KPMG

SUFFOLK COUNTY WATER AUTHORITY

Financial Statements and
Required Supplementary Information

May 31, 2024 and 2023

(With Independent Auditors' Reports Thereon)

SUFFOLK COUNTY WATER AUTHORITY

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Members of the Board
Suffolk County Water Authority:

Opinion

We have audited the financial statements of the Suffolk County Water Authority (the Authority), as of and for the years ended May 31, 2024 and 2023, 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, 2024 and 2023, 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). 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.

Emphasis of Matter

As discussed in note 1(v) to the basic financial statements, in 2024, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 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, 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.

KPMG LLP

New York, New York
September 4, 2024

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. Board members are appointed by the Suffolk County Legislature for five-year overlapping terms. Vacancies, other than by expiration of term, are filled by the Suffolk County Legislature by appointment for the unexpired term. The chairman of the Authority is also appointed by the Suffolk County Legislature. The rates established by the Authority do not require PSC or Suffolk County legislative approval.

The Financial Statements

The statements of net position provide information about the nature and amounts of investments in resources (assets), obligations to the Authority's creditors (liabilities) as well as the deferred outflows and inflows of resources, with the difference between these amounts reported as net position.

The statements of revenues, expenses, and changes in net position report how the Authority's net position changed during each year presented. The statement accounts for all revenues and expenses for the year, measures the financial results of the Authority's operations for the year, and can be used to determine how the Authority has funded its costs.

The statements of cash flows provide information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operating activities, investing activities, and capital and related financing activities.

The notes to the financial statements contain information that is essential to understanding the financial statements, such as the Authority's accounting methods and policies.

Management provides the following discussion and analysis of the Authority's financial activities and financial statements. This overview is provided for the fiscal years ended May 31, 2024 and 2023 with comparative information for the fiscal year ended May 31, 2022. The reader should use the information contained in this analysis in conjunction with the information contained in the audited financial statements. The financial statements as of and for the years ended May 31, 2024 and 2023 follow this narrative on the subsequent pages.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) was implemented in fiscal year 2024, effective June 1, 2022. Under GASB 96, a government is required to recognize a subscription liability and an intangible right-of-use asset, thereby enhancing the relevance and consistency of information about governments' subscription-based information technology arrangement ("SBITA") activities. The implementation of GASB 96 impacts all three financial statements and resulted in a restatement of fiscal year 2023. The amounts reported for fiscal year 2022 have not been restated for the implementation of GASB 96.

Summary of Revenues, Expenses, and Changes in Net Position

		Year ended May 31		
		2024	**2023**	**2022**
			(In thousands)	
Operating revenues:				
Water service	$	243,431	243,650	215,524
Lease revenues		13,780	11,578	11,174
Other		19,716	14,946	12,563
Total operating revenues		276,927	270,174	239,261
Operating expenses:				
Operations and maintenance		145,411	139,091	119,984
Depreciation and amortization		60,194	58,924	56,938
Total operating expenses		205,605	198,015	176,922
Operating income		71,322	72,159	62,339
Nonoperating revenues and expenses:				
Interest expense, net		(29,402)	(29,643)	(30,750)
Interest revenues, as lessor		6,643	5,025	5,094
Interest expense, as lessee		(33)	(21)	—
Amortization of deferred amounts on refinancing		(248)	(1,428)	(2,794)
Income from investments		18,515	6,146	(5,515)
Capital reimbursement fees and other		19,302	16,106	12,407
Capital contributions		4,640	2,975	—
Total nonoperating revenues and expenses, net		19,417	(840)	(21,558)
Change in net position	$	90,739	71,319	40,781

Operating Revenues

Water service revenues were consistent in 2024 as compared to 2023. This is the result of a decrease in production of approximately 7.8%, combined with a 4.1% rate increase on June 1, 2023. Additionally, fixed charge revenue increased approximately 3.7%.

Water service revenues increased $28.1 million, or 13.1% in 2023. This increase is the result of an increase in production of approximately 8.5%, combined with a 4.8% rate increase on June 1, 2022.

Lease revenues increased $2.2 million, or 19.0%, in 2024. This increase 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.

Lease revenues increased $0.4 million in 2023. This increase 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 increased $4.8 million in 2024. This increase is primarily attributable to a $6.1 million legal settlement and a $1.3 million decrease in other fees.

Other operating revenues increased $2.4 million in 2023. This increase is primarily attributable to a $2.2 million increase in other fees and $0.2 million increase in water district revenue as the result of a rate increase.

Operating Expenses

Operations and maintenance expense increased $6.3 million in 2024. The increase is attributable to a $0.1 million increase in transportation and fleet related expenses, $2.7 million increase in wages as a result of standard annual wage increases and additional necessary overtime to address main breaks during the winter season, a $1.3 million increase in maintenance costs, a $2.2 million increase in treatment costs, a $1.7 million increase in other operating costs, a $1.9 million increase in benefits costs due to contractual changes in plan premiums, and a $1.4 million increase in postemployment benefit other than pension (OPEB) expense based on the GASB 75 actuarial valuation. These increases are offset by $1.5 million decrease due to a GASB 68 adjustment to pension expense based on an actuarial valuation, a $2.8 million decrease in workers' compensation expense due to a decrease in claims and expenses based on the GASB 10 actuarial valuation, and a $0.7 million decrease in energy costs due to decreased production throughout the year.

Operations and maintenance expense increased $19.1 million in 2023. The increase is attributable to a $9.0 million increase due to a GASB 68 adjustment to pension expense based on an actuarial valuation, a $2.4 million increase in workers' compensation expense due to an increase in claims and expenses based on the GASB 10 actuarial valuation, a $2.6 million increase in wages as a result of standard annual wage increases, a $1.3 million increase in energy costs due to increased production throughout the year, a $0.7 million increase in maintenance costs, a $1.6 million increase in treatment costs, a $0.3 million increase in transportation related costs, a $1.4 million increase in other operating costs, and a $2.5 million increase in benefits costs due to contractual changes in plan premiums. This increase is offset by a $2.7 million decrease in postemployment benefit other than pension (OPEB) expense based on the GASB 75 actuarial valuation.

Depreciation and amortization expenses were $60.2 million in 2024, an increase of $1.3 million or 2.2% from 2024. The increase is attributable to a 2.9% increase in water plant less asset retirements.

Depreciation and amortization expenses were $58.9 million in 2023, an increase of $2.0 million or 3.5% from 2023. The increase is attributable to a 2.9% increase in water plant less asset retirements.

Nonoperating Revenues and Expenses

Interest expense and other bond expense is $29.4 million in 2024, a net decrease of $0.2 million from 2023. The decrease is attributable to a net decrease of $0.2 million in interest paid net of subsidy on bonds payable in accordance with scheduled debt service payments.

Interest expense and other bond expense is $29.6 million in 2023, a net decrease of $1.1 million from 2022. The decrease is attributable to a decrease of $0.2 million in amortization of debt premium and a net decrease of $1.3 million in interest paid net of subsidy on bonds payable.

Interest revenues as lessor increased by $1.6 million in 2024. The increase is attributable to increasing interest components of lease payments versus principal amounts in accordance with GASB 87.

Interest revenues as lessor decreased by $0.1 million in 2023. The decrease is attributable to decreasing interest components of lease payments versus principal amounts in accordance with GASB 87.

Interest expense as lessee increased in 2024 and 2023, respectively. These increases are attributable to increasing interest components of SBITA payments versus principal amounts in accordance with GASB 96.

Amortization of deferred amounts on refinancing is $0.2 million in 2024, a decrease of $1.2 million from 2023. The decrease is attributable to a $0.2 million extraordinary loss on bond defeasance recognized in 2024 and a $1.4 million extraordinary loss on bond defeasance recognized in 2023.

Amortization of deferred amounts on refinancing is $1.4 million in 2023, a decrease of $1.4 million from 2022. The decrease is attributable to the absence of a $1.1 million extraordinary loss on bond defeasance recognized in 2022 and a decrease of $0.3 million in amortization of deferred losses on refunding.

Income from investments is $18.5 million in 2024, an increase of $12.4 million from 2023. The change is the result of an increase in market value of investments of $11.3 million, an increase of interest revenues of $4.4 million, offset by an increase in investment premiums paid of $3.3 million.

Income from investments is $6.1 million in 2023, an increase of $11.6 million from 2022. The change is the result of an increase in market value of investments of $5.7 million and an increase of interest revenues of $5.9 million.

Capital reimbursement fees were $19.3 million in 2024, an increase of $3.2 million from 2023. The increase in 2024 is primarily due to a $2.9 million increase in construction revenues, a $0.2 million increase in construction easement fees, and a $1.9 million increase 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. These increases were offset by a $1.3 million decrease in tapping fee revenues and a $0.5 million decrease in surcharge revenues.

Capital reimbursement fees were $16.1 million in 2023, an increase of $3.7 million from 2022. The increase in 2023 is primarily due to a $1.5 million increase in tapping fee revenues due to tap fee increases and a $2.8 million increase in construction revenues. These increases were offset by a $0.6 million decrease in surcharge fee revenues.

Capital contributions were $4.6 million in 2024, an increase of $1.7 million from 2023. The increase is attributable to $2.4 million in federal grant revenues related to water treatment infrastructure grants. This increase was offset by a $0.7 million decrease in grant revenues received from the New York State Environmental Facilities Corporation ("EFC").

Capital contributions were $3.0 million in 2023, an increase of $3.0 million from 2022. The increase is attributable to $0.4 million in COVID response related grant revenues received from the Federal Emergency Management Agency ("FEMA") and $2.6 million in grant revenues related to water treatment infrastructure grant revenues received from the New York State Environmental Facilities Corporation ("EFC").

Statement of Net Position Summary

		May 31		
		2024	2023	2022
			(In thousands)	
Assets:				
Capital assets, net	$	1,304,323	1,259,971	1,223,641
Current assets		490,061	470,992	433,320
Other noncurrent assets		321,767	310,753	285,254
Total assets	$	2,116,151	2,041,716	1,942,215
Deferred outflows of resources	$	72,417	86,265	91,727
Liabilities:				
Current liabilities		68,952	62,639	74,981
Other long-term liabilities		335,142	325,926	278,250
Long-term debt, net of current portion		892,143	918,927	921,358
Total liabilities	$	1,296,237	1,307,492	1,274,589
Deferred inflows of resources	$	294,044	312,941	323,124
Net position:				
Net investment in capital assets		418,970	350,005	300,279
Restricted for debt service		100,529	98,076	111,885
Unrestricted		78,788	59,467	24,065
Total net position	$	598,287	507,548	436,229

Capital Assets, Net

		May 31, 2023	Additions/ reclassifications	Deletions/ reclassifications	May 31, 2024
			(In thousands)		
Water plant in service	$	2,135,611	69,004	(2,893)	2,201,722
Less accumulated depreciation		(957,051)	(60,043)	2,893	(1,014,201)
Net water plant in service		1,178,560	8,961	—	1,187,521
Construction in progress		81,411	104,395	(69,004)	116,802
Water plant	$	1,259,971	113,356	(69,004)	1,304,323

		May 31, 2022	Additions/ reclassifications	Deletions/ reclassifications	May 31, 2023
			(In thousands)		
Water plant in service	$	2,080,248	57,272	(1,909)	2,135,611
Less accumulated depreciation		(900,186)	(58,774)	1,909	(957,051)
Net water plant in service		1,180,062	(1,502)	—	1,178,560
Construction in progress		43,579	95,104	(57,272)	81,411
Water plant	$	1,223,641	93,602	(57,272)	1,259,971

There is a net increase in water plant in fiscal year 2024 of $44.4 million, the result of $104.4 million in new construction, reduced by an increase in accumulated depreciation of $60.0 million.

There is a net increase in water plant in fiscal year 2023 of $36.3 million, the result of $95.0 million in new construction, reduced by an increase in accumulated depreciation of $58.7 million.

Current Assets

		May 31		
		2024	2023	2022
			(In thousands)	
Increases (decreases):				
Cash and cash equivalents	$	(21,411)	(101,511)	(22,038)
Investments		35,344	119,903	25,524
Accounts receivables, net		6,977	8,033	5,610
Lease receivable, current		96	528	6,133
Accrued water services and fire protection revenues		(2,818)	3,720	(8,086)
Interest and other receivables		1,040	608	(652)
Materials and supplies		(436)	5,766	1,705
Prepayments and other current assets		277	625	346
Net change in current assets	$	19,069	37,672	8,542

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 decreased by $21.4 million at May 31, 2024, from May 31, 2023. The decrease is primarily attributable to net investment purchases of $32.6 million and net cash used in capital and related financing activities exceeding net cash provided by operating activities by $1.1 million. This decrease is offset by interest revenues received of $12.3 million.

(Continued)

Cash and cash equivalents decreased by $101.5 million at May 31, 2023, from May 31, 2022. The decrease is primarily attributable to net investment purchases of $108.9 million and fluctuations in cash from the timing of unrestricted investment sales and purchases of $0.9 million. This decrease is offset by interest revenues received of $8.3 million.

The Authority's investments increased by $35.3 million at May 31, 2024, from May 31, 2023. The increase is attributable to unrestricted investment purchases exceeding redemptions and maturities throughout 2024.

The Authority's investments increased by $119.9 million at May 31, 2023, from May 31, 2022. The increase is attributable to unrestricted investment purchases exceeding redemptions and maturities throughout 2023.

Accounts receivable, net of allowance for doubtful accounts increased by $7.0 million at May 31, 2024 from May 31, 2023. This increase is attributable to a $1.9 million increase in grant revenue receivables, a $3.6 million increase in construction revenue receivables, a $1.9 million increase in miscellaneous receivables, a $1.0 million increase in receivables from the Pine Barrens Commission for administrative services performed, and a $1.9 million increase in lien receivables. This increase was offset by a $3.1 million decrease in customer account receivables and a $0.2 million decrease in hydrant and fire-line receivables resulting from increased collection efforts.

Accounts receivable, net of allowance for doubtful accounts increased by $8.0 million at May 31, 2023 from May 31, 2022. This increase is attributable to a $2.6 million increase in grant revenue receivables, a $2.8 million increase in construction revenue receivables, a $0.9 increase in miscellaneous receivables, and a $1.7 million increase in lien receivables.

Lease receivable, current increased $0.1 million at May 31, 2024 from May 31, 2023. This increase is attributable to the current portion of new antennae leases entered into during fiscal year 2024, offset by amortization of principal payments on existing leases from 2023.

Lease receivable, current increased $0.5 million at May 31, 2023 from May 31, 2022. This increase is attributable to the current portion of new antennae leases entered into during fiscal year 2023, offset by amortization of principal payments on existing leases from 2022.

Accrued water services and fire protection revenues decreased $2.8 million at May 31, 2024 from May 31, 2023. This increase is primarily attributable to the year-end revenue accrual due to decreased consumption in May 2024 of 24.7%.

Accrued water services and fire protection revenues increased $3.7 million at May 31, 2023 from May 31, 2022. This increase is primarily attributable to the year-end revenue accrual due to increased consumption in May 2023 of 26.3%.

Interest and other receivables increased $1.0 million at May 31, 2024 from May 31, 2023. This increase is primarily attributable to a $0.4 million increase in investment interest receivables and a $0.6 million increase in receivables related to an intermunicipal agreement for a water main extension project in the Manorville area.

Interest and other receivables increased $0.6 million at May 31, 2023 from May 31, 2021. This increase is primarily attributable to a $0.6 million increase in investment interest receivables.

Materials and supplies decreased by $0.4 million at May 31, 2024. This decrease is attributable to continuing stabilization of supply chain issues experienced during COVID-19, for which inventory stock levels were intentionally increased to avoid materials shortages.

Materials and supplies increased by $5.7 million at May 31, 2023. This increase is attributable to rising costs of materials.

Other Noncurrent Assets

Other noncurrent assets increased by $11.0 million as of May 31, 2024. This increase is due to an $8.8 million increase in the noncurrent portion of the GASB 87 related lease receivables and a $2.5 million increase in debt service reserves utilized for bond principal payments made throughout the year. This increase is offset by a $0.3 million decrease in the noncurrent portion of the GASB 96 right-of-use assets.

Other noncurrent assets increased by $24.4 million as of May 31, 2023. This increase is due to a $51.9 million increase in the noncurrent portion of the GASB 87 related lease receivables. This increase is offset by a $13.8 million decrease in debt service reserves utilized for bond principal payments made throughout the year, $0.1 million in amortization of goodwill, and a $13.6 million decrease as a result of a GASB 68 adjustment to pension expense based on an actuarial valuation.

Liabilities

Current Liabilities

		May 31		
		2024	**2023**	**2022**
			(In thousands)	
Increases (decreases):				
Current maturities of bonds payable	$	243	(12,393)	8,008
Accounts payable		2,628	(580)	2,439
Accrued interest		(165)	(610)	(59)
Accrued employee welfare costs		511	(467)	(419)
SBITA payable, current		12	371	—
Other accrued liabilities		3,083	1,337	813
Net change in current liabilities	$	6,312	(12,342)	10,782

Current Liabilities

The $0.2 million increase in current maturities of bonds payable in 2024 from 2023 is attributable to maturities of $1.1 million in the current year, offset by a $1.3 million increase in the Authority's bonds payable maturing in less than one year.

The $12.4 million decrease in current maturities of bonds payable in 2023 from 2022 is attributable to maturities of $13.4 million in the current year, offset by a $1.0 million increase in the Authority's bonds payable maturing in less than one year.

The $2.6 million increase and $0.6 million decrease in accounts payable in 2024 and 2023, respectively, is attributable to the timing of processing invoices for work performed, completed, and paid for, subsequent to May 31, 2024 and 2023.

The $0.1 million decrease in accrued interest in 2024 from 2023 is attributable to a defeasance that was completed at the beginning of 2024 that effectively reduced interest expense in 2024.

The $0.6 million decrease in accrued interest in 2023 from 2022 is attributable to a defeasance that was completed at the end of 2022 that effectively reduced interest expense in 2023.

The $0.5 million increase and $0.4 million decrease in accrued employee welfare costs in 2024 and 2023, respectively, is 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 $3.0 million increase in other accrued liabilities in 2024 from 2023 is attributable to a $2.7 million increase in various reimbursable customer deposits and a $0.3 million increase related to workers' compensation accrued liabilities.

The $1.3 million increase in other accrued liabilities in 2023 from 2022 is attributable to a $1.0 million increase in various reimbursable customer deposits and a $0.3 million increase related to workers' compensation accrued liabilities.

Other Long-Term Liabilities

Other long-term liabilities increased by $9.2 million at May 31, 2024 as a result of an increase in postemployment benefits other than pension (OPEB) of $19.6 million based on the actuarial valuation required under GASB Statement No. 75 and a $1.0 million increase in advances for construction. These increases were offset by a $0.4 million decrease in payables recognized in accordance with GASB 96 and a decrease in the net pension liability as provided by New York State & Local Retirement System of $11.0 million.

Other long-term liabilities increased by $46.9 million at May 31, 2023 as a result of an increase in postemployment benefits other than pension (OPEB) of $7.1 million based on the actuarial valuation required under GASB Statement No. 75, an increase in the net pension liability as provided by New York State & Local Retirement System of $34.4 million, and a $5.4 million increase in advances for construction.

In accordance with GASB 75, the financial statements at May 31, 2024 and 2023 include a liability for postemployment benefits other than pension in the amount of $297.0 million and $277.4 million, respectively. GASB Statement No. 75 was adopted by the Authority in 2019.

GASB Statement No. 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 2023, the Authority began investing these funds in U.S. Treasury Notes. As of May 31, 2024 and 2023, the undedicated reserve is $116.7 million and $112.9 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 2024 by $26.8 million. This decrease is due to a $24.1 million defeasance, a net decrease of $1.4 million in amortization of long term debt premium and discount and a reclassification of $1.3 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 2023 by $2.4 million. This decrease is due to a net decrease of $1.4 million in amortization of long term debt premium and discount and a reclassification of $1.0 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		
		2024	**2023**	**2022**
			(In thousands)	
Balance, beginning	$	902,898	916,361	966,706
Maturities, retirements, and defeasances:				
SCWA		(24,110)	(10,390)	(48,155)
EFC		(1,070)	(3,073)	(2,190)
		(25,180)	(13,463)	(50,345)
Net changes in long-term debt		(25,180)	(13,463)	(50,345)
Balance, ending	$	877,718	902,898	916,361

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 February 2024, 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 New York State Environment Facilities Corporation (NYS EFC) administers the financial aspects of the DWSRF. The Authority has participated in this program since 1998.

In June 2023, the Authority completed a bond defeasance of $24.1 million Water System Revenue Bonds, Series 2020 (Refunding), Taxable. The Authority net funded an escrow account for a total of $22.4 million, which includes the interest due on the defeased bonds. The defeased bonds mature on June 1, 2025 and June 1, 2026.

During the fiscal year ended May 31, 2023, the Authority has not engaged in any bond transactions.

In May 2022, the Authority completed a bond defeasance of $44.9 million Water System Revenue Bonds comprising of $13.2 million of the Water System Revenue Bonds, Series 2014A, $1.3 million of the Water System Revenue Bonds, Series 2015 (Refunding), $4.1 million of the Water System Revenue Bonds, Series 2016 (Refunding), and $26.3 million of the Water System Revenue Bonds Series 2020 (Refunding),Taxable. The Authority funded an escrow account for a total of $46.6 million, which includes the interest due on the defeased bonds. The defeased bonds matured on June 1, 2023 and June 1, 2024.

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, 2024 and 2023, 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 $1.9 million at May 31, 2024 from May 31, 2023. The decrease is due to $1.9 million annual amortization of the deferred loss on refunding bonds. The loss on the Suffolk County Water Authority's refunding are due to the 2013 Refunding, 2015 Refunding, 2016 Refunding, and the 2020 Refunding.

Deferred outflows of resources related to bond refunding decreased $1.4 million at May 31, 2023 from May 31, 2022. The decrease is due to $1.4 million annual amortization of the deferred loss on refunding bonds. The loss on the Suffolk County Water Authority's refunding are due to the 2013 Refunding, 2015 Refunding, 2016 Refunding, and the 2020 Refunding.

In 2024 and 2023, 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 2024, the increase of $68.9 million from May 31, 2023 is the result of an increase in water plant expenditures, a decrease in funds available for construction, offset by the net decrease in debt balances.

In 2023, the increase of $49.7 million from May 31, 2022 is the result of an increase in water plant expenditures, a decrease in funds available for construction, offset by the net decrease in debt balances.

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 increase of $2.4 million on May 31, 2024 is the result of the increase in market valuation of reserve funds due to a more favorable market condition.

The decrease of $13.8 million at May 31, 2023 is the result of a $10.8 million decrease in the Senior Lien Bond Fund to fund debt service in June 2023 and a decrease in the Reserve Funds of $3.0 million. The $3.0 million reserve fund decrease is attributable to the decreased market valuation of reserve funds of $1.7 million and $1.3 million decrease in EFC reserve funds due to matured bonds.

Net Position – Unrestricted

In 2024, net position – unrestricted increased $19.3 million from May 31, 2023 as a result of operations, net of those changes that impact investments in capital assets and net position restricted for debt service.

In 2023, net position – unrestricted increased $35.4 million from May 31, 2022 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, 2024 and 2023

(In thousands)

Assets		**2024**	**2023 (As restated)**
Current assets:			
Cash and cash equivalents	$	165,855	187,266
Investments		236,112	200,768
Accounts receivable, less allowance for doubtful accounts of $3,710 and ($5,284), respectively		47,386	40,409
Lease receivable, current		6,757	6,661
Accrued water services and fire protection revenues		15,048	17,866
Interest and other receivables		1,860	820
Materials and supplies, at average cost		13,336	13,772
Prepayments and other current assets		3,707	3,430
Total current assets		490,061	470,992
Restricted investments		100,529	98,076
Goodwill		1,520	1,671
Lease receivable, less current portion		217,886	209,042
Right-of-use SBITA assets		819	1,080
Other assets		1,013	884
Capital assets, net		1,304,323	1,259,971
Total noncurrent assets		1,626,090	1,570,724
Total assets		2,116,151	2,041,716
Deferred Outflows of Resources			
Deferred outflows of resources:			
Pension related		18,200	22,235
Other postemployment benefits related		46,114	53,999
Deferred amounts due to bond refunding		8,103	10,031
Total deferred outflows of resources		72,417	86,265
Liabilities			
Current liabilities:			
Current maturities of bonds payable		1,313	1,070
Accounts payable		16,461	13,833
Accrued interest		16,255	16,420
Accrued employee welfare costs		8,181	7,670
SBITA payable, current		383	371
Other accrued liabilities		26,359	23,275
Total current liabilities		68,952	62,639
Bonds payable, less current portion and unamortized discounts		892,143	918,927
Net pension liability		23,435	34,455
Postemployment benefits other than pension		297,051	277,437
SBITA payable, less current portion		319	688
Advances for construction		14,337	13,346
Total liabilities		1,296,237	1,307,492
Deferred Inflows of Resources			
Deferred inflows of resources:			
Pension related		12,482	1,816
Other postemployment benefits related		71,768	104,096
Lease related		209,794	207,029
Total deferred inflows of resources		294,044	312,941
Net Position			
Net position:			
Net investment in capital assets		418,970	350,005
Restricted for debt service		100,529	98,076
Unrestricted		78,788	59,467
Total net position	$	598,287	507,548

See accompanying notes to financial statements.

SUFFOLK COUNTY WATER AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended May 31, 2024 and 2023

(In thousands)

		2024	2023 (As restated)
Operating revenues:			
Water service	$	243,431	243,650
Lease revenues		13,780	11,578
Other		19,716	14,946
Total operating revenues		276,927	270,174
Operating expenses:			
Operations		101,959	99,122
Maintenance		43,452	39,969
Depreciation and amortization		60,194	58,924
Total operating expenses		205,605	198,015
Operating income		71,322	72,159
Nonoperating revenues and expenses:			
Interest and other bond expense, net		(29,402)	(29,643)
Interest revenues, as lessor		6,643	5,025
Interest expense, as lessee		(33)	(21)
Amortization of deferred amounts on refinancing		(248)	(1,428)
Income from investments, net		18,515	6,146
Capital reimbursement fees		19,302	16,106
Capital contributions		4,640	2,975
Total nonoperating revenues and expenses, net		19,417	(840)
Change in net position		90,739	71,319
Net position:			
Beginning of year, as restated (note 1(v))		507,548	436,229
End of year	$	598,287	507,548

See accompanying notes to financial statements.

SUFFOLK COUNTY WATER AUTHORITY

Statements of Cash Flows

Years ended May 31, 2024 and 2023

(In thousands)

		2024	2023 (As restated)
Cash flows from operating activities:			
Cash receipts from customers	$	244,653	237,110
Other operating cash receipts		37,216	28,062
Cash payments to employees for services, including benefits		(78,344)	(75,063)
Cash payments to suppliers of goods and services		(65,041)	(70,552)
Net cash provided by operating activities		138,484	119,557
Cash flows from capital and related financing activities:			
Additions to water plant		(104,910)	(95,323)
Repayment of current maturities of bonds payable		(1,070)	(13,463)
Debt defeasance		(24,110)	—
Gain on defeasance		1,680	—
Interest paid		(30,926)	(31,615)
Proceeds from advances for construction and other capital, net of refunds		19,424	19,194
Interest revenues, as lessor		6,643	5,025
Amortization of lease receivable, as lessor		(6,175)	(4,292)
Interest expense, as lessee		(33)	(21)
Amortization of SBITA payable, as lessee		(357)	(166)
Amortization of SBITA asset, as lessee		261	145
Net cash used in capital and related financing activities		(139,573)	(120,516)
Cash flows from investing activities:			
Purchase of investments		(292,912)	(239,727)
Proceeds from sales and maturities of investments		260,312	130,844
Interest received		12,278	8,331
Net cash used in investing activities		(20,322)	(100,552)
Net decrease in cash and cash equivalents		(21,411)	(101,511)
Cash and cash equivalents at beginning of year		187,266	288,777
Cash and cash equivalents at end of year	$	165,855	187,266
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	71,322	72,159
Depreciation and amortization expense		60,194	58,924
Decrease (increase) in operating assets:			
Accounts receivable		(1,468)	(2,694)
Accrued water services and fire protection revenues		2,818	(3,720)
Materials and supplies and prepayments		158	(6,391)
Other assets		(129)	(126)
Increase (decrease) in operating liabilities:			
Accounts payable		3,142	(361)
Accrued employee welfare costs		511	(467)
Postemployment benefits other than pension, net of deferred amounts		(4,828)	(6,125)
Other accrued liabilities		3,084	1,337
Net pension liability, net of deferred amounts		3,680	7,021
Net cash provided by operating activities	$	138,484	119,557
Noncash investing activities:			
Change in the fair value of investments and discount/premium expense	$	5,197	(2,789)
Amortization of deferred amounts on refinancing		248	1,428
Noncash financing activities:			
New leases & SBITAs entered into during year	$	15,835	53,502

See accompanying notes to financial statements.

(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 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, 2024 and 2023.

(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.

(Continued)

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

(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 2024 and 2023, 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, and the Village of Dering Harbor, on behalf of the water districts of Brentwood, East Farmingdale, Stony Brook, Riverside, Shelter Island West Neck, and Dering Harbor, 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 Towns and Village of Dering Harbor residents. The Towns and Village of Dering Harbor, 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 Village of Dering Harbor as part of the terms of the respective leases. These leases expire between 2040 and 2062.

(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, 2024, the Authority had 7 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, 2024 and 2023 amount to approximately $2.1 million and $1.8 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, 2024 and 2023.

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, 2024 and 2023, the accrued employee welfare costs are $8.1 million and $7.7 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

(Continued)

welfare costs, workers' compensation and postemployment benefits, discount rates on leases, 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. Excess insurance was purchased to cover any liability that exceeds $800,000 per claim. A national third-party claims administrator (TPA) administers claims for the Authority.

(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 May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-of-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires not disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 (fiscal year 2024).

The adoption is reported retroactively, effective June 1, 2022 for comparative purposes. SBITA payables and Right-of-use SBITA assets as of June 1, 2022 of $682,000, were recognized, as well as a restatement of net position as of May 31, 2023 of $21,000 related to the lease activity recognized during fiscal year 2023, comprised of the following:

		May 31, 2023, as originally reported	GASB 96 impact	May 31, 2023, as restated
Statement of net position:				
SBITA payable, current	$	—	371	371
SBITA payable, less current portion		—	688	688
Right-of-use SBITA asset		—	1,080	1,080
Net position		507,527	21	507,548
Statement of revenues, expenses and change in net position:				
Operating expenses	$	198,057	(42)	198,015
Operating income		72,117	42	72,159
Nonoperating expenses – interest expense, as lessee		—	21	21
Change in net position		71,298	21	71,319
Statement of cash flows:				
Cash flows from operating activities – cash payments to suppliers of goods and services	$	(70,594)	42	(70,552)
Net cash provided by operating activities		119,515	42	119,557
Cash flows from capital and related financing activities:				
Interest expense, as lessee – SBITA related	$	—	(21)	(21)
Amortization of SBITA payable, as lessee		—	(166)	(166)
Amortization of SBITA asset, as lessee		—	145	145
Net cash used in capital and related financing activities		(120,474)	(42)	(120,516)

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

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements involving leases, public-private partnerships (PPPs), and subscription-based information technology arrangements (SBITAs), use of LIBOR and derivative instruments, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63, and

(2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101). This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. GASB 101 will be effective for the Authority for the fiscal year ending May 31, 2025.

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.

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.

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

(x) Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation.

(2) Capital Assets, Net

		May 31, 2023	Additions/ reclassifications	Deletions/ reclassifications	May 31, 2024
			(In thousands)		
Land and land rights (non-depreciable)	$	27,028	—	—	27,028
Distribution systems		1,284,783	52,887	(1,594)	1,336,076
Wells, reservoirs, and structures		408,016	7,327	(173)	415,170
Pumping and purification equipment		185,104	3,649	(113)	188,640
Meters		91,575	1,703	(713)	92,565
Compressors/backhoes		5,053	—	—	5,053
Computer equipment		37,877	1,337	(3)	39,211
Equipment		39,706	1,066	—	40,772
Hydrants		56,469	1,035	(297)	57,207
Water plant in service		2,135,611	69,004	(2,893)	2,201,722
Less accumulated depreciation		(957,051)	(60,043)	2,893	(1,014,201)
Net water plant in service		1,178,560	8,961	—	1,187,521
Construction in progress		81,411	104,395	(69,004)	116,802
Water plant	$	1,259,971	113,356	(69,004)	1,304,323

In 2024, the additions to construction in progress of $104.4 million are comprised of the following: construction projects of $16.5 million, hydrants $2.0 million, water main connections $42.5 million, wells $9.4 million, tanks $2.8 million, treatment facilities $2.4 million, pump stations $3.3 million, meters $1.7 million, emerging contaminant treatment systems $20.4 million, fleet $1.2 million, equipment $1.5 million, technological advancements $1.1 million, and facilities upgrades $2.7 million, less other miscellaneous adjustments of $3.1 million.

	May 31, 2022	Additions/ reclassifications	Deletions/ reclassifications	May 31, 2023
		(In thousands)		
Land and land rights (non-depreciable)	$ 27,028	—	—	27,028
Distribution systems	1,244,605	41,067	(889)	1,284,783
Wells, reservoirs, and structures	401,425	6,704	(113)	408,016
Pumping and purification equipment	182,556	2,551	(3)	185,104
Meters	91,123	1,112	(660)	91,575
Compressors/backhoes	5,053	—	—	5,053
Computer equipment	35,818	2,059	—	37,877
Equipment	38,170	1,536	—	39,706
Hydrants	54,470	2,243	(244)	56,469
Water plant in service	2,080,248	57,272	(1,909)	2,135,611
Less accumulated depreciation	(900,186)	(58,774)	1,909	(957,051)
Net water plant in service	1,180,062	(1,502)	—	1,178,560
Construction in progress	43,579	95,104	(57,272)	81,411
Water plant	$ 1,223,641	93,602	(57,272)	1,259,971

In 2023, the additions to construction in progress of $95.1 million are comprised of the following: construction projects of $57.8 million, hydrants $1.6 million, water main connections $8.2 million, wells $6.6 million, tanks $2.5 million, treatment facilities $11.4 million, pump stations $1.6 million, meters $1.3 million, emerging contaminant treatment systems $0.9 million, fleet $1.5 million, equipment $1.1 million, technological advancements $1.7 million, less other miscellaneous adjustments of $1.1 million.

Depreciation and amortization expenses amounted to approximately $60.0 million and $58.8 million for the years ended May 31, 2024 and 2023, 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 $165.9 million and $187.3 million and bank balances of approximately $169.0 million and $192.1 million at May 31, 2024 and 2023, 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, 2024 and 2023, consist of the following (dollars in thousands):

	May 31, 2024			
		Investment maturities (in years)		
	Total	**Less than 1**	**1 to 5**	**Greater than 5**
U.S. Treasury notes (1)	$ 141,228	61,210	80,018	—
U.S. Treasury bills (1)	24,336	24,336	—	—
U.S. Treasury bonds (1)	44,331	19,899	24,432	—
FNMA notes (1)	8,606	—	8,606	—
FHLB notes (1)	49,424	7,839	41,585	—
FHLMC notes (1)	7,621	—	7,621	—
FFCB notes (1)	3,797	—	3,797	—
NYS municipal bonds	25,840	11,712	14,128	—
Guaranteed investment contracts (1) *	31,458	31,458	—	—
Total investments	$ 336,641	156,454	180,187	—

* Reported at amortized cost

(1) Includes approximately $100.5 million of investments, including cash, held by a fiscal agent in the Authority’s name at May 31, 2024

	May 31, 2023			
		Investment maturities (in years)		
	Total	Less than 1	1 to 5	Greater than 5
Certificates of deposit *	$ 245	245	—	—
U.S. Treasury notes (1)	110,210	3,916	106,294	—
U.S. Treasury bonds (1)	80,553	41,987	38,566	—
FNMA notes (1)	8,347	—	8,347	—
FHLB notes (1)	61,074	20,535	40,539	—
FHLMC notes (1)	11,295	3,907	7,388	—
FFCB notes (1)	5,753	1,960	3,793	—
NYS municipal bonds	20,489	5,099	15,390	—
Guaranteed investment contracts (1) *	878	878	—	—
Total investments	$ 298,844	78,527	220,317	—

* Reported at amortized cost

(1) Includes approximately $98.1 million of investments, including cash, held by a fiscal agent in the Authority's name at May 31, 2023

	2024	2023
Investment breakdown:		
Restricted for:		
Debt service	$ 100,529	98,076
Unrestricted	236,112	200,768
Total investments	$ 336,641	298,844

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 0.00% to 5.50%.

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, 2024, 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 ($141.2 million or 41.9% of investments), U.S. Treasury Bonds ($44.3 million or 13.2% of investments), U.S. Treasury Bills ($24.3 million or 7.2%), NYS Municipal Bonds ($25.8 million or 7.7% of investments), and Federal Home Loan Bank ($49.4 million or 14.7% of investments) at May 31, 2024. As of May 31, 2023, the Authority invested more than 5% in U.S. Treasury Notes ($110.2 million or 36.8% of investments), NYS Municipal Bonds ($20.5 million or 6.8% of investments), Federal Home Loan Bank ($61.1 million or 20.4% of investments), and U.S. Treasury Bonds ($80.5 million or 26.9% of investments).

(4) Bonds Payable

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

Series	Interest rate(s)	Final maturity date	May 31, 2023	Issued	Matured/ refunded	May 31, 2024	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	—
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	—
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	—
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	51,475	—	(24,110)	27,365	—
Environmental Facilities Corporation Revenue Bonds:							
2014 B	4.964 %	2024	923	—	(305)	618	618
2015 D	3.985-4.015%	2025	1,269	—	(385)	884	315
2020 A	— %	2046	8,736	—	(380)	8,356	380
Total bonds outstanding			902,898	—	(25,180)	877,718	$ 1,313
				Additions	Amortization/ payments		
Unamortized premium (discount), net			17,099	—	(1,361)	15,738	
Current maturities payable			(1,070)	(1,313)	1,070	(1,313)	
			$ 918,927	(1,313)	(25,471)	892,143	

Series	Interest rate(s)	Final maturity date		May 31, 2022	Issued	Matured/ refunded	May 31, 2023		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		—
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		—
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		45,250	—	(1,610)	43,640		—
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	0.91-2.43%	2040		60,255	—	(8,780)	51,475		—
Environmental Facilities Corporation Revenue Bonds:									
2011 C	3.566 %	2022	$	621	—	(621)	—		—
2012 B	5.002 %	2022		570	—	(570)	—		—
2013 B	4.500 %	2023		793	—	(793)	—		—
2014 B	4.940-4.964%	2024		1,263	—	(340)	923		305
2015 D	3.955-4.015%	2025		1,639	—	(370)	1,269		385
2020 A	— %	2046		9,115	—	(379)	8,736		380
Total bonds outstanding				916,361	—	(13,463)	902,898	$	1,070
					Additions	Amortization/ payments			
Unamortized premium (discount), net				18,460	—	(1,361)	17,099		
Current maturities payable				(13,463)	(1,070)	13,463	(1,070)		
			$	921,358	(1,070)	(1,361)	918,927		

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 2024 and 2023, the Authority, at its own discretion, has elected to fund the reserve accounts in the amount of $83.5 million and $81.1 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, 2024, the Authority has not engaged in any bond issuance transactions.

In June 2023, the Authority completed a bond defeasance of $24.1 million of the 2020 Refunding Bonds (Taxable) Water System Revenue Bonds from the General Fund. The Authority net funded a 2023 bond defeasance escrow account for a total of $22.4 million of which $2.2 million was invested to generate funds to pay principal and interest on bonds that mature on June 1, 2025 and June 1, 2026.

In May 2022, the Authority completed a bond defeasance of $44.9 million Water System Revenue Bonds from its General Fund. The bonds defeased are comprised of $13.2 million of the Water System Revenue Bonds, Series 2014A, $1.3 million of the Water System Revenue Bonds, Series 2015 (Refunding), $4.1 million of the Water System Revenue Bonds, Series 2016 (Refunding), and $26.3 million of the Water System Revenue Bonds Series 2020 (Refunding), Taxable. The Authority funded a 2022 bond defeasance escrow account for a total of $46.6 million which includes $1.7 million for interest due on the defeased bonds that mature on June 1, 2023 and June 1, 2024.

(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 2024 and 2023, 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 bonds and its own funds in an irrevocable trust to provide for all future debt service payments on the old 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, 2024, the amount of defeased debt obligation outstanding is approximately $47.4 million, an increase of $2.5 million from May 31, 2023. This increase is attributable to $24.1 million of defeased debt during fiscal year 2024 offset by $21.6 defeased debt fully redeemed after May 31, 2022.

Interest expense, net of debt discount and premium and costs of issuance on the bonds, is $29.4 million for the year ended May 31, 2024 and $29.6 million in 2023. The decrease of $0.2 million is mainly attributable to a decrease in interest expense net of subsidy.

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:			
2025	$ 1,313	32,612	33,925
2026	10,149	32,124	42,273
2027	11,070	31,666	42,736
2028	31,895	30,425	62,320
2029	33,095	29,408	62,503
2030–2034	190,014	125,575	315,589
2035–2039	238,194	78,930	317,124
2040–2044	274,228	31,395	305,623
2045–2049	87,760	1,305	89,065
	$ 877,718	393,440	1,271,158

(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, 2024, the debt service reserve funds were approximately $83.9 million. In addition, there is $16.6 million in the Bond Funds.

Revenue before interest expense and depreciation and amortization is equivalent to 5.67 times (3.63 in 2023) 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):

2022	$	7,745
2023		5,365
2024		6,413

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

At May 31, 2024 and 2023, the Authority reported a liability of $23.4 million and $34.5 million for its proportionate share of the System's net pension liability, respectively. The net pension liability reported by the Authority at May 31, 2024 and 2023 is measured as of March 31, 2024 and 2023, respectively, and the total pension liability used to calculate the net pension liability is determined by actuarial valuations as of April 1, 2023 and April 1, 2022, 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, 2024 and 2023, the Authority's proportion is 0.159160% and 0.160675%, respectively. For the years ended May 31, 2024 and 2023, the Authority recognized pension expense of $10.3 million and $12.1 million, respectively.

At May 31, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2024	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 7,548	639
Changes of assumptions	8,860	—
Net difference between projected and actual investment earnings on pension plan investments	—	11,448
Changes in proportion and differences between employer contributions and proportionate share of contributions	723	395
Contributions made subsequent to the measurement date	1,069	—
Total	$ 18,200	12,482

	2023	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 3,670	968
Changes of assumptions	16,734	185
Net difference between projected and actual investment earnings on pension plan investments	—	202
Changes in proportion and differences between employer contributions and proportionate share of contributions	937	461
Contributions made subsequent to the measurement date	894	—
Total	$ 22,235	1,816

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:		
2025	$	(4,194)
2026		4,622
2027		6,740
2028		(2,519)
2029		—

(c) Actuarial Assumptions

The total pension liability at March 31, 2023 and 2022 is determined by using an actuarial valuation as of April 1, 2023 and 2022, with update procedures used to roll forward the total pension liability to March 31, 2023 and 2022, respectively.

Significant actuarial assumptions used in the April 1, 2023 valuation were as follows:

Investment rate of return	5.9 %
Salary scale	4.4 %
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

Significant actuarial assumptions used in the April 1, 2022 valuation were as follows:

Investment rate of return	5.9 %
Salary scale	4.4 %
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, 2024 and 2023 are summarized as follows:

	2024	
Asset class	**Target allocation**	**Long-term expected real rate**
Domestic equity	32 %	4.00 %
International equity	15	6.65
Private equity	10	7.25
Real estate	9	4.60
Opportunistic/ARS portfolio	3	5.25
Credit	4	5.40
Real assets	3	5.79
Fixed income	23	1.50
Cash	1	0.25
	100 %	

	2023	
Asset class	**Target allocation**	**Long-term expected real rate**
Domestic equity	32 %	4.30 %
International equity	15	6.85
Private equity	10	7.50
Real estate	9	4.60
Opportunistic/ARS portfolio	3	5.38
Credit	4	5.43
Real assets	3	5.84
Fixed income	23	1.50
Cash	1	—
	100 %	

(d) Discount Rate

The discount rate used to measure the total pension liability as of March 31, 2024 and 2023 is 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. 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, 2024 and 2023 calculated using the discount rate assumptions of 5.9%, for the March 31, 2023 and March 31, 2022 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):

		2024		
		1% Decrease 4.9%	**Current assumption 5.9%**	**1% Increase 6.9%**
Authority's proportionate share of the net pension (asset) liability	$	73,681	23,435	(18,532)

		2023		
		1% Decrease 4.9%	**Current assumption 5.9%**	**1% Increase 6.9%**
Authority's proportionate share of the net pension (asset) liability	$	83,263	34,455	(6,330)

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) liability of the System as of March 31, 2024 and 2023, were as follows (dollars in thousands):

		2024	**2023**
Employer's total pension liability	$	240,696,851	232,627,259
System's fiduciary net position		225,972,801	211,183,223
Employer's net pension (asset) liability	$	14,724,050	21,444,036
System fiduciary net position as percentage of total pension liability		93.88 %	90.78 %

(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 $92.3 million and $78.3 million at May 31, 2024 and 2023, 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 for 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 2024 and 2023, there were 1,041 participants (563 active and 478 inactive) and 1,019 participants (543 active and 476 inactive), respectively, that were eligible to receive benefits.

GASB 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, 2024 and 2023, the undedicated reserve is $116.7 million and $112.9 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 $297.1 million and $277.4 million is measured as of May 31, 2024 and 2023, 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, 2024 and 2023 (dollars in thousands):

		2024	2023
Total OPEB liability:			
Service cost	$	7,237	8,045
Interest		11,829	10,126
Change of benefit terms		—	333
Changes in assumptions		573	(19,709)
Differences between expected and actual experience		11,464	17,802
Benefit payments		(11,489)	(9,518)
Net changes		19,614	7,079
Total OPEB liability, beginning of year		277,437	270,358
Total OPEB liability, end of year	$	297,051	277,437

There were no changes to benefit terms in 2024.

(b) Actuarial Assumptions and Other Inputs

The total OPEB liability at May 31, 2024 and 2023 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	4.40% as of May 31, 2024 and 4.24% as of May 31, 2023.
Retiree contributions	Assumed to increase according to health care trend rates.

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

May 31, 2024 and May 31, 2023 Mortality rates were based on Pub-2010 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, 2024 actuarial valuation, the Entry Age Normal Level Percentage of Salary method is used. The actuarial assumptions included a 4.40% 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**
2025	8.00 %	4.00 %	5.50 %
2026	7.50	4.00	5.25
2027	7.00	4.00	5.00
2028	6.50	4.00	4.75
2029	6.00	4.00	4.50
2030	5.50	4.00	4.50
2031	5.00	4.00	4.50
2032	4.50	4.00	4.50
2033+	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**
2025	6.50 %	4.00 %	5.50 %
2026	6.25	4.00	5.25
2027	6.00	4.00	5.00
2028	5.75	4.00	4.75
2029	5.50	4.00	4.50
2030	5.25	4.00	4.50
2031	5.00	4.00	4.50
2032+	4.75	4.00	4.50
2033	4.50	4.00	4.50

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

For the May 31, 2023 actuarial valuation, the Entry Age Normal Level Percentage of Salary method is used. The actuarial assumptions included a 4.24% 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**
2024	7.50 %	4.00 %	5.50 %
2025	7.00	4.00	5.25
2026	6.50	4.00	5.00
2027	6.00	4.00	4.75
2028	5.50	4.00	4.50
2029	5.00	4.00	4.50
2030	4.50	4.00	4.50
2031	4.50	4.00	4.50
2032+	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**
2024	6.50 %	4.00 %	5.50 %
2025	6.25	4.00	5.25
2026	6.00	4.00	5.00
2027	5.75	4.00	4.75
2028	5.50	4.00	4.50
2029	5.25	4.00	4.50
2030	5.00	4.00	4.50
2031	4.75	4.00	4.50
2032+	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, 2024 and May 31, 2023 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, 2024 and 2023, calculated using the discount rate assumed (4.4% and 4.24%, 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
2024 Total OPEB liability	$	339,027	297,051	262,684
2023 Total OPEB liability		317,182	277,437	244,954

(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, 2024 and 2023, using the health care trend rates assumed (8.00% decreasing to 4.50% and 7.50% 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
2024 Total OPEB liability	$	258,709	297,051	344,913
2023 Total OPEB liability		243,371	277,437	319,891

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

For the year ended May 31, 2024 and 2023, the Authority recognized OPEB expense of $6.6 million and $3.4 million, respectively. At May 31, 2024 and 2023, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar in thousands):

		2024	2023
Deferred outflows of resources:			
Differences between expected and actual experience	$	21,422	14,835
Changes of assumptions		24,692	39,164
Total	$	46,114	53,999
Deferred inflows of resources:			
Differences between expected and actual experience	$	(8,703)	(19,073)
Changes of assumptions		(63,065)	(85,023)
Total	$	(71,768)	(104,096)

The balances as of May 31, 2024 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):

		2024
Year ended May 31:		
2025	$	(5,801)
2026		(7,888)
2027		(15,660)
2028		1,688
2029		2,007

(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, 2023	Additions	Remeasurements/ modifications	Deductions/ terminations	May 31, 2024	Amounts due within 1 year
Lease receivable:							
Lease receivable	$	215,703	15,821	650	(7,531)	224,643	6,757

		May 31, 2022	Additions	Remeasurements/ modifications	Deductions/ terminations	May 31, 2023	Amounts due within 1 year
Lease receivable:							
Lease receivable	$	163,302	58,298	236	(6,133)	215,703	6,661

		May 31, 2023	Amortization	True up/ adjustment	May 31, 2024
Deferred inflows of resources:					
Lease related	$	207,029	(13,249)	16,014	209,794

		May 31, 2022	Amortization	True up/ adjustment	May 31, 2023
Deferred inflows of resources:					
Lease related	$	158,918	(10,424)	58,535	207,029

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

	Principal	Interest	Total
Year ended May 31:			
2025	$ 6,757	6,912	13,669
2026	7,008	6,704	13,712
2027	7,128	6,489	13,617
2028	6,549	6,269	12,818
2029	6,323	6,067	12,390
2030–2034	40,008	27,089	67,097
2035–2039	53,531	20,038	73,569
Thereafter	97,339	13,438	110,777
Total	$ 224,643	93,006	317,649

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, 2023	Additions	Remeasurements	Deductions	May 31, 2024
Subscription IT assets	$ 1,225	13	—	—	1,238
Less accumulated amortization	(145)	—	—	(274)	(419)
Subscription IT assets, net	$ 1,080	13	—	(274)	819

	May 31, 2022	Additions	Remeasurements	Deductions	May 31, 2023
Subscription IT assets	$ 683	542	—	—	1,225
Less accumulated amortization	—	—	—	(145)	(145)
Subscription IT assets, net	$ 683	542	—	(145)	1,080

	May 31, 2023	Additions	Remeasurements	Deductions	May 31, 2024	Amounts due within 1 year
Subscription liabilities	$ 1,059	14	—	(371)	702	383

	May 31, 2022	Additions	Remeasurements	Deductions	May 31, 2023	Amounts due within 1 year
Subscription liabilities	$ 683	542	—	(166)	1,059	371

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

		Principal	Interest	Total
Year ended May 31:				
2025	$	383	22	405
2026		266	9	275
2027		51	2	53
2028		2	—	2
Total	$	702	33	735

(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.

The Authority is self-insured for workers' compensation claims. Claims are administered through a third-party administrator. There is insurance in place that will limit the Authority's exposure of individual claims to $800,000.

For general liability and automobile claims through March 30, 2024, the Authority was insured to an aggregate limit of $38 million subject to a $100,000 deductible per occurrence. Effective April 1, 2024, the Authority is insured to an aggregate limit of $38 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 $5 million subject to a $50,000 self-insured retention for the entity coverage and $100,000 self-insured retention for 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 $10.1 million and $10.1 million at May 31, 2024 and 2023.

Changes in the Authority's workers' compensation claims liability amount in fiscal years 2024 and 2023 were as follows (dollars in thousands):

		2024	2023
Unpaid claims, beginning of fiscal year	$	8,097	7,741
Changes in the estimate for claims of all years		2,337	5,425
Claim payments		(3,467)	(5,069)
Unpaid claims, end of fiscal year	$	6,967	8,097

Changes in the Authority's general and automobile claims liability amount in fiscal years 2024 and 2023 were as follows (dollars in thousands):

		2024	2023
Unpaid claims, beginning of fiscal year	$	2,024	1,525
Changes in the estimate for claims of all years		1,688	716
Claim payments		(575)	(217)
Unpaid claims, end of fiscal year	$	3,137	2,024

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

(11) Grants

In fiscal year 2024, the Authority recognized $4.6 million in grant revenues; $2.2 million in reimbursement requests were submitted to the New York State Environmental Facilities Corporation ("EFC") for Advanced Oxidation Process System ("AOP") related work. And $2.4 million in reimbursement requests were submitted to the Environmental Protection Agency ("EPA") for the Town of Brookhaven, Manorville water main installation project.

The Authority has submitted and been awarded various other grants through different State and Federal programs:

In fiscal year 2024, the New York State Dormitory Authority ("DASNY") awarded grant funding through the New York Economic Development Program ("NYEDP") not to exceed $0.5 million for the replacement of two wells and electrical upgrades in the West Neck Water District. Construction has begun on these projects and a grant agreement has been executed as of May 31, 2024.

In fiscal year 2024, the EFC awarded grant funding through the Water Infrastructure Improvement Act grant program (“WIIA”) for (3) water main extension projects; National Boulevard Vicinity $1.0 million, East Patchogue, $0.6 million and Peconic Lake Estates, $0.8 million. Construction has not yet begun on these projects and a grant agreement has not yet been executed as of May 31, 2024.

In fiscal year 2024, the EFC awarded grant funding through the Water Infrastructure Improvement Act grant program (“WIIA”) not to exceed $11.7 million for (11) GAC systems and (2) AOP systems to address emerging contaminants in Suffolk County related to PFOAS and 1,4 Dioxane. Construction has not yet begun on these projects and a grant agreement has not yet been executed as of May 31, 2024.

In fiscal year 2024, the EFC awarded grant funding through the Water Infrastructure Improvement Act grant program (“WIIA”) not to exceed $4.5 million for three AOP systems to address emerging contaminants in Suffolk County related to 1,4 dioxane. Construction has not yet begun on these projects and a grant agreement has been executed as of May 31, 2024.

In fiscal year 2024, the EFC awarded grant funding through the Water Infrastructure Improvement Act grant program (“WIIA”) not to exceed $1.5 million and $1.3 million from the EPA Federal Congressional Directed Spending for a water main extension program in the Westhampton area. Construction has not yet begun on these projects and a grant agreement has not yet been executed as of May 31, 2024.

In fiscal year 2024, the Authority has been awarded grant funding from multiple sources to fund a water main extension project in the Calverton area to provide clean drinking water to properties with private wells that are contaminated, or potentially contaminated, with pollutants in concentrations greater than recommended by drinking water guidelines. Federal Congressional Directed Spending funds in the amount of $5.0 million have been awarded, the EFC has awarded $1.9 through the Bi Partisan Infrastructure Law (“BIL”) program, and the Town of Brookhaven has awarded $1.8 million under the American Rescue Plan Act (“ARPA”). Construction has not yet begun and a grant agreement has not yet been executed as of May 31, 2024.

In fiscal year 2022, the EFC awarded grant funding through the WIIA program not to exceed $16.2 million for 18 AOP systems to address emerging contaminants in Suffolk County related to 1,4 dioxane. Construction has begun on only one of the systems, and a grant agreement has been executed as of May 31, 2024.

In fiscal year 2022, the Authority has been awarded grant funding from multiple sources to fund a water main extension project in the Manorville area to provide clean drinking water to properties with private wells that are contaminated, or potentially contaminated, with pollutants in concentrations greater than recommended by drinking water guidelines. The NYS Intermunicipal Water Infrastructure Grant program (“IMG”) has awarded $1.6 million, Federal Congressional Directed Spending funds in the amount of $3.5 million have been awarded, and the Town of Brookhaven has awarded $2.0 million under the American Rescue Plan Act (“ARPA”). Construction has begun as of May 31, 2024. Grant agreements with the EFC, Town of Brookhaven and the EPA, Federal Congressional Directed Spending have been executed as of May 31, 2024. The Authority has recognized $2.4 million in grant revenue as of May 31, 2024.

In fiscal year 2020, The EFC has awarded grant funding through the WIIA program not to exceed $12.6 million for 9 AOP systems to address emerging contaminants in Suffolk County related to 1,4 dioxane. Construction of these AOP systems began in fiscal year 2022. As of May 31, 2024, $4.2 million in grant revenues have been recognized and $8.4 million is still outstanding.

In fiscal year 2019, the EFC has awarded grant funding through WIIA program for the Smith St., AOP system. The grant agreement for this project has been amended to July 2025. The grant awarded was for $0.7 and the Authority has received $0.5 in grant funds. The project is near completion and the remainder of the grant funds in the amount of $0.1 will be released upon completion. The Authority has recognized $0.2 million in grant revenue during fiscal year 2024. In fiscal year 2022, the EFC awarded grant funding through the WIIA program not to exceed $16.2 million for 18 AOP systems to address emerging contaminants in Suffolk County related to 1,4 dioxane. Construction has not yet begun and a grant agreement has not yet been executed as of May 31, 2024.

In fiscal year 2022, the Authority has been awarded grant funding from multiple sources to fund a water main extension project in the Manorville area to provide clean drinking water to properties with private wells that are contaminated, or potentially contaminated, with pollutants in concentrations greater than recommended by drinking water guidelines. The NYS Intermunicipal Water Infrastructure Grant program ("IMG") has awarded $1.6 million, Federal Congressional Directed Spending funds in the amount of $3.5 million have been awarded, and the Town of Brookhaven has awarded $2.0 million under the American Rescue Plan Act ("ARPA"). Construction has not yet begun. Grant agreements with the EFC and Town of Brookhaven have been executed. However, no agreement has been executed for the funds awarded from the Federal Congressional Directed Spending as of May 31, 2024.

(12) Subsequent Events

The Authority has evaluated subsequent events through September 4, 2024, the date the financial statements were available to be issued.

In June 2024, S&P Global Ratings affirmed the Authority's Water System Revenue Bonds AAA rating.

SUFFOLK COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

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

May 31, 2024

(Dollars in thousands)

		2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$	6,413	5,365	7,745	6,718	6,548	6,624	6,902	6,325	7,161
Contributions in relation to the contractually required contribution		6,413	5,365	7,745	6,718	6,548	6,624	6,902	6,325	7,161
Contribution deficiency (excess)	$	—	—	—	—	—	—	—	—	—
Authority covered-employee payroll (Authority year end)	$	53,505	51,365	48,133	47,604	46,548	45,492	45,119	46,952	40,686
Contributions as a percentage of covered-employee payroll		11.99 %	10.44 %	16.09 %	14.11 %	14.07 %	14.56 %	15.30 %	13.47 %	17.60 %

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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, 2024

(Dollars in thousands)

		2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's share of the net pension (asset) liability		0.1591602 %	0.1606751 %	0.1666300 %	0.1582059 %	0.1620929 %	0.1645388 %	0.1776255 %	0.1651319 %	0.1703727 %
Authority's proportionate share of the net pension (asset) liability	$	23,435	34,455	(13,621)	158	42,923	11,658	5,733	15,516	27,345
Authority's covered-employee payroll (measurement date as of March 31)		52,974	49,994	48,030	48,346	46,376	45,236	45,088	45,695	41,422
Authority's proportionate share of the net pension (asset) liability as a percentage of the covered-employee payroll		44.24 %	68.92 %	(28.36)%	0.33 %	92.55 %	25.77 %	12.72 %	33.96 %	66.02 %
Plan fiduciary net position as a percentage of the total pension liability		93.88 %	90.78 %	103.65 %	99.95 %	86.40 %	96.30 %	98.24 %	94.70 %	90.70 %

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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, 2024

(Dollars in thousands)

		2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:								
Service cost	$	7,237	8,045	14,194	10,581	8,949	12,319	12,157
Interest		11,829	10,126	5,928	8,214	10,229	11,878	11,167
Change of benefit terms		—	333	—	—	—	—	—
Changes in assumptions		573	(19,709)	(99,851)	55,592	34,104	(12,186)	(4,201)
Differences between expected and actual experience		11,464	17,802	(4,239)	(8,960)	(21,580)	(27,441)	—
Benefit payments		(11,489)	(9,518)	(8,638)	(8,385)	(8,232)	(8,014)	(7,332)
Net change in OPEB liability		19,614	7,079	(92,606)	57,042	23,470	(23,444)	11,791
Total OPEB liability, beginning of year		277,437	270,358	362,964	305,922	282,452	305,896	294,105
Total OPEB liability, end of year	$	297,051	277,437	270,358	362,964	305,922	282,452	305,896
Covered-employee payroll	$	49,550	48,341	47,809	46,643	46,958	45,591	43,978
Total OPEB liability as a percentage of covered-employee payroll		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
Changes of assumptions:								
Discount rate		4.40 %	4.24 %	3.70 %	1.59 %	2.63 %	3.56 %	3.78 %
Undedicated reserve (see note 8 to the financial statements)	$	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.