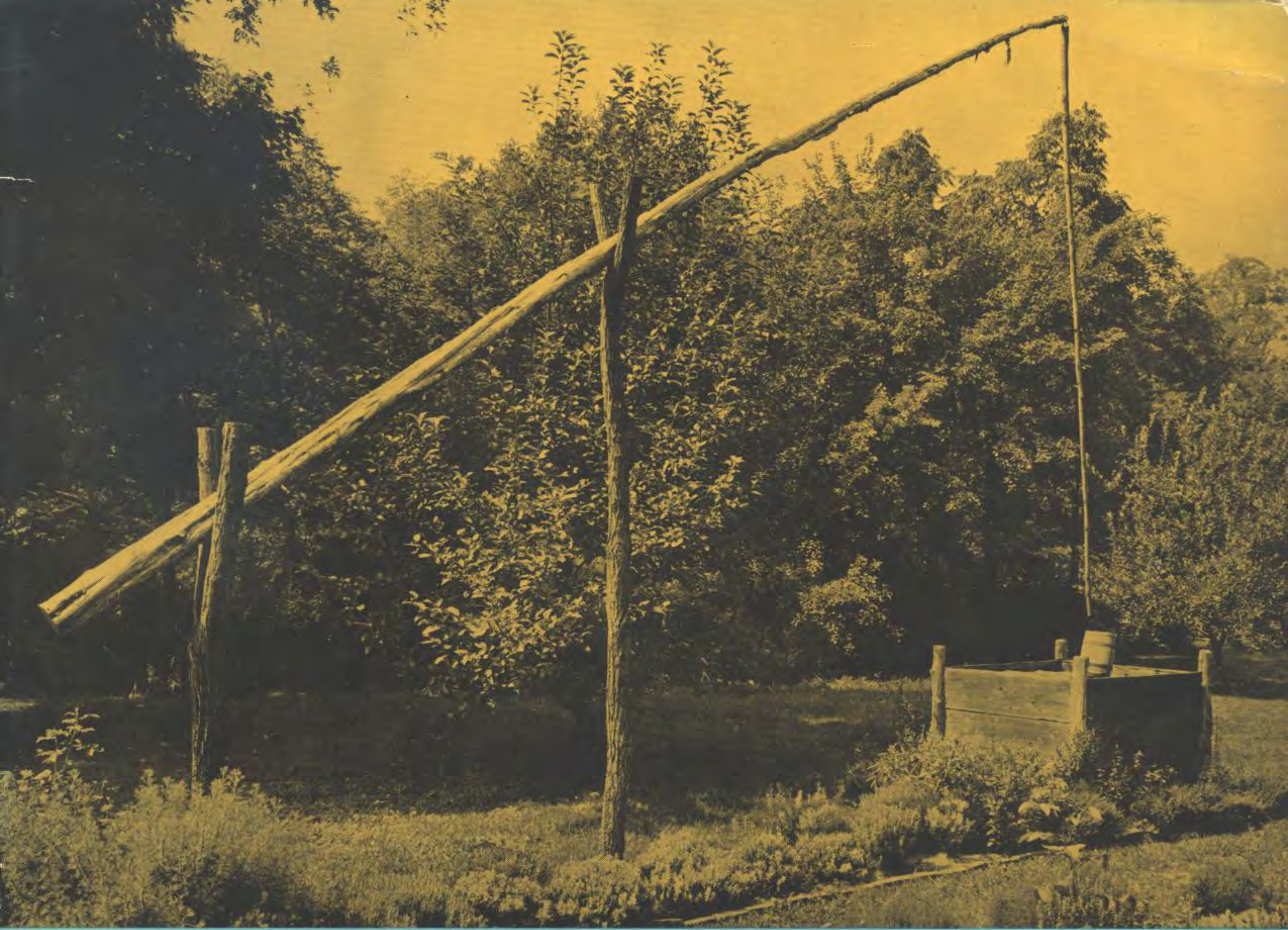


annual report 1957 | suffolk county water authority

OUR COVER (Front and Back)

Well sweep and box located at the Thompson House in Setauket, which is now the Headquarters of The Society for the Preservation of Long Island Antiquities.

SUFFOLK COUNTY WATER AUTHORITY

BRIGHTWATERS, NEW YORK

AUTHORITY MEMBERS

FRANKLIN S. KOONS, *Chairman*
HARRY PAUL FISHEL, *Secretary*
CARLL S. BURR, JR., *Treasurer*
T. BAYLES MINUSE
CHARLES W. FRIEMAN

N. F. FENN, *General Manager*
HOMER F. GARDNER, *Assistant General Manager and Chief Engineer*
LOUIS W. WEINFURT, *Assistant General Manager, Distribution*
DAVID L. GLICKMAN, *Counsel*
J. LEONARD NEWMAN, *Chief Accountant*
EUGENE SIDOTI, *Assistant Chief Accountant*

WILLIAM V. BURNELL, *Consulting Engineer*
STONE & WEBSTER ENGINEERING CORPORATION, NEW YORK *Advisory Engineers*
UNITED STATES TRUST CO. OF NEW YORK, *Fiscal Agent*
PRICE WATERHOUSE & CO., *Independent Accountants*
R. W. PRESSPRICH & CO., NEW YORK, *Financial Advisors*

FACTS ABOUT THE AUTHORITY

The Suffolk County Water Authority is a public benefit corporation. It operates by virtue of the provisions of the Public Authorities Law of the State of New York. The Authority is empowered to survey the water resources of the County and prepare plans for their development, subject to the approval of the State Water Power and Control Commission. It is authorized to acquire, construct, develop, and operate a public water supply system in Suffolk County. The Authority has no power to levy any taxes. It is dependent on revenues to operate its business.

SIXTH ANNUAL REPORT

SUFFOLK COUNTY WATER AUTHORITY

CONTENTS

Highlights of the Year

	YEAR ENDED MAY 31st 1957	1956
Income	$2,213,860	$2,051,925
Operating and Maintenance Expense, except depreciation	857,255	765,342
Interest on bonds and notes; also amortization of debt discount and expense	477,081	417,411
Allowance for depreciation	243,483	208,707
Net earnings	636,041	660,465
Earnings employed in the business	2,457,198	1,821,157
Total Water Plant at cost	21,738,675	18,341,048
Net Additions to Water Plant	3,397,627	2,243,782
Customers (Active Services)	54,333	49,633
Miles of Mains in Service	872	794
Fire Hydrants in Service	5,928	5,414
Water Production (Million Gallons)	4,644	4,449
Number of Employees	168	160

Brightwaters, New York, September 30, 1957

While there was evidence of a slackening of the pace of home building in Suffolk County, the effect of this decline was not felt by the Authority during the fiscal year under review. New services totalling 4,700 were added, as compared with 4,853 in the previous year. These new additions brought the number of active services to 54,333 and this total constitutes a 62% increase over the number (33,457) acquired from predecessor companies in 1951 and 1953.

Continuing the expansion and modernization of the system, the Authority's net additions to water plant during the fiscal year totalled $3,397,627.

Revenues for the period increased from $2,051,925 to $2,213,860 for an increase of $161,935. Net earnings before interest and depreciation were higher by $70,022 for a total of $1,356,605 for this period as compared with $1,286,583 for the previous year. Combined interest charges for bonds and bond anticipation notes amounted to $458,271 and for combined debt service totalled $779,154.

As mentioned above, home construction and plans for new starts have slowed during the past year. The Authority has reduced its forecasts accordingly and estimates it will add 3,595 new services in the 1957-1958 fiscal year. The Authority views this slackening as a healthy breathing spell in the growth of the County which, according to a recent County census, has a population of 528,836 as compared with 276,129 as reported in the federal census figures of 1950.

In November, 1956, the Authority sold $3,000,000 of South Bay Division Water Works Revenue Bonds. The proceeds of this financing were used to redeem $1,800,000 of Bond Anticipation Notes, to set up the requisite Debt Service Reserve Fund for the new bonds, to pay the expenses relating to the issue and to provide additional funds for new construction for the South Bay Division for the succeeding twelve months.

As will be outlined later in this report, the Authority has initiated a study to determine the effect of rising operating and maintenance expenses, increased interest charges, and the increased cost of capital additions on the ratio of earnings to debt service over the next few years. This study is being made upon the advice of the Advisory Engineers, Stone & Webster Engineering Corporation; William V. Burnell, Consulting Engineer; and its Financial Advisors, R. W. Pressprich & Co.

The Members of the Authority again are pleased to acknowledge their debt to the highly trained men and women who constitute the staff and whose loyalty and skill are among the Authority's most valued assets.

For the Members of the Authority

CHAIRMAN

Reviewing the Past Year

The fiscal year which ended on May 31, 1957, was a period of high level activity and progress by the Authority to keep pace with the rapid growth of Suffolk County. The measure of that progress is highlighted by the fact that the Authority now supplies water service and fire protection to more than 54,000 customers, an increase of 4,700 over the preceding year. Approximately 200,000 people, or 40% of the County's population, are served by the Authority's system. The number of new homes added during the year was slightly lower than estimated due to a decline in home building activity.

To meet the steadily growing demand for service, the Authority is continuing its program of improvements and additions to the properties. It plans to construct new pumping stations and storage tanks and to improve its distribution system facilities in order to provide better service to its customers.

Total revenue increased $161,935 to $2,213,860. Most of this increase is attributable to additional homes connected to the system. The sale of water for sprinkling of lawns and gardens during the summer of 1956 was below normal, due to unfavorable weather conditions. Operating and maintenance expense, exclusive of depreciation, increased by $91,913 to a total of $857,255. Part of this increase relates to supplying service to additional customers and the balance to the rising costs of wages, materials and supplies. The ratio of operating and maintenance expense to revenues was 38.7%, which is slightly higher than the average for the past few years.

Laying a ten-inch main.

The provision for depreciation for the year was $243,483 and the accumulated depreciation reserve since acquisition of the properties is $927,058.

Net earnings before interest and depreciation (balance available for debt service requirements) increased from $1,286,583 to $1,356,605.

Net earnings for the year declined from $660,465 to $636,011. This slight decline is attributable primarily to an increase in charges for interest on bonds and notes and for depreciation allowance during the year. Earnings employed in the business during six (6) years of Authority operations ended May 31, 1957, were $2,457,198.

The balance sheets and statements of earnings for each Division and combined for the Authority, included in this report, have been certified by Price Waterhouse & Co. of New York City under date August 6, 1957.

WELL DEVELOPMENT WORK

During the year, the Authority acquired several tracts of land at suitable locations for new well fields and pumping stations. Options were taken for each parcel and test wells or borings drilled to determine whether an adequate supply of potable water could be obtained for each site. Such engineering studies were completed and the recommendation of the Authority's Consulting Ground Water Geologists obtained before the Authority exercised its option agreements. All of the sites selected proved to be satisfactory for an adequate supply of water and the Authority took title to the properties. Engineering studies are continuing for the purpose of determining suitable locations for future well sites.

Six (6) additional wells were brought into production during the year and added over five million gallons per day to the available water supply. There are now 85 producing wells in use.

WATER PRODUCTION

The total station output for the year was 4,644 billion gallons or an average daily output of 12.7 million gallons. Pumpage on the peak day was 24.6 million gallons. Due to unfavorable weather conditions during the summer of 1956, the peak demand for service was less than anticipated. However, the demand for water during the drought of the summer of 1957, referred to elsewhere in this report, was far greater than for any previous comparable period. The Authority is continually increasing its plant capacity so as to provide adequate service to meet the summer peak demand.

CONSTRUCTION

Total expenditures for new construction after allowance for retirements amounted to $3,397,-627. Seventy-eight (78) miles of pipe-lines were installed and the total in service at the end of the period was 872 miles. The number of active services increased by 4,700 to 54,333, all of which are metered. An additional 483 fire hydrants were installed and at the end of the period 5,898 fire hydrants were in service.

Thousands of feet of pipe-lines were installed to interconnect and strengthen existing distribution mains, especially at some of the older plants, and this work has improved the system for fire protection purposes. The Authority intends to continue this improvement program.

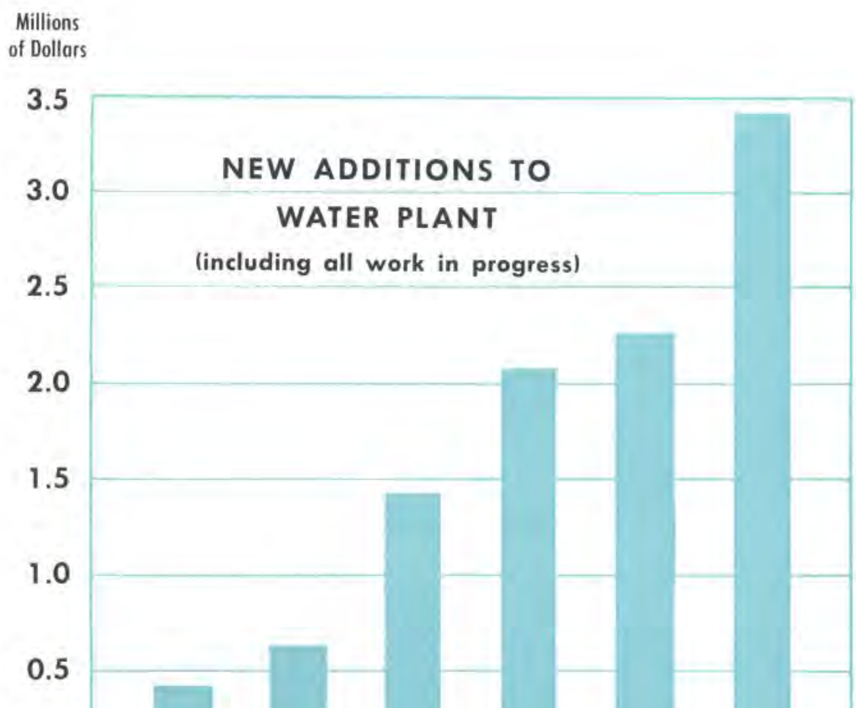
Additional wells and pumping facilities were added at Amityville, Bellport and Babylon stations. New pump stations were constructed and placed in service at Sawyer Avenue, Babylon, and at Woodchuck Hollow Road, Huntington Station.

At the end of the fiscal year on May 31, 1957, many major additions to the production and storage facilities of the Authority were under construction. At Westhampton, a 500,000 gallon elevated storage tank was placed in service shortly after the end of the fiscal year. At West Babylon, a 750,000 gallon elevated storage tank has been constructed and was just recently placed in service.

New pump stations are under construction at Hauppauge to supply Smithtown and environs and at Jayne Blvd., Port Jefferson Station, for the Port Jefferson territory.

Diesel engine driven generator units for standby service have been installed at Kings Park and Sag Harbor Plants.

A new commercial office building to serve the 9,000 customers of the Babylon and Lindenhurst areas is completed and will be opened next month. Plans and specifications are being prepared for the administrative and operating center of the Authority to be located at Sunrise Highway, Oakdale. It is anticipated that contracts will be awarded and construction of this important project started before the end of 1957. The administrative, operating, engineering, accounting and meter shop departments, now housed at several locations, will be centralized at Oakdale. The plans include space for a modern chemical laboratory which will be fully equipped to maintain a continuous check of the purity of the water supplies of the Authority which work is now being done by an outside laboratory. Centralizing all of these departments at a single location will result in more efficient operation of the properties.



TOTAL for 6 years $10,143,963

Financing

During the fiscal year under review, net additions to water plant totalled $3,397,627.

Funds to meet this construction program came from four sources: (1) Income available after debt service, (2) Tapping fees, (3) Cash advances by developers on construction loan contracts for pipe-line extensions, (4) Money borrowed on sale of bond anticipation notes and revenue bonds.

In November, the South Bay Division sold $3,000,000 of revenue bonds. The proceeds were used to redeem $1,800,000 of Bond Anticipation Notes, to set up the requisite Debt Service Reserve Fund for the new bonds, to pay the expense of the issue and to provide a substantial amount of new money to finance the construction requirements of the Division for the succeeding twelve months. The Authority plans to sell bond anticipation notes, from time to time during the fiscal year, to provide funds needed to complete the construction program for this division to May 31, 1958.

The construction program of the Huntington-Babylon-Sag Harbor Division for the fiscal year was similarly financed, the borrowed money requirements being met by the sale to local banks of $600,000 of Bond Anticipation Notes. Since the close of the fiscal year, May 31, 1957, the Authority has sold an additional $300,000 of Bond Anticipation Notes of this Division. Its present plan is to offer $1,400,000 of Revenue Bonds of this Division within the next few months to retire the notes and provide additional construction funds.

Construction budgets for 1957-1958 have been approved by the Authority's Advisory and Consulting Engineers for a total of $2,160,346 for the South Bay Division and $1,012,730 for the Huntington-Babylon-Sag Harbor Division. These budgets will cover normal additions and replacements and provide for the 3,595 new services estimated to be added during the 1957-1958 fiscal year.

THE REVENUE DOLLAR FOR 1957

SOURCE OF REVENUES	
Residential and Commercial	$.82
Fire Protection	.12
Other Water Districts	.03
Industrial and Irrigation	.02
Miscellaneous	.01

HOW THEY WERE USED	
Pumping and Purification	$.11
Transmission and Distribution	.08
Accounting and Collecting	.07
Administration	.10
Special Services	.03
Depreciation	.11
Interest and Expenses on bonds and notes	.21
Available for debt retirement and construction	.29

Since 1951, when the Authority first started in the water business, more than $10,000,000 has been spent on additions and betterments to the properties to meet the growth of the territory, for replacement of obsolete equipment and for plant additions to improve the quality of service rendered.

Under the terms of the Authority's bond resolutions, it is required to maintain a satisfactory ratio of earnings to debt service on its bonds. Revenues after operating expenses and debt service are used for construction purposes. Since the Authority commenced operations six years ago, an estimated $2,000,000 of earnings has been so utilized.

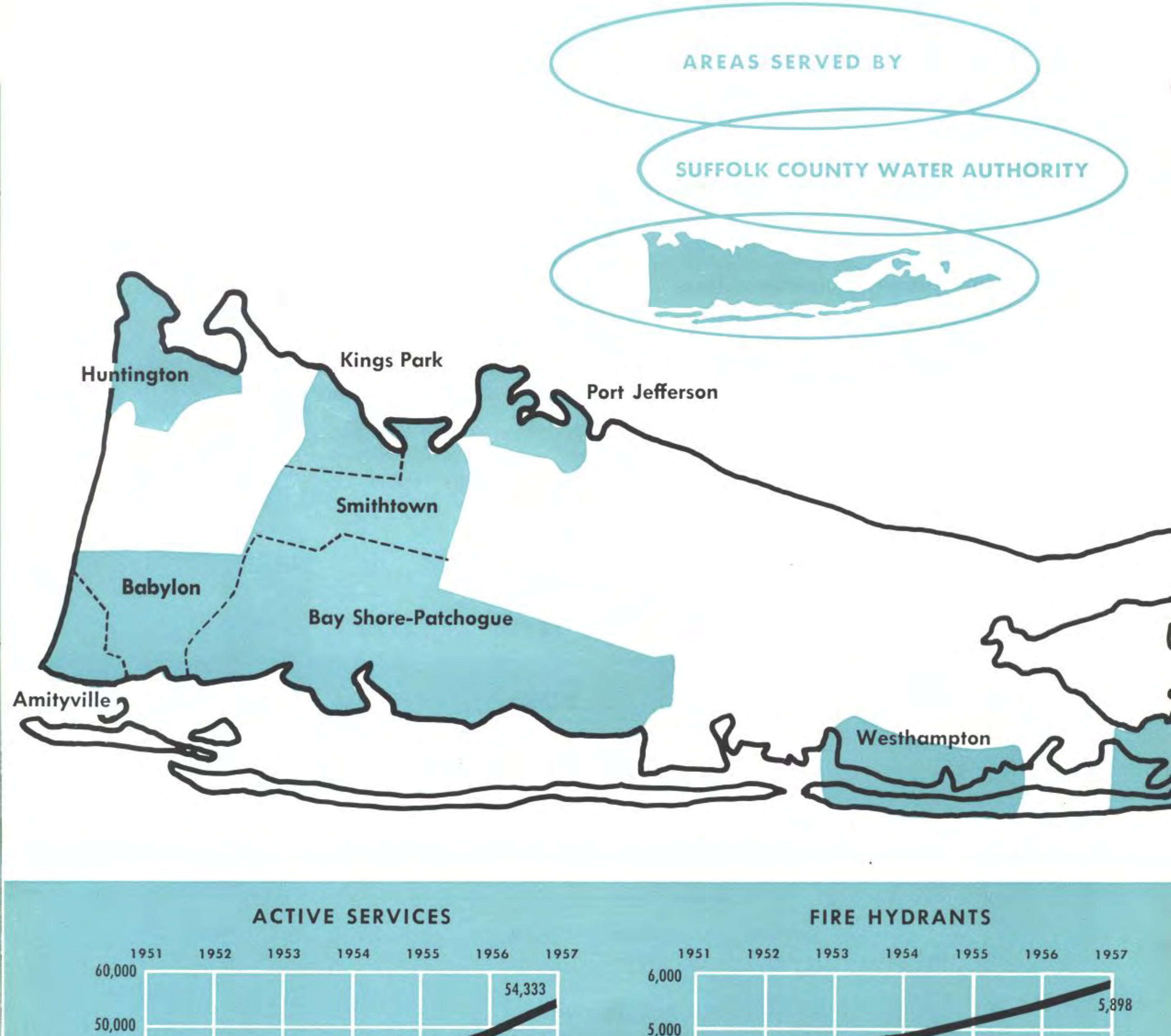
Increased requirements of the Board of Fire Underwriters and demands for service during summer droughts make it desirable to accelerate the Authority's program of modernization and improvements.

Costs to provide water service are continuing to rise. These costs include rising prices for labor, material, equipment and cost of borrowed money. The accompanying chart reflects some of the increases experienced since the Authority commenced business.

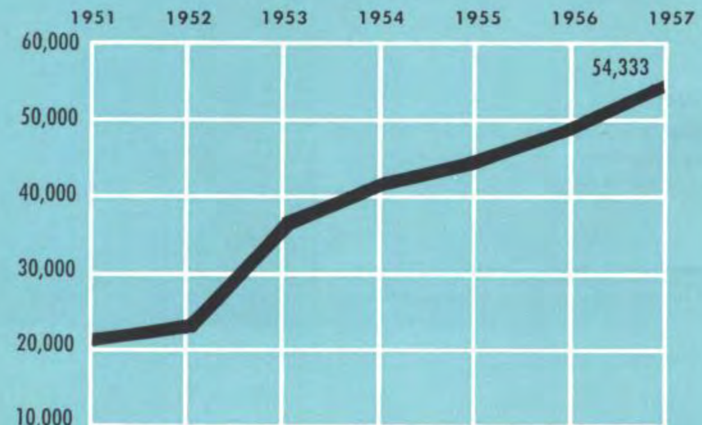
On the recommendation of our Advisory Engineers, Stone & Webster Engineering Corporation; our Consulting Engineer, William V. Burnell, and our Financial Advisors, R. W. Pressprich & Co., the Authority has commenced a study to determine the effect of an accelerated program of improvements, and the rising costs above mentioned on the Authority's future debt service ratio.

THE AUTHORITY'S RISING COSTS

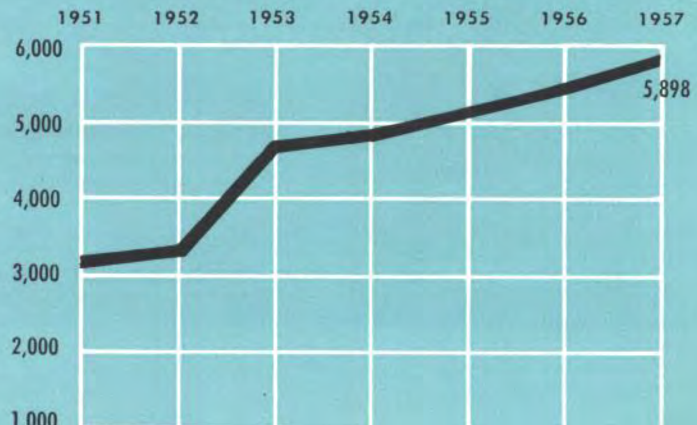
	Installed Costs 1951	Installed Costs 1957	Increase in Costs
6" Cast Iron Pipe, per foot	**$2.95**	**$3.76**	**27%**
Fire Hydrant and Branch	**325.00**	**475.00**	**46%**
House Service Connection	**39.00**	**57.00**	**47%**
Water Meter and Fittings	**22.00**	**32.00**	**44%**
Authority Labor Rates (Average Hourly Contract Rates)	**$1.44**	**$2.05**	**43%**
Wells, Pumps and Structures Costs vary considerably, depending on plans and specifications for each unit of property, but on the average such costs have risen approximately 35% during the six (6) year period ended June 30, 1957.			**35%**
Money The net interest cost of money on bonds most recently sold by the Authority is more than 50% greater in rate than on the first issue of bonds.			**50%**



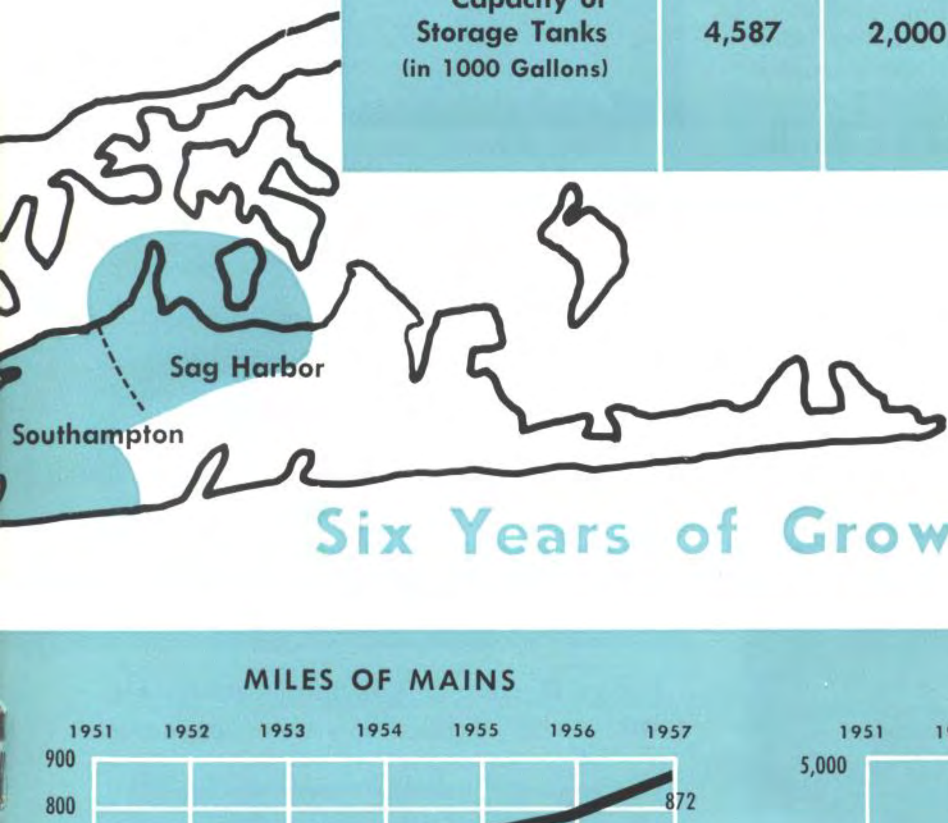
ACTIVE SERVICES



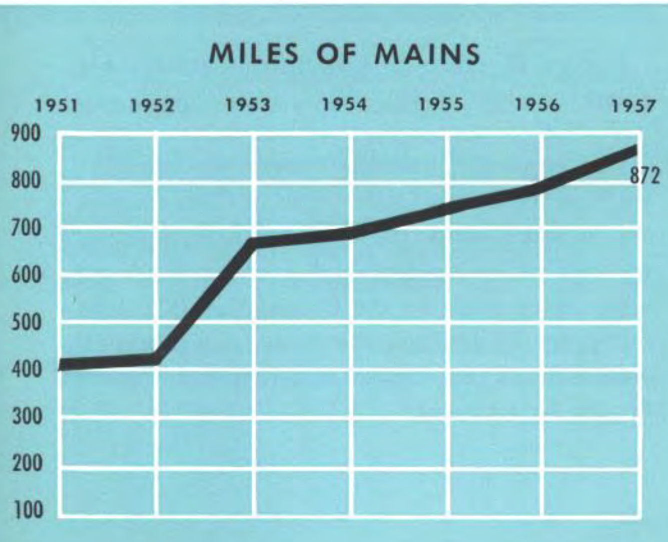
FIRE HYDRANTS

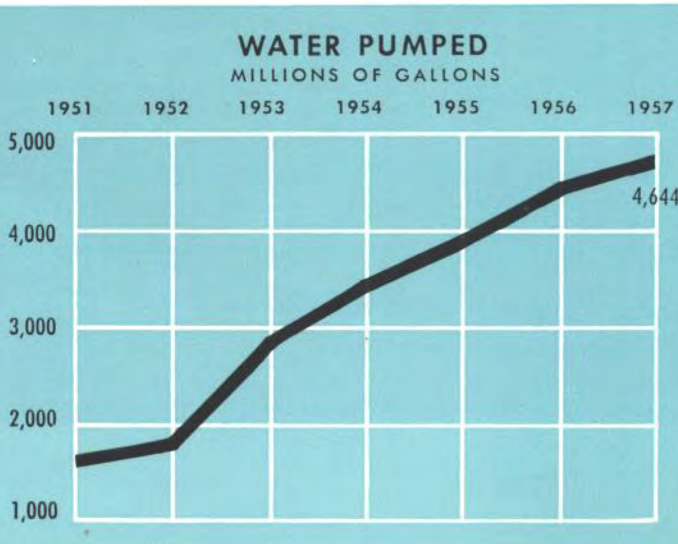


	Acquired from South Bay — 1951 and N. Y. Water Service Corp. — 1953	Placed in Service by the Authority	Total Today	Percentage Increase
Active Services	33,457	20,876	54,333	62%
Meters	34,218	21,133	55,351	62%
Fire Hydrants	4,627	1,271	5,898	27%
Miles of Mains	643	229	872	36%
Capacity of Storage Tanks (in 1000 Gallons)	4,587	2,000	6,587	44%



Six Years of Growth





LONG-RANGE PLANNING

Thomas H. Wiggin of New York City, a consulting engineer, retained by the Authority for the purpose of making a study of the long-term water supply requirements and a plan for the orderly development of the water resources of Suffolk County, has completed his work. This comprehensive report is being printed and will be available next month.

PERSONNEL

Personnel relations between the Authority and its employees, most of whom are members of the Utility Workers Union of America, continue to be maintained at a satisfactory level. Under a 2-year contract with the Union, executed in June, 1956, the employees received an additional 5% wage increase in June, 1957. Comparable salary increases were granted to plant managers, supervisory personnel and non-union employees.

During the past few years, the Authority has added several recent engineering graduates and other personnel to its staff, in order to expand the engineering department to ultimately do all of the planning and supervision of its construction program.

New Commercial Office at Babylon will serve the 9,000 customers in this district.

Pouring a joint on a new water main.

GENERAL

Under the Authority's policy of improving its service, it employs the following consultants:

W. V. Burnell, Consulting Engineer.

Stone & Webster Engineering Corp., Advisory Engineers.

R. W. Pressprich & Co., Financial Advisors.

Leggette, Brashears & Graham, Consulting Ground-Water Geologists.

George D. Norcom, Consulting Sanitary Engineer.

In cooperation with the Federal Government, the New York State Department of Conservation, and Suffolk County, the Authority bears a part of the cost of continuing studies of underground water being made by the United States Geological Survey. In addition, the Authority avails itself constantly of the services of the Suffolk County Health Department.

Looking to the Future

The volume of new dwelling units constructed in Suffolk County for the first 6 months of 1957 has been about 35% less than last year and this trend has continued during the first part of the Authority's fiscal year which began on June 1, 1957. This has been partly offset by a substantial increase in non-residential construction due to the building of shopping centers and small manufacturing plants. Housing developments have been adversely affected by rising construction costs and interest rates. It is not anticipated that there will be any immediate change in the recent trend. However, the Authority believes that its original budget forecast of 3,595 new services for the current fiscal year will be realized. The long-range outlook is for continued substantial growth of Suffolk County.

Revenues for the current fiscal year which began on June 1, 1957 will be substantially higher than for the preceding year, due to the normal growth of the business and to the prolonged drought of the past summer which was reported by the New York Weather Bureau as being the driest on record. During June and July, the Authority's equipment was operated at capacity and the quantity of water pumped was over 50% greater than during the summer of 1956. In order to provide adequate domestic service and maintain sufficient storage capacity for fire protection purposes, it was necessary to place a limitation on the use of lawn sprinklers in certain districts served by the Authority. Later in the summer, new pumping stations and storage facilities were placed in service so that these restrictions were discontinued. Nevertheless, it is significant that the peak demand during a severe drought is so far in excess of the average demand during the year, that the Authority believes it essential to provide some additional pumping and storage facilities to be available for the peak summer demand.

The construction budgets for the current fiscal year, previously referred to in this report, provide for the completion of certain plant facilities which were in progress at the beginning of the fiscal year and for additional plant facilities which will be built and completed before the end of the fiscal year. These additional facilities which will be available to meet the peak demand of the summer of 1958 are as follows:

Plant	*Well and Pumping Equipment—Gallons Per Day*	*Storage Tanks—Capacity in Gallons*
Babylon	1,440,000	750,000
Bay Shore	4,460,000	
Huntington . . .	2,100,000	1,250,000
Port Jefferson . .	1,700,000	500,000
Sag Harbor . . .	500,000	
Smithtown . . .	2,000,000	
Westhampton . .		500,000
TOTALS . . .	12,200,000	3,000,000

The construction budgets also provide for many other needed improvements, such as additional standby equipment, installation of chemical treatment equipment at certain stations, replacement of a few obsolete wells, replacement of inefficient pumping equipment and the fencing of additional well field properties. Provision has also been made for the replacement of part of the Authority's fleet of transportation equipment.

The Authority has been authorized by the Federal Communications Commission to install a 60-watt, 2-way radio system for transmitting messages between its operating center and numerous mobile units working in the field. This will provide better communications for emergency service to the public. It is planned to have this equipment in operation before the end of 1957 and the cost thereof has been included in the budget.

Test pumping a new well at Woodchuck Hollow Road, Huntington Station.

Opinion of the Independent Accountants

The firm of Price Waterhouse & Co., independent accountants, was appointed by the Members of the Authority, in accordance with the terms of the Bond Resolutions to audit the books, records and accounts of the Authority for the year ended May 31, 1957.

To the Members of
SUFFOLK COUNTY WATER AUTHORITY

In our opinion, the accompanying balance sheets and related statements of earnings of Suffolk County Water Authority present fairly the financial position of the South Bay Division, the Huntington-Babylon-Sag Harbor Division and the Authority at May 31, 1957, and their results of operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, N. Y.
August 6, 1957

Price Waterhouse & Co

Dewatering a trench to install a water main where ground water is high.

Statements of Earnings FOR THE YEAR ENDED MAY 31, 1957

(With comparative figures for the Authority for the year ended May 31, 1956)

	Year ended May 31, 1957			
	South Bay Division	*Huntington-Babylon-Sag Harbor Division*	*Authority (Combined)*	***Year ended May 31, 1956 Authority (Combined)***
Revenue:				
Operating	$1,424,770	$770,623	$2,195,393	$2,039,999
Other (net of interest on customers' deposits)	14,574	3,893	18,467	11,926
Total income	1,439,344	774,516	2,213,860	2,051,925
Operating expenses:				
Operation	447,595	253,199	700,794	642,549
Maintenance	93,575	62,886	156,461	122,793
Total operating expenses, except depreciation deducted below	541,170	316,085	857,255	765,342
Net earnings before interest and depreciation (Note D)	898,174	458,431	1,356,605	1,286,583
Deduct:				
Interest on bonds and notes	290,334	167,937	458,271	408,105
Bond redemption premium	6,000	....	6,000	....
Amortization of debt discount and expense	8,551	4,259	12,810	9,306
Depreciation	158,926	84,557	243,483	208,707
	463,811	256,753	720,564	626,118
Net earnings	434,363	201,678	636,041	660,465
Earnings employed in the business at beginning of period	1,381,693	439,464	1,821,157	1,160,692
Earnings employed in the business at close of period, per balance sheet	$1,816,056	$641,142	$2,457,198	$1,821,157

(See Notes to Financial Statements)

Balance Sheets MAY 31, 1957

ASSETS	South Bay Division	Huntington-Babylon-Sag Harbor Division	Combined
WATER PLANT, at cost	$14,630,887	$7,107,788	$21,738,675
FUNDS HELD BY FISCAL AGENT (Note A):			
New construction fund	436,164	239,651	675,815
Debt service reserve fund, principally invested in U. S. Government securities	566,100	280,625	846,725
Series A sinking fund (1985 maturity), including mortgage receivable of $54,599	104,481	....	104,481
Special deposit as security for South Bay Division for advances of materials, etc., invested in U. S. Government securities	....	50,000	50,000
	1,106,745	570,276	1,677,021
CURRENT ASSETS:			
Cash (Note C)	396,613	146,400	543,013
Funds held by Fiscal Agent (Note A):			
General fund	106,071	31,121	137,192
Debt service fund	258,233	201,394	459,627
Customers accounts receivable	84,182	74,850	159,032
Less—Estimated doubtful accounts	(3,000)	(2,000)	(5,000)
Other accounts receivable	3,450	10,059	13,509
Accrued unbilled revenue	71,354	31,872	103,226
Interdivisional current accounts	38,767	(38,767)	....
Materials and supplies, at cost	228,016	81,414	309,430
Prepayments	1,412	297	1,709
	1,185,098	536,640	1,721,738
DEFERRED CHARGES:			
Unamortized debt discount and expense	210,379	66,091	276,470
Other	24,807	(2,194)	22,613
	235,186	63,897	299,083
	$17,157,916	$8,278,601	$25,436,517

LIABILITIES	*South Bay Division*	*Huntington-Babylon-Sag Harbor Division*	*Combined*
WATER WORKS REVENUE BONDS (Note A):			
Series A	$ 7,530,000	$5,095,000	$12,625,000
Series B-D	2,960,000	....	2,960,000
	10,490,000	5,095,000	15,585,000
3% BOND ANTICIPATION NOTES (Note B)	....	600,000	600,000
CURRENT LIABILITIES (exclusive of 3% bond anticipation notes shown above):			
Accounts payable	223,957	128,168	352,125
Accrued interest on bonds and notes	114,900	86,394	201,294
Other accrued liabilities	25,247	11,101	36,348
Customers' deposits	307,152	177,235	484,387
Current maturities of revenue bonds	160,000	115,000	275,000
	831,256	517,898	1,349,154
INTERDIVISIONAL ADVANCE ACCOUNTS	170,000	(170,000)	....
ADVANCES FOR CONSTRUCTION	2,951,113	1,220,036	4,171,149
CONTRIBUTIONS IN AID OF CONSTRUCTION	224,350	122,608	346,958
ACCUMULATED DEPRECIATION SINCE ACQUISITION	675,141	251,917	927,058
EARNINGS EMPLOYED IN THE BUSINESS, per accompanying statement	1,816,056	641,142	2,457,198
	$17,157,916	$8,278,601	$25,436,517

(See Notes to Financial Statements)

Notes to Financial Statements MAY 31, 1957

NOTE A:

The Series A bonds of the South Bay Division are dated June 1, 1951 and are payable as to principal and interest only out of revenues of properties operated by that division. The bonds bear interest at an annual rate of 2¾% and mature serially in annual amounts which increase from $125,000 in 1958 to $235,000 in 1984 as to $4,650,000 principal amount thereof; the remaining $2,880,000 principal amount matures in 1985. The bonds are redeemable in the inverse order of their maturity at prices varying from 105% to June 1, 1960 to 103% after June 1, 1975.

Crew making emergency repairs.

The Series B-D bonds of the South Bay Division are dated November 1, 1956 and are payable as to principal and interest only out of revenues of properties operated by that division. The bonds mature serially from 1958 through 1994 in annual amounts which increase from $40,000 in 1958 to $140,000 in 1994. The bonds bear interest at the following annual rates: (a) $2,190,000 principal amount of bonds maturing 1958 to 1988 at 3½% and (b) $770,000 principal amount of bonds maturing 1989 to 1994 at 5%. The bonds are redeemable in the inverse order of their maturity at prices varying from 105% for the period November 1, 1961 to October 31, 1966 to 103% after October 31, 1971.

The Series A bonds of the Huntington-Babylon-Sag Harbor Division are dated December 1, 1952 and are payable as to principal and interest only out of revenues of properties operated by that division. The bonds mature serially from 1958 through 1985 in annual amounts which increase from $120,000 in 1958 to $265,000 in 1985. The bonds bear interest at the following annual rates: (a) $635,000 principal amount of bonds maturing 1958 to 1962 at 2¾%, (b) $1,395,000 principal amount of bonds maturing 1963 to 1971 at 3% and (c) $3,065,000 principal amount of bonds maturing 1972 to 1985 at 3¼%. The bonds are redeemable in the inverse order of their maturity at prices varying from 105% to June 1, 1960 to 102% after June 1, 1981.

The Authority's resolutions authorizing the bond issues require that all revenues be deposited in the name of the Fiscal agent and allocated to specified funds.

NOTE B:

The 3% Bond Anticipation Notes, Series B (dated November 1, 1956, February 1, 1957 and May 10, 1957), of the Huntington-Babylon-Sag Harbor Division are issued under the resolution adopted as of February 2, 1953 and supplemental resolution dated September 10, 1956, which limits the principal amount of Series B notes to $1,000,000. The notes mature on December 1, 1957; however, the Authority is permitted to issue renewal notes provided that the renewal notes mature not later than three years from the date of issuance of the original notes so renewed. The principal of the notes is payable out of the proceeds of the sale of Huntington-Babylon-Sag Harbor Division Water Works Revenue Bonds, Series B, in anticipation of which they are issued; interest on the notes is payable out of revenues of properties of the Huntington-Babylon-Sag Harbor Division. However, the resolutions provide that principal and interest of these notes may be paid out of any available moneys in the General Fund.

In July 1957 the Authority issued $300,000 of 3¼% Bond Anticipation Notes, Series B which mature on December 1, 1957.

NOTE C:

A substantial portion of cash represents moneys received from the Fiscal Agent and from housing developers to be used solely for new construction.

NOTE D:

Debt service requirements (annual interest on outstanding bonds and notes, principal of bonds maturing serially, and sinking fund requirements of bonds redeemable through sinking fund) for the year ending May 31, 1957 were $496,217 for the South Bay Division and $282,937 for the Huntington-Babylon-Sag Harbor Division. Net earnings before interest and depreciation for the year ended May 31, 1957 for the South Bay Division equaled 1.81 times debt service requirements and for Huntington-Babylon-Sag Harbor Division equaled 1.62 times debt service requirements.

Debt service requirements of the bonds for the next five years ending May 31, are as follows:

Fiscal Year	*South Bay Division*	*Huntington-Babylon-Sag Harbor Division*
1958	$547,113	$278,925
1959	545,931	280,625
1960	544,361	277,188
1961	545,480	278,750
1962	546,661	280,175

In addition to the above, the debt service requirements of the 3% Bond Anticipation Notes, Series B of the Huntington-Babylon-Sag Harbor Division, outstanding at May 31, 1957 and maturing December 1, 1957, will amount to $9,000 of interest for the fiscal year ended May 31, 1958.

New 750,000 gallon elevated tank at West Babylon.

Amityville

Retail:
  Amityville
  Copiague
Wholesale:
  Amity Harbor‡

Bay Shore

Bay Shore
Brightwaters
Central Islip
Great River
East Islip
Islip
Islip Manor
Islip Terrace
Oakdale
West Islip

Babylon*

Babylon
Deer Park
Lindenhurst
North Babylon
West Babylon

Kings Park

Retail:
  Kings Park
Wholesale:
  Smithtown‡

Huntington*

Centerport
Cold Spring Harbor
Halesite
Huntington
Huntington Bay
Huntington Station
Lloyd Harbor

Patchogue

Bayport
Bellport
Blue Point
Bohemia
Patchogue
Sayville
West Sayville

Port Jefferson

Retail:
  East Setauket
  Poquot
  Port Jefferson
  Port Jefferson Station
Wholesale:
  Stony Brook‡
  East Hills

Sag Harbor*

North Haven
Sag Harbor

Smithtown

Retail:
  Head-of-the-Harbor
  Smithtown
  The Branch
Wholesale:
  St. James‡

Southampton

Southampton

Westhampton Beach

East Quogue
Quogue
Quiogue
Westhampton
Westhampton Beach

* Huntington-Babylon-Sag Harbor Division.
‡ Water Districts.

Well sweep and box at the Thompson House, Setauket, New York.