	
Depreciation expense	(3,196,095)	11,331,687
<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.	(1,962,000)	
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.	2,727,800	
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.	76,539	
Deferred charges related to the issuance of refunding bonds are debt expenditures in the governmental funds and a deferred outflow of resources in the Statement of Net Position. Amortization of these deferred charges are an increase to interest expense in the Statement of Activities.	(10,727)	
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 decreased from December 31, 2024 to December 31, 2025.	5,870	837,482
<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	77,670	
Other postemployment benefits	822,990	900,660
Change in net position of governmental activities		\$ 9,867,264

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS

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**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 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**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**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.

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

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**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 1<sup>st</sup> and due in two installments of 50% on January 1<sup>st</sup> and July 1<sup>st</sup> without penalty to February 10<sup>th</sup> and August 10<sup>th</sup>, 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 31<sup>st</sup>, 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 receivable 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 \$268,906 in LIPA PILOT revenue during the year, which is included in real property tax items.

**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**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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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 amounts 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.

**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. Leases receivable**

Leases receivable are measured at the present value of lease payments expected to be received during the lease term.

**L. 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.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

**M. 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	30-50 years

**N. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net assets 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 three items that qualify for reporting in this category. The first item is related to amounts deferred on the refunding of debt. These amounts will be recognized in the district-wide Statement of Activities over the life of the refunded debt. The second 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 third item is related to OPEB and represents changes in total other postemployment benefits not included in OPEB expense.

**O. 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.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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The District issued \$32,775,000 in BANs (\$30,789,000 of renewed 2024 BANs) during the year ended December 31, 2025; however, \$32,751,000 of these BANs were renewed prior to the financial statements being issued and were treated as long-term liabilities.

**P. 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. 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 for compensated absences represents the sick time (“leave”/“leave days”) and salary related payments which have been earned for services previously rendered by employees in accordance with the District's various collective bargaining agreements, which accumulates and is allowed to be carried over to subsequent year(s) and is deemed more likely than not (by management) to be used for time off or otherwise paid/settled in the future. The liability is calculated based on each employees' rate of pay and the number of unused leave days accumulated as of year-end, management's assumption that the likelihood of future use (either by use during employment or settlement/payment upon separation from service) is probable, and the salary related payments are directly and incrementally associated with payments for the leave. The District utilizes historical data of past usage patterns to estimate the expected usage and payment of compensated absences. The liability for compensated absences is reflected in the government-wide financial statements as current and long-term liabilities. In the fund financial statements, only the compensated absences liability that has matured through employee resignation or retirement and is expected to be payable from expendable available financial resources is reported. 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.

**Q. 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.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**R. Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net assets 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 four items that qualify for reporting in this category. The first item is leases reported in the governmental funds and district-wide financial statements related to the long-term leases receivable for space that the District leases to third parties. Income will be recognized systematically over the terms of the lease agreements. Variable payments, if applicable, are recorded as an inflow of resources in the period the payment is received. Second 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, settlements 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 third item represents the District's proportionate share of changes in the collective net pension liability not included in the collective pension expense. The fourth item is related to OPEB and represents the change in total other postemployment benefits obligation not included in OPEB expense. More details on these four items are subsequently provided in these Notes to Financial Statements

**S. Equity Classifications**

1. 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.

2. 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 long-term receivables, 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:

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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*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.

*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.

*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.

*Assigned for Easements* - The balance represents an amount set aside for easements.

*Assigned for Water Main Replacement* - The balance represents an amount set aside for water main replacements.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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*Assigned for NAVY Settlement* - The balance represents settlement monies set aside for future costs incurred in connection with the disposal and release of hazardous substances at or from the former Naval Weapons Industrial Reserve Plant.

*Assigned for Northrop Grumman Settlement* - The balance represents settlement monies set aside for future costs incurred in connection with the disposal and release of hazardous substances at or from the former Northrop Grumman Bethpage Facility.

*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.

### 3. 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.

## 2. NEW ACCOUNTING PRONOUNCEMENT

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

## 3. FUTURE ACCOUNTING STANDARDS

The District has adopted all the current Statements of the GASB that are applicable. The following is not an all-inclusive list of GASB statements issued, but the statements that the District feels may have a future impact on these financial statements.

Statement No. 103, *Financial Reporting Model Improvements*, will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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and assessing a government's accountability. The requirements of this Statement are effective for the year ending December 31, 2026.

Statement No. 104, *Disclosure of Certain Capital Assets*, will provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for the year ending December 31, 2026.

Statement No. 105, *Subsequent Events*, will improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for the year ending December 31, 2027.

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

**4. 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.

1. 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.

2. 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**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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3. 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.

4. 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.

**5. 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.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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The following supplemental appropriations occurred during the year:

Prior year encumbrance carryforward for water administration	\$ 29,750
Additional appropriation for water tank project	<u>965,200</u>
	<u>\$ 994,950</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.

**6. 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.

The District also participates in the Cooperative Liquid Assets Securities System - New York (CLASS), a multi-municipal cooperative investment pool consisting of U.S. Treasury obligations, repurchase agreements relating to treasury obligations and bank deposits. CLASS was established as a cooperative investment arrangement organized under the CLASS Municipal Cooperation Agreement made pursuant to New York General Municipal Law, Article 3A and 5-G. The pool is overseen by an elected Governing Board. Public Trust Advisors, LLC, who is registered with the Securities and Exchange Commission, is the fund administrator. CLASS participants report their investments in the pool at fair value. The District's fair value of its position in the pool is the same as the value of pool shares. All CLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

CLASS is rated by S&P Global Ratings. The current rating is AAAM. The dollar weighted average days to maturity of CLASS at December 31, 2025, was 40.84 days and the weighted average life was 79.99 days. At December 31, 2025, the District's investment in CLASS totaled \$5,799,996.

Additional information concerning the cooperative is presented in the annual report of CLASS, which can be found on its website at <https://newyorkclass.org>.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**A. Custodial Credit Risk**

Custodial credit risk for deposits 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.

As of December 31, 2025, the District's aggregate bank balances totaled \$62,657,719. Of this amount, \$55,337,757 was covered by FDIC insurance or was collateralized by letters of credit and collateral pledged by a third-party financial institution on behalf of the District and in the District's name. The remaining \$7,319,962 was uncollateralized.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District investments held by third party custodians were not exposed to custodial credit risk.

**B. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. On December 31, 2025, all District investments mature within three years. The following table summarizes the District's interest rate risk, based on maturity dates of various investments:

	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-2	2-3
U.S. Government Securities	\$ 10,480,560	\$ 3,638,957	\$ 5,436,720	\$ 1,404,883

**C. Credit Risk**

Generally, credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The District's funds are invested in United States Government Securities (Treasury Notes and Bills), which are not subject to credit risk.

**D. Concentration of Credit Risk**

The District investment guidelines place no limit on the amount that the District may invest in any one issuer. As of December 31, 2025, the District was invested 100% in United States Government Securities issued by the United States Treasury.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**E. Investments**

Total District cash and investments at fair value are as follows:

Cash	\$ 68,355,331
Investments	<u>10,480,560</u>
Total cash and investments	<u>\$ 78,835,891</u>

The District's investments, measured and reported at fair value, are classified according to the following hierarchy in which the levels are based on the nature of inputs used to measure the fair value of the investment:

Level 1 – Investment fair values based on prices quoted or published in active markets for identical assets.

Level 2 – Investment fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted or published prices for identical assets in markets that are not considered to be active, and quoted or published prices of similar assets in active or inactive markets.

Level 3 – Investment fair values based on unobservable inputs.

The District has the following fair value measurements as of December 31, 2025:

	Fair Value Measurements		
	Level 1	Level 2	Level 3
U.S. Government Securities	\$ 10,480,560	\$	\$

Investment income is comprised of the following for the fiscal year ended December 31, 2025:

Interest earnings - cash and investments	\$ 3,039,508
Interest earnings - leases	234,448
Net increase in the fair value of investments	<u>497,198</u>
Total net investment income	<u>\$ 3,771,154</u>

The net increase in the fair value of investments takes into account all changes in fair value (realized and unrealized) that occurred during the year.

**7. LEASES RECEIVABLE**

The District has seven agreements to lease space on District water tanks to companies for their cellular antennas and equipment. As of December 31, 2025, the value of the lease receivable was \$7,309,670 and the deferred inflow of resources was \$6,601,709 in the government-wide and fund financial statements. All of the leases are noncancellable and the key estimates are (1) the discount rate it uses to discount the expected lease receipts, (2) lease-term and (3) lease receipts. The lessees are required to make monthly fixed payments based upon their individual agreements, which are subject to annual escalations ranging from 3.00% to 4.00%. These leases have discount rates ranging from 0.5520% to 3.8890%. In December 2025, the District determined that one lessee's future renewals were no longer reasonably certain, resulting in a reduction of leases receivable and the respective deferred inflows of resources of \$1,151,471. As of December 31, 2025, the remaining lease terms range from 17 to 220 months, inclusive of renewal options

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

for six of the seven agreements. For the year ended December 31, 2025, the District recognized lease revenue of \$622,606 and interest income of \$234,448.

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

The following is the amortization schedule for the leases receivable:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 452,586	\$ 189,173	\$ 641,759
2027	398,857	179,443	578,300
2028	389,070	169,218	558,288
2029	361,421	160,845	522,266
2030	386,830	152,491	539,321
2031-2035	2,346,928	611,581	2,958,509
2036-2040	2,194,460	308,028	2,502,488
2041-2043	779,518	31,400	810,918
	<u>\$ 7,309,670</u>	<u>\$ 1,802,179</u>	<u>\$ 9,111,849</u>

**8. INTERFUND TRANSACTIONS**

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

	<u>Interfund</u>			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$ 3,373,241		\$ 2,239,534
Capital Projects Fund	\$ 3,373,241		\$ 2,239,534	
Totals	<u>\$ 3,373,241</u>	<u>\$ 3,373,241</u>	<u>\$ 2,239,534</u>	<u>\$ 2,239,534</u>

Interfund receivables and payables are eliminated on the Statement of Net Position. All interfund payables are expected to be repaid within one year.

The transfer to the capital projects fund was to provide funding for capital improvement projects.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2025, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,531,845			\$ 2,531,845
Construction in progress	19,660,418	\$ 14,146,272	\$ (4,034,139)	29,772,551
Total capital assets not being depreciated	22,192,263	14,146,272	(4,034,139)	32,304,396
Capital assets being depreciated:				
Buildings	259,051			259,051
Improvements other than buildings	76,865,548	803,768		77,669,316
Furniture and equipment	2,091,266	321,973		2,413,239
Infrastructure	24,047,938	3,289,908		27,337,846
Total capital assets being depreciated	103,263,803	4,415,649	-	107,679,452
Less: accumulated depreciation for:				
Buildings	246,409	980		247,389
Improvements other than buildings	26,848,766	2,663,047		29,511,813
Furniture and equipment	1,553,272	152,177		1,705,449
Infrastructure	7,740,887	379,891		8,120,778
Total accumulated depreciation	36,389,334	3,196,095	-	39,585,429
Total capital assets being depreciated, net	66,874,469	1,219,554	-	68,094,023
Capital assets, net	\$ 89,066,732	\$ 15,365,826	\$ (4,034,139)	\$ 100,398,419

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 loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At December 31, 2025, the District has not recorded any such impairment losses.

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

Water administration	\$ 198,807
Source of supply, power and pumping	696,198
Purification	1,597,828
Transmission and distribution	703,262
	\$ 3,196,095

**10. INDEBTEDNESS**

**A. Changes**

The District issued and renewed \$32,775,000 in BANs during the year, which are full faith and credit debt

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

of the Town of Oyster Bay and bear an interest rate of 4.00%. Of the total issued and renewed, \$32,751,000 of these BANs were renewed prior to the financial statements being issued and are treated as long-term liabilities. The following is a summary of the short-term portion of bond anticipation notes payable for the year ended December 31, 2025:

	Maturity	Stated Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance
BAN - 2025	3/6/2026	4.00%	\$ -	\$ 24,000	\$ -	\$ 24,000

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	\$ 31,980,000	\$ 1,962,000	\$ (1,191,000)	\$ 32,751,000	\$ 5,030,000
Bonds payable	13,447,900		(1,536,800)	11,911,100	1,585,700
Plus premiums on issuance	445,454		(76,539)	368,915	76,539
Total bonds payable, net	13,893,354	-	(1,613,339)	12,280,015	1,662,239
Other long-term liabilities:					
Compensated absences	350,785	70,234		421,019	250,000
	\$ 46,224,139	\$ 2,032,234	\$ (2,804,339)	\$ 45,452,034	\$ 6,942,239

\* The change in the compensated absences liability is presented as a net change.

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

**B. Bond Anticipation Notes**

The following is a summary of bond anticipation notes payable for the year ended December 31, 2025:

	Maturity	Stated Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance
BAN - 2024	3/7/2025	4.00%	\$ 31,980,000		\$ (31,980,000)	
BAN - 2025	3/6/2026	4.00%		\$ 32,775,000		\$ 32,775,000
			\$ 31,980,000	\$ 32,775,000	\$ (31,980,000)	\$ 32,775,000

**Bonds Payable**

The District conducts its long-term borrowing through participation in the Town of Oyster Bay bond issues.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Details pertaining to the District's share of the long-term serial bonds outstanding at December 31, 2025 are summarized as follows:

Town	Original Issue Amount	Issue Date	Final Maturity	Interest Rate	Outstanding at Year-End
Town of Oyster Bay	\$ 3,766,312	2/1/2018	2/1/2033	3.00-3.50%	\$ 2,271,000
Town of Oyster Bay	8,888,250	5/31/2018	2/1/2033	3.00-4.00%	5,254,000
Town of Oyster Bay	457,000	8/5/2020	11/1/2027	2.00-4.00%	143,000
Town of Oyster Bay	689,000	2/3/2021	3/1/2028	2.00-4.00%	322,000
Town of Oyster Bay	5,553,100	5/11/2022	8/1/2031	5.00%	3,921,100
	<u>\$ 19,353,662</u>				<u>\$ 11,911,100</u>

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,585,700	\$ 451,364	\$ 2,037,064
2027	1,645,100	387,905	2,033,005
2028	1,641,400	322,082	1,963,482
2029	1,591,200	258,495	1,849,695
2030	1,654,500	194,599	1,849,099
2031-2033	3,793,200	205,415	3,998,615
	<u>\$ 11,911,100</u>	<u>\$ 1,819,860</u>	<u>\$ 13,730,960</u>

**C. Interest Expense**

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

Interest paid	\$ 1,791,131
Less: interest accrued in the prior year	(1,263,754)
Plus: interest accrued in the current year	1,257,884
Plus: amortization of deferred charges	10,727
Less: premium related to debt resizing	(235,000)
Less: amortization of premium	(76,539)
Total expense	<u>\$ 1,484,449</u>

**D. 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, 2025, the District has issued \$5,033,250 in serial bonds and \$15,350,000 in BANs and premiums related to this authorization, and \$2,116,750 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, 2025, the District has issued \$27,350,000 in BANs related to this authorization, and \$39,508,000 remains unissued.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**11. 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](http://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 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the ERS for the current year.

The District's share of the required contributions, based on covered payroll for the District's year ended December 31, 2025, was \$230,650 at an average contribution rate of 13.74%.

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

At December 31, 2025, 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, 2025. 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

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, 2025
District's proportionate share of the net pension (asset) liability	\$ 605,674
District's portion of the Plan's total net pension liability	0.0035325%
Change in proportion since the prior measurement date	(0.0005234)

For the year ended December 31, 2025, the District recognized pension expense of \$152,980. At December 31, 2025, 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	\$ 150,332	\$ 7,091
Changes of assumptions	25,401	
Net difference between projected and actual earnings on pension plan investments	47,519	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	92,842	78,897
District contributions subsequent to the measurement date	180,128	
Total	\$ 496,222	\$ 85,988

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending, December 31	Amount
2026	\$ 124,920
2027	160,235
2028	(55,370)
2029	321
	\$ 230,106

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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1. 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, 2025
Actuarial valuation date	April 1, 2024
Inflation	2.9%
Salary increases	4.3%
Investment rate of return (net of investment expense, including inflation)	5.9%
Cost of living adjustments	1.5%

Demographic assumptions used in the April 1, 2024 actuarial valuation are based on the results of an actuarial experience study completed April 1, 2020. Demographic assumptions are primarily based on System experience over the period April 1, 2015 – March 31, 2020. Annuitant mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries' Scale MP-2021.

To set the long-term expected rate of return on pension plan investments, consideration was given to a building-block method using best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) 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.

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

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Measurement date		March 31, 2025
Asset type		
Domestic equity	25.0%	3.54%
International equity	14.0%	6.57%
Private equity	15.0%	7.25%
Real estate	12.0%	4.95%
Opportunistic/Absolute return strategies	3.0%	5.25%
Credit	4.0%	5.40%
Real assets	4.0%	5.55%
Fixed Income	22.0%	2.00%
Cash	1.0%	0.25%
	<u>100.0%</u>	

Real rates of return are net of a long-term inflation assumption of 2.9%.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. 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, 2024 was the same). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. 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 (asset)/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	\$ 1,752,897	\$ 605,674	\$ (352,258)

4. 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, 2025
Employers' total pension liability	\$ (247,600,239)
Plan fiduciary net position	<u>230,454,512</u>
Employers' net pension liability	<u>\$ (17,145,727)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	93.08%

5. 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 1<sup>st</sup>. An employer can elect to prepay the amount due by December 15<sup>th</sup> to receive a 1% discount. The District paid the annual invoice in December. This resulted in a prepayment of \$60,043 for the period of January 1, 2026 through March 31, 2026. Employee contributions are remitted monthly.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**12. 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, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	13
Active employees	16
	29

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

**B. Total OPEB Liability**

The District’s total OPEB liability of \$6,545,318 was measured as of December 31, 2025, and was determined by an actuarial valuation as of January 1, 2025. 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:

Payroll growth rate	2.50%	
Salary increases	3.50%	average, including inflation
Discount rate	4.83%	
Healthcare cost trend rates	8.50%	pre-65 and 6.0% post-65 for 2025, decreasing to an ultimate rate of 4.5% by 2035 and later
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, 2025 to reflect current interest rate trends.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Mortality rates were based on the PUB-10 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 75 Valuation prepared by the AON Hewitt dated August 2022.

**C. Changes in the Total OPEB Liability**

Balance at December 31, 2024	\$ 7,739,560
Changes for the year	
Service cost	232,072
Interest	288,981
Changes of benefit terms	-
Differences between expected and actual experience	(982,033)
Changes in assumptions or other inputs	(490,371)
Benefit payments	(242,891)
	(1,194,242)
Balance at December 31, 2025	\$ 6,545,318

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

The healthcare cost trend rates were updated from 6.50% to 5.00% by 2027 in 2024 to 8.50% to 4.50% by 2035 in 2025.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.83%) or 1 percentage point higher (5.83%) than the current discount rate:

	1% Decrease 3.83%	Discount Rate 4.83%	1% Increase 5.83%
Total OPEB liability	\$ 7,510,944	\$ 6,545,318	\$ 5,765,752

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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 (7.50% decreasing to 3.50%) or 1 percentage point higher (9.50% decreasing to 5.50%) than the current healthcare cost trend rate:

	1% Decrease 7.50% decreasing to 3.50%	Healthcare Cost Trend Rates 8.50% decreasing to 4.50%	1% Increase 9.50% decreasing to 5.50%
<u>OPEB</u>			
Total OPEB liability	<u>\$ 5,750,076</u>	<u>\$ 6,545,318</u>	<u>\$ 7,531,493</u>

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

For the year ended December 31, 2025, the District recognized OPEB benefit of \$580,099. At December 31, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 740,934
Changes of assumptions	38,236	663,733
Total	\$ 38,236	\$ 1,404,667

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

Year Ending December 31,	Amount
2026	\$ (683,521)
2027	(394,747)
2028	(288,163)
	\$ (1,366,431)

**13. 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

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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general condition of providing assistance, the benefiting company enters into a 'payment in lieu of taxes' ("PILOT") agreement to offset the taxes abated. During 2025, the agreements the Town ratified resulted in an abatement of \$559,655 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 promotes sound commerce and industry base to prevent unemployment. At December 31, 2025, 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, 2025, the agreements the NCIDA ratified resulted in an abatement of \$1,288,335 of the District's real property tax and the receipt of \$588,509 in PILOT payments.

**14. 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.

**15. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$250,000 has been appropriated to reduce taxes for the year ending December 31, 2026.

**16. FUND DEFICIT**

The capital projects fund deficit resulted from differences in timing between project expenditures and the recognition of additional permanent financing sources. This deficit will be eliminated when long-term bonds or bond anticipation notes payable are issued to redeem temporary borrowings.

**17. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as restricted, assigned or unassigned fund balance. At December 31, 2025, the District encumbered the following amounts:

Unassigned fund balance	
Capital Projects Fund	
Capital projects	<u>\$ 3,717,457</u>
Assigned: Unappropriated Fund Balance	
General Fund	
Water administration	<u>\$ 20,414</u>
	<u>\$ 20,414</u>

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**B. 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.

PFAS Settlement

The District sought recovery for damages and/or other relief arising from contamination of public water wells by perfluorooctane sulfonate (PFOS), perfluorooctanoic acid (PFOA), and per-and polyfluoroalkyl substances (PFAS), and other contaminants identified to ensure that the parties responsible for the drinking water contamination bear this expense, rather than the District and its ratepayers. In 2025, the District's general fund recognized \$1,884,740 in other compensation for loss - settlement proceeds revenue, deferred inflows of resources of \$746,984 for amounts to be received in years 2026-2033, and legal fees related to the class action litigation of \$572,531, which were deducted from the proceeds. The District received \$1,884,740 of the total judgment before year end and will receive the remaining \$746,984 in varying installment amounts over the next eight years.

**18. 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. Issuances of Debt**

On March 5, 2026, the Town of Oyster Bay issued BANs on behalf of the District in the amount of \$42,654,750, which mature on March 5, 2027 and bear interest rates ranging from 3.75%- 4.00%. The proceeds of this BAN will be used to pay the BAN that matured March 6, 2026 along with \$4,712,000 of general fund appropriations and \$342,000 of premiums applied. The BANs were issued to pay the costs of improvements to the District's facilities.

On April 30, 2026, the Town of Oyster Bay refinanced \$89,811,430 of existing bonds into a new issuance with a principal value of \$82,430,000 and premium of \$7,381,430, saving nearly \$2.9 million over the next eight years. The new bonds will be paid down between 2027 and 2033 and bear an interest rate of 5%. The proceeds will be used to retire \$2,805,000 of Public Improvements Refunding (Serial) Bonds 2014 series A dated April 24, 2014, which mature on January 15 in the years 2027 through 2028, \$5,645,000 of Public Improvements (Serial) Bonds 2018 series A dated February 1, 2018, which mature on February 1 in the years 2027 through 2033, and \$80,190,000 of Public Improvements (Serial) Bonds 2018 series B dated May 31, 2018 which mature on February 1 in the years 2027 through 2033 (collectively, the Refunded Bonds).

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

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**B. PFAS Settlement**

On April 8, 2026, the District received notice of settlement of two additional PFAS class action litigation cases for the recovery of damages and/or other relief arising from contamination of public water wells. In 2026, the District will receive \$382,247 in other compensation for loss - settlement proceeds revenue related to these cases, net of legal fees for the class action litigation of \$83,330.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Required Supplementary Information  
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>Revenues</b>				
Real property taxes	\$ 9,604,216	\$ 9,604,216	\$ 9,594,973	\$ (9,243)
Real property tax items				
Other payments in lieu of taxes	600,000	600,000	870,801	270,801
Program revenues				
Metered sales	2,760,000	2,760,000	2,812,662	52,662
Unmetered sales - sprinkler & hydrant	165,438	165,438	149,520	(15,918)
Unmetered sales - 500F			2,533	2,533
Penalties on water sales	5,500	5,500	30,927	25,427
Construction water charges			59,025	59,025
	<u>2,930,938</u>	<u>2,930,938</u>	<u>3,054,667</u>	<u>123,729</u>
Use of money and property				
Interest	682,500	682,500	3,771,154	3,088,654
Rental income	584,415	584,415	622,617	38,202
	<u>1,266,915</u>	<u>1,266,915</u>	<u>4,393,771</u>	<u>3,126,856</u>
Sale of property and compensation for loss				
Sales to contractors	12,500	12,500	57,229	44,729
Sales of scrap and excess materials			859	859
Other compensation for loss			1,894,614	1,894,614
	<u>12,500</u>	<u>12,500</u>	<u>1,952,702</u>	<u>1,940,202</u>
Miscellaneous				
Miscellaneous	24,000	24,000	157,489	133,489
	<u>24,000</u>	<u>24,000</u>	<u>157,489</u>	<u>133,489</u>
Total Revenues	<u>14,438,569</u>	<u>14,438,569</u>	<u>\$ 20,024,403</u>	<u>\$ 5,585,834</u>
<b>Other Financing Sources</b>				
Premium on obligations			221,000	221,000
Total Revenues and Other Sources	<u>14,438,569</u>	<u>14,438,569</u>	<u>\$ 20,245,403</u>	<u>\$ 5,806,834</u>
<b>Appropriated Fund Balance</b>				
Prior year's surplus	250,000	250,000		
Prior year's encumbrances		29,750		
Use of tank reserve		965,200		
Assigned for debt service	500,000	500,000		
Restricted for debt service	254,881	254,881		
Total Revenues, Other Financing Sources and Appropriated Fund Balance	<u>\$ 15,443,450</u>	<u>\$ 16,438,400</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**  
(A Component Unit of The Town of Oyster Bay)  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)**  
Required Supplementary Information  
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
<b>Expenditures</b>					
Water administration					
Salaries	\$ 847,682	\$ 762,682	\$ 670,162	\$	\$ 92,520
Commissioners' fees	46,800	46,800	40,500		6,300
Equipment and vehicle	80,000	85,000	32,803		52,197
Office building maintenance	10,000	23,000	5,495		17,505
Office equipment maintenance	54,035	64,035	37,246		26,789
Auto - gasoline	5,200	5,200	4,674		526
Auto - repairs & maintenance	8,500	8,500	4,933		3,567
Telephone	54,615	79,615	74,139		5,476
Heat	10,000	10,000	5,911		4,089
Insurance - fire, auto & liability	197,000	227,000	222,047		4,953
Insurance - bonding	600	600			600
Stationery & office expenses	44,450	60,450	56,592		3,858
Postage	47,364	50,364	46,246		4,118
Engineering fees - retainer	15,000	15,000	12,000		3,000
Engineering fees - other	183,000	178,000	173,267		4,733
Accounting fees	35,000	94,750	53,288	20,414	21,048
Audit fees	35,000	55,000	34,127		20,873
Legal fees	103,500	628,500	622,681		5,819
Notices & advertising	28,500	53,500	21,216		32,284
Education, dues & professional meetings	27,205	32,205	29,131		3,074
Election expenditure	3,500	3,500	1,259		2,241
Other professional fees	343,376	391,376	279,715		111,661
Easements	250,000	55,000	415		54,585
MTA tax liability	7,568	7,568	3,027		4,541
Miscellaneous	2,200	2,200	40		2,160
Total Water administration	<u>2,440,095</u>	<u>2,939,845</u>	<u>2,430,914</u>	<u>20,414</u>	<u>488,517</u>
Source of supply, power & pumping					
Salaries	162,000	432,000	430,304		1,696
Operating equipment	26,000	210,000	188,819		21,181
Plant - repairs & maintenance - recurring	251,959	101,959	60,108		41,851
Grounds - repair & maintenance	63,310	71,310	41,952		29,358
Electric	955,800	1,020,800	1,017,633		3,167
Diesel	40,000	25,000	16,937		8,063
Heat	24,400	30,400	25,951		4,449
Water purchase	10,000	10,000	5,235		4,765
Auto - gasoline		5,000	3,063		1,937
Total Source of supply, power & pumping	<u>1,533,469</u>	<u>1,906,469</u>	<u>1,790,002</u>	<u>-</u>	<u>116,467</u>
Purification					
Chemical treatment	1,053,801	603,801	577,753		26,048
Lab analysis	450,000	377,000	277,204		99,796
Auto - repairs & maintenance	2,000	2,000			2,000
Auto - gasoline	4,500	4,500			4,500
Plant - repairs & maintenance - recurring		130,000	79,331		50,669
Total Purification	<u>1,510,301</u>	<u>1,117,301</u>	<u>934,288</u>	<u>-</u>	<u>183,013</u>
Transmission and distribution					
Salaries	1,169,349	841,148	606,322		234,826
Operating equipment	12,500	12,500	1,385		11,115
Meters	187,537	122,537	72,897		49,640
Mains, valves & hydrants	95,800	45,800	41,603		4,197

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)**  
Required Supplementary Information  
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
Transmission and distribution (Cont'd)					
Vehicles	195,000	240,000	178,537		61,463
House services - repairs & maintenance	45,500	15,500			15,500
Equipment - repairs & maintenance	7,500	7,500			7,500
Mains, valves & hydrants - repairs & maintenance	95,000	150,000	147,102		2,898
Meters - repairs & maintenance	4,500	4,500			4,500
Truck - gasoline	23,450	23,450	12,342		11,108
Truck - repairs & maintenance	39,250	29,250	24,019		5,231
Uniforms	14,450	14,450	6,924		7,526
Miscellaneous	1,000	1,000	144		856
Total Transmission and distribution	<u>1,890,836</u>	<u>1,507,635</u>	<u>1,091,275</u>	-	<u>416,360</u>
Employee benefits					
New York State retirement	325,000	325,000	230,650		94,350
Social security	170,276	170,276	126,223		44,053
Workers' compensation	73,279	48,279	31,928		16,351
Unemployment insurance	500	500			500
New York State disability	786	786	320		466
Medical insurance	1,086,140	891,140	730,087		161,053
Dental and optical insurance	36,707	36,707	26,052		10,655
Supplemental insurance - AFLAC	43,715	38,715	29,121		9,594
Compensated absences	100,000	45,000			45,000
Total Employee benefits	<u>1,836,403</u>	<u>1,556,403</u>	<u>1,174,381</u>	-	<u>382,022</u>
Debt service					
Principal	2,756,800	2,756,800	2,727,800		29,000
Interest	1,791,131	1,791,131	1,791,131		
Total Debt service	<u>4,547,931</u>	<u>4,547,931</u>	<u>4,518,931</u>	-	<u>29,000</u>
Total Expenditures	13,759,035	13,575,584	11,939,791	20,414	1,615,379
<b>Other Financing Uses</b>					
Operating transfers out	1,684,415	2,862,816	2,239,534		623,282
Total Expenditures & Other Uses	<u>\$ 15,443,450</u>	<u>\$ 16,438,400</u>	<u>14,179,325</u>	<u>\$ 20,414</u>	<u>\$ 2,238,661</u>
Net Change in Fund Balance			6,066,078		
Fund Balance - Beginning of Year			<u>71,060,228</u>		
Fund Balance - End of Year			<u>\$ 77,126,306</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**  
(A Component Unit of The Town of Oyster Bay)  
**Schedule of the District's Proportionate Share of the Net Pension (Asset)/Liability**  
Required Supplementary Information  
Last Ten Fiscal Years

*Employees' Retirement System*

	2025*	2024*	2023*	2022*	2021*	2020*	2019	2018	2017	2016
District's proportion of the net pension (asset) liability	0.0035325%	0.0040559%	0.0045532%	0.0045231%	0.0043381%	0.0046528%	0.0048348%	0.0048135%	0.0047698%	0.0047230%
District's proportionate share of the net pension (asset) liability	\$ 605,674	\$ 597,198	\$ 976,396	\$ (369,744)	\$ 4,320	\$ 1,232,077	\$ 342,563	\$ 155,353	\$ 448,179	\$ 758,048
District's covered payroll	\$ 1,358,517	\$ 1,223,147	\$ 1,443,690	\$ 1,539,667	\$ 1,499,084	\$ 1,356,062	\$ 1,324,724	\$ 1,281,768	\$ 1,210,090	\$ 1,139,902
District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	44.58 %	48.82 %	67.63 %	(24.01)%	0.29 %	90.86 %	25.86 %	12.12 %	37.04 %	66.50 %
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%
Discount rate	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%

**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.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**Schedule of District Pension Contributions**  
Required Supplementary Information  
Last Ten Fiscal Years

*Employees' Retirement System*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 230,650	\$ 203,652	\$ 222,896	\$ 213,945	\$ 253,726	\$ 209,546	\$ 203,110	\$ 196,672	\$ 188,154	\$ 182,990
Contributions in relation to the contractually required contribution	<u>230,650</u>	<u>203,652</u>	<u>222,896</u>	<u>213,945</u>	<u>253,726</u>	<u>209,546</u>	<u>203,110</u>	<u>196,672</u>	<u>188,154</u>	<u>182,990</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	\$ 1,678,735	\$ 1,244,332	\$ 1,374,463	\$ 1,427,161	\$ 1,482,037	\$ 1,508,683	\$ 1,372,361	\$ 1,334,075	\$ 1,245,037	\$ 1,201,864
Contributions as a percentage of covered payroll	13.74%	16.37%	16.22%	14.99%	17.12%	13.89%	14.80%	14.74%	15.11%	15.23%

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**  
Required Supplementary Information  
Last Eight Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 232,072	\$ 189,683	\$ 166,208	\$ 424,611	\$ 399,246	\$ 315,057	\$ 220,991	\$ 277,233
Interest	288,981	280,944	290,909	213,837	203,264	188,734	214,781	228,332
Changes in benefit terms	-	-	-	-	266,795	-	-	-
Differences between expected and actual experience	(982,033)	-	(497,492)	-	1,633,627	-	(1,183,178)	-
Changes in assumptions or other inputs	(490,371)	(1,013,737)	857,590	(2,467,852)	(83,913)	814,586	1,374,581	(711,225)
Benefit payments	(242,891)	(288,831)	(257,524)	(228,037)	(185,041)	(111,549)	(89,164)	(127,420)
Net change in total OPEB liability	(1,194,242)	(831,941)	559,691	(2,057,441)	2,233,978	1,206,828	538,011	(333,080)
Total OPEB liability, beginning	7,739,560	8,571,501	8,011,810	10,069,251	7,835,273	6,628,445	6,090,434	6,423,514
Total OPEB liability, ending	<u>\$ 6,545,318</u>	<u>\$ 7,739,560</u>	<u>\$ 8,571,501</u>	<u>\$ 8,011,810</u>	<u>\$ 10,069,251</u>	<u>\$ 7,835,273</u>	<u>\$ 6,628,445</u>	<u>\$ 6,090,434</u>
Covered employee payroll	\$ 2,038,273	\$ 1,486,989	\$ 1,456,470	\$ 1,668,856	\$ 1,628,153	\$ 1,291,762	\$ 1,260,255	\$ 1,166,642
Total OPEB liability as a percentage of covered employee payroll	321.12%	520.49%	588.51%	480.08%	618.45%	606.56%	525.96%	522.05%
Discount rate	4.83%	4.08%	3.26%	3.72%	2.06%	2.12%	2.74%	4.10%
Healthcare trend rates	8.5 to 4.50% by 2035	6.5 to 5.00% by 2027	7.0 to 5.00% by 2027	6.5 to 5.00% by 2025	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.

In 2021, plan benefits changed to include a cancer indemnity plan that is entirely paid for by the District.

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**SCHEDULE OF EXPENDITURES - CAPITAL PROJECTS FUND**  
Other Supplementary Information  
For the Year Ended December 31, 2025

		Expenditures				
		Adjusted Budget	Prior Years	Current Year Capital Outlay	Total	Unexpended Balance
15-54	North South Transmission Main	\$ 5,609,187	\$ 1,804,613	\$ 3,550,360	\$ 5,354,973	\$ 254,214
21-05	Well House 7 & 8	795,390	680,829	114,561	795,390	-
21-07	Plant 1 AOP and Ion Exchange Treatment	20,299,343	10,522,415	6,922,857	17,445,272	2,854,071
23-01	Renovation of Administration Building	5,141,949	3,201,572	1,739,999	4,941,571	200,378
23-51	Water Main Replacement Harrison Avenue	1,269,825	1,010,036	259,789	1,269,825	
23-52	Water Main Replacement Sherman Avenue	2,100,000	1,846,355	114,581	1,960,936	139,064
25-01	Exterior Overcoat of Adams Elevated Storage Tank	1,133,640		965,198	965,198	168,442
25-51	Water Main Replacement Marginal Road	53,000		53,000	53,000	
25-52	Water Main Replacement Barnum Avenue	115,700		45,610	45,610	70,090
25-53	Water Main Replacement Dennis Lane and Elizabeth Drive	149,800		47,400	47,400	102,400
25-54	Water Main Replacement Elm Street	107,100		41,787	41,787	65,313
	Fiscal Agent Fees and Other			44,604	44,604	(44,604)
<b>Grand Total</b>		<b>\$ 36,774,934</b>	<b>\$ 19,065,820</b>	<b>\$ 13,899,746</b>	<b>\$ 32,965,566</b>	<b>\$ 3,809,368</b>

**BETHPAGE WATER DISTRICT**  
(A Component Unit of The Town of Oyster Bay)  
**SCHEDULE OF DEVELOPER DEPOSITS - RECEIPTS AND DISBURSEMENTS**  
Other Supplementary Information  
For the Year Ended December 31, 2025

	Balance 12/31/24	Cash Receipts	Cash Disbursements	Balance 12/31/25
<b>PROJECT</b>				
14-51 ACLD 857A SOB Rd	\$ 2,878	\$	\$	\$ 2,878
15-52 Steel G- FedEx Freight 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 Zorn's/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 FedEx WM Nassau Steel LLC	17,562			17,562
19-52 7/11 500 Hicksville Rd-Pathlan	1,989			1,989
20-51 Bristol Asst Living Facility Stewart Ave	16,338			16,338
20-54 N/G-RW1 Treatment Facility Svc Stub	1,065			1,065
23-53 11 Union Ave Service Stub	25	87,750	59,025	28,750
24-50 11 401 Hicksville Road	800	11,688		12,488
24-51 272 Broadway Service Stub	6,921			6,921
	<u>\$ 91,883</u>	<u>\$ 99,438</u>	<u>\$ 59,025</u>	<u>\$ 132,296</u>



**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Bethpage Water District, New York (the "District"), a component unit of the Town of Oyster Bay, New York, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 20, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questions costs as item 2025-001.

## **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies LLP**

Hauppauge, New York

May 20, 2026

**Bethpage Water District, New York**  
(A Component Unit of The Town of Oyster Bay)  
Schedule of Findings and Questioned Costs  
December 31, 2025

2025 -001 **Custodial Credit Risk**

**Criteria**

Governmental entities are responsible for safeguarding public funds and minimizing custodial credit risk associated with deposits and investments. Sound financial management practices and applicable state regulations typically require deposits in excess of FDIC coverage to be adequately collateralized.

**Condition**

As of December 31, 2025, the District maintained aggregate bank balances totaling \$62,657,719. Of this amount, \$55,337,757 was either covered by FDIC insurance or collateralized by letters of credit and securities pledged by a third-party financial institution in the District's name. The remaining \$7,319,962 was uninsured and uncollateralized, exposing the District to custodial credit risk.

**Cause**

The District did not maintain sufficient collateral coverage over all bank balances held at year-end.

**Effect**

In the event of a financial institution failure, the District could incur losses related to uninsured and uncollateralized deposits totaling \$7,319,962. This exposure increases the risk of loss of public funds and may negatively impact the District's financial position.

**Recommendation**

We recommend the District strengthen its monitoring procedures over collateralized deposits to ensure that all balances exceeding FDIC insurance limits are fully secured in accordance with District policy and applicable regulatory requirements.

**Bethpage Water District, New York**  
(A Component Unit of The Town of Oyster Bay)  
Schedule of Findings and Questioned Costs  
December 31, 2025

**2025 -001 Custodial Credit Risk**

**Views of Responsible Officials**

The District has been investing money in high interest Federal Treasury funds to offset the cost of construction due to on-going water contamination issues. When a portion of the invested funds matured at the end of 2025, the District held off on immediately re-investing the funds until they evaluated options on future construction projects and/or paying down outstanding debt. The funds were held in a cash sweep account, which the district found was only partially insured with FDIC and exposed to risk. The District reinvested the cash sweep account funds in January 2026 in Federal Treasury funds which are backed by the Federal government. In the future to mitigate any risk of exposure, the Board of Commissioners will be presented with the renewal notices at a regular public meeting to be reviewed, acknowledged and read into the minutes. The handling of the funds will be voted on at a regular public board meeting via resolution 30 days in advance of each date of renewal if applicable.