



SUFFOLK COUNTY WATER AUTHORITY

Financial Statements and
Required Supplementary Information

May 31, 2025 and 2024

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

SUFFOLK COUNTY WATER AUTHORITY

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Independent Auditors' Report

The Members of the Board
Suffolk County Water Authority:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Suffolk County Water Authority (the Authority), as of and for the years ended May 31, 2025 and 2024, 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, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the schedule of employer contributions – New York State and Local Employees' Retirement System, the schedule of proportionate share of the net pension (asset) liability – New York State and Local Employees' Retirement System, and the schedule of changes in the Authority's total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

New York, New York
September 19, 2025

SUFFOLK COUNTY WATER AUTHORITY
Management's Discussion and Analysis (Unaudited)
May 31, 2025 and 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, 2025 and 2024 with comparative information for the fiscal year ended May 31, 2023. 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, 2025 and 2024 follow this narrative on the subsequent pages.

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Summary of Revenues, Expenses, and Changes in Net Position

	Year ended May 31		
	2025	2024	2023
	(In thousands)		
Operating revenues:			
Water service	\$ 259,397	243,431	243,650
Lease revenues	13,719	13,780	11,578
Other	183,063	19,716	14,946
Total operating revenues	<u>456,179</u>	<u>276,927</u>	<u>270,174</u>
Operating expenses:			
Operations and maintenance	188,389	145,411	139,091
Depreciation and amortization	62,100	60,194	58,924
Total operating expenses	<u>250,489</u>	<u>205,605</u>	<u>198,015</u>
Operating income	<u>205,690</u>	<u>71,322</u>	<u>72,159</u>
Nonoperating revenues and expenses:			
Interest expense, net	(29,398)	(29,402)	(29,643)
Interest revenues, as lessor	6,912	6,643	5,025
Interest expense, as lessee	(22)	(33)	(21)
Amortization of deferred amounts on refinancing	(1,318)	(248)	(1,428)
Income from investments	24,590	18,515	6,146
Capital reimbursement fees and other	21,858	19,302	16,106
Gain on sale	2,133	—	—
Capital contributions and grants	11,620	4,640	2,975
Total nonoperating revenues and expenses, net	<u>36,375</u>	<u>19,417</u>	<u>(840)</u>
Change in net position	<u>\$ 242,065</u>	<u>90,739</u>	<u>71,319</u>

Operating Revenues

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

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%.

Lease revenues decreased \$0.1 million, or 0.4%, in 2025. 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.

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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.

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

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.

Operating Expenses

Operations and maintenance expenses increased \$43.0 million in 2025. The increase is attributable to \$22.5 million in legal expenses related to a settlement with certain manufacturers of perfluoroalkyl substances ("PFAS"), a \$0.8 million increase in wages as a result of standard annual wage increases, a \$4.8 million increase in maintenance costs, a \$5.1 million increase in treatment costs, a \$0.5 million increase in other operating costs, a \$0.3 million increase in transportation and fleet related costs, a \$1.5 million increase in medical insurance expenses due to an increasing medical insurance premiums, a \$5.7 million increase in workers' compensation expense due to an increase in claims and expenses based on the GASB 10 actuarial valuation, a \$1.1 million increase in energy costs, and a \$3.8 million increase in postemployment benefit other than pension (OPEB) expense based on the GASB 75 actuarial valuation. These increases are offset by a \$3.1 million decrease due to a GASB 68 adjustment to pension expense based on an actuarial valuation.

Operations and maintenance expenses 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.

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

Depreciation and amortization expenses were \$60.2 million in 2024, an increase of \$1.3 million or 2.2% 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 2025, which is consistent with 2024.

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

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

Interest expense as lessee increased in 2024. The increase arise attributable to increasing interest components of SBITA payments versus principal amounts in accordance with GASB 96.

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

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 \$1.0 million extraordinary loss on bond defeasance recognized in 2024.

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

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 in interest revenues of \$4.4 million, offset by an increase in investment premiums paid of \$3.3 million.

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

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.

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

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Capital contributions and grants were \$11.6 million in 2025, an increase of \$7.0 million from 2024. The increase is attributable to an additional \$6.1 million in federal grant revenues and \$0.9 million in New York State Environmental Facilities Corporation ("EFC") grant revenues related to water treatment infrastructure grants.

Capital contributions and grants 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").

	2025	2024	2023
		(In thousands)	
Assets:			
Capital assets, net	\$ 1,333,922	1,304,323	1,259,971
Current assets	710,906	490,061	470,992
Other noncurrent assets	335,792	321,767	310,753
Total assets	\$ 2,380,620	2,116,151	2,041,716
Deferred outflows of resources	\$ 47,170	72,417	86,265
Liabilities:			
Current liabilities	104,364	68,952	62,639
Other long-term liabilities	330,788	335,142	325,926
Long-term debt, net of current portion	880,632	892,143	918,927
Total liabilities	\$ 1,315,784	1,296,237	1,307,492
Deferred inflows of resources	\$ 271,654	294,044	312,941
Net position:			
Net investment in capital assets	449,925	418,970	350,005
Restricted for debt service	111,440	100,529	98,076
Unrestricted	278,987	78,788	59,467
Total net position	\$ 840,352	598,287	507,548

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Capital Assets, Net

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

	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	<u>(957,051)</u>	<u>(60,043)</u>	<u>2,893</u>	<u>(1,014,201)</u>
Net water plant in service	1,178,560	8,961	—	1,187,521
Construction in progress	<u>81,411</u>	<u>104,395</u>	<u>(69,004)</u>	<u>116,802</u>
Water plant	<u>\$ 1,259,971</u>	<u>113,356</u>	<u>(69,004)</u>	<u>1,304,323</u>

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

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.

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Current Assets

	May 31		
	2025	2024	2023
		(In thousands)	
Increases (decreases):			
Cash and cash equivalents	\$ 8,640	(21,411)	(101,511)
Investments	31,186	35,344	119,903
Accounts receivables, net	180,374	6,977	8,033
Lease receivable, current	352	96	528
Accrued water services and fire protection revenues	1,284	(2,818)	3,720
Interest and other receivables	618	1,040	608
Materials and supplies	(1,736)	(436)	5,766
Prepayments and other current assets	127	277	625
Net change in current assets	\$ 220,845	19,069	37,672

Current Assets

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

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

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.

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

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.

Accounts receivable, net of allowance for doubtful accounts increased by \$180.3 million at May 31, 2025 from May 31, 2024. This increase is attributable to the \$170.8 million settlement with certain manufacturers of perfluoroalkyl substances ("PFAS"), a \$1.7 million increase in customer account receivables in accordance with increased production, a \$7.6 million increase in construction revenue receivables, and a \$2.3 million increase in lien receivables. This increase was offset by a \$1.1 million decrease in miscellaneous receivables, a

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\$0.2 million decrease in grant receivables, and a \$0.8 million decrease in receivables from the Pine Barrens Commission for administrative services performed.

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.

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

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.

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

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%.

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

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.

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

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.

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

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Other Noncurrent Assets

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

Liabilities

Current Liabilities

		May 31		
		2025	2024	2023
			(In thousands)	
Increases (decreases):				
Current maturities of bonds payable	\$	8,836	243	(12,393)
Accounts payable		21,312	2,628	(580)
Accrued interest		37	(165)	(610)
Accrued employee welfare costs		356	511	(467)
SBITA payable, current		(70)	12	371
Other accrued liabilities		4,941	3,083	1,337
Net change in current liabilities	\$	35,412	6,312	(12,342)

Current Liabilities

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

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

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

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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 \$0.3 million and \$0.5 million increases in accrued employee welfare costs in 2025 and 2024 are the result of an analysis performed on accrued balances earned by employees but not yet exhausted. These balances reflect amounts potentially payable to employees upon separation.

The \$4.9 million increase in other accrued liabilities in 2025 from 2024 is attributable to a \$1.0 million increase in various reimbursable customer deposits and a \$3.9 million increase related to workers' compensation accrued liabilities based on the actuarial valuation required under GASB Statement No. 10.

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.

Other Long-Term Liabilities

Other long-term liabilities decreased by \$4.3 million at May 31, 2025 as a result of a decrease in postemployment benefits other than pension (OPEB) of \$11.7 million based on the actuarial valuation required under GASB Statement No. 75 and a \$0.2 million decrease in payables recognized in accordance with GASB 96. This decrease was offset by increases in the net pension liability as provided by New York State & Local Retirement System of \$4.6 million and a \$3.0 million increase in advances for construction .

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.

In accordance with GASB 75, the financial statements at May 31, 2025 and 2024 include a liability for postemployment benefits other than pension in the amount of \$285.3 million and \$297.0 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 2024, the Authority began investing these funds in U.S. Treasury Notes. As of May 31, 2025 and 2024, the undedicated reserve is \$121.7 million and \$116.7 million, respectively and is recorded in cash and cash equivalents and investments on the statement of net position.

Long-Term Debt

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

The 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

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May 31, 2025 and 2024

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 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		
	2025	2024	2023
		(In thousands)	
Balance, beginning	\$ 877,718	902,898	916,361
Maturities, retirements, and defeasances:			
SCWA	—	(24,110)	(10,390)
EFC	(1,313)	(1,070)	(3,073)
	(1,313)	(25,180)	(13,463)
Net changes in long-term debt	(1,313)	(25,180)	(13,463)
Balance, ending	\$ 876,405	877,718	902,898

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 2025, 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. Approximately \$17.0 million of the defeased bonds matured on June 1, 2025, with the remainder maturing on June 1, 2026.

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

Short-Term Debt

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

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During the fiscal years ended May 31, 2025 and 2024, 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 \$1.3 million at May 31, 2025 from May 31, 2024. The decrease is due to \$1.3 million annual amortization of the deferred loss on refunding bonds. The loss on the Suffolk County Water Authority's refundings are due to the 2013 Refunding, 2015 Refunding, 2016 Refunding, and the 2020 Refunding.

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 refundings are due to the 2013 Refunding, 2015 Refunding, 2016 Refunding, and the 2020 Refunding.

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

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.

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

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.

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Net Position – Unrestricted

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

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.

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, 2025 and 2024
(In thousands)

Assets	2025	2024
Current assets:		
Cash and cash equivalents	\$ 174,495	165,855
Investments	267,298	236,112
Accounts receivable, less allowance for doubtful accounts of \$0 and \$3,710, respectively	227,760	47,386
Lease receivable, current	7,109	6,757
Accrued water services and fire protection revenues	16,332	15,048
Interest and other receivables	2,478	1,860
Materials and supplies, at average cost	11,600	13,336
Prepayments and other current assets	3,834	3,707
Total current assets	<u>710,906</u>	<u>490,061</u>
Restricted investments	111,440	100,529
Goodwill	1,370	1,520
Lease receivable, less current portion	221,242	217,886
Right-of-use SBITA assets	650	819
Other assets	1,090	1,013
Capital assets, net	<u>1,333,922</u>	<u>1,304,323</u>
Total noncurrent assets	<u>1,669,714</u>	<u>1,626,090</u>
Total assets	<u>2,380,620</u>	<u>2,116,151</u>
Deferred Outflows of Resources		
Deferred outflows of resources:		
Pension related	12,607	18,200
Other postemployment benefits related	27,778	46,114
Bond refunding related	6,785	8,103
Total deferred outflows of resources	<u>47,170</u>	<u>72,417</u>
Liabilities		
Current liabilities:		
Current maturities of bonds payable	10,149	1,313
Accounts payable	37,773	16,461
Accrued interest	16,292	16,255
Accrued employee welfare costs	8,537	8,181
SBITA payable, current	313	383
Other accrued liabilities	31,300	26,359
Total current liabilities	<u>104,364</u>	<u>68,952</u>
Bonds payable, less current portion and unamortized discounts	880,632	892,143
Net pension liability	28,033	23,435
Postemployment benefits other than pension	285,338	297,051
SBITA payable, less current portion	113	319
Advances for construction	17,304	14,337
Total liabilities	<u>1,315,784</u>	<u>1,296,237</u>
Deferred Inflows of Resources		
Deferred inflows of resources:		
Pension related	543	12,482
Other postemployment benefits related	64,104	71,768
Lease related	207,007	209,794
Total deferred inflows of resources	<u>271,654</u>	<u>294,044</u>
Net Position		
Net position:		
Net investment in capital assets	449,925	418,970
Restricted for debt service	111,440	100,529
Unrestricted	278,987	78,788
Total net position	<u>\$ 840,352</u>	<u>598,287</u>

See accompanying notes to financial statements.

SUFFOLK COUNTY WATER AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended May 31, 2025 and 2024
(In thousands)

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Water service	\$ 259,397	243,431
Lease revenues	13,719	13,780
Other	<u>183,063</u>	<u>19,716</u>
Total operating revenues	<u>456,179</u>	<u>276,927</u>
Operating expenses:		
Operations	136,809	101,959
Maintenance	51,580	43,452
Depreciation and amortization	<u>62,100</u>	<u>60,194</u>
Total operating expenses	<u>250,489</u>	<u>205,605</u>
Operating income	<u>205,690</u>	<u>71,322</u>
Nonoperating revenues and expenses:		
Interest and other bond expense, net	(29,398)	(29,402)
Interest revenues, as lessor	6,912	6,643
Interest expense, as lessee	(22)	(33)
Amortization of deferred amounts on refinancing	(1,318)	(248)
Income from investments, net	24,590	18,515
Capital reimbursement fees	21,858	19,302
Gain on sale	2,133	—
Capital contributions and grants	<u>11,620</u>	<u>4,640</u>
Total nonoperating revenues and expenses, net	<u>36,375</u>	<u>19,417</u>
Change in net position	242,065	90,739
Net position:		
Beginning of year	<u>598,287</u>	<u>507,548</u>
End of year	<u>\$ 840,352</u>	<u>598,287</u>

See accompanying notes to financial statements.

SUFFOLK COUNTY WATER AUTHORITY

Statements of Cash Flows

Years ended May 31, 2025 and 2024
(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 255,917	244,653
Other operating cash receipts	26,946	37,216
Cash payments to employees for services, including benefits	(84,222)	(78,344)
Cash payments to suppliers of goods and services	<u>(81,955)</u>	<u>(65,041)</u>
Net cash provided by operating activities	<u>116,686</u>	<u>138,484</u>
Cash flows from capital and related financing activities:		
Additions to water plant	(89,697)	(104,910)
Proceeds from sale of water plant	2,500	—
Repayment of current maturities of bonds payable	(1,313)	(1,070)
Debt defeasance	—	(24,110)
Gain on defeasance	—	1,680
Interest paid	(30,722)	(30,926)
Proceeds from advances for construction and other capital, net of refunds	17,150	16,667
Proceeds from capital contributions and grants	11,871	2,757
Interest revenues, as lessor	6,912	6,643
Amortization of lease receivable, as lessor	(6,495)	(6,175)
Interest expense, as lessee	(22)	(33)
Amortization of SBITA payable, as lessee	(276)	(357)
Amortization of SBITA asset, as lessee	<u>169</u>	<u>261</u>
Net cash used in capital and related financing activities	<u>(89,923)</u>	<u>(139,573)</u>
Cash flows from investing activities:		
Purchase of investments	(572,042)	(292,912)
Proceeds from sales and maturities of investments	537,324	260,312
Interest received	<u>16,595</u>	<u>12,278</u>
Net cash used in investing activities	<u>(18,123)</u>	<u>(20,322)</u>
Net decrease in cash and cash equivalents	8,640	(21,411)
Cash and cash equivalents at beginning of year	<u>165,855</u>	<u>187,266</u>
Cash and cash equivalents at end of year	\$ <u><u>174,495</u></u>	\$ <u><u>165,855</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 205,690	71,322
Depreciation and amortization expense	62,100	60,194
Decrease (increase) in operating assets:		
Accounts receivable	(172,951)	(1,468)
Accrued water services and fire protection revenues	(1,284)	2,818
Materials and supplies and prepayments	1,609	158
Other assets	(77)	(129)
Increase (decrease) in operating liabilities:		
Accounts payable	19,092	3,142
Accrued employee welfare costs	356	511
Postemployment benefits other than pension, net of deferred amounts	(1,042)	(4,828)
Other accrued liabilities	4,940	3,084
Net pension liability, net of deferred amounts	<u>(1,747)</u>	<u>3,680</u>
Net cash provided by operating activities	\$ <u><u>116,686</u></u>	\$ <u><u>138,484</u></u>
Noncash investing activities:		
Change in the fair value of investments and discount/premium expense	\$ 7,087	5,197
Amortization of deferred amounts on refinancing	1,318	248
Noncash financing activities:		
New leases & SBITAs entered into during year	\$ 10,882	15,835

See accompanying notes to financial statements.

SUFFOLK COUNTY WATER AUTHORITY

Notes to Financial Statements

May 31, 2025 and 2024

(1) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

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

(b) Water Plant (Capital Assets)

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

(c) Depreciation

The provisions for depreciation for water plant result from the application of straight-line rates by groups of depreciable properties in service. The rates are determined by age-life studies performed on depreciable properties. The most recent rate study, done in November 2003, established the composite depreciation rate of 2.84%. The Authority reviews the composition of its fixed assets annually to determine the appropriateness of this depreciation rate. The Authority determined that the depreciation rate of 2.84% is appropriate at May 31, 2025 and 2024.

(d) Cash and Cash Equivalents and Investments

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

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

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

SUFFOLK COUNTY WATER AUTHORITY

Notes to Financial Statements

May 31, 2025 and 2024

deposit. Money markets, guaranteed investment contracts, and certificates of deposit are valued at amortized cost.

(e) *Investments Held for Debt Service*

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

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

(f) *Investments Held for Construction*

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

(g) *Goodwill*

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

(h) *Advances for Construction and Capital Reimbursement Fees*

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

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

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

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

(i) *Lessor*

The Authority is a lessor for noncancelable leases of various wireless cell carriers desire to use the Authority owned premises for the construction, installation, maintenance, and operation of radio transmitting and receiving equipment and other associated equipment as approved by the Authority in connection with their wireless communications businesses. For leases with a maximum possible term of 12 months or less at commencement, the Authority recognizes lease revenue based on the provisions of the lease contract. For all other leases that are longer than 12 months, the Authority

SUFFOLK COUNTY WATER AUTHORITY

Notes to Financial Statements

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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 2025 and 2024, 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, Oak Beach, 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

SUFFOLK COUNTY WATER AUTHORITY

Notes to Financial Statements

May 31, 2025 and 2024

(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 uses 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.

SUFFOLK COUNTY WATER AUTHORITY

Notes to Financial Statements

May 31, 2025 and 2024

(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, 2025, 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, 2025 and 2024 amount to approximately \$1.6 million and \$2.1 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, 2025 and 2024.

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.

SUFFOLK COUNTY WATER AUTHORITY

Notes to Financial Statements

May 31, 2025 and 2024

(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, 2025 and 2024, the accrued employee welfare costs are \$8.5 million and \$8.1 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

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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 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023 (fiscal year 2025). The adoption of GASB 101 did not have a significant impact on the Authority's financial statements.

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

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

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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.

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

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

(x) Reclassifications

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

(2) Capital Assets, Net

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

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

	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.

Depreciation and amortization expenses amounted to approximately \$62.1 million and \$60.0 million for the years ended May 31, 2025 and 2024, 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 \$174.5 million and \$165.9 million and bank balances of approximately \$177.4 million and \$169.0 million at May 31, 2025 and 2024, respectively. Collateral for deposits is held by a third-party bank in the name of the Authority.

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(b) Investments

Investments, including restricted investments, at May 31, 2025 and 2024, consist of the following (dollars in thousands):

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

* Reported at amortized cost

⁽¹⁾ Includes approximately \$111.4 million of investments, including cash, held by a fiscal agent in the Authority's name at May 31, 2025

May 31, 2024				
	Total	Investment maturities (in years)		
		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

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May 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Investment breakdown:		
Restricted for:		
Debt service	\$ 111,440	100,529
Unrestricted	<u>267,298</u>	<u>236,112</u>
Total investments	<u>\$ 378,738</u>	<u>336,641</u>

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

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

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

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

Credit Risk: It is part of the Authority's investment policy to safeguard the principal of its investments while obtaining the highest interest rate possible that is consistent with this and other components of its policy. Toward that end, permitted investments include but are not limited to federally backed securities or obligations of any state of the United States of America or any political subdivision rated by at least two nationally recognized bond-rating agencies. As of May 31, 2025, 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 (\$156.5 million or 41.3% of investments), U.S. Treasury Bonds (\$30.1 million or 7.9% of investments), NYS Municipal Bonds (\$25.5 million or 6.7% of investments), and Federal Home Loan Bank (\$51.0 million or 13.5% of investments) at May 31, 2025. As of May 31, 2024, the Authority invested more than 5% in U.S. Treasury Notes (\$141.2 million or 41.9% of investments), U.S. Treasury Bills (\$24.3 million or 7.2%), NYS Municipal Bonds (\$25.8 million or 7.7% of investments), Federal Home Loan Bank (\$49.4 million or 14.7% of investments), and U.S. Treasury Bonds (\$44.3 million or 13.2% of investments).

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Notes to Financial Statements

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(4) Bonds Payable

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

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

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May 31, 2025 and 2024

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
				<u>Additions</u>	<u>Amortization/ payments</u>		
Unamortized premium (discount), net			17,099	—	(1,361)	15,738	
Current maturities payable			(1,070)	(1,313)	1,070	(1,313)	
				<u>\$ 918,927</u>	<u>(1,313)</u>	<u>(25,471)</u>	<u>892,143</u>

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.

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May 31, 2025 and 2024

For the fiscal years 2025 and 2024, the Authority, at its own discretion, has elected to fund the reserve accounts in the amount of \$85.1 million and \$83.5 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, 2025, 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, \$17.0 million of which matured on June 1, 2025 with the remainder maturing June 1, 2026.

(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 2025 and 2024, 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, 2025, the amount of defeased debt obligation outstanding is approximately \$24.1 million, a decrease of \$23.3 million from May 31, 2024. This decrease is attributable to \$23.3 defeased debt fully redeemed after May 31, 2024.

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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, 2025 and in 2024.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal years ending:			
2026	\$ 10,149	32,124	42,273
2027	11,070	31,666	42,736
2028	31,895	30,425	62,320
2029	33,095	29,409	62,504
2030	34,370	27,976	62,346
2031–2035	199,619	117,410	317,029
2036–2040	248,224	69,242	317,466
2041–2045	264,104	22,576	286,680
2046–2050	43,879	—	43,879
	<u>\$ 876,405</u>	<u>360,828</u>	<u>1,237,233</u>

(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, 2025, the debt service reserve funds were approximately \$85.5 million. In addition, there is \$25.9 million in the Bond Funds.

Revenue before interest expense and depreciation and amortization is equivalent to 10.4 times (5.67 in 2024) 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.

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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):

2023	\$	5,365
2024		6,413
2025		7,931

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

At May 31, 2025 and 2024, the Authority reported a liability of \$28.0 million and \$23.4 million for its proportionate share of the System's net pension liability, respectively. The net pension liability reported by the Authority at May 31, 2025 and 2024 is measured as of March 31, 2025 and 2024, respectively, and the total pension liability used to calculate the net pension liability is determined by actuarial valuations as of April 1, 2024 and April 1, 2023, 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, 2025 and 2024, the Authority's proportion is 0.163504% and 0.159160%, respectively. For the years ended May 31, 2025 and 2024, the Authority recognized pension expense of \$6.4 million and \$10.3 million, respectively.

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At May 31, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

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

	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

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:	
2026	\$ 5,158
2027	7,340
2028	(2,172)
2029	416
2030	—

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(c) Actuarial Assumptions

The total pension liability at March 31, 2024 and 2023 is determined by using an actuarial valuation as of April 1, 2024 and 2023, with update procedures used to roll forward the total pension liability to March 31, 2024 and 2023, respectively.

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

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

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

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

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May 31, 2025 and 2024

target allocation and best-estimates of arithmetic real rates of return for each major asset class as of March 31, 2025 and 2024 are summarized as follows:

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

Asset class	2024	
	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
	<u>100 %</u>	

(d) Discount Rate

The discount rate used to measure the total pension liability as of March 31, 2025 and 2024 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

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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, 2025 and 2024 calculated using the discount rate assumptions of 5.9%, for the March 31, 2024 and March 31, 2023 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):

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

		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)

(f) *Pension Plan Fiduciary Net Position*

The components of the current-year net pension (asset) liability of the System as of March 31, 2025 and 2024, were as follows (dollars in thousands):

	2025	2024
Employer's total pension liability	\$ 247,600,239	240,696,851
System's fiduciary net position	230,454,512	225,972,801
Employer's net pension (asset) liability	\$ 17,145,727	14,724,050
System fiduciary net position as percentage of total pension liability	93.08 %	93.88 %

(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

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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 \$95.1 million and \$92.3 million at May 31, 2025 and 2024, 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 2025 and 2024, there were 1,060 participants (564 active and 496 inactive) and 1,041 participants (563 active and 478 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, 2025 and 2024, the undedicated reserve is \$121.7 million and \$116.7 million, respectively and is recorded in cash and cash equivalents and investments on the statement of net position.

(a) Total OPEB Liability

The Authority's total OPEB liability of \$285.3 million and \$297.1 million is measured as of May 31, 2025 and 2024, respectively, and is determined by an actuarial valuation as of that date.

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Notes to Financial Statements

May 31, 2025 and 2024

The following table shows the changes in the Authority's total OPEB obligation for the years ended May 31, 2025 and 2024 (dollars in thousands):

	<u>2025</u>	<u>2024</u>
Total OPEB liability:		
Service cost	\$ 7,590	7,237
Interest	13,128	11,829
Change of benefit terms	—	—
Changes in assumptions	(21,670)	573
Differences between expected and actual experience	1,903	11,464
Benefit payments	<u>(12,664)</u>	<u>(11,489)</u>
Net changes	(11,713)	19,614
Total OPEB liability, beginning of year	<u>297,051</u>	<u>277,437</u>
Total OPEB liability, end of year	<u>\$ 285,338</u>	<u>297,051</u>

There were no changes to benefit terms in 2025.

(b) Actuarial Assumptions and Other Inputs

The total OPEB liability at May 31, 2025 and 2024 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	5.25% as of May 31, 2025 and 4.40% as of May 31, 2024.
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, 2025 and May 31, 2024 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.

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May 31, 2025 and 2024

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

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

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

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

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

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Notes to Financial Statements

May 31, 2025 and 2024

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.

Fiscal year ended	Healthcare annual cost trend rates		
	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.

Fiscal year ended	Healthcare annual cost trend rates		
	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.

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, 2025 and May 31, 2024 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.

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Notes to Financial Statements

May 31, 2025 and 2024

(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, 2025 and 2024, calculated using the discount rate assumed (5.25% and 4.4%, respectively) and what it would be using a 1% lower and 1% higher discount rate (dollars in thousands):

		<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
2025 Total OPEB liability	\$	323,648	285,338	253,801
2024 Total OPEB liability		339,027	297,051	262,684

(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, 2025 and 2024, using the health care trend rates assumed (8.00% decreasing to 4.50% and 8.00% decreasing to 4.50%, respectively) and what it would be using 1% lower and 1% higher health care trend rates (dollars in thousands):

		<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
2025 Total OPEB liability	\$	252,264	285,338	326,207
2024 Total OPEB liability		258,709	297,051	344,913

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

For the year ended May 31, 2025 and 2024, the Authority recognized OPEB expense of \$11.6 million and \$6.6 million, respectively. At May 31, 2025 and 2024, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar in thousands):

		<u>2025</u>	<u>2024</u>
Deferred outflows of resources:			
Differences between expected and actual experience	\$	18,131	21,422
Changes of assumptions		9,647	24,692
Total	\$	<u>27,778</u>	<u>46,114</u>
Deferred inflows of resources:			
Differences between expected and actual experience	\$	(2,906)	(8,703)
Changes of assumptions		(61,198)	(63,065)
Total	\$	<u>(64,104)</u>	<u>(71,768)</u>

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May 31, 2025 and 2024

The balances as of May 31, 2025 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):

	<u>2025</u>
Year ended May 31:	
2026	\$ (11,183)
2027	(18,954)
2028	(1,606)
2029	(1,288)
2030	<u>(3,295)</u>
Total	<u>\$ (36,326)</u>

(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.

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

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

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

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Notes to Financial Statements

May 31, 2025 and 2024

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended May 31:			
2026	\$ 7,109	7,026	14,135
2027	7,247	6,808	14,055
2028	6,687	6,584	13,271
2029	6,480	6,379	12,859
2030	6,943	6,179	13,122
2031–2035	44,169	27,292	71,461
2036–2040	57,516	19,588	77,104
Thereafter	92,200	11,581	103,781
Total	<u>\$ 228,351</u>	<u>91,437</u>	<u>319,788</u>

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.

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

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

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

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May 31, 2025 and 2024

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

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

	Principal	Interest	Total
Year ended May 31:			
2026	\$ 313	13	326
2027	99	3	102
2028	14	—	14
Total	\$ 426	16	442

(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, 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.

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May 31, 2025 and 2024

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 \$14.0 million and \$10.1 million at May 31, 2025 and 2024.

Changes in the Authority's workers' compensation claims liability amount in fiscal years 2025 and 2024 were as follows (dollars in thousands):

	2025	2024
Unpaid claims, beginning of fiscal year	\$ 6,967	8,097
Changes in the estimate for claims of all years	8,138	2,337
Claim payments	(4,261)	(3,467)
Unpaid claims, end of fiscal year	<u>\$ 10,844</u>	<u>6,967</u>

Changes in the Authority's general and automobile claims liability amount in fiscal years 2025 and 2024 were as follows (dollars in thousands):

	2025	2024
Unpaid claims, beginning of fiscal year	\$ 3,137	2,024
Changes in the estimate for claims of all years	860	1,688
Claim payments	(853)	(575)
Unpaid claims, end of fiscal year	<u>\$ 3,144</u>	<u>3,137</u>

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

(11) Subsequent Events

The Authority has evaluated subsequent events through September 19, 2025, the date the financial statements were available to be issued.

In July 2025, the Authority completed a \$42.7 million bond redemption. The transaction redeemed \$10.0 million of the Series 2014A Senior Lien Water System Revenue Bonds callable June 1, 2024, \$5.0 million of the Series 2014B Senior Lien Water System Revenue Bonds callable June 1, 2024, \$10.0 million of the Series 2013 Senior Lien Water System Revenue Bonds callable June 1, 2023, \$7.7 million of the Series 2015 Senior Lien Water System Revenue Bonds callable June 1, 2025, and \$10.0 million of the Series 2015 Senior Lien Water System Revenue Bonds callable June 1, 2025.

SUFFOLK COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

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

May 31, 2025
(Dollars in thousands)

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

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.

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Required Supplementary Information (Unaudited)

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

May 31, 2025
(Dollars in thousands)

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

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, 2025
(Dollars in thousands)

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

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.



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

The Members of the Board
Suffolk County Water Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Suffolk County Water Authority (the Authority), which comprise the statement of net position as of May 31, 2025, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of This Report

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

KPMG LLP

New York, New York
September 19, 2025