

# **Authority Members**



Walter C. Hazlitt

Matthew B. Kondenar William A. Frankenbach H. Ward Ackerson

Walter C. Hazlitt, Chairman Matthew B. Kondenar, Secretary William A. Frankenbach, Treasurer and Assistant Secretary H. Ward Ackerson

Louis W. Weinfurt, General Manager John H. Scheetz, Executive Secretary William J. Schickler, Assistant General Manager and Chief Engineer Herbert C. Koehler, Assistant General Manager, Distribution Bernard T. Hanrahan, Assistant General Manager. Commercial Office Operations Eugene Sidoti, Controller N. F. Fenn, Resident Engineering Consultant Homer F. Gardner, Resident Engineering Consultant Van Nostrand & Martin, Counsel William V. Burnell and Associates, Consulting Engineer Stone & Webster Engineering Corporation, Advisory Engineer United States Trust Company of New York, Fiscal Agent Price Waterhouse & Co., Independent Accountants Bache Halsey Stuart, Inc., Financial Consultant Leggette, Brashears & Graham, Consulting Ground-Water Geologists

#### IN MEMORIAM

Hermon L. Bishop, Member and Treasurer and Assistant Secretary of the Authority, died March 30, 1976. He was originally appointed as a Member of the Authority by resolution of the Board of Supervisors adopted July 24, 1961. He was an outstanding civic leader in his community. His services to the Authority were invaluable, and his contribution to its progress during the fifteen years of his incumbency was memorialized by the Authority by resolution passed at its meeting of April 26, 1976, and spread upon the minutes of the meeting.

# Chairman's Message

Water Authority operations reached the quarter-century mark during fiscal 1976. The first 25 years of Authority operation have seen the Authority extend its service to more than 800,000 people representing approximately 60 percent of Suffolk County's population. Its plant value has grown from just \$8 million in the first year of operation to almost \$200 million at the close of the fiscal period covered by this report. Every area of Authority operations has demonstrated a similar growth pattern, and all conservative forecasts of Authority operations over the next five years point to a continuation of this upward trend.

Revenues during fiscal 1976 reached a new all-time high of \$21,651,000 before operation & maintenance expense of \$10,206,000 or 1.64 times the debt service for the 12-month period.

Toward the close of the fiscal period, signs of the projected economic recovery were visible as the decline in requests for water service from developers leveled off and began registering gains. The upward turn is credited to the slowly improving economy of Suffolk County, but requests for new water service are still falling far short of the boom years Suffolk's construction industry saw during the 1960's and early 70's. This continued decline in new business had little effect on the Authority's excellent financial condition which is attributed to the fact that 94 percent of the Authority's customers represent single-family dwellings and the continued technological advances in labor-saving, water-consuming appliances and products which provide for ever-increasing demands for

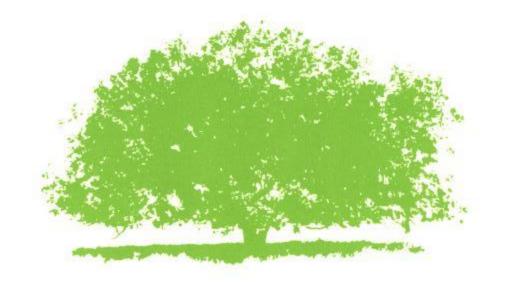
more and more water to serve the needs of existing customers.

The constantly spiraling operating and construction costs despite extensive efforts on the part of the Authority's management to reduce operating expenses caused the Authority to engage the services of Stone & Webster Management Consultants, Inc., to undertake a study of the Authority's rates. This rate study is designed to insure the continued excellent financial condition of the Authority which has earned it a Moody's Investor Service Rating of A-1 and a Standard & Poor's A-plus rating until 1979.

The successful operation of the Authority over the past 25 years has been accomplished by the cooperation of labor and management working together to provide Suffolk's constantly growing population with the finest public water service available. The excellent financial condition of the Authority and the high respect our 218,000 customers have for our operation is a tribute to the dedication of the men and women who have given their best to help it all be possible. It is with a deep sense of pride that I offer my congratulations to everyone who has participated in the operation of the Authority over this 25-year period and look forward to a continuation of this spirit of cooperation over the next quarter century of our operations.

For the Members of the Authority

WALTER C. HAZLITT



# **Highlights**

#### YEAR ENDED MAY 31

	1976	1975
Revenues	\$ 21,651,000	\$ 18,866,000
Operating and Maintenance Expense, except depreciation	10,206,000	9,400,000
Interest on Bonds and Notes; including amortization of debt discount and expense	5,558,000	4,608,000
Depreciation	2,292,000	2,032,000
Revenues Invested in Facilities for the year	3,595,000	2,826,000
Revenues Invested in Facilities (since June 1, 1951)	45,063,000	41,468,000
Total Water Plant at Cost	197,983,000	184,624,000
Net Additions to Water Plant	13,359,000	15,764,000
Customers (Active Services)	218,140	212,356
Miles of Mains in Service	3,254	3,216
Fire Hydrants in Service	21,014	20,523
Water Production (Million Gallons)	31,290	30,983

# Review Of The Year's Operations:

#### **NEW CONSTRUCTION**

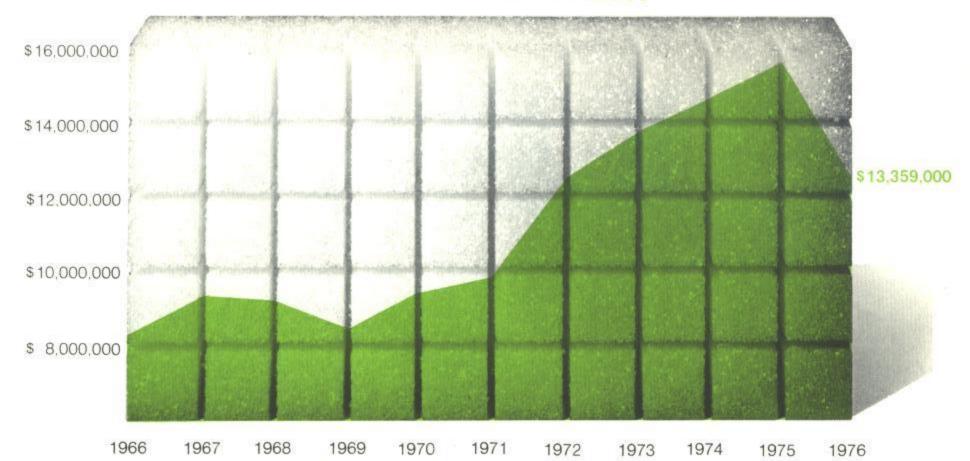
During fiscal 1976 the Authority added eighteen wells and four pumping stations to its system, at an approximate cost of \$2,727,000, increasing its pumping capacity by approximately 34.5 million gallons per day.

Also constructed were a two-million-gallon standpipe (60 feet in diameter and 100 feet to high-water level) at Peconic Street, Lakeland, and a 1.6-milliongallon reservoir (75 feet in diameter and 50 feet to high-water level) at Moriches-Riverhead Road, Town of Brookhaven, at an approximate total cost of \$1,000,000.

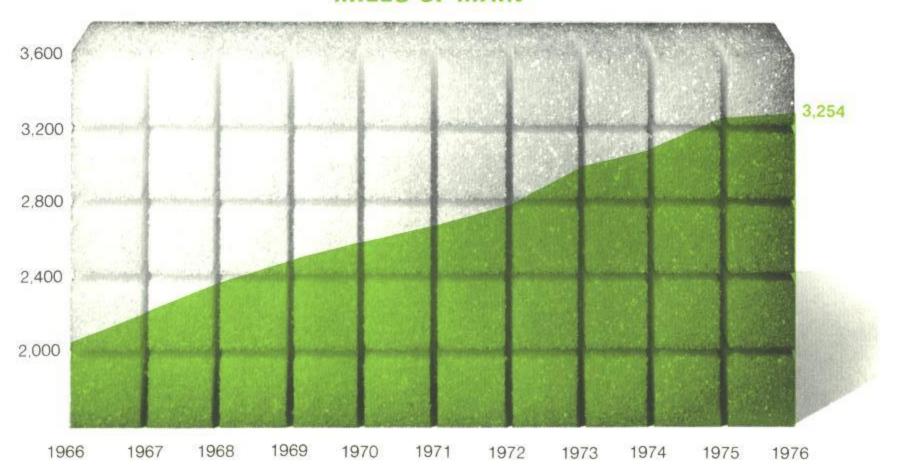
Three fully-automatic, diesel-engine-driven generator sets for standby electric power were installed at three separate stations during this fiscal year. These three units can generate a total of 1,050 kilowatts of electrical energy to operate all well-pump motors at their respective pump stations in the event of a power failure.

Construction work on a one-million-gallon, water-spheroid, elevated tank, the first spheroid storage facility constructed by the Authority, was completed during the twelve-month period covered by this report at Hurtin Boulevard, Smithtown. The waterspheroid is 74 feet in diameter and 145 feet to high-water level. The new facility, constructed at an approximate cost of \$800,000, was placed in service on June 4, 1976.

#### **NET ADDITIONS TO PLANT**



#### MILES OF MAIN





#### MAINTAINING QUALITY CONTROL

In keeping with the Water Authority's policy of maintaining a constant vigil over the quality of water we supply our customers, we recently purchased and installed new and sophisticated analytical equipment for our chemistry laboratory at a cost in excess of \$50,000. This new equipment will expand the Authority's capabilities in monitoring Suffolk County's water resources in general and especially the quality of the drinking water served our customers.

Purchased was a new Atomic Absorption Spectrophotometer for the detection of metals, and upgraded optics and electronics of existing instrumentation permitting the attachment of a graphite furnace accessory for detection of certain heavy metals at parts per billion concentrations. Also purchased were an AutoAnalyzer which will automate the performance of a series of wet

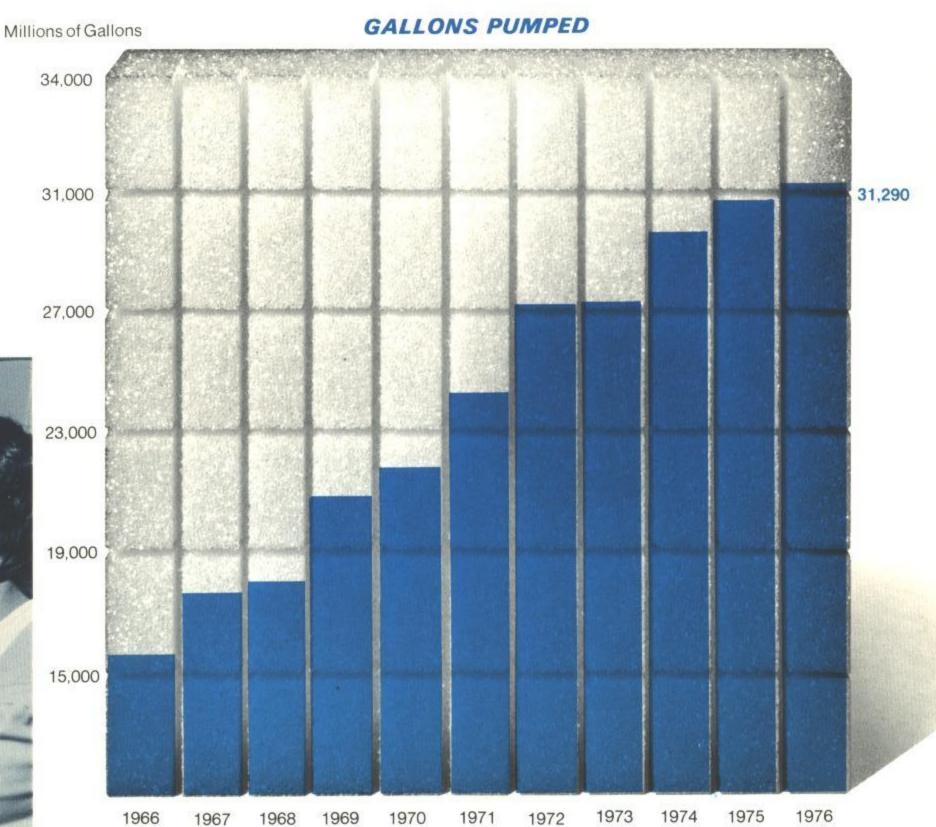


chemistry procedures and a new single-pan analytical balance.

Upgrading our ability to conduct in-house water analyses was partly in response to the enactment of new Federal legislation with subsequent acceptance of enforcement responsibility by the State of New York demanding the use of more sophisticated equipment to insure compliance. These standards set limits for several inorganic chemicals, certain organic chemicals, including pesticides and insecticides, turbidity, microbiological contaminants and radioactivity, and established sampling frequencies and methods of reporting.

These latest acquisitions will enable the Authority's Laboratory to most economically expand its workload, broaden the variety of analyses performed, and increase the reliability and reproducibility of its results so that we can attest with confidence to the safety and palatability of all our water supplies.





#### FIRE HYDRANTS 24.000 21.014 21,000 18,000 15,000 12,000 1976 1973 1974 1975 1970 1971 1966 1967 1968 1969 1972



#### **NEW COMPUTER ON LINE**

The Authority recently purchased a Data-General Nova 2/10 sensor-based computer system, at an initial cost of \$50,000. for installation in our Production and Control Department, designed to automate the complete job of monitoring and controlling our vast, far-flung, interrelated supply and distribution system. This system consists of 3,254 miles of mains, 137 well fields and pumping stations, and 56 storage facilities serving 218,000 customers, or an approximate population of 800,000 people.

The new computer system, when fully operable, will monitor and control the present stations, consisting of 374 wells and 338 pumping units having a total pumping capacity of approximately one-half-billion gallons per day, 75 diesel- and gasoline-driven standby generator sets, and any future additions.

Placing the computer on line will be done in three phases in order to provide for an orderly transition from manual control to the automated computer operation.

Phase I, which has been completed, includes monitoring of existing facilities by continuously scanning



pressure and flow readings and status of pumping and standby generator equipment. It is anticipated that Phase I will save the Authority more than \$32,000 in reduced energy costs during the first year of operation.

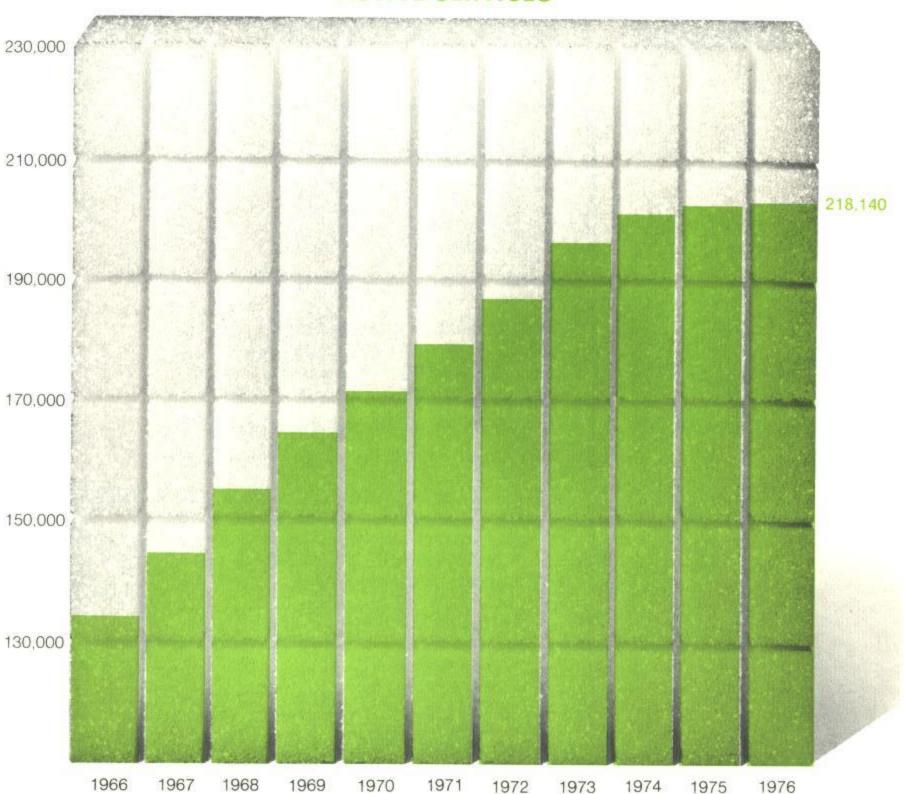
This fall, pumping operations for each pumping station will be programmed under Phase II. Under this phase the computer will make the decisions; however, the operator will still initiate any corrective action.

After the computer has performed satisfactorily under the program for Phase II, the programming of Phase III will begin and will include both the decision making and initiation of action by the computer.

#### **FINANCIAL REVIEW**

A \$12,500,000 financing program was undertaken, under which plans were formulated to provide sufficient funds for new construction and expansion during the balance of the fiscal year, as well as for the 1976-77 anticipated construction program. Resolutions were adopted on June 29, 1976, authorizing the issuance of \$12,500,000 Series "Q" Bonds and Notes in anticipation thereof.

#### ACTIVE SERVICES



### Report of Independent Accountants

July 8, 1976

To the Members of Suffolk County Water Authority

In our opinion, the accompanying balance sheets and the related statements of revenues and of changes in financial position present fairly the financial position of Suffolk County Water Authority at May 31, 1976 and 1975, the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were 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.

PRICE WATERHOUSE & CO.

SUFFOLK COUNTY WATER AUTHORITY

# Statements of Revenues

	Year ended May 31,	
	1976	1975
Revenues: Operating Interest	\$20,284,000 1,367,000	\$17,310,000 1,556,000
Total revenues	21,651,000	18,866,000
Operating expenses (Note F):		
Operations Maintenance	8,391,000 1,815,000	7,416,000 1,984,000
Total operating expenses, except depreciation deducted below	10,206,000	9,400,000
Revenues before interest and depreciation (Note D)	11,445,000	9,466,000
Interest on bonds and amortization of debt discount and expense (\$106,000—1976; \$100,000—1975)	5,558,000 2,292,000	4,608,000 2,032,000
Revenues invested in facilities:		
For the year	3,595,000 41,468,000	2,826,000 38,642,000
At end of year	\$45,063,000	\$41,468,000

	MAY 31,	
ASSETS	1976	1975
Water Plant, at cost, less accumulated depreciation (Notes A and B)	\$178,300,000	\$167,024,000
Funds held by Fiscal Agent (Note A):  New construction fund, cash  Debt service reserve fund, including certificates of deposit of \$7,200,000	814,000	201,000
(\$5,500,000 in 1975) and U.S. Government securities of \$1,110,000 in both years at cost (which approximates market)	8,353,000 1,000,000 10,167,000	6,687,000 2,017,000 8,905,000
Current assets:  Cash (Note A)	1,443,000 8,800,000	1,066,000 6,400,000
Additional funds held by Fiscal Agent:  General fund	100,000 4,197,000	100,000 3,623,000
(\$379,000 in 1975)	2,078,000 561,000 1,278,000 236,000 18,693,000	1,397,000 541,000 1,476,000 152,000 14,755,000
Deferred charges:  Unamortized debt discount and expense	2,263,000 153,000 2,416,000 \$209,576,000	1,970,000 241,000 2,211,000 \$192,895,000
CAPITALIZATION AND LIABILITIES		
Capitalization: Water works revenue bonds, less current portion (Note C) Bond anticipation notes (Note C) Contributions in aid of construction (Note A) Revenues invested in facilities  Total capitalization Advances for construction (Note A)  Current liabilities:	\$109,285,000 31,833,000 45,063,000 186,181,000 11,296,000	\$ 95,803,000 6,000,000 28,661,000 41,468,000 171,932,000 11,692,000
Current maturities of water works revenue bonds  Accounts payable  Accrued interest on bonds  Other accrued liabilities, principally retirement contributions (Note A)  Customer deposits  Total current liabilities  Commitments (Note E)	1,518,000 1,278,000 2,764,000 3,596,000 2,943,000 12,099,000	1,445,000 1,051,000 2,259,000 1,836,000 2,680,000 9,271,000
	\$209,576,000	\$ 192,895,000

SUFFOLK COUNTY WATER AUTHORITY

# **Balance Sheets**

SUFFOLK COUNTY WATER AUTHORITY

# Statements Of Changes In Financial Position

	Year ended May 31,	
Financial resources were provided by:	1976	1975
Operations: Revenues invested in facilities	\$ 3,595,000 2,394,000	\$ 2,826,000 2,129,000
Working capital provided from operations	5,989,000	4,955,000
Net proceeds from sale of Series P water works revenue bonds	14,706,000	6,000,000
Advances and contributions for construction, net of refunds of \$395,000 in 1976 and \$417,000 in 1975	2,776,000	2,723,000
	\$ <u>23,471,000</u>	\$ 13,678,000
Financial resources were used for: Additions to water plant, net of retirements	\$13,569,000 6,000,000	\$15,836,000
Increase (decrease) in funds held by Fiscal Agent for new construction, debt service reserve and bond proceeds  Current maturities and redemptions of water works revenue bonds.  Other	1,263,000 1,518,000 12,000	(5,260,000) 1,497,000 131,000
	22,362,000	12,204,000
Increase in working capital	\$ 1,109,000	\$ 1,474,000
Increase (Decrease) in Elements of Working Capital:		
Cash Bank certificates of deposit Funds held by Fiscal Agent. Accounts receivable Unbilled fire protection revenue Materials and supplies. Prepayments Current maturities of water works revenue bonds Accounts payable. Accrued interest on bonds Other accrued liabilities Customer deposits	\$ 377,000 2,400,000 574,000 681,000 20,000 (199,000) 84,000 (73,000) (227,000) (505,000) (1,760,000) (263,000)	\$ 123,000 1,450,000 82,000 49,000 21,000 254,000 38,000 (109,000) 69,000 (18,000) (311,000) (174,000)
	\$ 1,109,000	\$ 1,474,000

## **Notes To Financial Statements**

May 31, 1976 And 1975

#### NOTEA-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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. The Authority does not, however, capitalize interest on funds borrowed for construction or credit water plant for contributions in aid of construction (see below). The Authority is not subject to the rules and regulations of the New York State Public Service Commission.

#### Water Plant

The Authority carries its water plant at cost, including costs of purchased and contributed property. The cost of property replaced, retired or otherwise disposed of is deducted from plant accounts and, generally, together with dismantling costs less any salvage, is charged to accumulated depreciation. The costs of repairs and minor renewals are charged to maintenance expense.

#### Depreciation

Depreciation of water plant is provided on a straight-line basis using a composite annual rate of 1.4%.

#### Funds Held by Fiscal Agent

The Authority's resolution authorizing the bond issues requires that all revenue be deposited in the name of the Fiscal Agent and allocated to specific funds.

A substantial portion of cash represents monies received from the New Construction Fund held by the Fiscal Agent and from housing developers to be used solely for new construction. In addition, the Bond Proceeds Fund is similarly restricted.

The Debt Service Reserve and Bond Proceeds funds held by the Fiscal Agent at May 31, 1976, aggregating \$9,354,000 consists principally of certificates of deposit and U.S. Government Securities having interest rates of from 5.15% to 7.75%. The certificates of deposit mature at various dates through June 28, 1976 and the U.S. Government Treasury Note matures on August 15, 1977. \$8,800,000 of operating funds held by the the Authority were invested in certificates of deposit at May 31, 1976. Interest rates ranged from 5.00% to 6.375% and maturities are at various dates through May 17, 1977. The Authority generally maintains such short term investments to maturity.

#### **Retirement Contributions**

The Authority makes annual contributions to the New York State Employee's Retirement System to provide retirement benefits for its employees as determined by New York State. Total provision for pension costs amounted to \$1,594,000 (\$1,314,000 in 1975).

#### Advances for Construction and Contributions in Aid of Construction

Under existing standard construction loan contracts with residential real estate developers and others, the developer advances to the Authority the cost of new main installations. The Authority refunds such advances, without interest, based upon the number of new customers obtained or as a percentage of the additional revenue received, in annual instalments over a period not exceeding five years. After expiration of the contract, the remaining balance of the advance is transferred to Contributions in Aid of Construction (\$1,937,000—1976; \$1,509,000—1975). It has been the Authority's experience that the majority of such advances for construction are generally retained by the Authority upon expiration of the contracts.

Contributions in Aid of Construction also include the original cost of systems contributed to the Authority by municipalities and others as well as service tapping and other fees.

#### NOTE B-WATER PLANT:

		May 31,		
		1976		1975
Land and Land Rights Wells, reservoirs and	\$	5,066,000	\$	4,434,000
structures		30,836,000		24,640,000
Pumping and purifica-				
tions equipment		7,499,000		6,210,000
Distribution system	1	44,542,000	1	33,404,000
Other		2,025,000		1,824,000
Water plant, in service	1	89,968,000	1	70,512,000
Construction in progress .		8,015,000		14,112,000
Water plant, at cost	1	97,983,000	1	84,624,000
Less-Accumulated				
depreciation		19,683,000	-	17,600,000
	\$ 1	78,300,000	\$ 1	67,024,000
	-		_	

#### NOTE C-BONDS OUTSTANDING:

The bonds outstanding at May 31, 1976, exclusive of current maturities, bear annual interest rates and mature as follows:

	Maturity	
 FireI		

Series	Interest rate	Principal Amount		Final Date	Annual Amounts		
A	2 <sup>3</sup> / <sub>4</sub> % 2 <sup>3</sup> / <sub>4</sub> % 3 <sup>1</sup> / <sub>2</sub> %	\$	1,710,000 1,180,000 1,130,000	1984 1985 1988	\$195,000 to \$ 110,000 to 75,000 to	235,000 263,000 115,000	
F	4.10-4½% 4-4.10%		5,005,000 4,150,000	1998 2000	40,000 to 40,000 to	350,000 500,000	
H L	3¼-3.40% 3¼-3½%		5,130,000 13,930,000	2001 2002 2002	35,000 to 320,000 to 300,000 to	1,100,000 1,000,000 910,000	
J	0.10-4% 4.10-5% 5-8%		12,540,000 10,530,000 10,260,000	2002	210,000 to 140,000 to	1,000,000	
M	6¼-6½% 5-6½%		6,000,000 9,850,000	2005 2006	60,000 to	0,000	
O	5½-7% 7-7.9%		12,870,000	2007	50,000 to 50,000 to	3,100,000 3,450,000	
		\$	109,285,000				

The debt consists principally of serial bonds which usually mature in increasing annual instalments, except that \$1,180,000 of the Series A bonds are term bonds which mature on June 1, 1985. However, the resolution authorizing this issue provides for the retirement of the term bonds in increasing annual amounts out of the sinking fund accumulated for this purpose. The required sinking fund payments have been treated as maturities for the term bonds. The annual maturities, exclusive of current maturities shown for serial bonds through Series L and Series N through P represent the amounts maturing in fiscal 1978 and in the last year of their term, respectively. The Series M bonds mature \$2,000,000 annually from 2003 to 2005. After certain dates, the bonds are redeemable in the inverse order of their maturity at varying prices in excess of principal amounts depending upon their redemption date.

In January, 1975, the Authority authorized the issuance of \$15,000,000 of Water Works Revenue Bonds, Series P, dated June 1, 1975. On April 16, 1975 the Authority issued \$6,000,000 of Bond Anticipation Notes, bearing interest at 6.4% per annum which matured on October 15, 1975.

The proceeds from the sale of the Series P Bonds were used: (1) to pay the then outstanding Bond Anticipation Notes and (2) to increase the Debt Service Reserve Fund as required by the resolution. The remaining proceeds were used to pay the expenses of the issuance of the Series P Bonds and the balance is restricted to the extension and improvement of the water plant.

#### NOTE D-DEBT SERVICE REQUIREMENTS:

Debt service requirements (interest on bonds and notes, principal of bonds maturing serially and sinking fund requirements) for the year ended May 31, 1976 were \$6,970,000. Revenues before interest and depreciation for the year ended May 31, 1976 equaled 1.64 times debt service requirements (1.59 in 1975).

Debt service requirements of the bonds outstanding at May 31, 1976 approximate \$7,100,000 in each of the next five years.

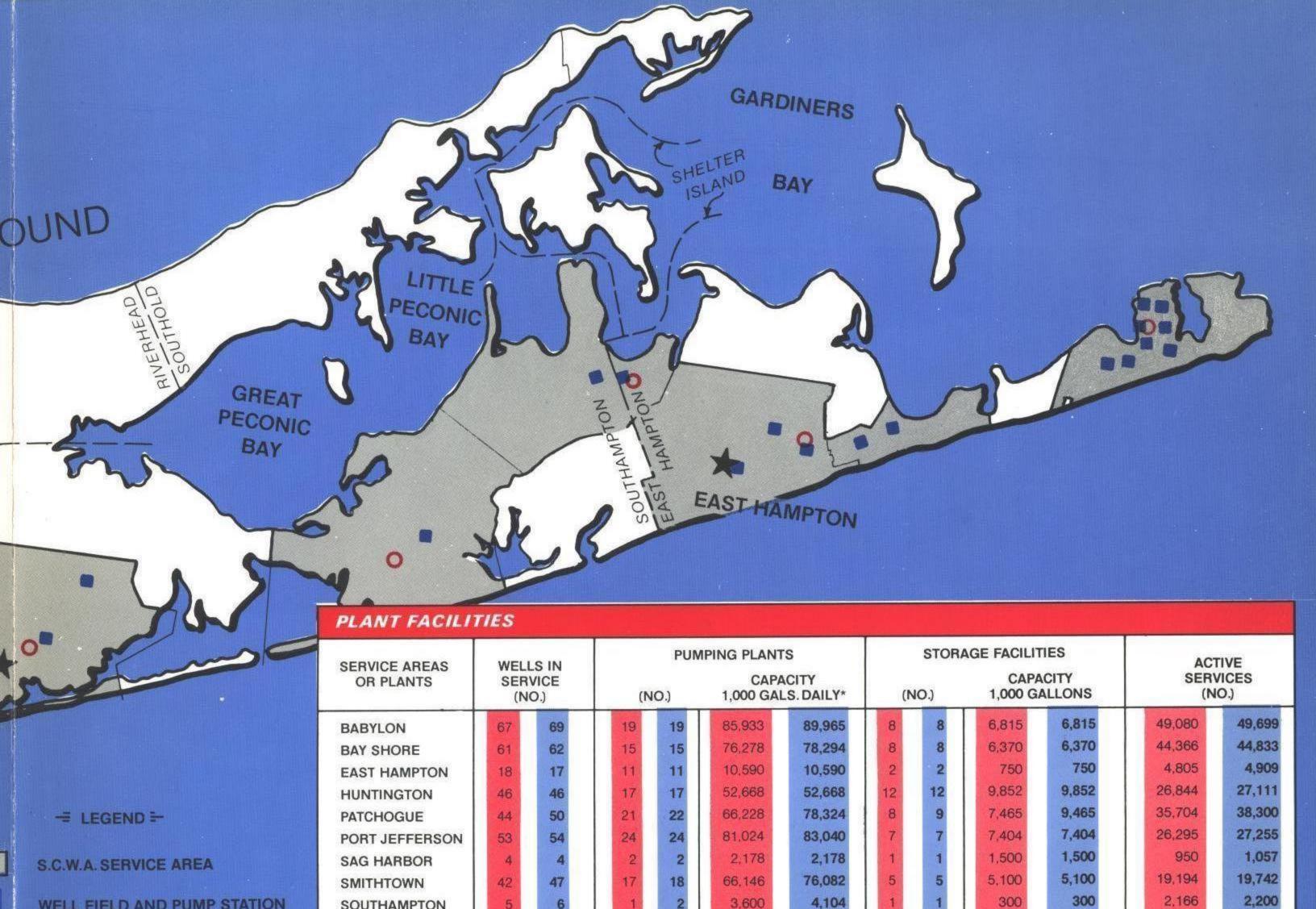
#### NOTE E-COMMITMENTS:

The Authority has authorized a capital improvement construction budget for the fiscal year ended May 31, 1977 of approximately \$15,000,000 (\$19,350,000 in 1976). A substantial portion of this amount has been committed at May 31, 1976.

#### NOTE F-SUPPLEMENTARY INFORMATION ON OPERATIONS:

Revenues before interest and depreciation increased as compared to 1975 primarily as a result of an average 19% increase in water rates effective June 1, 1975. Such revenues decreased in 1975 compared to 1974 due mainly to significant increases in operating and maintenance costs. Rates for purchased power to pump water continued to rise in 1976 to approximately 10.4% of operating revenues as compared to 11.3% for 1975 which was before the increase in the Authority's tariffs. In 1974 purchased power costs approximated 7.9% of operating revenues. The Authority continues to incur substantial costs in connection with the maintaining and repairing of its distribution system due, in part, to the Southwest Sewer District construction in Suffolk County for which costs charged to operations amounted to \$279,000—1976, \$522,000—1975 and \$217,000 in 1974.

SUFFOLK COUNTY WATER AUTHORITY Service Areas and **Location of Production** & Storage Facilities LONG INTINGTON RIVERHEAD BROOKHAVEN SMITHTOWN ISLIP HUNTINGTON BAY SHORE PATCHOGUE WESTHAMPTON SUFFOLK VASSAU ATLANTIC OCEAN OAKDALE ADMINISTRATIVE OFFICE & OPERATING CENTER. REVISED TO JANUARY 4, 1976



WELL FIELD AND PUMP STATION

STORAGE FACILITY

**COMMERCIAL OFFICES** 

As of May 31, 1975

SOUTHAMPTON

WESTHAMPTON

☐ As of May 31, 1976

\*Based on 24-hour operation.

11,902

487,147

2,350

49,906

750

2,952

212,356

3,034

218,140

3,600

8.014



#### **Babylon District**

Amityville **Amity Harbor** Babylon Copiaque Deer Park Lindenhurst North Amityville North Babylon North Lindenhurst Pinelawn West Babylon Wyandanch

#### **Bay Shore District**

Bay Shore Brentwood Brightwaters Central Islip East Islip Edgewood **Great River** Islip Islip Terrace North Bay Shore North Great River North Islip Oakdale West Bay Shore

#### **East Hampton District**

Amagansett East Hampton Freetown Montauk Sag Harbor Southampton

#### **Huntington District**

Asharoken Centerport Cold Spring Harbor Commack Crab Meadow East Huntington East Neck East Northport Eatons Neck Fort Salonga Halesite Huntington **Huntington Bay Huntington Station** Lloyd Harbor Northport

## **Communities Served**

#### **Patchogue District**

Bayport Bellport Blue Point Bohemia Brookhaven Coram East Holbrook East Lake Ronkonkoma East Patchogue Farmingville Holbrook Holtsville Lakeland Lake Ronkonkoma North Bellport North Patchogue

Patchogue Ronkonkoma Sayville Selden South Centereach South Holbrook South Medford South Yaphank West Bellport West Ronkonkoma West Sayville Yaphank

#### Port Jefferson District

Belle Terre Centereach Coram East Setauket Lake Grove Middle Island

Miller Place Mount Sinai North Centereach North Selden Poquott Port Jefferson Port Jefferson Station Ridge Setauket-South Setauket Sound Beach South Stony Brook Stony Brook\* Terryville

#### Smithtown District

East Commack Flowerfield\* Hauppauge Kings Park Nesconset Saint James\* San Remo\* Smithtown South Hauppauge West St. James West Smithtown\* Village of The Branch

#### **Westhampton District**

Center Moriches East Quogue Moriches Quiogue Quogue Westhampton Westhampton Beach

<sup>\*</sup>Included in Wholesale Water Districts

of Serving the Community

# Suffolk County Water Authority

OAKDALE / LONG ISLAND / NEW YORK