Audit Committee Meeting

Suffolk County Water Authority
August 26,2026, at 8:30 AM
4060 Sunrise Hwy, Oakdale

Agenda

1. **Approve Audit Committee Meeting Minutes-** May 28, 2026

2. **Presentation- Suffolk County Water Authority Discussion with those charged with governance:**
   Jason Spiegel, Lead Audit Engagement Partner
   Ryan Gibbons, Lead Audit Engagement Senior Manager
   Ed Lee, Audit Engagement Transition Partner

3. **FYE 2026 Finance Summary Memo-**
   As of August 17, 2026, the fiscal year end 2026 audit of the Suffolk County Water Authority ("SCWA") is substantially complete. Water service revenues, for the second year in a row, exceeded expectations and outperformed initial projections by approximately $6.9 million. However, capital expenditure once again ended the fiscal year below final approved budgets. Operating & maintenance expenses also exceeded budgets; this was due to the continued recognition of legal expenses related to additional settlements and increases in system maintenance costs. *Please refer to the memo attached*

AUDIT COMMITTEE MEETING

DATE: May 28, 2026

LOCATION: 4060 Sunrise Highway, Oakdale

ATTENDANCE: Charles Lefkowitz, Chairman
Elizabeth Mercado, Secretary
John Rose, Member
Jeffrey W. Szabo, CEO
Jessica Mattera, Executive Assistant
Chris Cecchetto, Chief Financial Officer
Stephanie Hannan, Manager of Accounting
Jason Spiegel, Lead Audit Engagement Partner, KPMG- Virtual
Ryan Gibbons, Lead Audit Engagement Senior Manager, KPMG- Virtual

EXCUSED ABSENCE: NONE

The meeting was called to order by Mr. Szabo at 2:35 p.m. upon Members of the Committee being present.

On motion made by Mr. Rose, duly seconded by Ms. Mercado, and unanimously carried, it was

RESOLVED, To approve the Audit Committee Meeting Minutes from January 29, 2026, meeting

Mr. Christopher Cecchetto, CFO introduced Mr. Jason Spiegel, Lead Audit Engagement Partner and Ryan Gibbons, Lead Audit Engagement Senior Manager from KPMG who presented the Suffolk County Water Authority Discussion with those Charged with Governance, Audit plan and strategy for the year ending May 31, 2026.

KPMG presented its FY 2026 audit plan for the Suffolk County Water Authority, outlining the scope, timeline, key risk areas, and audit fees for the fiscal year ending May 31, 2026. The audit will include the Authority’s financial statements, internal controls, compliance with New York State investment regulations, and a federal Single Audit related to grant funding. KPMG identified management override of controls as the primary audit risk and will focus testing on areas such as investments, revenue, payroll, debt, fixed assets, pensions, and OPEB liabilities. The auditors expect to issue the financial audit reports by August 29, 2026, with the federal Single Audit due by February

28, 2027. The total proposed audit cost is $258,000, consisting of $227,000 for the financial statement audit and $31,000 for the Single Audit. No significant audit issues, disagreements with management, or other reportable concerns were identified at this stage.

Mr. Cecchetto, Mr. Szabo, and the Board thanked KPMG for their presentation, and are looking forward to seeing them in August. No questions or comments were had.

On motion made by Mr. Rose, duly seconded by Ms. Mercado, and unanimously carried, the meeting of the Audit Committee was adjourned at 2:56 p.m.

Ms. Elizabeth Mercado, Secretary

Suffolk County Water Authority
Discussion with those charged with governance

Audit results for the fiscal year ended May 31, 2026

With you today:

Jason Spiegel, Lead Audit Engagement Partner

Ryan Gibbons, Lead Audit Engagement Senior Manager

Ed Lee, Audit Engagement Transition Partner

Required communications to those charged with governance

Prepared on: August 14, 2026

Presented on: August 20, 2026

Audit results required communications and other matters

Matters to communicate		Reference
Significant unusual transactions	X	
Uncorrected audit misstatements	X	
Corrected audit misstatements	X	
Financial statement presentation and disclosure omissions	X	
Non-GAAP policies and practices	X	
Auditors’ report	X	
Changes to our risk assessment and planned audit strategy	X	
Significant accounting estimates	✓	Pages 6 to 7
Related parties	X	
Going concern	X	

Matters to communicate		Reference
Other information	✓	Page 10
Subsequent events	X	
Noncompliance with laws and regulations	X	
Significant difficulties encountered during the audit	X	
Significant findings or issues discussed, or the subject of correspondence with management	X	
Management’s consultation with other accountants	X	
Disagreements with management	X	
Other significant matters	X	

✓ = Matters to report   X = No matters to report

Audit results required communications and other matters

Matters to communicate	
Consultations	There were no difficult or contentious matters for which the auditor consulted outside the engagement team that are relevant to those charged with governance's oversight of the financial reporting process.
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in system of internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letters (previously provided), and management representation letters
Independence	No matters to report. We are independent of the Authority with respect to our professional services provided in accordance with both AICPA and GAO independence standards
Required inquiries	See page 11
Open items	1. Receipt and performance of procedures over NYSLRS GASB 68 report (expected end of August/early September). 2. Finalization of OPEB review by KPMG actuary. 3. Finalization of concurring partner review 4. Down to date procedures - legal updates, inquiries, subsequent events review

Significant risks and other significant audit matters

Significant Risk (Risk of Fraud)

- Management override of controls

Procedures performed

Internal controls

—Assessed management's design and implementation of controls and the operating effectiveness of those controls over journal entries (during the year and at the end of the reporting period), as well as post-closing adjustments

Substantive procedures

—Examined journal entries and other adjustments, including testing relevant data elements for identified high-risk journal entries through data and analytics routines and testing design and implementation of certain general IT controls related to the journal entry process (SAS 145).

—Performed a rollforward of the general ledger accounts to ensure completeness, including top-side and post-close journal entries.

—Reviewed accounting estimates for bias.

—Evaluated the business purpose for any significant unusual transactions that may have occurred throughout the year.

—The engagement team considered the risk of management override of controls related to revenue and noted that the SCWA revenue process is routine and not complex. Additionally, the engagement team confirmed through inquiries that there is no incentive to fraudulently manipulate revenue.

Results

Our findings

—The engagement team determined that there are no matters to report related to the internal controls over management override.

—The engagement team did not identify instances of fraud as a result of our substantive procedures.

Significant risks and other significant audit matters, continued

Other significant audit matter	Procedures performed
Cash and Investments (including valuation of investments) - estimate	**Substantive procedures** — Confirmed cash and investment balances with respective banks as of May 31, 2026. — Tested the year-end cash and investment reconciliations from the bank to book balances. — Tested the fair market value of the complete portfolio of marketable investments utilizing KPMG National Pricing Desk. — Reviewed a sample of investments for compliance with Board approved policies — Evaluated the adequacy of financial statement disclosures. **Our findings** No exceptions noted to date
Total OPEB liability (GASB 75) - estimate	**Substantive procedures** — Reconciled final Nyhart actuarial reports to the financial statements. — Tested and reconciled census data inputs into the Nyhart actuarial calculations. — Involved a KPMG actuarial specialist to assess the reasonableness of assumptions used by Nyhart, including the attribution method, discount rate, actuarial mortality tables, withdrawal rates, health cost trends, and per capita medical claims costs. — Involved a KPMG actuarial specialist to validate the appropriateness of the assumptions used and calculations made to arrive at the total OPEB liability. — Evaluated adequacy of financial statement disclosures. **Our findings** No exceptions noted to date.

Significant risks and other significant audit matters, continued

Other significant audit matter	Procedures performed
Net Pension Liability (GASB 68) - estimate	**Substantive procedures to be performed:** — Evaluated the use of external expert who performed the actuarial valuation for NYSLRS to measure the collective total pension liability for the plan as of the measurement date. — Evaluated whether the methods and assumptions used in determining the total pension liability are in accordance with GASB Statement No. 68 and Actuarial Standards of Practice are the same as those used by the plan. — Tested the relevant inputs (census data) utilized in developing the actuarial report. — Recalculated the allocated amounts for the Authority per the NYSLRS financial statements and GASB 68 Report. — Recalculated the current year gross incremental deferrals for changes in proportion and differences between the employer's actual contributions and its proportionate share of total employer contributions. — Recalculated pension expense based on the employer's specific pension expense in the schedule of pension amounts. — Utilized a KPMG actuarial specialist to validate the appropriateness of the assumptions used and calculations made to arrive at the pension liability. — Utilized a KPMG GASB 68 audit specialist to review the testwork performed by the engagement team and appropriateness of the financial statement disclosures and required supplementary information. — Evaluated the adequacy of financial statement disclosures. **Our findings** Pending receipt and performance of procedures of NYSLRS GASB 68 report.

Significant risks and other significant audit matters, continued

Other significant audit matter	Procedures performed
Operating revenues (other than GASB 87 lease revenue)	**Substantive procedures** —Detailed testing of customer bills and rates throughout the fiscal year 2026. —Tested accounts receivable balances and subsequent cash receipts. **Our findings** No exceptions noted.
Long term debt	**Substantive procedures** —Confirmed outstanding long-term debt with third parties. —Performed a rollforward of debt balances from June 1, 2025 to May 31, 2026 and tested any material activity during the period. —Recalculated interest expense for the fiscal year 2026. —Reviewed debt covenants and ensured SCWA was compliant as of May 31, 2026. **Our findings** No exceptions noted to date

Significant risks and other significant audit matters, continued

Other significant audit matter	Procedures performed
Capital assets	**Substantive procedures** —Performed a rollforward of the Construction Work in Process (CWIP), Plant in Service (PIS), and Accumulated Depreciation balances from June 1, 2025 to May 31, 2026. —Tested the capital additions to CWIP during the period to validate the costs incurred were appropriately capitalizable —Performed a predictive analytical procedure to determine the expected depreciation expense for fiscal year 2026 and compared the expectation to the actual amount recorded **Our findings** No exceptions noted to date

Other information/ reports

Other information/ report	
Investment compliance examination report (Section 201.3(c)(3) and all subsequent subparts of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York Part 201.3)	We have examined Suffolk County Water Authority's (SCWA) compliance with the requirements of section 201.3(c)(3) and all subsequent subparts of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York Part 201.3, related to SCWA's investment policies as specified in the Suffolk County Water Authority Guidelines for the Investment of Funds dated October 2022 and attached to this report (the Specified Requirements) for the period June 1, 2025 through May 31, 2026. **Independent Accountant's Examination Report** We plan to issue an unmodified opinion.

Required inquiries

- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- How do you exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Has the entity entered into any significant unusual transactions?
- Have there been any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Have any subsequent events occurred that might affect the financial statements?
- Has there been any correspondence with regulators or licensing authorities?

US Audit Quality and Transparency Reports

- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards, including our System of Quality Control Statement of Effectiveness

Transparency Report

Reports and supplements available at: https://kpmg.com/us/en/articles/audit-quality-report.html
For the fiscal year 2025, a separate NYSE supplement is not provided as the relevant information has been incorporated into the main document.

Appendix I – Draft Financial Statements, Examination Report, and Management Representation Letters

SUFFOLK COUNTY WATER AUTHORITY

Financial Statements and
Required Supplementary Information

May 31, 2026 and 2025

(With Independent Auditors' Reports Thereon
in Accordance with *Government Auditing Standards*)

SUFFOLK COUNTY WATER AUTHORITY

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Independent Auditors' Report

The Members of the Board
Suffolk County Water Authority:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Suffolk County Water Authority *(*the Authority*)*, as of and for the years ended May 31, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of May 31, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits 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 Authority 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 opinion. 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 Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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

U.S. generally accepted accounting principles require that the management's discussion and analysis, the schedule of employer contributions – New York State and Local Employees' Retirement System, the schedule of proportionate share of the net pension (asset) liability – New York State and Local Employees' Retirement System, and the schedule of changes in the Authority's total OPEB liability and related ratios 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 GASB 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 GAAS, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September __, 2026 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

(signed) KPMG LLP

New York, New York
September XX, 2026

Summary of Revenues, Expenses, and Changes in Net Position

	Year ended May 31		
	2026	2025	2024
		(In thousands)	
Operating revenues:			
Water service	$ 263,058	259,397	243,431
Lease revenues	13,046	13,719	13,780
Other	104,207	183,063	19,716
Total operating revenues	380,311	456,179	276,927
Operating expenses:			
Operations and maintenance	208,296	188,389	145,411
Depreciation and amortization	63,001	62,100	60,194
Total operating expenses	271,297	250,489	205,605
Operating income	109,014	205,690	71,322
Nonoperating revenues and expenses:			
Interest expense, net	(27,878)	(29,398)	(29,402)
Interest revenues, as lessor	6,257	6,912	6,643
Interest expense, as lessee	(17)	(22)	(33)
Amortization of deferred amounts on refinancing	(2,038)	(1,318)	(248)
Income from investments	16,908	24,590	18,515
Capital reimbursement fees and other	13,845	21,858	19,302
Gain on sale	—	2,133	—
Gain on bond redemption	2,053	—	—
Capital contributions and grants	6,644	11,620	4,640
Total nonoperating revenues and expenses, net	15,774	36,375	19,417
Change in net position	$ 124,788	242,065	90,739

Operating Revenues

Water service revenues increased $3.7 million or 1.4% in 2026 as compared to 2025. This is the result of a decrease in billed consumption of approximately 2.7% combined with a 3.5% board approved rate increase to consumption charges, effective June 1, 2025. These changes resulted in $1.3 million of additional revenues in 2026. The remaining increase is due to a 3.5% rate board approved rate increase to fixed service charges, effective June 1, 2025, and an increase in customer accounts of 0.4%. Fixed charges are independent of water volume usage and produced additional revenues of $2.4 million in 2026.

Water service revenues increased $16.0 million or 6.6% in 2025 as compared to 2024. This is the result of an increase in production of approximately 7.8%.

Lease revenues decreased $0.7 million, or 4.9%, in 2026. This decrease is attributable to changes in the recognition of straight-line amounts of the deferred inflows of resources into operating lease revenues as a result of GASB Statement No. 87 (GASB 87) as well as the remeasurement of various leases with renewal options that are no longer expected to be exercised.

Lease revenues decreased $0.1 million, or 0.4%, in 2025. This decrease is attributable to changes in the recognition of straight-line amounts of the deferred inflows of resources into operating lease revenues as a result of GASB 87.

Other operating revenues decreased by $78.9 million in 2026. This decrease is attributable to $170.8 million of legal settlement revenues with certain manufacturers of perfluoroalkyl substances ("PFAS") that was settled in 2025. In 2026, this decrease was offset with the settlement of additional litigation with manufacturers of 1,4-dioaxine and PFAS for $90.7 million. Additionally, managed water district revenues increased $0.5 million and other fees increased $0.7 million in accordance with approved fee increases effective in 2026.

Other operating revenues increased by $163.3 million in 2025. This increase is attributable to a $170.8 million legal settlement with certain manufacturers of PFAS and a $0.2 million increase in managed water district revenues. This increase is offset by a $6.1 million legal settlement in 2024, a decrease in other fees of $1.2 million, and a decrease in late charge revenues of $0.4 million.

Operating Expenses

Operations and maintenance expenses increased $19.9 million in 2026. The increase is attributable to a $2.6 million increase in wages as a result of standard annual wage increases, a $6.3 million increase in well and pump maintenance costs, a $0.7 million increase in medical insurance expenses due to increasing medical insurance premiums, a $2.3 million increase in administrative operating costs primarily related to rising insurance premiums, damage claim payments, and technology based subscription costs as the Authority transitions to cloud-based technology solutions, a $0.3 million increase in transportation and fleet related costs, a $0.9 million increase in workers' compensation expense due to an increase in claims and expenses based on the GASB 10 actuarial valuation, a $4.2 million increase in energy costs as a result of rising electricity rates, a $5.1 million increase in postemployment benefit other than pension (OPEB) expense based on the GASB 75 actuarial valuation, and a $2.6 million increase due to a GASB Statement No. 68 (GASB 68) adjustment to pension expense based on an actual valuation. These increases are offset by a $5.0 million decrease in legal expenses as a result of litigation settled in 2025, which exceeded expenses related to additional settled litigation in 2026.

Operations and maintenance expenses increased $43.0 million in 2025. The increase is attributable to $22.5 million in legal expenses related to a settlement with certain manufacturers of PFAS, a $0.8 million increase in wages as a result of standard annual wage increases, a $4.8 million increase in maintenance costs, a $5.1 million increase in treatment costs, a $0.5 million increase in other operating costs, a $0.3 million increase in transportation and fleet related costs, a $1.5 million increase in medical insurance expenses due to an increasing medical insurance premiums, a $5.7 million increase in workers' compensation expense due to an increase in claims and expenses based on the GASB Statement No. 10 (GASB 10) actuarial valuation, a $1.1 million increase in energy costs, and a $3.8 million increase in postemployment benefit other than pension (OPEB) expense based on the GASB Statement No. 75 (GASB 75) actuarial valuation. These increases are offset by a $3.1 million decrease due to a GASB 68 adjustment to pension expense based on an actuarial valuation.

Depreciation and amortization expenses were $63.0 million in 2026, an increase of $0.9 million or 1.5% from 2025. The increase is attributable to a 2.5% increase in water plant less asset retirements.

Depreciation and amortization expenses were $62.1 million in 2025, an increase of $1.9 million or 3.2% from 2024. The increase is attributable to a 3.0% increase in water plant less asset retirements.

Nonoperating Revenues and Expenses

Interest expense and other bond expense is $27.9 million in 2026, a decrease of $1.5 million or 5.2% from 2025. This decrease is attributable to a $42.8 million bond redemption completed in July 2025, which reduced interest expense in 2026 by $1.6 million. This decrease was offset by an increase in interest expense of $0.1 million in accordance with scheduled interest payments.

Interest expense and other bond expense is $29.4 million in 2025, which is consistent with 2024.

Interest revenues as lessor decreased by $0.7 million in 2026. The decrease is attributable to decreasing interest components of lease payments versus principal amounts in accordance with GASB 87.

Interest revenues as lessor increased by $0.3 million in 2025. The increase is attributable to increasing interest components of lease payments versus principal amounts in accordance with GASB 87.

Interest expense as lessee decreased in 2026. The decrease is attributable to decreasing interest components of SBITA payments versus principal amounts in accordance with GASB Statement No. 96 (GASB 96).

Interest expense as lessee decreased in 2025. The decrease is attributable to decreasing interest components of SBITA payments versus principal amounts in accordance with GASB 96.

Amortization of deferred amounts on refinancing is $2.0 million in 2026, an increase of $0.7 million from 2025. The increase is attributable to a $0.7 million write off of deferred losses as the result of a bond redemption in 2026.

Amortization of deferred amounts on refinancing is $1.3 million in 2025, an increase of $1.0 million from 2024. The increase is attributable to a $1.0 million extraordinary loss on bond defeasance recognized in 2024.

Income from investments is $16.9 million in 2026, a decrease of $7.7 million from 2025. The change is the result of a decrease in the market value of investments of $7.7 million.

Income from investments is $24.6 million in 2025, an increase of $6.1 million from 2024. The change is the result of an increase in the market value of investments of $2.3 million, an increase in interest revenues of $3.9 million, and a $0.3 million increase recognized gains from sales of restricted investments. These increases were offset by an increase in investment premiums paid of $0.4 million.

Capital reimbursement fees were $13.8 million in 2026, a decrease of $8.0 million from 2025. The decrease in 2026 is primarily due to a $7.7 million decrease in construction revenues and a $1.1 million decrease in tapping fee revenues. These increases were offset by a $0.8 million increase in surcharge fee revenues.

Capital reimbursement fees were $21.9 million in 2025, an increase of $2.5 million from 2024. The increase in 2025 is primarily due to a $3.7 million increase in construction revenues, a $0.8 million increase in tapping fee revenues, and a $0.1 million increase in surcharge fee revenues. These increases were offset by a $0.2 million decrease in easement fee revenues and a $1.9 million decrease in revenues received from the Air National Guard ("ANG") from the conclusion of an intergovernmental agreement relating to reimbursement of eligible past costs for the construction of treatment systems installed at two well fields in 2024.

Gain on bond redemption was $2.1 million in 2026. This activity is attributable to a bond redemption transaction completed in early 2026, which resulted in the write off of $2.1 million of unamortized debt premiums associated with the redeemed series. This write off ultimately produced a gain on redemption.

Gain on sale was $2.1 million in 2025. This activity was due to the sale of land and building of $2.5 million, which had a book value of $0.4 million and produced the entire gain of $2.1 million.

Capital contributions and grants were $6.6 million in 2026, a decrease of $5.0 million from 2025. The decrease is attributable $3.8 million in federal grant revenues and $1.2 million in New York State Environmental Facilities Corporation ("NYS EFC") grant revenues related to water treatment infrastructure grants for projects that were completed in 2025.

Capital contributions and grants were $11.6 million in 2025, an increase of $7.0 million from 2024. The increase is attributable to an additional $6.1 million in federal grant revenues and $0.9 million in NYS EFC grant revenues related to water treatment infrastructure grants.

Statement of Net Position Summary

		May 31		
		2026	2025	2024
			(In thousands)	
Assets:				
Capital assets, net	$	1,365,310	1,333,922	1,304,323
Current assets		739,469	710,906	490,061
Other noncurrent assets		300,113	335,792	321,767
Total assets	$	2,404,892	2,380,620	2,116,151
Deferred outflows of resources	$	64,422	47,170	72,417
Liabilities:				
Current liabilities		89,871	104,364	68,952
Other long-term liabilities		382,557	330,788	335,142
Long-term debt, net of current portion		823,933	880,632	892,143
Total liabilities	$	1,296,361	1,315,784	1,296,237
Deferred inflows of resources	$	207,813	271,654	294,044
Net position:				
Net investment in capital assets		535,053	449,925	418,970
Restricted for debt service		109,036	111,440	100,529
Unrestricted		321,051	278,987	78,788
Total net position	$	965,140	840,352	598,287

Capital Assets, Net

		May 31, 2025	Additions/ reclassifications	Deletions/ reclassifications	May 31, 2026
			(In thousands)		
Water plant in service	$	2,237,420	59,058	(3,072)	2,293,406
Less accumulated depreciation		(1,071,168)	(62,850)	2,277	(1,131,741)
Net water plant in service		1,166,252	(3,792)	(795)	1,161,665
Construction in progress		167,670	95,033	(59,058)	203,645
Water plant	$	1,333,922	91,241	(59,853)	1,365,310

		May 31, 2024	Additions/ reclassifications	Deletions/ reclassifications	May 31, 2025
			(In thousands)		
Water plant in service	$	2,201,722	40,348	(4,650)	2,237,420
Less accumulated depreciation		(1,014,201)	(61,617)	4,650	(1,071,168)
Net water plant in service		1,187,521	(21,269)	—	1,166,252
Construction in progress		116,802	91,916	(41,048)	167,670
Water plant	$	1,304,323	70,647	(41,048)	1,333,922

There is a net increase in water plant in fiscal year 2026 of $31.3 million, the result of $95.0 million in new construction, reduced by an increase in accumulated depreciation of $62.9 million and a $0.8 million asset disposition.

There is a net increase in water plant in fiscal year 2025 of $29.6 million, the result of $91.2 million in new construction, reduced by an increase in accumulated depreciation of $61.6 million.

Current Assets

		May 31		
		2026	2025	2024
			(In thousands)	
Increases (decreases):				
Cash and cash equivalents	$	11,164	8,640	(21,411)
Investments		119,065	31,186	35,344
Accounts receivables, net		(107,279)	180,374	6,977
Lease receivable, current		931	352	96
Accrued water services and fire protection revenues		1,703	1,284	(2,818)
Interest and other receivables		851	618	1,040
Materials and supplies		(1,225)	(1,736)	(436)
Prepayments and other current assets		3,353	127	277
Net change in current assets	$	28,563	220,845	19,069

Current Assets

The Authority's investment policy complies with the New York State Comptroller's guidelines for investments. The investment policy permits investments in, among others, obligations of the U.S. Treasury, U.S. government, any state of the United States or any political subdivision, sponsored entity securities, and repurchase agreements backed by such obligations. Authority investments are generally reported at fair value.

Cash and cash equivalents increased by $11.2 million at May 31, 2026, from May 31, 2025. The increase is primarily attributable to net cash provided by operating activities of $267.7 million and interest revenues received of $16.7 million. This increase is offset by net investment purchases of $117.3 million and net cash used in capital and related financing activities of $155.9 million.

Cash and cash equivalents increased by $8.6 million at May 31, 2025, from May 31, 2024. The increase is primarily attributable to net cash provided by operating activities of $118.9 million and interest revenues received of $16.5 million. This increase is offset by net investment purchases of $34.7 million and net cash used in capital and related financing activities of $92.1 million.

The Authority's investments increased by $119.1 million at May 31, 2026, from May 31, 2025. The increase is attributable to unrestricted investment purchases exceeding redemptions and maturities throughout 2026.

The Authority's investments increased by $31.2 million at May 31, 2025, from May 31, 2024. The increase is attributable to unrestricted investment purchases exceeding redemptions and maturities throughout 2025.

Accounts receivable, net of allowance for doubtful accounts decreased by $107.3 million at May 31, 2026 from May 31, 2025. This decrease is attributable to the receipt of $112.1 million in legal settlement receivables recorded in 2025 and a $3.1 million decrease in lien receivables as a result of lien balance payments received from Suffolk County. This decrease was offset by a $0.9 million increase construction loan contracts, a $0.3 million increase in water service receivables, a $3.0 million increase in grant receivables, a $0.8 million increase in receivables from the Pine Barrens Commission and Long Island Commission for Aquifer Protection ("LICAP") for administrative services performed, and a $2.9 million increase in miscellaneous receivables.

Accounts receivable, net of allowance for doubtful accounts increased by $180.3 million at May 31, 2025 from May 31, 2024. This increase is attributable to the $170.8 million settlement with certain manufacturers of PFAS, a $1.7 million increase in customer account receivables in accordance with increased production, a $7.6 million increase in construction revenue receivables, and a $2.3 million increase in lien receivables. This increase was offset by a $1.1 million decrease in miscellaneous receivables, a $0.2 million decrease in grant receivables, and a $0.8 million decrease in receivables from the Pine Barrens Commission for administrative services performed.

Lease receivable, current increased $0.9 million at May 31, 2026 from May 31, 2025. This increase is attributable to the current portion of antennae leases, offset by amortization of principal payments on existing leases from 2025, in accordance with lease payments as structured by the agreements.

Lease receivable, current increased $0.4 million at May 31, 2025 from May 31, 2024. This increase is attributable to the current portion of new antennae leases entered into during fiscal year 2025, offset by amortization of principal payments on existing leases from 2024.

Accrued water services and fire protection revenues increased $1.7 million at May 31, 2026 from May 31, 2025. This increase is primarily attributable to the year-end revenue accrual due to increased consumption in May 2026 of 9.8%.

Accrued water services and fire protection revenues increased $1.3 million at May 31, 2025 from May 31, 2024. This increase is primarily attributable to the year-end revenue accrual due to increased consumption in May 2025 of 4.1%.

Interest and other receivables increased $0.9 million at May 31, 2026 from May 31, 2025. This increase is attributable an increase in investment interest receivables, in accordance with the increasing investment portfolio.

Interest and other receivables increased $0.6 million at May 31, 2025 from May 31, 2024. This increase is primarily attributable to a $1.2 million increase in investment interest receivables, in accordance with the increasing investment portfolio. This increase is offset by a $0.6 million decrease in receivables related to an intermunicipal agreement for a water main extension project in the Manorville area that was received in 2025.

Materials and supplies decreased by $1.2 million at May 31, 2026. This decrease is attributable to the utilization of meter inventory reserves from prior years, which were not replenished in 2026.

Materials and supplies decreased by $1.7 million at May 31, 2025. This decrease is attributable to continuing stabilization of supply chain issues experienced during the COVID-19 pandemic, for which inventory stock levels were intentionally increased to avoid materials shortages.

Prepayments and other current assets increased by $3.4 million at May 31, 2026. This is the result of a transition from a self-insured workers' compensation insurance policy to a fully insured policy in April 2026, of which the entire premium was paid in May 2026.

Prepayments and other current assets increased by $0.1 million at May 31, 2025. This is the result of increasing insurance premiums recognized in 2025.

Other Noncurrent Assets

Other noncurrent assets decreased by $35.7 million as of May 31, 2026. This decrease is due to a $33.8 million decrease in the noncurrent portion of the GASB 87 lease receivables resulting from a remeasurement of 32 leases for which renewal options are no longer expected to be exercised, a $2.4 million decrease in debt service reserves utilized for bond principal payments made throughout the year, and a $0.2 million decrease in goodwill as a result of goodwill amortization. This decrease is offset by a $0.7 million increase in the noncurrent portion of the GASB 96 right-of-use SBITA assets.

Other noncurrent assets increased by $14.0 million as of May 31, 2025. This increase is due to a $3.3 million increase in the noncurrent portion of the GASB 87 related lease receivables and a $10.9 million increase in debt service reserves utilized for bond principal payments made throughout the year. This increase is offset by a $0.2 million decrease in the noncurrent portion of the GASB 96 right-of-use SBITA assets.

Liabilities

Current Liabilities

		May 31		
		2026	2025	2024
			(In thousands)	
Increases (decreases):				
Current maturities of bonds payable	$	921	8,836	243
Accounts payable		(19,592)	21,312	2,628
Accrued interest		(1,109)	37	(165)
Accrued employee welfare costs		(421)	356	511
SBITA payable, current		168	(70)	12
Other accrued liabilities		5,540	4,941	3,083
Net change in current liabilities	$	(14,493)	35,412	6,312

Current Liabilities

The $0.9 million increase in current maturities of bonds payable in 2026 from 2025 is attributable to maturities of $10.1 million in the prior year, offset by the $11.0 million obligation in the Authority's bonds payable maturing in less than one year.

The $8.8 million increase in current maturities of bonds payable in 2025 from 2024 is attributable to maturities of $1.3 million in the prior year, offset by the $10.1 million obligation in the Authority's bonds payable maturing in less than one year.

The $19.6 million decrease in accounts payable in 2026 is primarily attributable to $22.2 million in legal expenses recognized in 2025 as a result of a settlement with certain manufacturers of PFAS, which were ultimately paid to the Authority in 2026. The remaining change is attributable to the timing of processing of invoices for work performed, completed, and paid for, subsequent to May 31, 2026.

The $21.3 million increase in accounts payable in 2025 is primarily attributable to $22.2 million in legal expenses recognized as a result of a settlement with certain manufacturers of PFAS. The remaining decrease is attributable to decreasing fixed asset additions in 2025 when compared to 2024.

The $1.1 million decrease in accrued interest in 2026 from 2025 is attributable to a bond redemption that was completed at the beginning of fiscal year 2026, which effectively will reduce interest expense in future periods.

The $0.4 million decrease and $0.4 million increase in accrued employee welfare costs in 2026 and 2025 are the result of an analysis performed on accrued balances earned by employees but not yet exhausted. These balances reflect amounts potentially payable to employees upon separation.

The $5.5 million increase in other accrued liabilities in 2026 from 2025 is attributable to a $0.3 million increase in various reimbursable customer deposits and a $5.2 million increase related to workers' compensation and general accrued liabilities based on the actuarial valuation required under GASB 10.

The $4.9 million increase in other accrued liabilities in 2025 from 2024 is attributable to a $1.0 million increase in various reimbursable customer deposits and a $3.9 million increase related to workers' compensation accrued liabilities.

Other Long-Term Liabilities

Other long-term liabilities increased by $51.8 million at May 31, 2026 as a result of an increase in postemployment benefits other than pension (OPEB) of $49.0 million based on the actuarial valuation required under GASB 75, a $0.7 million increase in payables recognized in accordance with GASB 96, an increase in the net pension liability as provided by New York State & Local Retirement System of $___ million, and a $1.1 million increase in advances for construction .

Other long-term liabilities decreased by $4.3 million at May 31, 2025 as a result of a decrease in OPEB of $11.7 million based on the actuarial valuation required under GASB 75 and a $0.2 million decrease in payables recognized in accordance with GASB 96. This decrease was offset by increases in the net pension liability as provided by New York State & Local Retirement System of $4.6 million and a $3.0 million increase in advances for construction .

In accordance with GASB 75, the financial statements at May 31, 2026 and 2025 include a liability for postemployment benefits other than pension in the amount of $334.4 million and $285.3 million, respectively. GASB 75 was adopted by the Authority in 2019.

GASB 75 does not require that the unfunded liability be funded, only that the Authority account for the unfunded accrued liability. However, beginning in 2012, to mitigate possible future rate impacts related to any expected legislation, the Authority has established a non-trusted reserve for this purpose. Beginning in fiscal year 2024, the Authority began investing these funds in U.S. Treasury Notes. As of May 31, 2026 and 2025, the undedicated reserve is $125.4 million and $121.7 million, respectively and is recorded in cash and cash equivalents and investments on the statement of net position.

Long-Term Debt

The Authority's long-term debt, net of current portion and including unamortized discounts and deferred amounts, decreased in fiscal year 2026 by $56.7 million. This is due to a net decrease of $2.9 million in amortization of long-term debt premium and discount, a $42.8 million bond redemption completed in July 2025, and a reclassification of $11.0 million of long-term debt as current and maturing in less than one year.

The Authority's long-term debt, net of current portion and including unamortized discounts and deferred amounts, decreased in fiscal year 2025 by $11.5 million. This is due to a net decrease of $1.4 million in amortization of long-term debt premium and discount and a reclassification of $10.1 million of long-term debt as current and maturing in less than one year.

The following tables contain long-term debt activity by fiscal year, including current maturities of bonds payable and excluding premiums and discounts:

Water System Revenue and
Environmental Facilities Corporation Revenue Bonds

		Fiscal year	
	2026	2025	2024
		(In thousands)	
Balance, beginning	$ 876,405	877,718	902,898
Maturities, retirements, and defeasances:			
SCWA	(52,518)	—	(24,110)
EFC	(380)	(1,313)	(1,070)
Net changes in long-term debt	(52,898)	(1,313)	(25,180)
Balance, ending	$ 823,507	876,405	877,718

Investment ratings on debt issued by the Authority given by Standard and Poor's Ratings Services (S&P) and Fitch Ratings (Fitch) at May 31, 2021 and at May 31, 2020 were AAA. In January 2026, Fitch Ratings completed a review and took no action regarding the Authority's Water System Revenue Bonds AAA rating. In June 2024, S&P Global Ratings affirmed the Authority's Water System Revenue Bonds AAA rating.

As a result of legislation initiated by New York State and enacted by the U.S. Congress, a Drinking Water State Revolving Fund (DWSRF) was created to provide financial incentive for public and private water systems to finance drinking water infrastructure improvements in the form of subsidized low-interest rate loans and grants for qualified projects. The NYS EFC administers the financial aspects of the DWSRF. The Authority has participated in this program since 1998.

In July 2025, the Authority completed a bond redemption of $42.8 million Water System Revenue Bonds, Series 2013, Series 2014A, Series 2014B, and Series 2015. The Authority net funded an escrow account for a total of $42.9 million, which includes the interest due on the redeemed bonds.

During the fiscal year ended May 31, 2025, the Authority did not engage in any bond transactions.

Short-Term Debt

The Authority, from time to time, issues Bond Anticipation Notes to finance improvements and additions to the water system.

During the fiscal years ended May 31, 2026 and 2025, the Authority did not engage in any Bond Anticipation Note transactions.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources related to bond refunding decreased $2.0 million at May 31, 2026 from May 31, 2025. The decrease is due to $1.1 million annual amortization of the deferred loss on refunding bonds and a $0.9 million write off of deferred losses for Series 2013, Series 2014A, Series 2014B, and Series 2015 as a result of the July 2025 bond redemption. The loss on the Authority's bond refundings are due to the Series 2013 Refunding, Series 2015 Refunding, Series 2016 Refunding, and the Series 2020 Refunding.

Deferred outflows of resources related to bond refunding decreased $1.3 million at May 31, 2025 from May 31, 2024. The decrease is due to $1.3 million annual amortization of the deferred loss on refunding bonds. The loss on the Authority's bond refundings are due to the Series 2013 Refunding, Series 2015 Refunding, Series 2016 Refunding, and the Series 2020 Refunding.

In 2026 and 2025, the remaining variances in the deferred outflows and inflows of resources are due to recognition of the total OPEB liability and net pension liability adjustments. These adjustments are made in accordance with GASB 75 and GASB 68, respectively. These adjustments are also in accordance with the most recent actuarial valuations. Further, changes in the deferred inflows of resources are due to recognition of the total lease receivable adjustments in accordance with GASB 87.

Net Position – Net Investment in Capital Assets

Net investment in capital assets represents the Authority's total investment in capital assets net of related long-term debt.

In 2026, the increase of $85.1 million from May 31, 2025 is the result of an increase in water plant expenditures, offset by the net decrease in debt balances and related deferred outflows resulting from losses on refunding.

In 2025, the increase of $30.9 million from May 31, 2024 is the result of an increase in water plant expenditures, offset by the net decrease in debt balances and related deferred outflows resulting from losses on refunding.

Net Position – Restricted for Debt Service

Net position restricted for debt service includes monies held in the reserve accounts by the bond trustee as established by bond resolution for the purpose of security as it pertains to the respective bond issue. Restricted for debt service also represents the proportional amount of principal and interest as prescribed by bond resolution due to bondholders on the next prescribed payment date.

The decrease of $2.4 million on May 31, 2026 is the result of the increase in market valuation of reserve funds due to a more favorable market condition.

The increase of $10.9 million on May 31, 2025 is the result of the increase in market valuation of reserve funds due to a more favorable market condition.

Net Position – Unrestricted

In 2026, net position – unrestricted increased $42.1 million from May 31, 2025 as a result of operations, net of those changes that impact investments in capital assets and net position restricted for debt service.

In 2025, net position – unrestricted increased $200.2 million from May 31, 2024 as a result of operations, net of those changes that impact investments in capital assets and net position restricted for debt service.

Contacting the Authority's Financial Management

This financial report is designed to provide the customers, clients, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Public Information Officer, Suffolk County Water Authority, 4060 Sunrise Highway, Oakdale, New York 11769.

SUFFOLK COUNTY WATER AUTHORITY

Statements of Net Position

May 31, 2026 and 2025
(In thousands)

Assets		**2026**	**2025**
Current assets:			
Cash and cash equivalents	$	185,659	174,495
Investments		386,363	267,298
Accounts receivable, less allowance for doubtful accounts of $____ and $0, respectively		120,481	227,760
Lease receivable, current		8,040	7,109
Accrued water services and fire protection revenues		18,035	16,332
Interest and other receivables		3,329	2,478
Materials and supplies, at average cost		10,375	11,600
Prepayments and other current assets		7,187	3,834
Total current assets		739,469	710,906
Restricted investments		109,036	111,440
Goodwill		1,219	1,370
Lease receivable, less current portion		187,436	221,242
Right-of-use SBITA assets		1,397	650
Other assets		1,025	1,090
Capital assets, net		1,365,310	1,333,922
Total noncurrent assets		1,665,423	1,669,714
Total assets		2,404,892	2,380,620
Deferred Outflows of Resources			
Deferred outflows of resources:			
Pension related		12,608	12,607
Other postemployment benefits related		47,067	27,778
Bond refunding related		4,747	6,785
Total deferred outflows of resources		64,422	47,170
Liabilities			
Current liabilities:			
Current maturities of bonds payable		11,070	10,149
Accounts payable		18,181	37,773
Accrued interest		15,183	16,292
Accrued employee welfare costs		8,116	8,537
SBITA payable, current		481	313
Other accrued liabilities		36,840	31,300
Total current liabilities		89,871	104,364
Bonds payable, less current portion and unamortized discounts		823,933	880,632
Net pension liability		28,942	28,033
Postemployment benefits other than pension		334,373	285,338
SBITA payable, less current portion		796	113
Advances for construction		18,446	17,304
Total liabilities		1,296,361	1,315,784
Deferred Inflows of Resources			
Deferred inflows of resources:			
Pension related		543	543
Other postemployment benefits related		38,365	64,104
Lease related		168,905	207,007
Total deferred inflows of resources		207,813	271,654
Net Position			
Net position:			
Net investment in capital assets		535,053	449,925
Restricted for debt service		109,036	111,440
Unrestricted		321,051	278,987
Total net position	$	965,140	840,352

See accompanying notes to financial statements.

SUFFOLK COUNTY WATER AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended May 31, 2026 and 2025
(In thousands)

		2026	2025
Operating revenues:			
Water service	$	263,058	259,397
Lease revenues		13,046	13,719
Other		104,207	183,063
Total operating revenues		380,311	456,179
Operating expenses:			
Operations		149,066	136,809
Maintenance		59,230	51,580
Depreciation and amortization		63,001	62,100
Total operating expenses		271,297	250,489
Operating income		109,014	205,690
Nonoperating revenues and expenses:			
Interest and other bond expense, net		(27,878)	(29,398)
Interest revenues, as lessor		6,257	6,912
Interest expense, as lessee		(17)	(22)
Amortization of deferred amounts on refinancing		(2,038)	(1,318)
Income from investments, net		16,908	24,590
Capital reimbursement fees		13,845	21,858
Gain on sale		—	2,133
Gain on bond redemption		2,053	—
Capital contributions and grants		6,644	11,620
Total nonoperating revenues and expenses, net		15,774	36,375
Change in net position		124,788	242,065
Net position:			
Beginning of year		840,352	598,287
End of year	$	965,140	840,352

See accompanying notes to financial statements.

SUFFOLK COUNTY WATER AUTHORITY

Statements of Cash Flows

Years ended May 31, 2026 and 2025
(In thousands)

		2026	2025
Cash flows from operating activities:			
Cash receipts from customers	$	260,529	255,917
Other operating cash receipts		231,210	26,946
Cash payments to employees for services, including benefits		(89,437)	(84,222)
Cash payments to suppliers of goods and services		(134,640)	(81,955)
Net cash provided by operating activities		267,662	116,686
Cash flows from capital and related financing activities:			
Additions to water plant		(92,032)	(89,697)
Proceeds from sale of water plant		—	2,500
Repayment of current maturities of bonds payable		(10,149)	(1,313)
Debt redemption		(42,750)	—
Interest paid		(29,812)	(30,722)
Proceeds from advances for construction and other capital, net of refunds		14,078	17,150
Proceeds from capital contributions and grants		3,655	11,871
Interest revenues, as lessor		6,257	6,912
Amortization of lease receivable, as lessor		(5,228)	(6,495)
Interest expense, as lessee		(17)	(22)
Amortization of SBITA payable, as lessee		852	(276)
Amortization of SBITA asset, as lessee		(747)	169
Net cash used in capital and related financing activities		(155,893)	(89,923)
Cash flows from investing activities:			
Purchase of investments		(708,847)	(572,042)
Proceeds from sales and maturities of investments		591,577	537,324
Interest received		16,665	16,595
Net cash used in investing activities		(100,605)	(18,123)
Net decrease in cash and cash equivalents		11,164	8,640
Cash and cash equivalents at beginning of year		174,495	165,855
Cash and cash equivalents at end of year	$	185,659	174,495
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	109,014	205,690
Depreciation and amortization expense		63,001	62,100
Decrease (increase) in operating assets:			
Accounts receivable		111,177	(172,951)
Accrued water services and fire protection revenues		(1,703)	(1,284)
Materials and supplies and prepayments		(2,129)	1,609
Other assets		65	(77)
Increase (decrease) in operating liabilities:			
Accounts payable		(21,799)	19,092
Accrued employee welfare costs		(420)	356
Postemployment benefits other than pension, net of deferred amounts		4,008	(1,042)
Other accrued liabilities		5,540	4,940
Net pension liability, net of deferred amounts		908	(1,747)
Net cash provided by operating activities	$	267,662	116,686
Noncash investing activities:			
Change in the fair value of investments and discount/premium expense	$	(2,056)	7,087
Amortization of deferred amounts on refinancing		2,038	1,318
Noncash financing activities:			
New leases & SBITAs entered into during year	$	1,486	10,882

See accompanying notes to financial statements.

SUFFOLK COUNTY WATER AUTHORITY

Notes to Financial Statements

May 31, 2026 and 2025

(1) Summary of Significant Accounting Policies

Suffolk County Water Authority ("the Authority") is an independent public benefit corporation operating under the Public Authorities Law of the State of New York. The Authority was created by resolution of the Suffolk County Board of Supervisors in 1937, with a twofold purpose. The first was to acquire, construct, maintain, and operate a public water supply for Suffolk County. The second was to develop a single, integrated public water supply and distribution system to serve all of Suffolk County. The accounts of the Authority are maintained generally in accordance with the *Uniform System of Accounts* prescribed by the New York State Public Service Commission (PSC), although the Authority is not subject to PSC rules and regulations. The rates established by the Authority do not require PSC or Suffolk County legislative approval.

(a) Basis of Presentation

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In accordance with GASB standards, the accounting and financial reporting treatment applied to the Authority's financial statements is determined by its measurement focus. As required by GASB standards, the transactions of the Authority are accounted for on a flow of economic resources measurement focus and accrual basis of accounting.

(b) Water Plant (Capital Assets)

Water plant is recorded at historical cost. The capitalized cost of additions to water plant includes charges for ancillary construction costs such as engineering, supervision, payroll taxes, and pension benefits. The original cost of property replaced, retired, or otherwise disposed of in ordinary retirements is deducted from plant accounts and together with costs to remove, less any salvage, is charged to accumulated depreciation. The costs of repairs, minor betterments, and renewals are charged to maintenance expense as incurred.

(c) Depreciation

The provisions for depreciation for water plant result from the application of straight-line rates by groups of depreciable properties in service. The rates are determined by age-life studies performed on depreciable properties. The most recent rate study, done in November 2003, established the composite depreciation rate of 2.84%. The Authority reviews the composition of its fixed assets annually to determine the appropriateness of this depreciation rate. The Authority determined that the depreciation rate of 2.84% is appropriate at May 31, 2026 and 2025.

(d) Cash and Cash Equivalents and Investments

Funds held by the Authority are administered in accordance with the Authority's investment guidelines pursuant to Section 2925 of the New York State Public Authorities Law. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities. Certain investments and cash and cash equivalents have been designated by the Authority's board of trustees to be used for specific purposes, including rate stabilization, debt service, and capital expenditures.

Investments with original maturities of 90 days or less are considered cash equivalents.

All investments with original maturities of longer than 90 days are reported as investments and are carried at fair value, except for money markets, guaranteed investment contracts, and certificates of deposit. Money markets, guaranteed investment contracts, and certificates of deposit are valued at amortized cost.

(e) Investments Held for Debt Service

In accordance with the 1988 General Bond Resolution, as amended (the Resolution), the Authority maintains a debt service reserve. This reserve is held by a fiscal agent.

Investments held for debt service reserve and bond funds are used solely for the purpose of paying the principal and interest on the bonds, and for retiring the bonds prior to maturity and are reported as restricted investments in the accompanying statements of net position. Amounts in the debt service and bond funds are invested in U.S. Treasury notes and U.S. government-sponsored entity securities.

(f) Investments Held for Construction

In accordance with the Resolution, investments held for construction in the construction fund are for the costs of acquiring, constructing, and replacing the water system and are reported as restricted investments in the accompanying statements of net position.

(g) Goodwill

Goodwill was derived from the Authority's acquisition of various private water purveyors where the purchase price paid exceeded the net position acquired. The Authority amortizes goodwill over a 40-year period.

(h) Advances for Construction and Capital Reimbursement Fees

Under current standard construction contracts with residential real estate developers and others, the developer advances to the Authority the cost of new main installations based on a flat cost per foot. Upon completion of construction, the moneys are recognized as capital reimbursement fees in the statements of revenues, expenses, and changes in net position.

There exist certain construction contracts with residential real estate developers and others, whereby the developer advances to the Authority the cost of new main installations based on actual costs. Upon completion of construction, the developer is either billed (not to exceed 10% of original estimate) or refunded the difference between the advance and actual cost. The moneys paid by the developer are recognized as capital reimbursement fees in the statements of revenues, expenses, and changes in net position when the construction is completed.

Capital reimbursement fees also include service, tapping, and other fees.

(i) Leases and Subscription-Based Information Technology Arrangements (SBITA)

(i) Lessor

The Authority is a lessor for noncancelable leases of various wireless cell carriers desire to use the Authority owned premises for the construction, installation, maintenance, and operation of radio transmitting and receiving equipment and other associated equipment as approved by the Authority in connection with their wireless communications businesses. For leases with a maximum possible term of 12 months or less at commencement, the Authority recognizes lease revenue based on the provisions of the lease contract. For all other leases that are longer than 12 months, the Authority recognizes a lease receivable and an offsetting deferred inflow of resources. At lease commencement, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The Authority recognizes interest income on the lease receivable and lease revenue from the deferred inflows of resources in a systematic and rational manner over the term of the lease.

Key estimates and judgments include how the Authority determines the (1) discount rate it uses to calculate the present value of the expected lease payments to be received, (2) lease term, and (3) lease payments to be received.

(1) The Authority generally uses its estimated incremental borrowing rate as the discount rate, which was 3.08% for 2026 and 2025, respectively, for leases unless the actual interest rate is known. The Authority's incremental borrowing rate for leases is based on calculating the average rate of interest on long-term bond obligations to borrow an amount equal to the lease, under similar terms at the commencement or remeasurement date.

(2) The lease term includes the noncancelable period of the lease plus any additional periods covered by either an Authority or lessee unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Authority and the lessee have an option to terminate are excluded from the lease term.

(3) Lease payments to be received are evaluated by the Authority to determine if they should be included in the measurement of the lease receivable, including those payments that require a determination of whether they are reasonably certain of being received.

(ii) Managed Water Districts

The Towns of Islip, Babylon, Brookhaven, Southampton, Shelter Island, West Gilgo Beach, and the Villages of Dering Harbor and Saltaire on behalf of the water districts of Brentwood, East Farmingdale, Oak Beach, Stony Brook, Riverside, Shelter Island West Neck, West Gilgo, Dering Harbor, and Saltaire respectively, have entered into 40-year lease agreements with the Authority, whereby the Authority agrees to operate, construct, maintain, and repair, at its own expense, the entire operating plant in exchange for an agreed upon fee related to water service delivery to the residents of the Towns and Villages. The Towns and Villages, on behalf of the respective districts, agree to lease the rights, title, and interest to the entire operations, plant, hydrants, and distribution system, real property, of the districts, and all extensions thereto to the Authority, however, the Authority is not required to make any form of payments to the Towns or Villages as part of the terms of the respective leases. These leases expire between 2040 and 2066.

(iii) Lessee/SBITA

The Authority has several noncancellable SBITAs for the right-to-use information technology and software. For SBITAs with a maximum possible term of 12 months or less at commencement, the Authority recognizes expense based on the provisions of the SBITA contract. For all other SBITAs (i.e. those that are not short-term), the Authority recognizes a right-of-use SBITA asset and SBITA liability.

At SBITA commencement, the Authority initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of the SBITA payment made. The SBITA asset is initially measured as the initial amount of the SBITA liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of the SBITA term or its useful life. The Authority recognizes interest expense on the SBITA liability using the effective interest method based on the discount rate determined at SBITA commencement.

Variable payments are excluded from the valuations unless they are fixed in substance. For SBITAs featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The Authority does not have any SBITAs subject to a residual value guarantee.

Key estimates and judgments include how the Authority determines the (i) discount rate it uses to calculate the present value of the expected SBITA payments to be made, (ii) SBITA term, and (iii) SBITA payments to be made.

(1) The Authority uses the implicit interest rate within the SBITA as the discount rate to discount the expected SBITA payments to the present value. When the interest rate is not provided, the Authority its estimated incremental borrowing rate as the discount rate for SBITA (see above – Lessor).

(2) The SBITA term includes the noncancellable portion of the SBITA, plus any additional periods covered by either the Authority's or lessor's unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Authority and the lessor have the option to terminate are excluded from the SBITA term.

(3) SBITA payments to be made are evaluated by the Authority to determine if they should be included in the measurement of the SBITA liability, including those payments that require a determination of whether they are reasonably certain of being made.

The Authority monitors changes in circumstances that may require remeasurement of a SBITA. When certain changes occur that are expected to affect the amount of the SBITA significantly, the liability is remeasured and a corresponding adjustment is made to the right of use SBITA asset.

Right-of-use SBITA assets are reported within noncurrent assets. The SBITA liability is reported within the noncurrent liabilities section of the statement of net position, net of the current portion of the SBITA liability reported within current liabilities.

(j) Water District Contracts

The Authority has contracted with various municipalities throughout Suffolk County for the purpose of installing water mains within the related municipality's created water district. Under the terms of these contracts, the municipality agrees to pay for the installation of the water main, plus interest over a 38-year period. The Authority agrees to provide a credit against the annual payment due equal to a percentage of the water revenues collected from customers within the designated water improvement area. The amount of the credit cannot exceed the gross payments due.

As of May 31, 2026, the Authority had 4 active contracts where the credit did not equal the gross amount due. Annual gross payments for these contracts range from $2,800 to $291,000 with final maturity dates through 2052. The cumulative gross payments due for all of these water district contracts through their respective maturity dates at May 31, 2026 and 2025 amount to approximately $1.3 million and $1.6 million, respectively. The Authority has determined that it has the right to offset the asset and liability created from these contracts and therefore, these amounts are not reflected on the statements of net position as of May 31, 2026 and 2025.

The cost of these installations has been paid for and capitalized through the Authority's capital budget.

(k) Net Position

The Authority's net position represents the excess of assets plus deferred outflows of resources over liabilities less deferred inflows of resources and is categorized as follows:

Net investment in capital assets are the amounts expended by the Authority for the acquisition of capital assets, net of accumulated depreciation, and related debt and deferred amounts due to bond refunding.

Restricted net position is the net position that has been restricted as to use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position is the remaining net position, which can be further categorized as designated or undesignated. Designated assets are not governed by statute or contract but are committed for specific purposes pursuant to the Authority's policy and/or board directives. Designated assets include funds and assets committed to working capital and water quality.

(l) Bond Discounts and Premiums

Discounts and premiums are amortized over the life of the related bond issues. Deferred bond refunding costs are amortized to expense over the shorter of (1) the life of the refunding bonds or (2) the refunded bonds and are reported as deferred outflows of resources in the accompanying statements of net position.

(m) Accrued Employee Welfare Costs

The Authority permits employees to accumulate a limited amount of earned but unused leave benefits, which will be paid to employees upon separation from service. Unpaid compensated absences are recorded as a liability in the accompanying statement of net position. As of May 31, 2026 and 2025, the accrued employee welfare costs are $8.1 million and $8.5 million, respectively.

(n) Net Pension (Asset) Liability and Related Pension Amounts

For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State and Local Employees' Retirement System (the System), and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the statutes governing the System. Investments of the System are reported at fair value.

(o) Revenues

The Authority distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Water service revenues are recognized based on actual customer water usage, including estimates for unbilled periods. Other operating revenues are recognized when service has been rendered and collection is reasonably assured. The Authority's operating expenses include operations and maintenance expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(p) Use of Resources

Pursuant to the Resolution, revenues received are used as follows: (1) payment of operations and maintenance expenses, (2) payment of debt service, and (3) any lawful purpose of the Authority, including use by the construction fund. The payment of capital expenditures is generally done with restricted bond proceeds, other restricted resources, and by funds previously transferred to the general fund.

(q) Income Taxes

As a public benefit corporation of the State of New York, the Authority is exempt from federal, state, and local income taxes.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Items subject to such estimates and assumptions include the useful lives of capital assets, the valuation of accounts receivable, inventory, financial instruments other than cash, accrued water services and fire protection revenues, accrued employee welfare costs, workers' compensation and postemployment benefits, discount rates on leases and SBITAs, pension benefits, and other uncertainties and other contingencies.

(s) Workers' Compensation

The Authority self-insured its workers' compensation coverage in accordance with New York statutory regulations, effective April 1, 2016 through March 31, 2026. Excess insurance was purchased to cover any liability that exceeds between $650,000 and $800,000 per claim depending on when the employee's injury was sustained. A national third-party claims administrator administers claims for the Authority.

Effective April 1, 2026, the Authority entered into a group self-insured agreement with the Public Employer Risk Management Association, Inc. ("PERMA"). All group members are public entities in New York. Under this arrangement, PERMA will administer all claims and be responsible for all liability associated with workers compensation claims occurring on or after April 1, 2026. Also beginning April 1, 2026, PERMA will administer all outstanding self-insured workers compensation claims that were incurred prior to April 1, 2026.

(t) Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categories the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – unadjusted quoted or published prices for identical assets or liability in active markets that a government can access at the measurement date
- Level 2 – quoted or published prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is based on the lowest priority level that is significant to the entire measurement.

(u) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring other postemployment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the financial statements, a third party, independent actuarial evaluation is performed.

(v) Adoption of Accounting Pronouncements

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* (GASB 102). This Statement provides users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. GASB 102 will be effective for the Authority for the fiscal year ending May 31, 2026.

(w) Accounting Pronouncements Applicable to the Authority, Issued but Not Yet Effective

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103). The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability, including management's discussion and analysis, unusual or infrequent items, presentation of a proprietary fund's statement of revenues, expenses, and changes in net position, major component unit information, and presentation of budgetary comparison information as required supplementary information. This Statement also addresses certain application issues and will be effective for the Authority's fiscal year ending May 31, 2027.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104). The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. GASB 102 will be effective for the Authority for the fiscal year ending May 31, 2027.

The Authority is currently evaluating the applicability and the impact of these new statements.

(2) Capital Assets, Net

	May 31, 2025	Additions/ reclassifications	Deletions/ reclassifications	May 31, 2026
		(In thousands)		
Land and land rights (non-depreciable)	$ 26,736	261	—	26,997
Distribution systems	1,365,226	46,644	(800)	1,411,070
Wells, reservoirs, and structures	416,603	4,192	(795)	420,000
Pumping and purification equipment	188,746	2,284	—	191,030
Meters	93,833	2,836	(1,347)	95,322
Compressors/backhoes	4,853	—	(40)	4,813
Computer equipment	40,494	233	—	40,727
Equipment	42,106	1,179	—	43,285
Hydrants	58,823	1,429	(90)	60,162
Water plant in service	2,237,420	59,058	(3,072)	2,293,406
Less accumulated depreciation	(1,071,168)	(62,850)	2,277	(1,131,741)
Net water plant in service	1,166,252	(3,792)	(795)	1,161,665
Construction in progress	167,670	95,033	(59,058)	203,645
Water plant	$ 1,333,922	91,241	(59,853)	1,365,310

In 2026, the additions to construction in progress of approximately $95.0 million are comprised of the following: distribution systems $48.1 million, hydrants $1.4 million, wells and structures $15.5 million, pumping and purification equipment $25.3 million, equipment $1.2 million, meters $3.0 million, computer equipment $0.2 million, and land $0.3 million.

		May 31, 2024	Additions/ reclassifications	Deletions/ reclassifications	May 31, 2025
		(In thousands)			
Land and land rights (non-depreciable)	$	27,028	(292)	—	26,736
Distribution systems		1,336,076	32,526	(3,376)	1,365,226
Wells, reservoirs, and structures		415,170	1,433	—	416,603
Pumping and purification equipment		188,640	106	—	188,746
Meters		92,565	2,098	(830)	93,833
Compressors/backhoes		5,053	—	(200)	4,853
Computer equipment		39,211	1,287	(4)	40,494
Equipment		40,772	1,334	—	42,106
Hydrants		57,207	1,856	(240)	58,823
Water plant in service		2,201,722	40,348	(4,650)	2,237,420
Less accumulated depreciation		(1,014,201)	(61,617)	4,650	(1,071,168)
Net water plant in service		1,187,521	(21,269)	—	1,166,252
Construction in progress		116,802	91,916	(41,048)	167,670
Water plant	$	1,304,323	70,647	(41,048)	1,333,922

In 2025, the additions to construction in progress of approximately $91.9 million are comprised of the following: distribution systems $47.7 million, hydrants $1.2 million, wells and structures $15.6 million, pumping and purification equipment $23.2 million, equipment $1.2 million, meters $1.8 million, and computer equipment $1.2 million.

Depreciation and amortization expenses amounted to approximately $63.0 million and $62.1 million for the years ended May 31, 2026 and 2025, respectively.

(3) Cash and Cash Equivalents and Investments

(a) Cash and Cash Equivalents

Cash consists of deposits insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized deposits that have carrying values of approximately $188.7 million and $177.4 million and bank balances of approximately $185.7 million and $174.4 million at May 31, 2026 and 2025, respectively. Collateral for deposits is held by a third-party bank in the name of the Authority.

(b) Investments

Investments, including restricted investments, at May 31, 2026 and 2025, consist of the following (dollars in thousands):

		May 31, 2026			
			Investment maturities (in years)		
		Total	Less than 1	1 to 5	Greater than 5
U.S. Treasury notes [1]	$	292,525	42,678	240,043	9,804
U.S. Treasury bills [1]		—	—	—	—
U.S. Treasury bonds [1]		—	—	—	—
FNMA notes [1]		—	—	—	—
FHLB notes [1]		67,851	50,426	17,425	—
FHLMC notes [1]		4,937	—	4,937	—
FFCB notes [1]		27,770	1,985	25,785	—
NYS municipal bonds		31,454	8,264	23,190	—
Guaranteed investment contracts [1] *		70,862	70,862	—	—
Total investments	$	495,399	174,215	311,380	9,804

* Reported at amortized cost

[1] Includes approximately $109.0 million of investments, including cash, held by a fiscal agent in the Authority’s name at May 31, 2026

		May 31, 2025			
			Investment maturities (in years)		
		Total	Less than 1	1 to 5	Greater than 5
U.S. Treasury notes [1]	$	156,451	83,886	68,542	4,023
U.S. Treasury bills [1]		—	—	—	—
U.S. Treasury bonds [1]		30,071	29,676	395	—
FNMA notes [1]		10,936	8,940	1,996	—
FHLB notes [1]		51,017	11,773	39,244	—
FHLMC notes [1]		7,913	3,943	3,970	—
FFCB notes [1]		15,894	—	15,894	—
NYS municipal bonds		25,491	—	25,491	—
Guaranteed investment contracts [1] *		80,965	80,965	—	—
Total investments	$	378,738	219,183	155,532	4,023

* Reported at amortized cost

[1] Includes approximately $111.4 million of investments, including cash, held by a fiscal agent in the Authority’s name at May 31, 2025

		2026	2025
Investment breakdown:			
Restricted for:			
Debt service	$	109,036	111,440
Unrestricted		386,363	267,298
Total investments	$	495,399	378,738

Accrued interest on investments other than guaranteed investment contracts is included in interest and other receivables on the statements of net position. Investments bear interest at rates that range from 0.50% to 5.267%.

The Authority's investment policy states that securities underlying repurchase agreements must have a market value at least equal to the cost of the investment. All investments are either insured or registered and held by the Authority or its agent in the Authority's name.

U.S. Treasury notes and bonds are considered Level 1 in the fair value hierarchy. All other investments reported at fair value are considered Level 2 in the fair value hierarchy due to the fair value being determined through matrix pricing or quoted prices for identical securities in markets not considered active.

Interest Rate Risk: The Authority's investment policy does not include limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: It is part of the Authority's investment policy to safeguard the principal of its investments while obtaining the highest interest rate possible that is consistent with this and other components of its policy. Toward that end, permitted investments include but are not limited to federally backed securities or obligations of any state of the United States of America or any political subdivision rated by at least two nationally recognized bond-rating agencies. As of May 31, 2026, the Authority's investments in Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank Notes, and the Federal Home Loan Mortgage Corporation were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's Ratings Services and Fitch Ratings. The Authority's investments in NYS Municipal Bonds were rated AA1 by Moody's Investors Service and AAA to AA+ by Standard & Poor's Ratings Services and Fitch Ratings.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5% of the Authority's investments are in U.S. Treasury Notes ($292.5 million or 59.0% of investments), Federal Farm Credit Banks ($27.8 million or 5.6% of investments), NYS Municipal Bonds ($31.5 million or 6.3% of investments), and Federal Home Loan Bank ($67.9 million or 13.7% of investments) at May 31, 2026. As of May 31, 2025, the Authority invested more than 5% in U.S. Treasury Notes ($141.2 million or 41.9% of investments), U.S. Treasury Notes ($156.5 million or 41.3% of investments), U.S. Treasury Bonds ($30.1 million or 7.9% of investments), NYS Municipal Bonds ($25.5 million or 6.7% of investments), and Federal Home Loan Bank ($51.0 million or 13.5% of investments).

(4) Bonds Payable

Outstanding bonds are summarized as follows (dollars in thousands):

Series	Interest rate(s)	Final maturity date	May 31, 2025	Issued	Matured/ refunded	May 31, 2026	Due within one year
Water System Revenue Bonds:							
2009 B Senior Lien	5.50 %	2035	$ 100,000	—	—	100,000	—
2012 A Senior Lien	3.00–3.75%	2038	80,000	—	—	80,000	—
2013 Senior Lien	3.00–4.00%	2029	62,380	—	(10,000)	52,380	—
2014 A Senior Lien	3.13–5.00%	2040	31,910	—	(16,345)	15,565	7,675
2014 B Senior Lien	3.50–5.25%	2040	50,000	—	(5,000)	45,000	—
2015 Senior Lien	3.00–5.00%	2032	112,180	—	(18,440)	93,740	715
2015 A Senior Lien	4.00–5.25%	2040	49,105	—	—	49,105	—
2016 A Senior Lien	3.00–5.00%	2042	84,280	—	—	84,280	—
2016 B Senior Lien	3.25 %	2042	40,000	—	—	40,000	—
2016 Senior Lien	3.00–5.00%	2035	43,640	—	(2,165)	41,475	2,300
2018A Senior Lien	3.25-5.00%	2043	100,000	—	—	100,000	—
2020B Senior Lien	3.00 %	2045	87,000	—	—	87,000	—
2020 Senior Lien	1.3-2.43%	2040	27,365	—	—	27,365	—
Environmental Facilities Corporation Revenue Bonds:							
2014 B	4.964 %	2024	—	—	—	—	—
2015 D	4.015%	2025	568	—	(568)	—	—
2020 A	— %	2046	7,977	—	(380)	7,597	380
Total bonds outstanding			876,405	—	(52,898)	823,507	$ 11,070
				Additions	Amortization/ payments		
Unamortized premium (discount), net			14,376	—	(2,880)	11,496	
Current maturities payable			(10,149)	(11,070)	10,149	(11,070)	
			$ 880,632	(11,070)	(45,629)	823,933	

SUFFOLK COUNTY WATER AUTHORITY

Notes to Financial Statements

May 31, 2026 and 2025

Series	Interest rate(s)	Final maturity date	May 31, 2024	Issued	Matured/ refunded	May 31, 2025	Due within one year
Water System Revenue Bonds:							
2009 B Senior Lien	5.50 %	2035	$ 100,000	—	—	100,000	—
2012 A Senior Lien	3.00–3.75%	2038	80,000	—	—	80,000	—
2013 Senior Lien	3.00–4.00%	2029	62,380	—	—	62,380	—
2014 A Senior Lien	3.13–5.00%	2040	31,910	—	—	31,910	6,345
2014 B Senior Lien	3.50–5.25%	2040	50,000	—	—	50,000	—
2015 Senior Lien	3.00–5.00%	2032	112,180	—	—	112,180	690
2015 A Senior Lien	4.00–5.25%	2040	49,105	—	—	49,105	—
2016 A Senior Lien	3.00–5.00%	2042	84,280	—	—	84,280	—
2016 B Senior Lien	3.25 %	2042	40,000	—	—	40,000	—
2016 Senior Lien	3.00–5.00%	2035	43,640	—	—	43,640	2,165
2018A Senior Lien	3.25-5.00%	2043	100,000	—	—	100,000	—
2020B Senior Lien	3.00 %	2045	87,000	—	—	87,000	—
2020 Senior Lien	1.3-2.43%	2040	27,365	—	—	27,365	—
Environmental Facilities Corporation Revenue Bonds:							
2014 B	4.964 %	2024	618	—	(618)	—	—
2015 D	4.015%	2025	884	—	(316)	568	569
2020 A	— %	2046	8,356	—	(379)	7,977	380
Total bonds outstanding			877,718	—	(1,313)	876,405	$ 10,149
				Additions	Amortization/ payments		
Unamortized premium (discount), net			15,738	—	(1,362)	14,376	
Current maturities payable			(1,313)	(10,149)	1,313	(10,149)	
			$ 892,143	(10,149)	(1,362)	880,632	

In accordance with bond covenants, the Authority is required to guarantee the payment of principal and interest by establishing a reserve fund for each bond issue and funding the reserve account with a portion of the proceeds from the respective bond issue or from the Authority's unrestricted funds.

In satisfaction of the reserve account requirements of each Water System Revenue Bond Issue, the Authority may provide a letter of credit, surety agreement, insurance agreement, or other type of agreement with any entity whose obligations are rated in one of the two highest rating categories by Standard & Poor's Ratings Services or Moody's Investors Service. If, at any time, the rating issued by Standard & Poor's Ratings Services or Moody's Investors Service falls below such two highest ratings, then within 12 months thereafter, the Authority shall use its best efforts to either, at its option, replace such a credit agreement with an entity whose obligations are rated with such two highest ratings or deposit into the reserve account sufficient moneys in accordance with the respective bond resolution to replace such credit agreement.

For the fiscal years 2026 and 2025, the Authority, at its own discretion, has elected to fund the reserve accounts in the amount of $82.4 million and $85.1 million from bond proceeds, respectively.

(a) Water System Revenue Bonds

The Water System Revenue Bonds are issued to finance the cost of acquisition and construction of improvements and additions to the water system. The Senior Lien Water System Revenue Bonds are payable solely from net revenues of the Authority's water system. The Water System Subordinate Revenue Bonds are payable solely from net revenues available after payment of debt service on Senior Lien Revenue Bonds issued by the Authority.

During the fiscal year ended May 31, 2026, the Authority has not engaged in any bond issuance transactions.

In July 2025, the Authority completed a bond redemption of $42.8 million Water System Revenue Bonds, Series 2013, Series 2014A, Series 2014B, and Series 2015. The Authority net funded an escrow account for a total of $42.9 million, which includes the interest due on the redeemed bonds.

(b) Environmental Facilities Corporation Revenue Bonds (EFC Revenue Bonds)

The State of New York has established a State Drinking Water Program, which includes a state drinking water revolving fund (the Revolving Fund) to be used for purposes of the Safe Drinking Water Act. The New York State Environmental Facilities Corporation (NYS EFC) is responsible for administering the Revolving Fund and providing financial assistance from the Revolving Fund. NYS EFC issues bonds, the proceeds of which are used to fund the Revolving Fund, which then provides loans to the private water companies, political subdivisions, and public benefit corporations of the State of New York. The Authority has been issued a portion of the total bond proceeds in the amounts stated in the table above to finance safe drinking water projects.

Since June 2010, the Authority has participated in the NYS EFC Refunding Program initiated by the NYS EFC on behalf of the municipalities that initially financed projects through the State Clean Water and Drinking Water Revolving Funds as more fully described below. The NYS EFC refunded certain Suffolk County Water Authority NYS EFC Bond Series with new bonds issued at lower current-market interest rates, thus passing the interest savings net of NYS EFC financing costs along to the Authority in the form of reduced debt service bills.

In fiscal years 2026 and 2025, the Authority has not participated in any new NYS EFC bond issues.

Throughout its history, the Authority has defeased certain debt obligations by placing the proceeds of new bond offerings and its own funds in an irrevocable trust to provide for all future debt service payments for existing bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At May 31, 2026, the amount of defeased debt obligations outstanding is approximately $7.1 million, a decrease of $17.0 million from May 31, 2025. This decrease is attributable to $17.0 million of defeased debt being fully redeemed after May 31, 2025.

Interest expense, net of debt discount and premium and costs of issuance on the bonds, is $27.9 million for the year ended May 31, 2026 and $29.4 million for the year ended May 31, 2025.

Bond maturities payable, including mandatory sinking fund redemptions, over the next five fiscal years and thereafter are as follows (dollars in thousands):

	Principal	Interest	Total
Fiscal years ending:			
2027	$ 11,070	29,916	40,986
2028	16,895	29,338	46,233
2029	23,095	28,621	51,716
2030	26,620	27,576	54,196
2031	25,585	26,572	52,157
2032–2036	209,514	108,460	317,974
2037–2041	261,514	59,685	321,199
2042–2046	249,214	14,512	263,726
2047–2051	—	—	—
	$ 823,507	324,680	1,148,187

(5) Debt Service Requirements

As prescribed in the Authority's Bond Resolution, the Authority is required to maintain a reserve account for each Series of Bonds to be held in the custody of the Bond Fund Trustee in an amount equal to the lesser of (1) 10% of the proceeds of the particular bond issue, (2) the maximum debt service due on the particular bond issue, or (3) up to 125% of the average of the annual installments of debt service with respect to all current and future years of the particular bond issue. The Resolution permits the Authority to deposit a letter of credit, surety agreement, insurance agreement, or other type of agreement or arrangement with an entity whose obligations are rated in one of the two highest rating categories by Standard and Poor's Ratings Services or Moody's Investors Service to satisfy the reserve account requirements. At May 31, 2026, the debt service reserve funds were approximately $82.9 million. In addition, there is $26.2 million in the Bond Funds.

Revenue before interest expense and depreciation and amortization is equivalent to 10.4 times (10.4 in 2025) the debt service requirement on all outstanding debt. The minimum debt service requirement on all bonds is 1.10.

(6) Pension Plan

The Authority participates in the New York State and Local Employees' Retirement System (the System), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System.

System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System issues their own financial statements. That report, including information regarding benefits provided, may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

(a) Contributions

The System is contributory, employees contribute 3% of their salary for the first 10 years of membership, and employees who joined on or after January 1, 2010 contribute throughout employment. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. The System offers a range of programs and benefits that vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, disability benefits, and optional methods of benefit payments. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows (dollars in thousands):

2025	$	6,413
2026		7,931
2027		

(b) Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2026 and 2025, the Authority reported a liability of $___ million and $28.0 million for its proportionate share of the System's net pension liability, respectively. The net pension liability reported by the Authority at May 31, 2026 and 2025 is measured as of March 31, 2026 and 2025, respectively, and the total pension liability used to calculate the net pension liability is determined by actuarial valuations as of April 1, 2025 and April 1, 2024, respectively. The Authority's proportion of the System's net pension liability is based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At May 31, 2026 and 2025, the Authority's proportion is ___% and 0.163504%, respectively. For the years ended May 31, 2026 and 2025, the Authority recognized pension expense of $___ million and $6.4 million, respectively.

At May 31, 2026 and 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2026	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$	
Changes of assumptions		
Net difference between projected and actual investment earnings on pension plan investments		
Changes in proportion and differences between employer contributions and proportionate share of contributions		
Contributions made subsequent to the measurement date		
Total	$ —	—

	2025	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 6,958	328
Changes of assumptions	1,176	—
Net difference between projected and actual investment earnings on pension plan investments	2,199	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	952	215
Contributions made subsequent to the measurement date	1,322	—
Total	$ 12,607	543

Deferred outflows of resources relating to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Year ended May 31:		
2027	$	7,340
2028		(2,172)
2029		416
2030		—
2031		

(c) Actuarial Assumptions

The total pension liability at March 31, 2025 and 2024 is determined by using an actuarial valuation as of April 1, 2025 and 2024, with update procedures used to roll forward the total pension liability to March 31, 2025 and 2024, respectively.

Significant actuarial assumptions used in the April 1, 2025 valuation were as follows:

Investment rate of return	
Salary scale	
Inflation rate	
Cost of living adjustments	___% annually
Decrements	Developed from the System's 2015 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2021

Significant actuarial assumptions used in the April 1, 2024 valuation were as follows:

Investment rate of return	5.9 %
Salary scale	4.3 %
Inflation rate	2.9 %
Cost of living adjustments	1.5% annually
Decrements	Developed from the System's 2015 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2021

The long-term expected rate of return on pension plan investments is determined by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of arithmetic real rates of return for each major asset class as of March 31, 2026 and 2025 are summarized as follows:

	2026	
Asset class	Target allocation	Long-term expected real rate
Domestic equity		
International equity		
Private equity		
Real estate		
Opportunistic/ARS portfolio		
Credit		
Real assets		
Fixed income		
Cash		
	— %	

	2025	
Asset class	Target allocation	Long-term expected real rate
Domestic equity	25 %	3.54 %
International equity	14	6.57
Private equity	15	7.25
Real estate	12	4.95
Opportunistic/ARS portfolio	3	5.25
Credit	4	5.40
Real assets	4	5.55
Fixed income	22	2.00
Cash	1	0.25
	100 %	

(d) Discount Rate

The discount rate used to measure the total pension liability as of March 31, 2026 and 2025 is __%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon these assumptions, the System's fiduciary net position is 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 is applied to all periods of projected benefit payments to determine the total pension liability.

(e) Sensitivity of the Proportionate Share of the Net Pension (Asset)/Liability to the Discount Rate

The following presents the Authority's proportionate share of the net pension liability at May 31, 2026 and 2025 calculated using the discount rate assumptions of ___%, for the March 31, 2025 and March 31, 2024 measurements, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage-point higher than the current rate (dollars in thousands):

		2026	
	1% Decrease 4.9%	Current assumption 5.9%	1% Increase 6.9%
Authority's proportionate share of the net pension (asset) liability	$		

		2025	
	1% Decrease 4.9%	Current assumption 5.9%	1% Increase 6.9%
Authority's proportionate share of the net pension (asset) liability	$ 81,134	28,033	(16,304)

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) liability of the System as of March 31, 2026 and 2025, were as follows (dollars in thousands):

	2026	2025
Employer's total pension liability	$	247,600,239
System's fiduciary net position		230,454,512
Employer's net pension (asset) liability	$ —	17,145,727
System fiduciary net position as percentage of total pension liability		93.08 %

(7) Deferred Compensation

All Authority employees may participate in the New York State Deferred Compensation Plan ("NYSDCP") designated as an Internal Revenue Code Section 457 plan. This program enables employees to contribute a portion of their salary to group variable annuity contracts. The assets and related liabilities of the plan are recorded at the assets' market values and are excluded from the Authority's statements of net position. The Authority has no obligation to make contributions to the deferred compensation program. The Authority remits deferred compensation amounts withheld from employees' salaries to an outside fiduciary agent who administers the program and invests program assets as instructed by each of the participants. Assets in such program amounted to approximately $115.7 million and $95.1 million at May 31, 2026 and 2025, respectively.

(8) Postemployment Benefits Other than Pensions

The Authority sponsors a single-employer defined benefit health plan through the New York State Health Insurance Plan (NYSHIP). The State administers NYSHIP and has the authority under Article XI of Civil Service Law to establish and amend the benefit provisions offered. NYSHIP is considered a single employer defined benefit plan offered by the Authority to its participants. There is no statutory requirement for the Authority to continue in this plan for future Authority employees. The Authority sponsors a single-employer dental and optical plan and provides dental and optical benefits for eligible retirees and their spouses. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Authority. A publicly available financial report for the plan is not issued.

The health, dental, and optical plans require a contribution of 20% through payroll deduction for employees hired after January 1, 2026; employees hired after January 1, 2017 contribute 15% through payroll deduction; for employees hired prior to January 1, 2017 the plan is noncontributory for active employees, with all payments for plan benefits being funded by the Authority. Upon retirement, the cost of the dental and optical plans is partially funded by the Authority and the balance by the retiree. During fiscal years 2026 and 2025, there were 1075 participants (561 active and 514 inactive) and 1,060 participants (564 active and 496 inactive), respectively, that were eligible to receive benefits.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes guidance for the financial reporting of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and providing information about actuarially calculated liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

Whereas no legislation has been enacted to establish a dedicated trust for these funds, the accrued liability remains unfunded. However, during 2012, to mitigate possible future rate impact related to any enacted legislation, the Authority has established an undedicated reserve for this purpose. As of May 31, 2026 and 2025, the undedicated reserve is $125.4 million and $121.7 million, respectively and is recorded in cash and cash equivalents and investments on the statement of net position.

(a) Total OPEB Liability

The Authority's total OPEB liability of $334.4 million and $285.3 million is measured as of May 31, 2026 and 2025, respectively, and is determined by an actuarial valuation as of that date.

The following table shows the changes in the Authority's total OPEB obligation for the years ended May 31, 2026 and 2025 (dollars in thousands):

		2026	2025
Total OPEB liability:			
Service cost	$	6,839	7,590
Interest		14,979	13,128
Change of benefit terms		498	—
Changes in assumptions		35,490	(21,670)
Differences between expected and actual experience		5,124	1,903
Benefit payments		(13,895)	(12,664)
Net changes		49,035	(11,713)
Total OPEB liability, beginning of year		285,338	297,051
Total OPEB liability, end of year	$	334,373	285,338

There were no changes to benefit terms in 2025.

(b) Actuarial Assumptions and Other Inputs

The total OPEB liability at May 31, 2026 and 2025 is determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	
Payroll growth	Ranged from 3.0% to 9.4%, based on years of service
Discount rate	4.77% as of May 31, 2026 and 5.25% as of May 31, 2025.
Retiree contributions	Assumed to increase according to health care trend rates.

The discount rate is based on the Bond Buyer 20-Bond GO Index.

May 31, 2026 and May 31, 2025 Mortality rates were based on Pub-2011 General Employee Total Dataset, Headcount Weighted Mortality Table fully generational using Scale MP-2021 for healthy retirees. Mortality rates were based on Pub-2010 Non-Safety Disabled, Headcount Weighted Mortality Table for disabled retirees.

For the May 31, 2026 actuarial valuation, the Entry Age Normal Level Percentage of Salary method is used. The actuarial assumptions included a 4.77% discount rate, and annual cost trend rates, as listed in the table below.

	Healthcare annual cost trend rates		
Fiscal year ended	Pre-65 Medical/Rx	Dental	Medicare Part B
2027	8.50	4.00	6.50
2028	8.25	4.00	6.25
2029	8.00	4.00	6.00
2030	7.75	4.00	5.75
2031	7.50	4.00	5.50
2032	7.25	4.00	5.25
2033	7.00	4.00	5.00
2034	6.75	4.00	4.75
2035	6.50	4.00	4.50
2036	6.25	4.00	4.50
2037	6.00	4.00	4.50
2038	5.75	4.00	4.50
2039	5.50	4.00	4.50
2040	5.25	4.00	4.50
2041	5.00	4.00	4.50
2042	4.75	4.00	4.50
2043+	4.50	4.00	4.50

Vision trend rate is assumed to be 3.0% for all years.

	Healthcare annual cost trend rates		
Fiscal year ended	Post-65 Medical/Rx	Dental	Medicare Part B
2027	7.00	4.00	6.50
2028	6.75	4.00	6.25
2029	6.50	4.00	6.00
2030	6.25	4.00	5.75
2031	6.00	4.00	5.50
2032	5.75	4.00	5.25
2033	5.50	4.00	5.00
2034	5.25	4.00	4.75
2035	5.00	4.00	4.50
2036	4.75	4.00	4.50
2037	4.50	4.00	4.50
2038	4.50	4.00	4.50
2039	4.50	4.00	4.50
2040	4.50	4.00	4.50
2041	4.50	4.00	4.50
2042	4.50	4.00	4.50
2043+	4.50	4.00	4.50

Vision trend rate is assumed to be 3.0% for all years.

For the May 31, 2025 actuarial valuation, the Entry Age Normal Level Percentage of Salary method is used. The actuarial assumptions included a 5.25% discount rate, and annual cost trend rates, as listed in the table below.

	Healthcare annual cost trend rates		
Fiscal year ended	**Pre-65 Medical/Rx**	**Dental**	**Medicare Part B**
2026	8.00	4.00	5.50
2027	7.75	4.00	5.25
2028	7.50	4.00	5.00
2029	7.25	4.00	4.75
2030	7.00	4.00	4.50
2031	6.75	4.00	4.50
2032	6.50	4.00	4.50
2033	6.25	4.00	4.50
2034	6.00	4.00	4.50
2035	5.75	4.00	4.50
2036	5.50	4.00	4.50
2037	5.25	4.00	4.50
2038	5.00	4.00	4.50
2039	4.75	4.00	4.50
2040+	4.50	4.00	4.50

Vision trend rate is assumed to be 3% for all years.

	Healthcare annual cost trend rates		
Fiscal year ended	**Post-65 Medical/Rx**	**Dental**	**Medicare Part B**
2026	6.50	4.00	5.50
2027	6.25	4.00	5.25
2028	6.00	4.00	5.00
2029	5.75	4.00	4.75
2030	5.50	4.00	4.50
2031	5.25	4.00	4.50
2032	5.00	4.00	4.50
2033	4.75	4.00	4.50
2034	4.50	4.00	4.50
2035	4.50	4.00	4.50
2036	4.50	4.00	4.50
2037	4.50	4.00	4.50
2038	4.50	4.00	4.50
2039	4.50	4.00	4.50
2040+	4.50	4.00	4.50

Vision trend rate is assumed to be 3% for all years.

The initial healthcare trend rate is based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate is selected based on historical medical CPI information.

The actuarial assumptions used in the May 31, 2026 and May 31, 2025 valuations were based on the results of an actuarial experience study for the period May 31, 2014 through May 31, 2019 for certain assumptions and for the period May 31, 2016 through May 31, 2018 for other assumptions.

(c) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority as of May 31, 2026 and 2025, calculated using the discount rate assumed (4.77% and 5.25%, respectively) and what it would be using a 1% lower and 1% higher discount rate (dollars in thousands):

		1% Decrease	Current discount rate	1% Increase
2026 Total OPEB liability	$	381,399	334,373	295,861
2025 Total OPEB liability		323,648	285,338	253,801

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

The following presents the net OPEB liability as of May 31, 2026 and 2025, using the health care trend rates assumed (8.50% decreasing to 4.50% and 8.00% decreasing to 4.50%, respectively) and what it would be using 1% lower and 1% higher health care trend rates (dollars in thousands):

		1% Decrease	Current discount rate	1% Increase
2026 Total OPEB liability	$	291,277	334,373	388,178
2025 Total OPEB liability		252,264	285,338	326,207

(e) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended May 31, 2026 and 2025, the Authority recognized OPEB expense of $17.9 million and $11.6 million, respectively. At May 31, 2026 and 2025, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar in thousands):

		2026	2025
Deferred outflows of resources:			
Differences between expected and actual experience	$	17,205	18,131
Changes of assumptions		29,862	9,647
Total	$	47,067	27,778
Deferred inflows of resources:			
Differences between expected and actual experience	$	(706)	(2,906)
Changes of assumptions		(37,659)	(61,198)
Total	$	(38,365)	(64,104)

The balances as of May 31, 2026 of the deferred outflows and inflows of resources will be recognized in OPEB expense in the future fiscal years as noted below (dollars in thousands):

		2026
Year ended May 31:		
2027	$	(12,185)
2028		5,163
2029		5,481
2030		3,474
2031		6,769
Total	$	8,702

(9) Leases & Subscription-Based Information Technology Arrangements

As discussed in note 1(i), the Authority is a lessor for various wireless cell carriers desire to use the Authority owned premises for the construction, installation, maintenance, and operation of radio transmitting and receiving equipment and other associated equipment as approved by the Authority in connection with its wireless communications business. The leases have terms between one and 25 years, with payments required monthly.

		May 31, 2025	Additions	Remeasurements/ modifications	Deductions/ terminations	May 31, 2026	Amounts due within 1 year
Lease receivable:							
Lease receivable	$	228,351	—	(32,875)	—	195,476	8,040

		May 31, 2024	Additions	Remeasurements/ modifications	Deductions/ terminations	May 31, 2025	Amounts due within 1 year
Lease receivable:							
Lease receivable	$	224,643	10,738	(7,030)	—	228,351	7,109

		May 31, 2025	Amortization	True up/ adjustment	May 31, 2026
Deferred inflows of resources:					
Lease related	$	207,007	(13,106)	(24,996)	168,905

		May 31, 2024	Amortization	True up/ adjustment	May 31, 2025
Deferred inflows of resources:					
Lease related	$	209,794	(13,524)	10,737	207,007

Future minimum lease payments to be received under noncancelable leases, are as follows (dollars in thousands):

		Principal	Interest	Total
Year ended May 31:				
2027	$	8,040	6,015	14,055
2028		7,504	5,767	13,271
2029		7,323	5,537	12,860
2030		7,812	5,311	13,123
2031		8,497	5,071	13,568
2032–2036		52,232	21,027	73,259
2037–2041		51,078	12,638	63,716
Thereafter		52,991	5,467	58,458
Total	$	195,477	66,833	262,310

As discussed in note 1(i), the Authority is a lessee for various SBITAs. The agreements have terms between one and four years, with payments required monthly or annually.

		May 31, 2025	Additions	Remeasurements	Deductions	May 31, 2026
Subscription IT assets	$	1,382	1,486	—	—	2,868
Less accumulated amortization		(732)	—	—	(739)	(1,471)
Subscription IT assets, net	$	650	1,486	—	(739)	1,397

		May 31, 2024	Additions	Remeasurements	Deductions	May 31, 2025
Subscription IT assets	$	1,238	144	—	—	1,382
Less accumulated amortization		(419)	—	—	(313)	(732)
Subscription IT assets, net	$	819	144	—	(313)	650

		May 31, 2025	Additions	Remeasurements	Deductions	May 31, 2026	Amounts due within 1 year
Subscription IT liabilities	$	426	1,486	—	(635)	1,277	481

		May 31, 2024	Additions	Remeasurements	Deductions	May 31, 2025	Amounts due within 1 year
Subscription IT liabilities	$	702	144	—	(420)	426	313

Future minimum payments to be made under noncancelable SBITAs, are as follows (dollars in thousands):

		Principal	Interest	Total
Year ended May 31:				
2027	$	481	39	520
2028		400	24	424
2029		241	12	253
2030		135	5	140
2031		20	1	21
Total	$	1,277	81	1,358

(10) Commitments and Contingencies

(a) Legal

The Authority is involved in various litigations resulting from the ordinary course of business. In the opinion of management, and based on advice of legal counsel, the ultimate liability, if any, to the Authority will not have a material effect on the Authority's financial position and changes in net position.

(b) Risk Management

Due to the nature of the Authority's operations, it is exposed to various risks of loss relating to property damage, property damage liability, bodily injury liability and employment practices. Where appropriate, claims are resolved through settlements. When it is the Authority's position that it is not liable for a claim, it will be denied. Any further action taken by a claimant will be resolved through the judicial system.

For general liability and automobile claims, the Authority is insured to an aggregate limit of $35 million subject to a $500,000 self-insured retention per occurrence. Claims are administered by a third-party administrator.

For damage to Authority owned property, the Authority is insured to a limit of $75 million per occurrence subject to a $75,000 deductible. Various sub-limits and deductibles apply depending on the particular property that is damaged.

For Directors & Officers Liability and Employment Practices Liability claims, the Authority maintains insurance for both coverages with a shared limit of $10 million subject to a $50,000 self-insured retention for the entity coverage and employment practices liability coverage.

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The Authority has established a liability based on actuarial estimates of the amounts needed to pay prior year and current year claims. That liability, which is for workers' compensation, general, and automobile claims, is approximately $19.1 million and $14.0 million at May 31, 2026 and 2025.

Changes in the Authority's workers' compensation claims liability amount in fiscal years 2026 and 2025 were as follows (dollars in thousands):

		2026	2025
Unpaid claims, beginning of fiscal year	$	10,844	6,967
Changes in the estimate for claims of all years		9,359	8,138
Claim payments		(5,651)	(4,261)
Unpaid claims, end of fiscal year	$	14,552	10,844

Changes in the Authority's general and automobile claims liability amount in fiscal years 2026 and 2025 were as follows (dollars in thousands):

		2026	2025
Unpaid claims, beginning of fiscal year	$	3,144	3,137
Changes in the estimate for claims of all years		1,907	860
Claim payments		(607)	(853)
Unpaid claims, end of fiscal year	$	4,444	3,144

The Authority has included the above amounts under the caption "Other accrued liabilities" in the statements of net position.

(11) Subsequent Events

The Authority has evaluated subsequent events through ____ __, ___, the date the financial statements were available to be issued.

SUFFOLK COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions – New York State and Local Employees' Retirement System

May 31, 2026
(Dollars in thousands)

		2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$		7,931	6,413	5,365	7,745	6,718	6,548	6,624	6,902	6,325
Contributions in relation to the contractually required contribution			7,931	6,413	5,365	7,745	6,718	6,548	6,624	6,902	6,325
Contribution deficiency (excess)	$	—	—	—	—	—	—	—	—	—	—
Authority covered-employee payroll (Authority year end)	$		54,511	53,505	51,365	48,133	47,604	46,548	45,492	45,119	46,952
Contributions as a percentage of covered-employee payroll		— %	14.55 %	11.99 %	10.44 %	16.09 %	14.11 %	14.07 %	14.56 %	15.30 %	13.47 %

See accompanying independent auditors' report.

SUFFOLK COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of the Net Pension (Asset) Liability –
New York State and Local Employees' Retirement System

May 31, 2026
(Dollars in thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Authority's share of the net pension (asset) liability		0.1635045 %	0.1591602 %	0.1606751 %	0.1666300 %	0.1582059 %	0.1620929 %	0.1645388 %	0.1776255 %	0.1651319 %
Authority's proportionate share of the net pension (asset) liability	$	28,033	23,435	34,455	(13,621)	158	42,923	11,658	5,733	15,516
Authority's covered-employee payroll (measurement date as of March 31)		52,974	52,974	49,994	48,030	48,346	46,376	45,236	45,088	45,695
Authority's proportionate share of the net pension (asset) liability as a percentage of the covered-employee payroll	— %	52.92 %	44.24 %	68.92 %	(28.36)%	0.33 %	92.55 %	25.77 %	12.72 %	33.96 %
Plan fiduciary net position as a percentage of the total pension liability		93.08 %	93.88 %	90.78 %	103.65 %	99.95 %	86.40 %	96.30 %	98.24 %	94.70 %

See accompanying independent auditors' report.

SUFFOLK COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios

May 31, 2026
(Dollars in thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:									
Service cost	$ 6,839	7,590	7,237	8,045	14,194	10,581	8,949	12,319	12,157
Interest	14,979	13,128	11,829	10,126	5,928	8,214	10,229	11,878	11,167
Change of benefit terms	498	—	—	333	—	—	—	—	—
Changes in assumptions	35,490	(21,670)	573	(19,709)	(99,851)	55,592	34,104	(12,186)	(4,201)
Differences between expected and actual experience	5,124	1,903	11,464	17,802	(4,239)	(8,960)	(21,580)	(27,441)	—
Benefit payments	(13,895)	(12,664)	(11,489)	(9,518)	(8,638)	(8,385)	(8,232)	(8,014)	(7,332)
Net change in OPEB liability	49,035	(11,713)	19,614	7,079	(92,606)	57,042	23,470	(23,444)	11,791
Total OPEB liability, beginning of year	285,338	297,051	277,437	270,358	362,964	305,922	282,452	305,896	294,105
Total OPEB liability, end of year	$ 334,373	285,338	297,051	277,437	270,358	362,964	305,922	282,452	305,896
Covered-employee payroll	$ 54,318	52,736	49,550	48,341	47,809	46,643	46,958	45,591	43,978
Total OPEB liability as a percentage of covered-employee payroll	615.58 %	541.07 %	599.50 %	573.92 %	565.50 %	778.17 %	651.48 %	619.53 %	695.57 %
Notes to schedule:									
Changes in benefit terms	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions:									
Discount rate	4.77 %	5.25 %	4.40 %	4.24 %	3.70 %	1.59 %	2.63 %	3.56 %	3.78 %
Undedicated reserve (see note 8 to the financial statements)	$ 125,400	121,700	116,700	112,900	103,000	88,800	71,600	54,200	35,200

Note: This schedule is required to present information for 10 years. Additional years will be presented as they become available.

See accompanying independent auditors' report.

Independent Auditors' 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*

The Members of the Board
Suffolk County Water Authority:

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 Suffolk County Water Authority (the Authority), which comprise the statement of net position as of May 31, 2026, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September XX, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity'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 Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(signed) KPMG LLP

New York, New York
September XX, 2026

Independent Accountants' Examination Report

The Members of the Board
Suffolk County Water Authority:

Report on Compliance with Specified Requirements

Opinion

We have examined Suffolk County Water Authority's (SCWA) compliance with the requirements of section 201.3(c)(3) and all subsequent subparts of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York Part 201.3, related to SCWA's investment policies as specified in the Suffolk County Water Authority Guidelines for the Investment of Funds dated October 2022 and attached to this report (the Specified Requirements) for the period June 1, 2025 through May 31, 2026.

In our opinion, SCWA complied with the Specified Requirements, in all material respects, for the period June 1, 2025 through May 31, 2026.

Basis for opinion

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We are required to be independent and to meet our other ethical requirements in accordance with relevant ethical requirements related to the engagement. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Restriction on use

This report is intended solely for the information and use of SCWA and the Office of Budget and Policy Analysis of the Office of the State Comptroller of the State of New York and is not intended to be and should not be used by anyone other than the specified parties. Our opinion is not modified in respect of this matter.

Management's responsibilities

Management of SCWA is responsible for:

- SCWA's compliance with the Specified Requirements;
- designing, implementing and maintaining internal control relevant to compliance with the Specified Requirements;
- identifying the Specified Requirements and selecting or developing suitable criteria (if applicable), including interpreting such requirements when there are varying interpretations; and
- evaluating SCWA's compliance with the Specified Requirements.

Our responsibilities

The attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States require us to:

- plan and perform the examination to obtain respects reasonable assurance about whether the SCWA complied with the Specified Requirements, in all material respects; in all material respects; and
- express an opinion on the SCWA compliance with the Specified Requirements, based on our examination.

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about whether SCWA complied with the Specified Requirements and whether SCWA complied with the SCWA Investment Policies that is sufficient and appropriate to provide a basis for our opinion. The nature, timing, and extent of the procedures selected depended on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We identified and assessed the risks of material noncompliance through understanding the Specified Requirements and the engagement circumstances. We also obtained an understanding of the internal control relevant to the SCWA's compliance with the Specified Requirements in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal controls. Our examination does not provide a legal determination on SCWA's compliance with the Specified Requirements.

(signed) KPMG LLP

New York, New York
September XX, 2025

(Letterhead of Client)

September XX, 2026

KPMG LLP
375 Ninth Avenue
New York, New York 10001

We are providing this letter in connection with your audits of the financial statements, and the related notes to the financial statements, of Suffolk County Water Authority (the Authority), as of and for the years ended May 31, 2026 and 2025, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and cash flows thereof in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of September XX, 2026:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 8, 2026, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. We have made available to you:

   a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

   b. Additional information that you have requested from us for the purpose of the audits;

   c. All minutes of the meetings of the board and appropriate committees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and

   d. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.

3. There have been no communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.

5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have disclosed to you all side agreements or other arrangements (either written or oral), if applicable.

7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

9. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

10. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term 'fraud' is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, as those terms are defined in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*, which could adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

16. We have no knowledge of any officer or member of the Authority, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

17. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

18. We have disclosed to you the identity of all our related parties and all the related party relationships and transactions of which we are aware.

19. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which the Authority is contingently liable.

    c. The existence of and transactions with joint ventures and other related organizations.

20. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

21. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

22. The Authority’s reporting entity includes all entities that are component units of the Authority.

23. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Authority's current period financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements and our assessment of internal control over financial reporting is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

24. To the best of our knowledge and belief, we have provided you with a complete and accurate listing of our affiliates as defined by the AICPA Code of Professional Conduct interpretation ET 1.224.020, *State and Local Government Client Affiliates*. We have also provided you with information about events, which may result in changes to the Authority’s affiliates. We have also provided you with a list of officers, directors, individuals with significant influence over the Authority, and individuals in key positions with respect to the preparation or oversight of the financial statements. The term ‘key position’ means position in which an individual has primary responsibility for significant accounting functions that support material components of the financial statements; primary responsibility for the preparation of the financial statements; or the ability to exercise influence over the contents of the financial statements, including when the individual is a member of the board of directors or similar governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer, or any equivalent position. To the best of our knowledge and belief, we are not aware of any former KPMG partners in a key position with respect to the preparation or oversight of the Authority’s financial statements and who have a prohibited financial or business relationship with KPMG (as defined under Section ET 1.279.020 of the AICPA Code of Professional Conduct) during the period covered by this letter.

25. We acknowledge our responsibility for the presentation of the required supplementary information, which includes management’s discussion and analysis, the schedule of employer contributions – New York State and Local Employees’ Retirement System, the schedule of proportionate share of the net pension (asset) liability – New York State and Local Employees’ Retirement System, and the schedule of changes in the Authority’s total OPEB liability and related ratios, in accordance with the applicable criteria and prescribed guidelines established by the Governmental Accounting Standards Board and:

    a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

    b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.

c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.

26. Deposits and investment securities are properly classified and reported.
27. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:
    1. The extent, nature, and terms of financial instruments with off-balance-sheet risk;
    2. The mount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and
    3. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
28. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.
29. The Authority has compiled with all tax and debt limits and with all debt related covenants.
30. The Authority has identified and properly accounted for all non-exchange transactions.
31. Components of net position (net investment in capital assets; restricted, and unrestricted) are properly classified and, if applicable, approved.
32. The Authority has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.
33. Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses, and changes in net position and allocation has been made a reasonable basis.
34. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which future contributions to the pension plan are expected to be made.
35. For the defined benefit pension plan in which the Authority is a participating employer:
    1. The net pension liability, related deferred outflows or resources, deferred inflows of resources and pension expense has been properly measured and recorded as of the measurement date in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*
    2. All relevant plan provisions in force as of the measurement date have been properly reflected in the measurement of the net pension liability and pension expense.
    3. We believe the actuarial assumptions and methods used to measure the net pension liability and pension expense are appropriate in the circumstances and

the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

4. The participants' data provided to the actuary for the purpose of determining the net pension liability and pension expense is accurate and complete.
5. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which contributions to the pension plan are determined.

36. We believe the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with other post-employment benefits and to determine information related to the Authority's funding progress related to such benefits for financial reporting purposes are appropriate in the Authority's circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.
37. The Authority has complied with all appliable laws and regulations in adopting, approving, and amending budgets.
38. In accordance with *Government Auditing Standards,* we have identified to you all previous audits, attestation engagement, and other studies that related to the objectives of this audit, including whether related recommendations have been implemented.
39. KPMG LLP assisted management in drafting the financial statements and related notes. In accordance with *Government Auditing Standards,* we confirm that we have reviewed, approved, and accept responsibility for the financial statements.
40. There have been no significant changes in legislation or government regulations, or effects or recent political economic developments which would have a significant effect on the Authority since May 31, 2026.
41. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.
42. Except as disclosed to you in writing, there have been no circumstances that have resulted in communications from the Authority's external legal counsel to the Authority reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the Authority or any agent thereof.
43. Further, we confirm that we are responsible for the fair presentation in the financial statements of the Authority and the related notes to the financial statements, in accordance with U.S. generally accepted accounting principles.

Very truly yours,

Suffolk County Water Authority

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Jeffrey W. Szabo
Chief Executive Officer

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Chris Cecchetto
Chief Financial Officer

[Letterhead of Client]

September XX, 2026

KPMG LLP
375 Ninth Avenue
New York, New York 10001

In connection with your engagement to examine Suffolk County Water Authority's (the Authority) compliance with the requirements of Section 201.3(c)(3) and all subsection subparts of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York Part 201.3, related to the Authority's investment policies as specified in the Suffolk County Water Authority's Guidelines for the Investment of Funds dated October 2022 (the Specified Requirements), solely to assist us in the evaluation of our compliance with the Specified Requirements during the period June 1, 2025 to May 31, 2026, we confirm, to the best of our knowledge and belief, as of September XX, 2026 the following representations made to you during your examination engagement:

1. We have performed an evaluation of the Authority's compliance with the Specified Requirements.

2. All relevant matters are reflected in our assertion and evaluation of compliance with the Specified Requirements.

3. There are no known matters contradicting our assertion and there have been no communications from regulatory agencies or others affecting the Authority's compliance with the Specified Requirements and our assertion, including communications received between the end of the period addressed in our assertion, and the date of your examination report.

4. We acknowledge our responsibility for:

   a. The Authority's compliance with the Specified Requirements and our assertion in item 1 above;

   b. Identifying the Specified Requirements and selecting or developing suitable criteria (if applicable);

   c. Determining that the Specified Requirements and the criteria (if applicable) are suitable, will be available to the intended users, and appropriate for the purpose of the engagement; and

   d. The design, implementation, and maintenance of internal control relevant to compliance with the Specified Requirements.

5. We are not aware of any event that occurred subsequent to the end of the period being reported on that would have a material effect on the Authority's compliance with the Specified Requirements.

6. We have provided you with all relevant information and access, as agreed upon in the terms of the engagement.

7. There are no instances of noncompliance, individually and in the aggregate, to the Authority's compliance with the Specified Requirements.

8. We are not aware of any deficiencies in internal control relevant to the engagement.

9. We are not aware of any known noncompliance with the Specified Requirements subsequent to the period covered by the examination report.

10. We have no knowledge of any instances of actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the Authority's compliance with the Specified Requirements.

Very truly yours,

Suffolk County Water Authority

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Jeffrey W. Szabo

Chief Executive Officer

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Chris Cecchetto

Chief Financial Officer

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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SUFFOLK COUNTY WATER AUTHORITY
Oakdale, Long Island, New York

I N T E R O F F I C E   C O R R E S P O N D E N C E

DATE: August 17, 2026

TO: Jeff Szabo, Chief Executive Officer

FROM: Christopher Cecchetto, Chief Financial Officer CP

SUBJECT: **FYE 2026 Finance Summary Memo**

As of August 17, 2026, the fiscal year end 2026 audit of the Suffolk County Water Authority ("SCWA") is substantially complete. Water service revenues, for the second year in a row, exceeded expectations and outperformed initial projections by approximately $6.9 million. However, capital expenditures once again ended the fiscal year below final approved budgets. Operating & maintenance expenses also exceeded budgets; this was due to the continued recognition of legal expenses related to additional settlements and increases in system maintenance costs.

Overview of Audited Financial Statements

The *Statements of Revenues, Expenses, and Changes in Net Position* show a preliminary increase in Net Position of $124.8 million over the prior year. The preliminary debt service coverage ratio is 5.55; initial fiscal year budgets projected a debt service coverage ratio of 3.50 and always set a minimum target of 2.00. The *Statement of Net Position* reveals an ending cash balance of $185.7 million, an increase of $11.1 million.

Overview of Modified (non-GAAP) Approach

When evaluating financial performance and examining the *Statements of Revenues, Expenses, and Changes in Net Position*, it is important to consider various GAAP adjustments that impact the presentation of these statements. This includes disregarding non-cash activity, such as depreciation expense, amortization expense, mark-to-market investment gains/losses, etc. Additionally, some GASB adjustments routinely result in reductions and increases to expenses in the fiscal year; this is also non-cash activity that should be excluded. The following table reflects these adjustments:

Total operating revenues	$ 380,311
Total nonoperating revenues	45,707
Total revenues	**$ 426,018**
Less: interest revenues, as lessor (GASB 87)	(6,257)
Add: mark-to-market adjustments (GASB 72)	609
Total adjusted revenues	**$ 420,370**
Operating expenses	149,066
Maintenance expenses	59,230
Total O&M expenses	**$ 208,296**
Less: GASB 10 increase to expenses	(5,090)
Less: GASB 68 increase to expenses	-
Less: GASB 75 increase to expenses	(4,008)
Total adjusted O&M expenses	**$199,198**
Interest and other bond expenses	27,878
Total adjusted expenses	**$ 227,076**
Revenues available for capital expenditures	**$ 193,294**

Modified (non-GAAP) Cash Perspective

Activity related to capital expenditures is excluded from the *Statements of Revenues, Expenses, and Changes in Net Position* as this activity is captured on the *Statement of Net Position*. When discussing its finances internally, SCWA typically utilizes the utility industry's "cash-needs approach". This presentation format reflects how SCWA budgets are discussed at the start of every fiscal year. When analyzed in these terms, by backing out non-cash GAAP adjustments, this modified approach still indicates that SCWA ended fiscal year 2026 with a cash surplus:

Revenues available for capital expenditures	$	193,294
Less: capital expenditures (per *Statement of Cash Flows*)		(92,032)
Cash surplus	**$**	**101,262**
Bond redemption (July 2025)		(42,750)
Adjusted cash surplus (post-redemption)	**$**	**58,512**

Budget to Actual Comparison

SCWA entered FY 2026 projecting a cash *deficit* of $1.0 million. This projected deficit was the result of utilizing the "cash-needs approach", per above: revenues less operating & maintenance expenses, less capital expenditures, less debt service obligations.

Initial budgets for fiscal year 2026 compared to adjusted revenues and adjusted expenses as follows:

	Budget	Actual (adjusted)	Difference
Revenues	$ 309,279	420,370	$ 111,091
O&M	(167,788)	(199,198)	(31,410)
Capital	(100,570)	(92,032)	8,538
Debt service	(41,948)	(27,878)	14,070
Surplus/(deficit)	**(1,027)**	**101,262**	**102,289**
Bond redemption	-	(42,750)	(42,750)
Adj. Surplus/(deficit)	**$ (1,027)**	**58,512**	**$ 59,539**

At the conclusion of fiscal year 2026, revenues exceeded initial targets by $111.1 million. Water service revenues outperformed targeted revenues by $6.9 million. Investment revenues also outperformed initial targets by $9.5 million. However, the significant overperformance of total revenues was once again driven by the recognition of unplanned legal settlement revenues of $90.7 million, grant revenues which exceeded initial projections by $1.6 million, and a $2.0 million gain recognized as a result of the bond redemption completed at the start of fiscal year 2026. Managed water district revenues, recognized in the form of management fees, also outperformed initial targets by $2.0 million. These increases were offset by a decrease in capital reimbursement fee revenues of $1.0 million.

Operating budgets concluded $31.4 million over budget, which was primarily driven by the recognition of $16.5 million in legal expenses related to continued settlements in fiscal year 2026. Operating & maintenance costs also exceeded budgets by $12.7 million as a result of increased treatment, transmission & distribution, and wells & pumping maintenance costs. Wage expenses and benefits exceeded budgets by $3.5 million due to cost accounting mechanisms. These amounts were offset by the power budget, which ended the fiscal year $1.3 million below initial targets.

Capital expenditures ended the fiscal year $8.5 million under budget. The $14.0 million difference in debt service budgets was expected due to the difference between GAAP debt service and actual cash obligations.

In summary, SCWA is projected to report very strong financial results for fiscal year 2026. Legal settlement revenues were primarily responsible for the significant overperformance. However, investment revenues and grant revenues have also demonstrated considerable growth and provide SCWA with a form of rate structure subsidization.

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attachment

c: S. Hannan

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