



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, 2024

BETHPAGE WATER DISTRICT
(A Component Unit of The Town of Oyster Bay)
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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Bethpage Water District, New York (the "District"), a component unit of the Town of Oyster Bay, New York, as of and for the year ended December 31, 2024, 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, 2024, 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.

Change in Accounting Policy

We draw attention to Note 2 in the notes to financial statements which disclose the effects of the District's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 101, "*Compensated Absences*". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 Districts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 June 2, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Hauppauge, New York

June 2, 2025

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

The Bethpage Water District's (District) discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2024 in comparison with the year ended December 31, 2023, 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 2024 fiscal year are as follows:

- The District's total ending net position of \$104,083,782, as reflected in the district-wide financial statements, increased by \$8,796,491. 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 \$71,060,228 at December 31, 2024. This balance represents an increase of \$3,384,771 over the prior year as follows:

Nonspendable fund balance decreased by \$176,896 to \$490,417, which represents the changes in long-term receivables, inventory and prepaids.

The restricted fund balances increased by \$739,430 to \$10,735,312. This increase is primarily due to the District receiving amounts from communication companies for the rental of space on the District's water towers that is allocated to future water tank repairs, premiums on debt issuances earmarked to service debt, and interest earnings on the reserves. This increase was offset by the District utilizing premiums on debt issuances earmarked to service debt.

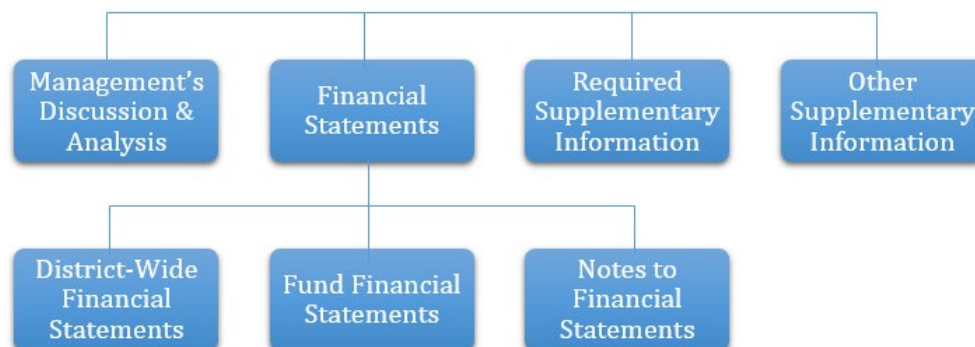
Assigned fund balances increased over the prior year by \$5,295 to \$49,205,809.

Unassigned fund balance increased by \$2,816,942 to \$10,628,690.

- The District implemented the Governmental Accounting Standards Board (GASB) Statement No. 101 (GASB 101), *Compensated Absences*.
- The District's 2024 property tax levy of \$9,562,849, as authorized by the Board, was a 1.19% decrease over the 2023 levy. The District's property tax cap was 2.60%. The increase was needed to provide funding for employee benefits and debt service.

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)

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 \$8,796,491, from the restated beginning net position of \$95,287,291 in 2024. The increase is due to revenues in excess of expenses using the economic resources measurement focus and the accrual basis of accounting. For the year ended December 31, 2024, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 101 (GASB 101), *Compensated Absences*. In accordance with GASB 101, the District recognizes as part of the compensated absences liability, the estimated amount of unused leave earned as of year-end that can be used by employees as time off in future years in addition to the value of unused leave time owed to employees upon separation from employment. As a result, the District reported a cumulative effect of a change in accounting principle of \$(53,377) to the 2024 beginning net position, as previously reported for governmental activities. A summary of the District's Statements of Net Position at December 31, 2024 and 2023 is as follows:

	2024	2023	Increase (Decrease)	Percentage Change
Assets				
Current and other assets	\$ 86,182,838	\$ 83,026,993	\$ 3,155,845	3.80 %
Capital assets, net	89,066,732	81,603,221	7,463,511	9.15 %
Total Assets	<u>175,249,570</u>	<u>164,630,214</u>	<u>10,619,356</u>	6.45 %
Deferred Outflows of Resources	<u>1,167,080</u>	<u>2,216,916</u>	<u>(1,049,836)</u>	(47.36)%
Liabilities				
Current and other liabilities	7,633,104	2,636,326	4,996,778	189.54 %
Long-term liabilities	46,224,139	48,669,780	(2,445,641)	(5.02)%
Net pension liability - proportionate share	597,198	976,396	(379,198)	(38.84)%
Total OPEB liability	<u>7,739,560</u>	<u>8,571,501</u>	<u>(831,941)</u>	(9.71)%
Total Liabilities	<u>62,194,001</u>	<u>60,854,003</u>	<u>1,339,998</u>	2.20 %
Deferred Inflows of Resources	<u>10,138,867</u>	<u>10,652,459</u>	<u>(513,592)</u>	(4.82)%
Net Position				
Net investment in capital assets	39,275,939	38,172,997	1,102,942	2.89 %
Restricted	10,735,312	9,995,882	739,430	7.40 %
Unrestricted	54,072,531	47,171,789	6,900,742	14.63 %
Total Net Position	<u>\$ 104,083,782</u>	<u>\$ 95,340,668</u>	<u>\$ 8,743,114</u>	9.17 %

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

The increase in current and other assets is primarily due to increases in cash, offset by decreases in receivables. The increase in cash and decrease in accounts receivable is primarily related to the amounts received in relation to a consent judgment against the United States of America and the United States Department of the Navy and Northrop Grumman Systems Corporation and Northrop Grumman Corporation in connection with the disposal and release of hazardous substance(s) at or from the former Naval Weapons Industrial Reserve Plant and the former Northrop Grumman Bethpage Facility. The additional increase in cash is due to grant funds received and additional earnings on cash and investments. These increases were offset by decreases in the amount due from other governments due to the use of existing capital debt proceeds to fund capital outlays.

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 accounts payable and retainage payable, which are related to on-going capital projects. These increases were offset by decreases in accrued interest payable on bonds and bond anticipation notes payable.

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.

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

The net investment in capital assets reflects the District's investment in capital assets at cost such as land; construction in progress; buildings; improvements other than buildings; furniture and equipment; and infrastructure, net of accumulated depreciation and related outstanding debt. This balance as of December 31, 2024, is computed as follows:

Capital assets, net	\$ 89,066,732
Add:	
Deferred amount on refunding	75,089
Deduct:	
Accounts payable	(5,232,533)
Retainage payable	(594,598)
Bond anticipation notes payable	(31,980,000)
Bonds payable, net of premiums	(13,893,354)
Unspent debt proceeds	<u>1,834,603</u>
Net investment in capital assets	<u>\$ 39,275,939</u>

The restricted net position amounts relate to the District's reserves. This balance increased from the prior year as a result of the funding of the water tank capital reserve from cell tower rental revenues, funding of the debt services reserve with premiums earmarked to service debt, and interest earned on the reserve balances offset by the use of premiums to service debt.

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, 2024 and 2023 is as follows:

	2024	2023	Increase (Decrease)	Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 3,173,359	\$ 2,838,610	\$ 334,749	11.79 %
Capital grants	3,000,000	50,000	2,950,000	5900.00 %
General revenues				
Real property taxes	9,562,852	9,678,335	(115,483)	(1.19)%
Real property tax items	977,404	921,169	56,235	6.10 %
Use of money and property	3,514,517	3,244,851	269,666	8.31 %
Other	489,148	673,512	(184,364)	(27.37)%
Total Revenues	<u>20,717,280</u>	<u>17,406,477</u>	<u>3,310,803</u>	19.02 %
Expenses				
Program expenses				
Water administration	2,750,868	2,591,376	159,492	6.15 %
Source of supply, power and pumping	2,169,851	2,097,717	72,134	3.44 %
Purification	2,950,241	2,280,812	669,429	29.35 %
Transmission and distribution	2,214,003	2,686,894	(472,891)	(17.60)%
Debt service - interest	1,835,826	2,073,065	(237,239)	(11.44)%
Total Expenses	<u>11,920,789</u>	<u>11,729,864</u>	<u>190,925</u>	1.63 %
Total Change in Net Position	<u>\$ 8,796,491</u>	<u>\$ 5,676,613</u>	<u>\$ 3,119,878</u>	54.96 %

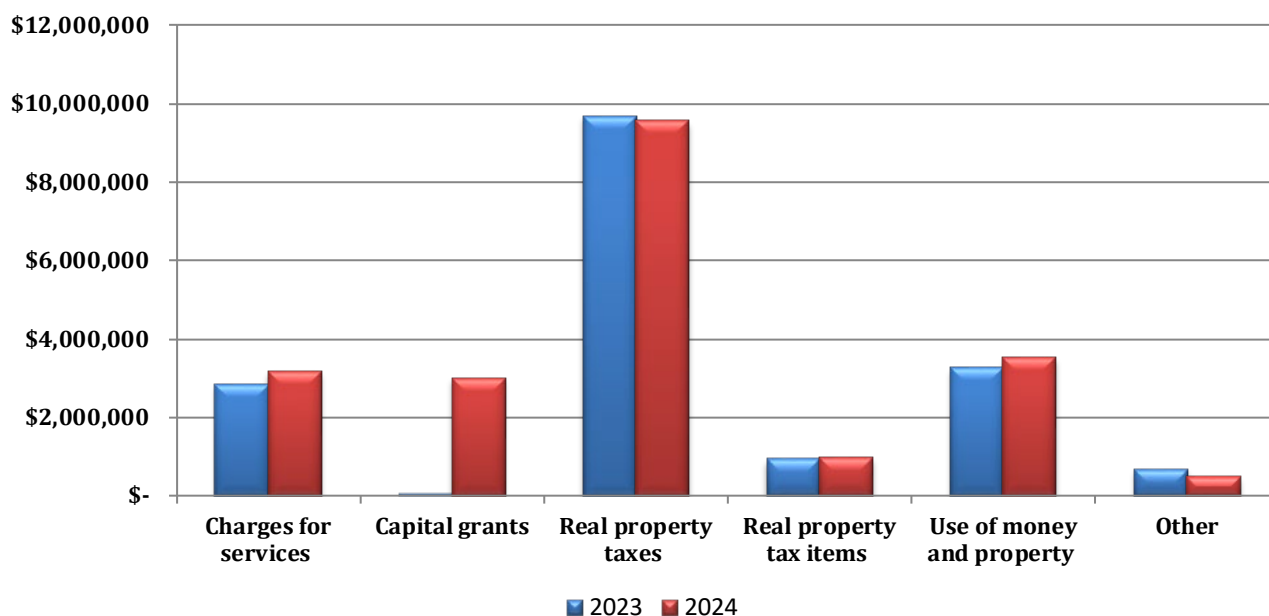
The District's net position increased by \$8,796,491 and \$5,676,613 for the years ended December 31, 2024 and December 31, 2023, respectively.

The net increase in total revenues in 2024 compared to 2023 was \$3,310,803. The increase is primarily due to the District recognizing \$3,000,000 in capital grants in relation to capital project expenditures incurred, additional revenue earned in relation to water supplied to customers, increased construction water charges due to increased development, and increased interest earnings due to additional cash on hand. These increases were offset by a decrease in real property taxes in accordance with the 2024 budget and other revenues due to decreased premiums earned on debt obligations.

The net increase in expenses in 2024 as compared to 2023 was \$190,925, as shown above. This increase is primarily due to an increase in chemical treatment due to carbon replacements in 2024, offset by decreases in transmission and distribution related to decreased meter supplies and endpoint costs.

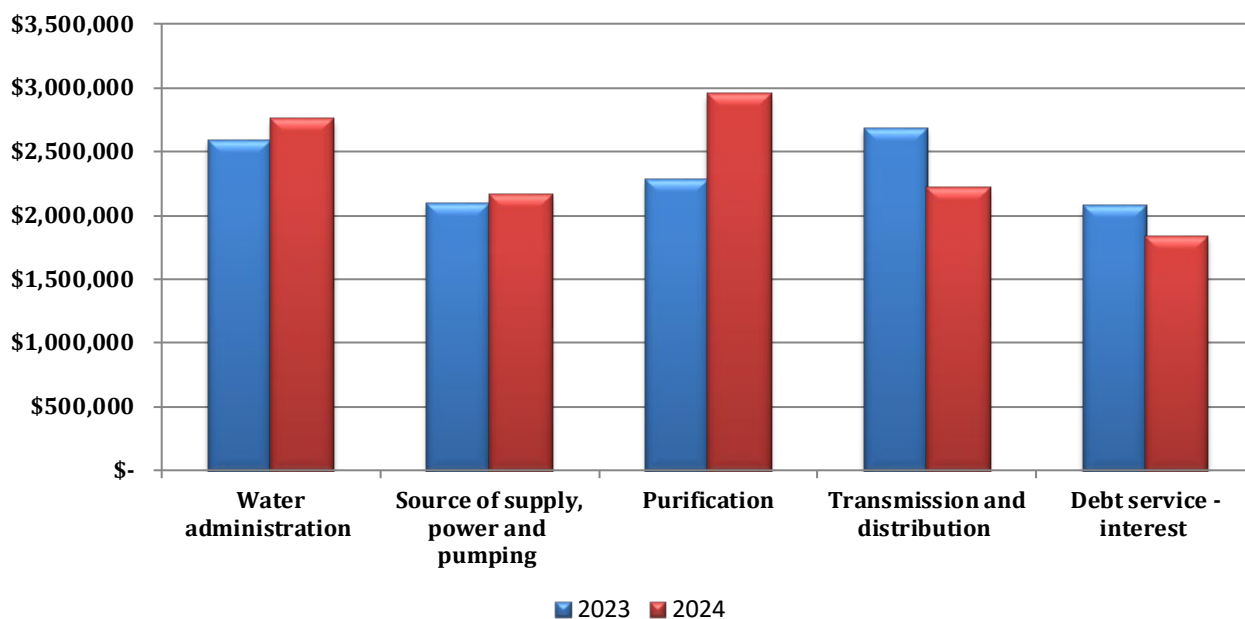
BETHPAGE WATER DISTRICT
(A Component Unit of The Town of Oyster Bay)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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
2023	16.31%	0.29%	55.60%	5.29%	18.64%	3.87%
2024	15.32%	14.48%	46.16%	4.72%	16.96%	2.36%

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
2023	22.09%	17.88%	19.44%	22.91%	17.68%
2024	23.08%	18.20%	24.75%	18.57%	15.40%

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, 2024, the governmental funds reported a combined fund balance of \$70,767,747, a decrease of \$1,913,712 or 2.63% 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>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General Fund				
Nonspendable:				
Long-term receivable	\$ 59,150	\$ 280,912	\$ (221,762)	(78.94)%
Inventory	295,403	248,169	47,234	19.03 %
Prepays	135,864	138,232	(2,368)	(1.71)%
Restricted:				
Retirement contribution	232,863	232,377	486	0.21 %
Employee benefit accrued liability	377,076	376,289	787	0.21 %
Capital, general	150,506	150,192	314	0.21 %
Capital, water tank	9,717,472	8,628,842	1,088,630	12.62 %
Debt service	257,395	608,182	(350,787)	(57.68)%
Assigned:				
Appropriated	250,000	250,000	-	0.00 %
Other purposes	29,750	24,455	5,295	21.65 %
Future debt service	6,712,159	6,712,159	-	0.00 %
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	<u>10,628,690</u>	<u>7,811,748</u>	<u>2,816,942</u>	36.06 %
	<u>71,060,228</u>	<u>67,675,457</u>	<u>3,384,771</u>	5.00 %
Capital Projects Fund				
Restricted				
Unspent debt proceeds		4,995,376	(4,995,376)	(100.00)%
Assigned: Unappropriated fund balance		10,626	(10,626)	(100.00)%
Unassigned: Fund balance	<u>(292,481)</u>	<u>(292,481)</u>	<u>(292,481)</u>	100.00 %
	<u>(292,481)</u>	<u>5,006,002</u>	<u>(5,298,483)</u>	(105.84)%
 Total Governmental Funds				
Fund Balance	<u>\$ 70,767,747</u>	<u>\$ 72,681,459</u>	<u>\$ (1,913,712)</u>	(2.63)%

A. General Fund

The net change in the general fund-fund balance is an increase of \$3,384,771, as revenues of \$17,616,377 exceeded expenditures and other financing uses of \$14,231,606, compared to an increase of \$10,189,121 in 2023.

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

Revenues and other financing sources decreased by \$5,861,052 or 24.96% over fiscal 2023 totals. This is due primarily to the District recognizing \$5,000,000 in other compensation for loss revenue in the prior year in comparison to no revenue in the current year, as a result of a consent judgment against the United States of America and the United States Department of the Navy and Northrop Grumman Systems Corporation and Northrop Grumman Corporation in connection with the disposal and release of hazardous substance(s) at or from the former Naval Weapons Industrial Reserve Plant and the former Northrop Grumman Bethpage Facility. Additionally, decreases in real property taxes, premiums on obligations and transfers in from the capital fund contributed to the overall decrease. These decreases were offset by increases in investment earnings due to increases in cash.

Expenditures and other financing uses increased \$943,298 or 7.10% over fiscal 2023 totals. This increase was primarily due to an increases in transfers out to the capital projects fund and increase in chemical treatment due to carbon replacements in 2024 offset by decreases in transmission and distribution related to decreased meter supplies and endpoint costs and decreases debt service payment due to the use of grant funds to service debt in the prior year.

The restricted fund balances increased by \$739,430 over fiscal year 2023 totals. This increase is primarily due to the District receiving amounts from communications companies for the rental of space on the District's water tanks that are earmarked for the water tank capital reserve, interest allocated to reserves, and premiums on debt issuances earmarked to service debt. This increase was offset by the District utilizing premium amounts earmarked to service debt.

Assigned fund balance increased \$5,295 over fiscal year 2023 totals, due to increases in encumbrances.

B. Capital Projects Fund

The capital projects fund is used to account for financial resources earmarked for specific capital projects. For 2024, the fund balance decreased due to expenditures of \$10,396,564, in excess of revenues and other financing sources of \$5,098,081.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2024 Budget

The District's general fund approved budget for 2024 by the Board of Commissioners was \$15,004,564, which represented a \$411,561 (2.82%) increase over the 2023 budget. This amount was increased by encumbrances carried forward from the prior year in the amount of \$24,455 for a total final budget of \$15,029,019.

The final budget was primarily funded through real property taxes and program revenues of \$12,491,589.

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

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 2024 demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 7,811,748
Revenues Over Budget	3,968,752
Expenditures and Encumbrances Under Budget	767,663
Net Change in Nonspendable Fund Balance	176,896
Net Change in Restricted Fund Balance	(1,346,369)
Appropriated for the Budget	<u>(750,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 10,628,690</u></u>

Opening, Unassigned Fund Balance

The \$7,811,748 shown in the table is the District's December 31, 2023 unassigned fund balance.

Revenues Over Budget

The 2024 final budget for revenues and other financing sources was \$13,647,625. Actual revenues and other financing sources recognized for the year were \$17,616,377. The excess of actual revenues and other financing sources over estimated or budgeted revenues was \$3,968,752. This was primarily due to the District's conservative budgeting of other payment in lieu of taxes, and unanticipated investment earnings due to increases in cash. 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 2024 final budget for expenditures and other financing uses was \$15,029,019. Actual expenditures and other financing uses for the year were \$14,231,606 and outstanding encumbrances were \$29,750. Combined, the expenditures and other financing uses plus encumbrances for 2024 were \$14,261,356. The final budget was under expended by \$767,663. 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. 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 \$1,346,369 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 (\$622,159), premiums earmarked to service debt (\$254,881), and interest earnings on restricted reserves (\$469,329). 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, 2024.

Appropriated Fund Balance

The District has chosen to use \$250,000 of the available December 31, 2024 unassigned fund balance to partially fund the 2025 approved operating budget and \$500,000 to fund 2025 debt service payments. As such, the December 31, 2024 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 2025 year with an unassigned fund balance of \$10,628,690. This is an increase of \$2,816,942 over the unassigned balance of the prior year.

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

A. Capital Assets

At December 31, 2024, 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:

	2024	2023	Increase (Decrease)
Land	\$ 2,531,845	\$ 2,531,845	\$ -
Construction in progress	19,660,418	9,325,894	10,334,524
Buildings	12,642	13,623	(981)
Improvements other than buildings	50,016,782	52,689,121	(2,672,339)
Furniture and equipment	537,994	446,133	91,861
Infrastructure	16,307,051	16,596,605	(289,554)
Capital assets, net	<u>\$ 89,066,732</u>	<u>\$ 81,603,221</u>	<u>\$ 7,463,511</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 \$10,610,753. The majority of the 2024 additions were related to the following projects:

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

Reductions to capital assets were due to depreciation of \$3,147,242.

B. Debt Administration

As of December 31, 2024, the District had \$31,980,000 in outstanding bond anticipation notes and \$13,447,900 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 decrease in bond anticipation notes was due to the repayment of principal due on the notes. The decrease in the outstanding bonds was due to the payment of principal.

A summary of outstanding BANs and bonds at December 31, 2024 and 2023 is as follows:

	Final Maturity	Interest	2024	2023	Increase (Decrease)
Bond anticipation notes					
	2024	5.00%	\$	\$ 32,950,000	\$ (32,950,000)
	2025	4.00%	31,980,000		31,980,000
			<u>\$ 31,980,000</u>	<u>\$ 32,950,000</u>	<u>\$ (970,000)</u>
Bonds					
	2033	3.00-3.50%	\$ 2,516,000	\$ 2,754,000	\$ (238,000)
	2033	3.00-4.00%	5,827,000	6,384,000	(557,000)
	2027	2.00-4.00%	210,000	274,000	(64,000)
	2028	2.00-4.00%	420,000	514,000	(94,000)
	2031	5.00%	4,474,900	5,008,000	(533,100)
			<u>\$ 13,447,900</u>	<u>\$ 14,934,000</u>	<u>\$ (1,486,100)</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, 2024, the District has issued \$5,033,250 in serial bonds and \$13,350,000 in long term BANs through the Town to provide funding for the projects.

In February 2020, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$66,858,000 for construction and improvements to the District's facilities and infrastructure. As of December 31, 2024, 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)

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.

	2024	2023	Increase (Decrease)
Compensated absences payable	\$ 350,785	\$ 263,787 *	\$ 86,998
Net pension liability - proportionate share	597,198	976,396	(379,198)
Total OPEB liability	7,739,560	8,571,501	(831,941)
	<u>\$ 8,687,543</u>	<u>\$ 9,811,684</u>	<u>\$ (1,124,141)</u>

* The 2024 beginning balance of compensated absences, previously reported as \$263,787, was increased by \$53,377 to present the cumulative effect of GASB 101. See Note 2.

For the year ended December 31, 2024, the District implemented GASB Statement No. 101 (GASB 101), *Compensated Absences*. In accordance with GASB 101, the District recognizes as part of the compensated absences liability, the estimated amount of unused leave earned as of year-end that can be used by employees as time off in future years in addition to the value of unused leave time owed to employees upon separation from employment. As a result, the District reported a cumulative effect of a change in accounting principle of \$(53,377) to the 2024 beginning net position, as previously reported for governmental activities.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Commissioners adopted the District's 2025 budget on September 12, 2024. The 2025 budget of \$15,443,451 represents a \$438,886 (2.93%) increase over the 2024 budget. This increase is primarily due to increases in water administration, purification, and transmission and distribution, offset by decreases to debt service areas of the budget. Estimated revenues other than property taxes increased by \$749,577 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 \$41,367 (.43%).

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 2025. The District' tax levy increase of .43% did not exceed the tax cap.

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

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, 2024

ASSETS

Cash and investments	
Unrestricted	\$ 61,544,088
Restricted	10,735,312
Receivables	
Accounts receivable	1,243,164
Due from state and federal	750,000
Due from primary government	2,606,720
Leases receivable	8,872,287
Inventory	295,403
Prepays	135,864
Capital assets:	
Not being depreciated	22,192,263
Being depreciated, net of accumulated depreciation	66,874,469
Total Assets	<u>175,249,570</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding	75,089
Pension	677,342
Other postemployment benefits	414,649
Total Deferred Outflows of Resources	<u>1,167,080</u>

LIABILITIES

Accounts payable	5,610,868
Accrued liabilities	1,298,888
Retainage payable	594,598
Other liabilities	36,867
Developer deposits	91,883
Long-term liabilities	
Due within one year	
Bond anticipation notes payable	970,000
Bonds payable, net of premiums	1,613,339
Compensated absences payable	18,000
Total other postemployment benefits liability	318,000
Due after one year	
Bond anticipation notes payable	31,010,000
Bonds payable, net of premiums	12,280,015
Compensated absences payable	332,785
Total other postemployment benefits liability	7,421,560
Net pension liability - proportionate share	597,198
Total Liabilities	<u>62,194,001</u>

DEFERRED INFLOWS OF RESOURCES

Leases	8,375,785
Pension	353,254
Other postemployment benefits	1,409,828
Total Deferred Inflows of Resources	<u>10,138,867</u>

NET POSITION

Net investment in capital assets	<u>39,275,939</u>
Restricted	
Retirement contribution	232,863
Employee benefit accrued liability	377,076
Capital, general	150,506
Capital, water tank	9,717,472
Debt service	257,395
	<u>10,735,312</u>
Unrestricted	<u>54,072,531</u>
Total Net Position	<u><u>\$ 104,083,782</u></u>

BETHPAGE WATER DISTRICT
(A Component Unit of The Town of Oyster Bay)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

Governmental Activities

Program Expenses

Home and Community Services

Water Supply Services

Water administration	\$ 2,750,868
Source of supply, power and pumping	2,169,851
Purification	2,950,241
Transmission and distribution	2,214,003
Debt service - interest	1,835,826

Total Program Expenses	11,920,789
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Program Revenues

Charges for services	3,173,359
Capital grants	3,000,000

Total Program Revenues	6,173,359
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Net Revenue (Expense)	(5,747,430)
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General Revenues

Real property taxes	9,562,852
Real property tax items	977,404
Use of money and property	3,514,517
Sale of property and compensation for loss	234,267
Miscellaneous	254,881

Total General Revenues	14,543,921
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Change in Net Position	8,796,491
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Net Position - Beginning of Year, as previously reported	95,340,668
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Cumulative Effect of a Change in Accounting Principle	(53,377)
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Net Position - Beginning of Year, as restated	95,287,291
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Net Position - End of Year	\$ 104,083,782
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BETHPAGE WATER DISTRICT
(A Component Unit of The Town of Oyster Bay)
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2024

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments			
Unrestricted	\$ 60,901,664	\$ 642,424	\$ 61,544,088
Restricted	10,735,312		10,735,312
Receivables			
Accounts receivable	1,243,164		1,243,164
Due from other funds		2,463,025	2,463,025
Due from state and federal		750,000	750,000
Due from primary government	772,117	1,834,603	2,606,720
Leases receivable	8,872,287		8,872,287
Inventory	295,403		295,403
Prepays	135,864		135,864
Total Assets	<u>\$ 82,955,811</u>	<u>\$ 5,690,052</u>	<u>\$ 88,645,863</u>
LIABILITIES			
Accounts payable	\$ 378,335	\$ 5,232,533	\$ 5,610,868
Accrued liabilities	35,134		35,134
Due to other funds	2,463,025		2,463,025
Other liabilities	36,867		36,867
Developer deposits	91,883		91,883
Total Liabilities	<u>3,005,244</u>	<u>5,232,533</u>	<u>8,237,777</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	8,375,785		8,375,785
Unavailable revenues	514,554	750,000	1,264,554
Total Deferred Inflows of Resources	<u>8,890,339</u>	<u>750,000</u>	<u>9,640,339</u>
FUND BALANCES			
Nonspendable:			
Long-term receivable	59,150		59,150
Inventory	295,403		295,403
Prepays	135,864		135,864
Restricted:			
Retirement contribution	232,863		232,863
Employee benefit accrued liability	377,076		377,076
Capital, general	150,506		150,506
Capital, water tank	9,717,472		9,717,472
Debt service	257,395		257,395
Assigned:			
Appropriated fund balance	250,000		250,000
Other purposes	29,750		29,750
Future debt service	6,712,159		6,712,159
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)	10,628,690	(292,481)	10,336,209
Total Fund Balances (Deficit)	<u>71,060,228</u>	<u>(292,481)</u>	<u>70,767,747</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 82,955,811</u>	<u>\$ 5,690,052</u>	<u>\$ 88,645,863</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, 2024

Total fund balances of governmental funds \$ 70,767,747

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, 2024 were:

Original cost of capital assets	\$ 125,456,066	
Less: Accumulated depreciation	<u>(36,389,334)</u>	
		89,066,732

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	677,342	
Net pension liability - employees' retirement system	(597,198)	
Deferred inflows of resources	<u>(353,254)</u>	
		(273,110)

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	414,649	
Total other postemployment benefits liability	(7,739,560)	
Deferred inflows of resources	<u>(1,409,828)</u>	
		(8,734,739)

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

1,264,554

Deferred amount on refunding		75,089
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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	(1,263,754)	
Retainage payable	(594,598)	
Bond anticipation notes payable	(31,980,000)	
Bonds payable, net	(13,893,354)	
Compensated absences	<u>(350,785)</u>	
		<u>(48,082,491)</u>

Net position of governmental activities		<u>\$ 104,083,782</u>
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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, 2024

	General	Capital Projects	Total Governmental Funds
Revenues			
Real property taxes	\$ 9,562,852	\$	\$ 9,562,852
Real property tax items	977,404		977,404
Program revenues	3,072,456		3,072,456
Use of money and property	3,514,517		3,514,517
Sale of property and compensation for loss	234,267		234,267
Miscellaneous	254,881		254,881
State sources		2,250,000	2,250,000
	<u>17,616,377</u>	<u>2,250,000</u>	<u>19,866,377</u>
Expenditures			
<i>Home and Community Services</i>			
<i>Water Supply Services</i>			
Water administration	1,886,886		1,886,886
Source of supply, power and pumping	1,321,846		1,321,846
Purification	1,377,923		1,377,923
Transmission and distribution	1,021,459		1,021,459
Employee benefits	1,102,026		1,102,026
Debt service			
Principal	2,456,100		2,456,100
Interest	2,217,285		2,217,285
Capital outlay		10,396,564	10,396,564
	<u>11,383,525</u>	<u>10,396,564</u>	<u>21,780,089</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,232,852</u>	<u>(8,146,564)</u>	<u>(1,913,712)</u>
Other Financing Sources (Uses)			
Operating transfers in		2,848,081	2,848,081
Operating transfers (out)	(2,848,081)		(2,848,081)
	<u>(2,848,081)</u>	<u>2,848,081</u>	
Total Other Financing Sources (Uses)			
	<u>(2,848,081)</u>	<u>2,848,081</u>	
Net Change in Fund Balances	3,384,771	(5,298,483)	(1,913,712)
Fund Balances - Beginning of Year	<u>67,675,457</u>	<u>5,006,002</u>	<u>72,681,459</u>
Fund Balances (Deficit) - End of Year	<u>\$ 71,060,228</u>	<u>\$ (292,481)</u>	<u>\$ 70,767,747</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, 2024

Net change in fund balances \$ (1,913,712)

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

Long-Term Revenue and Expense Differences

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). \$ 850,903

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. (489,175)

Certain amounts incurred during the year may exceed the expenditures in the governmental funds requiring the use of current financial resources (amounts paid), resulting in an increase of the long-term liability and an decrease in net position.

Increase in compensated absences payable (33,621)

328,107

Capital Related Differences

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 10,610,753

Depreciation expense (3,147,242)

7,463,511

Long-Term Debt Transactions Differences

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. 2,456,100

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, 2023 to December 31, 2024. 315,647

2,837,559

Pension and Other Postemployment Benefits Differences

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 (99,684)

Other postemployment benefits 180,710

81,026

Change in net position of governmental activities \$ 8,796,491

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

District-Wide Statements

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

The Statement of Net Position presents the financial position of the District at 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)

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
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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 1st and due in two installments of 50% on January 1st and July 1st without penalty to February 10th and August 10th, respectively. Late payments are subject to penalties. The taxes are collected by the Towns and subsequently forwarded to the District. Uncollected taxes are subsequently enforced by Nassau County.

Water sales that are uncollected from the prior year as of August 31st, are turned over to the Towns for collection. These balances become liens on the respective delinquent properties. The Towns remit to the District the amount 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 \$297,549 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.

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NOTES TO FINANCIAL STATEMENTS
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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.

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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.

The District issued \$31,980,000 in BANs (\$31,980,000 of renewed 2023 BANs) during the year ended December 31, 2024; however, these BANs were renewed prior to the financial statements being issued and were treated as long-term liabilities.

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(Continued)

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. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 101, "*Compensated Absences*".

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.

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(Continued)

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 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:

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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.

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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. CHANGES IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2024, the District implemented GASB Statement No. 101 (GASB 101), *Compensated Absences*, which was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The District now recognizes, as part of the compensated absences liability, the estimated amount of unused leave earned as of year-end that be used by employees as time off in future years in addition to the value of unused leave time owed to employees upon separation from employment. As a result, the District has reported a cumulative effect of a change in accounting principle of \$(53,377) to the 2024 beginning net position, as previously reported for governmental activities, as follows:

Net position beginning of year, as previously stated	\$ 95,340,668
Cumulative effect of a change in accounting principle	
Adoption of GASB 101 - Compensated absences	<u>(53,377)</u>
Net position beginning of year, as restated	<u>\$ 95,287,291</u>

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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. 102, *Certain Risk Disclosures*, will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for the year ending December 31, 2025.

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 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.

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.

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NOTES TO FINANCIAL STATEMENTS
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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.

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.

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- Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year, except for extenuating circumstances. Appropriations authorized for the current year can be funded by the planned use of specific reserves and can be increased by budget amendments as a result of new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them, because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Prior year encumbrance carryforward for water administration	\$ 24,455
	<u>\$ 24,455</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 New York Liquid Asset Fund (NYLAF), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The pool is not registered with the SEC and is overseen by an eleven-member Governing Board. The Governing Board members are nominated and elected by the participants at the annual meeting of the Governing Board. Each participant, by resolution of its governing body, has appointed Red Hook Central School District as Lead Agent of the Fund. PMA Asset Management, LLC, a registered investment advisor with the Securities and Exchange Commission, is the investment advisor and PMA Financial Network, LLC is the fund administrator. NYLAF measures all its investments at amortized cost, which approximates market value. All NYLAF investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11. Total

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cash in the cooperative at December 31, 2024 was \$5,567,614. Additional information concerning NYLAF, including the annual report, can be found on its website at www.nylaf.org.

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.

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

The 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, 2024, all District investments mature within four years. The following table summarizes the District's interest rate risk, based on maturity dates of various investments:

		Investment Maturities (in Years)				
		Fair Value	Less than 1	1-2	2-3	3-4
U.S. Government Securities	\$	21,756,362	\$ 11,712,581	\$ 3,492,645	\$ 5,217,006	\$ 1,334,130

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, 2024, the District was invested 100% in United States Government Securities issued by the United States Treasury.

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E. Investments

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

Cash	\$ 50,523,038
Investments	<u>21,756,362</u>
Total cash and investments	<u><u>\$ 72,279,400</u></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, 2024:

	Fair Value Measurements		
	Level 1	Level 2	Level 3
U.S. Government Securities	\$ 21,756,362	\$	\$

Investment income is comprised of the following for the fiscal year ended December 31, 2024:

Interest earnings - cash and investments	\$ 2,196,765
Interest earnings - leases	249,223
Net increase in the fair value of investments	<u>462,312</u>
Total net investment income	<u><u>\$ 2,908,300</u></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, 2024, the value of the lease receivable was \$8,872,287 and the deferred inflow of resources was \$8,375,785 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%. As of December 31, 2024, the remaining lease terms range from 17-223 months, inclusive of renewal options, as the expectation is that all renewal options will be exercised. For the year ended December 31, 2024, the District recognized lease revenue of \$604,595 and interest income of \$249,223.

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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>
2025	\$ 437,352	\$ 242,647	\$ 679,999
2026	376,264	234,933	611,197
2027	351,285	227,015	578,300
2028	378,510	218,421	596,931
2029	407,133	209,040	616,173
2030-2034	2,518,625	873,676	3,392,301
2035-2039	2,791,144	508,099	3,299,243
2040-2043	1,611,974	100,154	1,712,128
	<u>\$ 8,872,287</u>	<u>\$ 2,613,985</u>	<u>\$ 11,486,272</u>

8. INTERFUND TRANSACTIONS

Interfund balances and activity at December 31, 2024 are as follows:

	<u>Interfund</u>			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$ 2,463,025		\$ 2,848,081
Capital Projects Fund	\$ 2,463,025		\$ 2,848,081	
Totals	<u>\$ 2,463,025</u>	<u>\$ 2,463,025</u>	<u>\$ 2,848,081</u>	<u>\$ 2,848,081</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.

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9. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2024, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,531,845			\$ 2,531,845
Construction in progress	9,325,894	\$ 10,818,633	\$ (484,109)	19,660,418
Total capital assets not being depreciated	11,857,739	10,818,633	(484,109)	22,192,263
Capital assets being depreciated:				
Buildings	259,051			259,051
Improvements other than buildings	76,865,548			76,865,548
Furniture and equipment	2,032,756	202,669	(144,159)	2,091,266
Infrastructure	23,974,378	73,560		24,047,938
Total capital assets being depreciated	103,131,733	276,229	(144,159)	103,263,803
Less: accumulated depreciation for:				
Buildings	245,428	981		246,409
Improvements other than buildings	24,176,427	2,672,339		26,848,766
Furniture and equipment	1,586,623	110,808	(144,159)	1,553,272
Infrastructure	7,377,773	363,114		7,740,887
Total accumulated depreciation	33,386,251	3,147,242	(144,159)	36,389,334
Total capital assets being depreciated, net	69,745,482	(2,871,013)	-	66,874,469
Capital assets, net	\$ 81,603,221	\$ 7,947,620	\$ (484,109)	\$ 89,066,732

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, 2024, the District has not recorded any such impairment losses. At December 31, 2024, \$306,298 of previously recorded construction in progress was written off as the projects were abandoned.

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

Water administration	\$ 195,525
Source of supply, power and pumping	677,780
Purification	1,596,937
Transmission and distribution	677,000
	<u>\$ 3,147,242</u>

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10. LONG-TERM LIABILITIES

A. Changes

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

	Beginning Balance*	Additions**	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt:					
Bond anticipation notes payable	\$ 32,950,000	\$ -	\$ (970,000)	\$ 31,980,000	\$ 970,000
Bonds payable	14,934,000		(1,486,100)	13,447,900	1,536,800
Plus premiums on issuance	521,993		(76,539)	445,454	76,539
Total bonds payable, net	15,455,993	-	(1,562,639)	13,893,354	1,613,339
Other long-term liabilities:					
Compensated absences	317,164	33,621		350,785	18,000
	<u>\$ 48,723,157</u>	<u>\$ 33,621</u>	<u>\$ (2,532,639)</u>	<u>\$ 46,224,139</u>	<u>\$ 2,601,339</u>

* The beginning balance of compensated absences, as previously reported of \$263,787, was increased by \$53,377 to present the cumulative effect of GASB 101. See Note 2.

** Beginning in 2024 with the adoption of GASB 101, 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, 2024:

	Maturity	Stated Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance
BAN - 2023	3/8/2024	5.00%	\$ 32,950,000		\$ (32,950,000)	
BAN - 2024	3/7/2025	4.00%		\$ 31,980,000		\$ 31,980,000
			<u>\$ 32,950,000</u>	<u>\$ 31,980,000</u>	<u>\$ (32,950,000)</u>	<u>\$ 31,980,000</u>

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C. Bonds Payable

The District conducts its long-term borrowing through participation in the Town of Oyster Bay bond issues. Details pertaining to the District's share of the long-term serial bonds outstanding at December 31, 2024 are summarized as follows:

<u>Town</u>	<u>Original Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year-End</u>
Town of Oyster Bay	\$ 3,766,312	2/1/2018	2/1/2033	3.00-3.50%	\$ 2,516,000
Town of Oyster Bay	8,888,250	5/31/2018	2/1/2033	3.00-4.00%	5,827,000
Town of Oyster Bay	457,000	8/5/2020	11/1/2027	2.00-4.00%	210,000
Town of Oyster Bay	689,000	2/3/2021	3/1/2028	2.00-4.00%	420,000
Town of Oyster Bay	5,553,100	5/11/2022	8/1/2031	5.00%	4,474,900
	<u>\$ 19,353,662</u>				<u>\$ 13,447,900</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>
2025	\$ 1,536,800	\$ 511,931	\$ 2,048,731
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
2030-2033	5,447,700	400,014	5,847,714
	<u>\$ 13,447,900</u>	<u>\$ 2,331,791</u>	<u>\$ 15,779,691</u>

D. Interest Expense

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

Interest paid	\$ 2,217,285
Less: interest accrued in the prior year	(1,579,401)
Plus: interest accrued in the current year	1,263,754
Plus: amortization of deferred charges	10,727
Less: amortization of premium	<u>(76,539)</u>
Total expense	<u>\$ 1,835,826</u>

E. Unissued Debt

In November 2015, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$22,500,000 for improvements to the District's facilities. As of December 31, 2024, the District has issued \$5,033,250 in serial bonds and \$13,350,000 in BANs related to this authorization, and \$4,116,750 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, 2024, the District has issued \$27,350,000 in BANs related to this authorization, and \$39,508,000 remains unissued.

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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 or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the ERS for the current year. The District's average contribution rate was 13.7% of covered payroll for the ERS' fiscal year ending March 31, 2024.

The District's share of the required contributions, based on covered payroll for the District's year ended December 31, 2024, was \$203,652 at an average contribution rate of 16.37%.

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

At December 31, 2024, 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, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The

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District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the system relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the District.

Measurement date	March 31, 2024
District's proportionate share of the net pension (asset) liability	\$ 597,198
District's portion of the Plan's total net pension liability	0.0040559%
Change in proportion since the prior measurement date	(0.0004973)

For the year ended December 31, 2024, the District recognized pension expense of \$303,336. At December 31, 2024, 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	\$ 192,357	\$ 16,284
Changes of assumptions	225,787	
Net difference between projected and actual earnings on pension plan investments		291,728
Changes in proportion and differences between the District's contributions and proportionate share of contributions	107,632	45,242
District contributions subsequent to the measurement date	<u>151,566</u>	
Total	<u>\$ 677,342</u>	<u>\$ 353,254</u>

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. 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
2025	\$ (84,807)
2026	139,191
2027	182,127
2028	<u>(63,989)</u>
	<u>\$ 172,522</u>

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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, 2024
Actuarial valuation date	April 1, 2023
Inflation	2.9%
Salary increases	4.4%
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, 2023 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:

	Target Allocation	Long-term Expected Real Rate of Return
Measurement date		March 31, 2024
Asset type		
Domestic equity	32.0%	4.00%
International equity	15.0%	6.65%
Private equity	10.0%	7.25%
Real estate	9.0%	4.60%
Opportunistic/Absolute return strategies	3.0%	5.25%
Credit	4.0%	5.40%
Real assets	3.0%	5.79%
Fixed Income	23.0%	1.50%
Cash	1.0%	0.25%
	<u>100.0%</u>	

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

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, 2023 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

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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	\$ 1,877,653	\$ 597,198	\$ (472,247)

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, 2024
Employers' total pension liability	\$ (240,696,851)
Plan fiduciary net position	<u>225,972,801</u>
Employers' net pension liability	<u>\$ (14,724,050)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	93.88%

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 1st. An employer can elect to prepay the amount due by December 15th to receive a 1% discount. The District paid the annual invoice in December. This resulted in a prepayment of \$50,522 for the period of January 1, 2025 through March 31, 2025. Employee contributions are remitted monthly.

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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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	<u>11</u>
	<u>26</u>

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 \$7,739,560 was measured as of December 31, 2024, and was determined by an actuarial valuation as of January 1, 2023. 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	4.08%
Healthcare cost trend rates	6.50% pre-65 and 5.0% post-65 for 2024, decreasing to an ultimate rate of 5.0% by 2027 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, 2024 to reflect current interest rate trends.

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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, 2023	<u>\$ 8,571,501</u>
Changes for the year	
Service cost	189,683
Interest	280,944
Changes in assumptions or other inputs	(1,013,737)
Benefit payments	<u>(288,831)</u>
	<u>(831,941)</u>
Balance at December 31, 2024	<u>\$ 7,739,560</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.26% in 2023 to 4.08% in 2024.

The healthcare cost trend rates were updated from 7.00% to 5.00% by 2027 in 2023 to 6.50% to 5.00% by 2027 in 2024.

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 (3.08%) or 1 percentage point higher (5.08%) than the current discount rate:

	1% Decrease 3.08%	Discount Rate 4.08%	1% Increase 5.08%
<u>OPEB</u>			
Total OPEB liability	<u>\$ 9,003,691</u>	<u>\$ 7,739,560</u>	<u>\$ 6,736,388</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.50% decreasing to 4.00%) or 1 percentage point higher (7.50% decreasing to 6.00%) than the current healthcare cost trend rate:

	1% Decrease 5.50% decreasing to 4.00%	Healthcare Cost Trend Rates 6.50% decreasing to 5.00%	1% Increase 7.50% decreasing to 6.00%
<u>OPEB</u>			
Total OPEB liability	<u>\$ 6,663,415</u>	<u>\$ 7,739,560</u>	<u>\$ 9,101,189</u>

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

For the year ended December 31, 2024, the District recognized OPEB expense of \$108,121. At December 31, 2024, 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	\$ 103,295	\$ 180,618
Changes of assumptions	<u>311,354</u>	<u>1,229,210</u>
Total	<u>\$ 414,649</u>	<u>\$ 1,409,828</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ (706,405)
2026	<u>(288,774)</u>
	<u>\$ (995,179)</u>

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 general condition of providing assistance, the benefiting company enters into a 'payment in lieu of taxes' ("PILOT") agreement to offset the taxes abated. During 2024, the agreements the Town ratified resulted in an abatement of \$635,447 of the District's real property taxes and the PILOTs received totaled \$66,077.

The District is also subject to tax abatements granted by the Nassau County Industrial Development Agency ('NCIDA'), an entity created as a New York State public benefit corporation. The NCIDA was established by Code Section 922, which became Chapter 674 of the Laws of 1975. The NCIDA offers sound commerce and industry base to prevent unemployment. At December 31, 2024, 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, 2024, the agreements the NCIDA ratified resulted in an abatement of \$1,251,244 of the District's real property tax and the receipt of \$613,778 in PILOT payments.

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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, 2025.

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, 2024, the District encumbered the following amounts:

Restricted and unassigned fund balance	
Capital Projects Fund	
Capital projects	<u>\$ 11,790,556</u>
Assigned: Unappropriated Fund Balance	
General Fund	
Water administration	<u>\$ 29,750</u>
	<u>\$ 29,750</u>

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.

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. Issuance of Bond Anticipation Notes

On March 6, 2025, the Town of Oyster Bay issued BANs on behalf of the District in the amount of \$33,010,000, which mature on March 6, 2026 and bear an interest rate of 4.00%. The proceeds of this BAN will be used to pay the BAN that matures March 7, 2025 along with \$970,000 of general fund appropriations. The BANs were issued to pay the costs of improvements to the District's facilities.

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, 2024

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Revenues				
Real property taxes	\$ 9,562,849	\$ 9,562,849	\$ 9,562,852	\$ 3
Real property tax items				
Other payments in lieu of taxes	425,000	425,000	977,404	552,404
Program revenues				
Metered sales	2,760,000	2,760,000	2,804,294	44,294
Unmetered sales - house repair			300	300
Unmetered sales - sprinkler & hydrant	163,240	163,240	178,734	15,494
Unmetered sales - 500F			2,342	2,342
Penalties on water sales	5,500	5,500	16,907	11,407
Construction water charges			69,879	69,879
	2,928,740	2,928,740	3,072,456	143,716
Use of money and property				
Interest	131,736	131,736	2,908,300	2,776,564
Rental income	562,800	562,800	606,217	43,417
	694,536	694,536	3,514,517	2,819,981
Sale of property and compensation for loss				
Sales to contractors	12,500	12,500	59,500	47,000
Sales of equipment and supplies			158,305	158,305
Sales of scrap and excess materials			24	24
Other compensation for loss			9,193	9,193
Insurance recoveries			7,245	7,245
	12,500	12,500	234,267	221,767
Miscellaneous				
Miscellaneous	24,000	24,000	254,881	230,881
	24,000	24,000	254,881	230,881
 Total Revenues	 13,647,625	 13,647,625	 \$ 17,616,377	 \$ 3,968,752
Appropriated Fund Balance				
Prior year's surplus	250,000	250,000		
Prior year's encumbrances		24,455		
Assigned for debt service	500,000	500,000		
Restricted for debt service	606,939	606,939		
 Total Revenues, Other Financing Sources and Appropriated Fund Balance	 \$ 15,004,564	 \$ 15,029,019		

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, 2024

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
Expenditures					
Water administration					
Salaries	\$ 622,706	\$ 572,706	\$ 570,586	\$	\$ 2,120
Commissioners' fees	46,800	36,800	36,200		600
Equipment and vehicle	64,000	19,000	17,670		1,330
Office building maintenance	10,000	500	488		12
Office equipment maintenance	43,043	165,043	165,022		21
Auto - gasoline	4,680	4,680	3,971		709
Auto - repairs & maintenance	6,500	4,500	3,425		1,075
Telephone	48,840	164,840	159,747		5,093
Heat	10,000	800	733		67
Insurance - fire, auto & liability	197,000	198,900	198,804		96
Insurance - bonding	600	600			600
Stationery & office expenses	36,560	42,960	41,322		1,638
Postage	38,064	38,064	37,444		620
Engineering fees - retainer	12,000	12,000	12,000		
Engineering fees - other	166,600	184,400	184,313		87
Accounting fees	35,000	102,054	71,492	29,750	812
Audit fees	35,000	33,600	32,200		1,400
Legal fees	103,500	72,700	64,554		8,146
Notices & advertising	18,950	35,250	35,212		38
Education, dues & professional meetings	27,205	28,505	28,441		64
Election expenditure	3,000	3,000	2,139		861
Other professional fees	322,456	231,556	218,722		12,834
Easements	100,000	1,000	415		585
MTA tax liability	6,227	6,227	1,600		4,627
Miscellaneous	1,480	2,780	386		2,394
Total Water administration	1,960,211	1,962,465	1,886,886	29,750	45,829
Source of supply, power & pumping					
Salaries	125,912	145,912	139,185		6,727
Operating equipment	26,000	3,000	2,704		296
Plant - repairs & maintenance - recurring	201,354	308,354	308,080		274
Grounds - repair & maintenance	33,310	36,310	36,264		46
Electric	955,800	795,800	793,991		1,809
Diesel	40,000	15,000	11,508		3,492
Heat	24,400	24,400	23,819		581
Water purchase	10,000	10,000	5,011		4,989
Auto - gasoline	4,000	4,000	1,284		2,716
Total Source of supply, power & pumping	1,420,776	1,342,776	1,321,846	-	20,930
Purification					
Chemical treatment	855,575	871,575	871,174		401
Lab analysis	355,000	335,900	335,830		70
Auto - repairs & maintenance	2,000	2,000			2,000
Auto - gasoline	4,500	4,500			4,500
Plant - repairs & maintenance - recurring		198,700	170,919		27,781
Total Purification	1,217,075	1,412,675	1,377,923	-	34,752
Transmission and distribution					
Salaries	1,035,973	723,473	713,404		10,069
Operating equipment	10,000	10,000			10,000
Meters	72,037	84,037	69,415		14,622
Mains, valves & hydrants	69,344	28,444	28,426		18

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, 2024

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
Transmission and distribution (Cont'd)					
Vehicles	50,000	5,000	4,936		64
House services - repairs & maintenance	24,000	3,600	500		3,100
Equipment - repairs & maintenance	5,000	5,000			5,000
Mains, valves & hydrants - repairs & maintenance	89,700	150,700	148,285		2,415
Meters - repairs & maintenance	3,265	8,765	8,672		93
Truck - gasoline	21,775	21,775	11,323		10,452
Truck - repairs & maintenance	39,250	39,250	32,546		6,704
Uniforms	13,100	13,100	3,952		9,148
Miscellaneous	1,000	1,000			1,000
Total Transmission and distribution	1,434,444	1,094,144	1,021,459	-	72,685
Employee benefits					
New York State retirement	325,000	205,000	203,652		1,348
Social security	140,101	110,101	107,519		2,582
Workers' compensation	57,199	37,199	34,300		2,899
Unemployment insurance	500	500			500
New York State disability	786	786	223		563
Medical insurance	967,680	709,881	706,850		3,031
Dental and optical insurance	34,619	34,619	22,845		11,774
Employee life insurance	50,000				
Supplemental insurance - AFLAC	40,988	30,988	26,637		4,351
Other benefits		1,700			1,700
Compensated absences	100,000				
Total Employee benefits	1,716,873	1,130,774	1,102,026	-	28,748
Debt service					
Principal	3,375,100	2,456,100	2,456,100		
Interest	2,217,285	2,217,285	2,217,285		
Total Debt service	5,592,385	4,673,385	4,673,385	-	-
Total Expenditures	13,341,764	11,616,219	11,383,525	29,750	202,944
Other Financing Uses					
Operating transfers out	1,662,800	3,412,800	2,848,081		564,719
Total Expenditures & Other Uses	<u>\$ 15,004,564</u>	<u>\$ 15,029,019</u>	14,231,606	<u>\$ 29,750</u>	<u>\$ 767,663</u>
Net Change in Fund Balance			3,384,771		
Fund Balance - Beginning of Year			67,675,457		
Fund Balance - End of Year			<u>\$ 71,060,228</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

	<i>Employees' Retirement System</i>									
	2024*	2023*	2022*	2021*	2020*	2019	2018	2017	2016	2015
District's proportion of the net pension (asset) liability	0.0040559%	0.0045532%	0.0045231%	0.0043381%	0.0046528%	0.0048348%	0.0048135%	0.0047698%	0.0047230%	0.0051574%
District's proportionate share of the net pension (asset) liability	\$ 597,198	\$ 976,396	\$ (369,744)	\$ 4,320	\$ 1,232,077	\$ 342,563	\$ 155,353	\$ 448,179	\$ 758,048	\$ 174,230
District's covered payroll	\$ 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	\$ 1,084,726
District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	48.82 %	67.63 %	(24.01)%	0.29 %	90.86 %	25.86 %	12.12 %	37.04 %	66.50 %	16.06 %
Plan fiduciary net position as a percentage of the total pension liability	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

Note to Required Supplementary Information

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

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

	<i>Employees' Retirement System</i>									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 203,652	\$ 222,896	\$ 213,945	\$ 253,726	\$ 209,546	\$ 203,110	\$ 196,672	\$ 188,154	\$ 182,990	\$ 201,982
Contributions in relation to the contractually required contribution	203,652	222,896	213,945	253,726	209,546	203,110	196,672	188,154	182,990	201,982
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	\$ 1,244,332	\$ 1,374,463	\$ 1,427,161	\$ 1,482,037	\$ 1,508,683	\$ 1,372,361	\$ 1,334,075	\$ 1,245,037	\$ 1,201,864	\$ 1,161,528
Contributions as a percentage of covered payroll	16.37%	16.22%	14.99%	17.12%	13.89%	14.80%	14.74%	15.11%	15.23%	17.39%

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 Seven Fiscal Years

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 189,683	\$ 166,208	\$ 424,611	\$ 399,246	\$ 315,057	\$ 220,991	\$ 277,233
Interest	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	-	(497,492)	-	1,633,627	-	(1,183,178)	-
Changes in assumptions or other inputs	(1,013,737)	857,590	(2,467,852)	(83,913)	814,586	1,374,581	(711,225)
Benefit payments	<u>(288,831)</u>	<u>(257,524)</u>	<u>(228,037)</u>	<u>(185,041)</u>	<u>(111,549)</u>	<u>(89,164)</u>	<u>(127,420)</u>
Net change in total OPEB liability	(831,941)	559,691	(2,057,441)	2,233,978	1,206,828	538,011	(333,080)
Total OPEB liability, beginning	<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>	<u>6,423,514</u>
Total OPEB liability, ending	<u><u>\$ 7,739,560</u></u>	<u><u>\$ 8,571,501</u></u>	<u><u>\$ 8,011,810</u></u>	<u><u>\$ 10,069,251</u></u>	<u><u>\$ 7,835,273</u></u>	<u><u>\$ 6,628,445</u></u>	<u><u>\$ 6,090,434</u></u>
Covered employee payroll	\$ 1,486,989	\$ 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	520.49%	588.51%	480.08%	618.45%	606.56%	525.96%	522.05%
Discount rate	4.08%	3.26%	3.72%	2.06%	2.12%	2.74%	4.10%
Healthcare trend rates	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
For the Year Ended December 31, 2024

		Expenditures				Unexpended Balance
		Adjusted Budget	Prior Years	Current Year Capital Outlay	Total	
15-54	North South Transmission Main	\$ 1,879,088	\$ 1,711,677	\$ 92,936	\$ 1,804,613	\$ 74,475
16-06	Nitrate & VOC Treatment BGD Plant	1,500,000	5,324		5,324	1,494,676
3993	IMA Watermain Replacement	73,560		73,560	73,560	
20-02	New Garage @ Adams Ave	500,000	311,927	28,978	340,905	159,095
21-05	Well House 7 & 8	1,100,000	50,378	630,451	680,829	419,171
21-07	Plant 1 AOP and Ion Exchange Treatment	20,512,299	6,513,878	4,008,537	10,522,415	9,989,884
22-02	Permanent AOP @ Plant 5	2,311,000	27,602	1,717	29,319	2,281,681
23-01	Renovation of Administration Building	4,532,796	477,834	2,723,738	3,201,572	1,331,224
23-51	Water Main Replacement Harrison Avenue	1,198,797	39,260	970,776	1,010,036	188,761
23-52	Water Main Replacement Sherman Avenue	2,100,000	47,590	1,798,765	1,846,355	253,645
	Fiscal Agent Fees and Other			67,106	67,106	(67,106)
Grand Total		<u>\$ 35,707,540</u>	<u>\$ 9,185,470</u>	<u>\$ 10,396,564</u>	<u>\$ 19,582,034</u>	<u>\$ 16,125,506</u>

BETHPAGE WATER DISTRICT
(A Component Unit of The Town of Oyster Bay)
SCHEDULE OF DEVELOPER DEPOSITS - RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 2024

	Balance 12/31/23	Cash Receipts	Cash Disbursements	Balance 12/31/24
PROJECT				
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 Stubs	10,000		9,975	25
24-50 11 401 Hicksville Road		800		800
24-51 272 Broadway Service Stub		66,825	59,904	6,921
	<u>\$ 94,137</u>	<u>\$ 67,625</u>	<u>\$ 69,879</u>	<u>\$ 91,883</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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 2, 2025.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

June 2, 2025