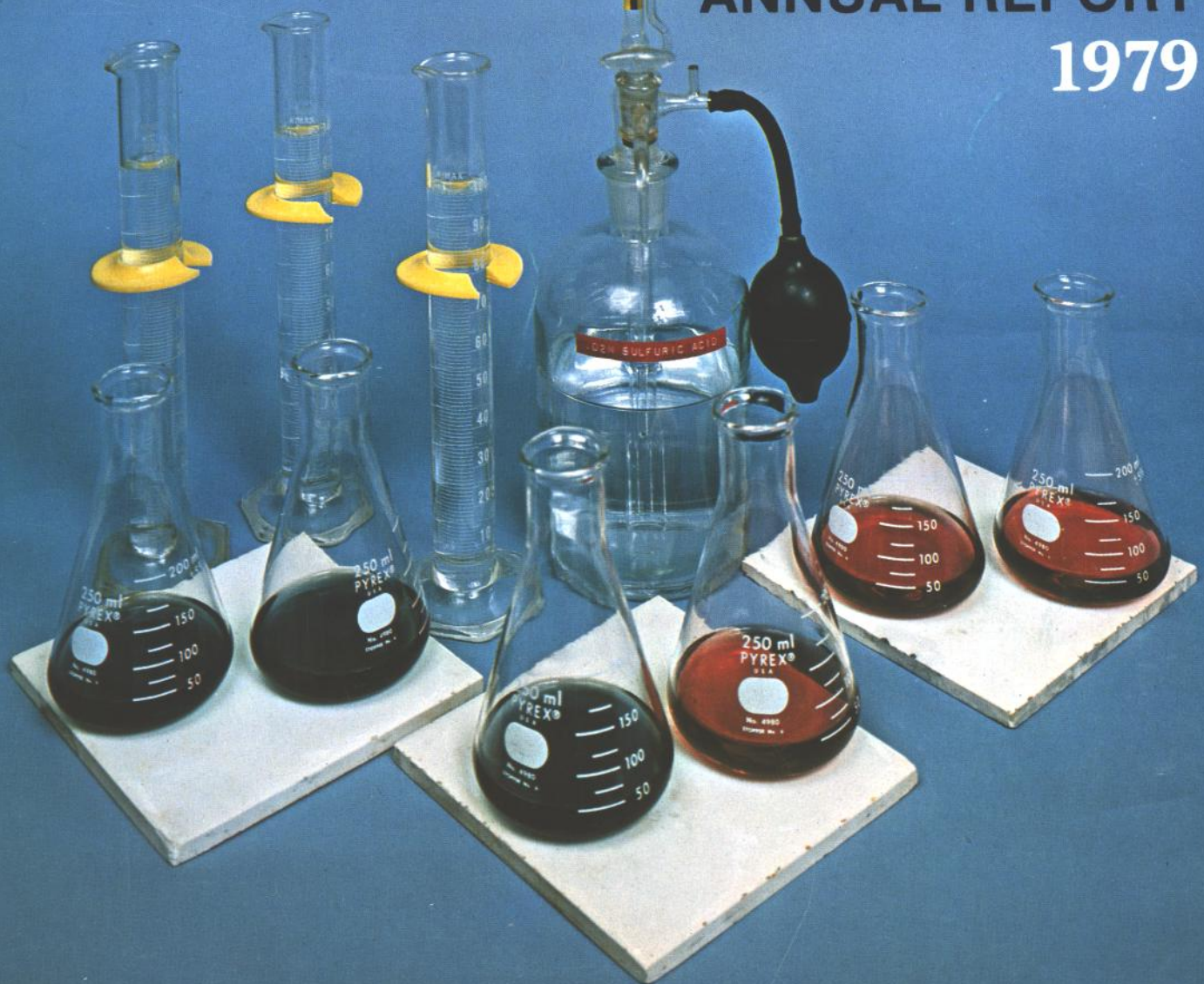


SCWA

Suffolk County Water Authority
ANNUAL REPORT
1979



AUTHORITY MEMBERS

Robert J. Flynn
Chairman

Matthew B. Kondenar
Secretary

William A. Frankenbach
Treasurer and Assistant Secretary

Bert R. Friedman

Miriam T. Anzel

Walter C. Hazlitt
Executive Director

John H. Scheetz
Executive Secretary

William J. Schickler
Chief Engineer

Herbert C. Koehler
Director of Distribution

Bernard T. Hanrahan
Director of Commercial Office Operations

Eugene Sidoti
Controller

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 Shields Incorporated
Financial Consultant

Leggette, Brashears & Graham
Consulting Ground-Water Geologists



AUTHORITY MEMBERS (l. to r. standing)
Bert R. Friedman; William A. Frankenbach,
Treasurer and Assistant Secretary; Miriam T.
Anzel; and Matthew B. Kondenar, Secretary,
are shown with Chairman Robert J. Flynn.



CHAIRMAN'S MESSAGE

During fiscal 1979 the Authority took advantage of a new source of revenue made available through the Department of Housing and Urban Development's Suffolk County Community Development allocation to extend its water service into several economically depressed areas in need of a public water supply. The Authority's action came in response to requests received from local officials to provide the residents of these areas with a public water supply to replace their individually owned private supplies.

A total of \$642,322 in Federal funds was received by the Authority to install 9.71 miles of main to bring water service to a total of 512 new customers in the communities of Canaan Lake in North Patchogue, Gordon Heights, and East Patchogue. These funds made it possible for the Authority to extend its service to these areas at a reduced cost to the individuals who otherwise would not have been able to afford the service. At the same time, the installations did not reflect adversely upon the Authority's installation expenses.

In line with the Authority's increased awareness of the need for good customer relations, a program entitled, "A Better Way", produced by Stone and Webster Management Consultants was presented to 70 Authority employees. "A Better Way" is designed to identify difficult customer relations situations our employee faces daily and to provide the employee with a suitable method of finding a solution to the problem which is beneficial to both the customer and the Authority.

Results of the Authority's self meter reading program begun during 1978 have proved very gratifying, showing a 76 percent compliance rate. Plans have been made to extend the program to cover all Authority customers who have inside water meters. The program gives customers the opportunity to read their own meters. It also aids the Authority in reducing its meter reading costs and utilizing meter readers more efficiently. Authority personnel will still obtain one actual reading annually.

Fiscal 1979 saw a continuation of the excellent financial growth that has characterized Authority operations since its inception in 1951 with total revenues reaching

a new high of \$27,236,000 as compared with \$25,755,000 during fiscal 1978. Total revenues before interest and depreciation stood at \$13,145,000 or 1.70 times debt service.

All projections of Authority operations for the coming fiscal period as well as for the next five years point to a continued increase in revenues and a continuation of the excellent financial structure of the Authority which has earned it a Moody's Investors Service, Inc. bond rating of "A-1".

On behalf of the entire Board, I wish to express our gratitude to the 430 Authority employees who played a part in the successful operation of the Authority during the fiscal period covered by this report. Their work and dedication have been vital in making fiscal 1979 another banner year for the Suffolk County Water Authority.

For the Members

ROBERT J. FLYNN



HIGHLIGHTS

| | <u>1979</u> | <u>May 31</u> <u>1978</u> |
|---|---------------|------------------------------|
| Total Revenues | \$ 27,236,000 | \$ 25,755,000 |
| Operating and Maintenance Expense, except depreciation | 14,091,000 | 12,143,000 |
| Interest on Bonds and Notes; including amortization of debt discount and expense and Series "P" refunding cost..... | 6,016,000 | 8,318,000 |
| Depreciation | 2,768,000 | 2,608,000 |
| Revenues Invested in Facilities for the year | 4,361,000 | 2,686,000 |
| Revenues Invested in Facilities (since June 1, 1951) | 55,953,000 | 51,592,000 |
| Total Water Plant at Cost..... | 226,137,000 | 216,219,000 |
| Net Additions to Water Plant..... | 9,918,000 | 8,026,000 |
| Customers (Active Services) | 231,745 | 227,919 |
| Miles of Main in Service | 3,399 | 3,354 |
| Fire Hydrants in Service | 21,895 | 21,541 |
| Water Production (Million Gallons)..... | 34,759 | 34,214 |

REVIEW OF THE YEAR'S OPERATIONS

NEW CONSTRUCTION

A new source of revenue utilized in construction was developed by the Authority during the fiscal period covered by this report as \$642,322 Federal Community Development funds were received to expand the water distribution system in three areas.

The largest main installation program undertaken with these Federal Funds was in Gordon Heights, an economically depressed area in Brookhaven Town. Here the Authority received a total of \$552,568 in Community Development funds for construction costs to install 7.6 miles of main to serve 399 new customers.

Another main installation project which Federal Funds made possible was undertaken in the East Patchogue area of Brookhaven Town. Here, residents who received their supply from their own shallow wells were faced with a deteriorating water quality situation, and public supply was the

only solution. Here the Authority utilized \$48,000 received under a contract with the Town of Brookhaven to help defray installation expenses for 1.64 miles of main to serve 79 customers.

In addition, the Authority received \$41,754 toward installation costs for the installation of 0.47 miles of main to serve 34 customers in the Canaan Lake area of Brookhaven Town.

During fiscal 1979 the Authority added two pump stations at a cost of \$496,471. One station was added at China Road, Sayville in the Patchogue District, and the second was added at Boyle Road, Terryville in the Port Jefferson District.

Keeping pace with the Authority's long-range goal of providing adequate and dependable water service at the most economical cost to the people of Suffolk County, the Authority formulated plans to readjust the pressure level in areas to include portions of the Village of Northport, Eatons Neck, Asharoken, West Fort Salonga,

Fort Salonga, and Middleville Road standpipe and removal of the deteriorated Douglas Avenue tank. The results of this project will not only eliminate the deficiency in elevated storage for this area, but will provide an annual power saving of approximately \$4,100 and in the future, with increased power costs and growth, these savings will increase.

Over the years, due to the deterioration of the quality of the water in the shallow formations in the western portion of the County, numerous shallow wells have not been operated. Inasmuch as the quality of the water is unlikely to improve in the future, these wells are being considered as inactive. The loss of capacity of these wells has not impaired the ability of the Authority to supply present and future demands as wells to regain loss capacity have been added. A review, predicated on the possible future use of these wells, indicates that 41 of the 63 wells should be abandoned next year.



MANAGEMENT

On April 10, 1979, the Suffolk County Legislature reappointed William A. Frankenbach to a five-year term as a Member of the Suffolk County Water Authority, whose new term will expire on March 29, 1984.

Mr. Frankenbach, who completed his first five-year term as a Member on March 29, has served as Treasurer and Assistant Secretary of the Authority since April 26, 1976. Mr. Frankenbach is President of William A Frankenbach Garden Center, Inc. in Southampton. He graduated from Cornell University, College of Floriculture and Ornamental Horticulture and served four years in the United States Air Force. He is active in community affairs in Southampton and has taken an active role in the expansion and daily operation of the Authority throughout his term.

On June 1, 1979, Louis W. Weinfurt, who served as General Manager of the Authority since February 17, 1965, retired. Mr. Weinfurt will continue to serve the Authority as a resident Construction-Maintenance consultant. Upon Mr. Weinfurt's retirement, the title of General Manager was discontinued.

Taking over as the chief operating officer of the Authority was Walter C. Hazlitt, who was

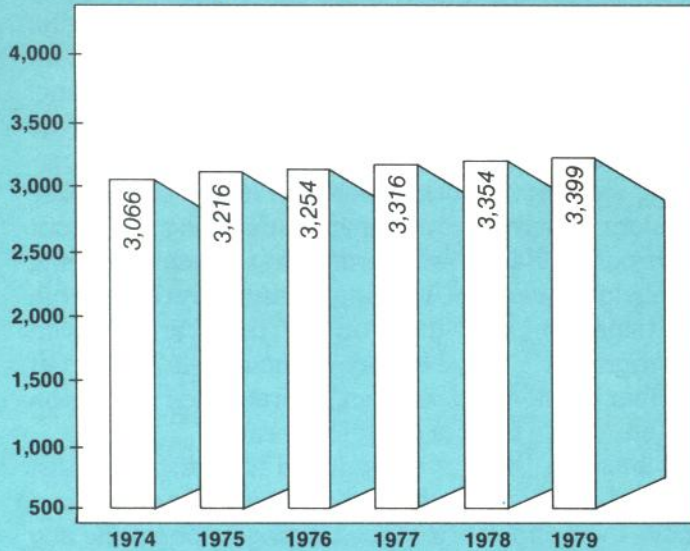
named Executive Director on May 23, 1977. Mr. Hazlitt is a former Chairman of the Authority and worked closely with Mr. Weinfurt over the past fiscal year in preparation for the change-over. Mr. Hazlitt has been involved in the decision making process of the Authority for six years and no change in the course or development of the Authority is expected under his leadership.

In line with Mr. Hazlitt's title of Executive Director, all former Assistant General Managers were given new titles. William J. Schickler, formerly Chief Engineer and Assistant General Manager, will now serve as Chief Engineer. Herbert C. Koehler, formerly Assistant General Manager - Distribution, was named Director of Distribution, and Bernard T. Hanrahan, formerly Assistant General Manager - Commercial Office Operations, was named Director of Commercial Office Operations. All of the individuals concerned will continue performing the same duties.

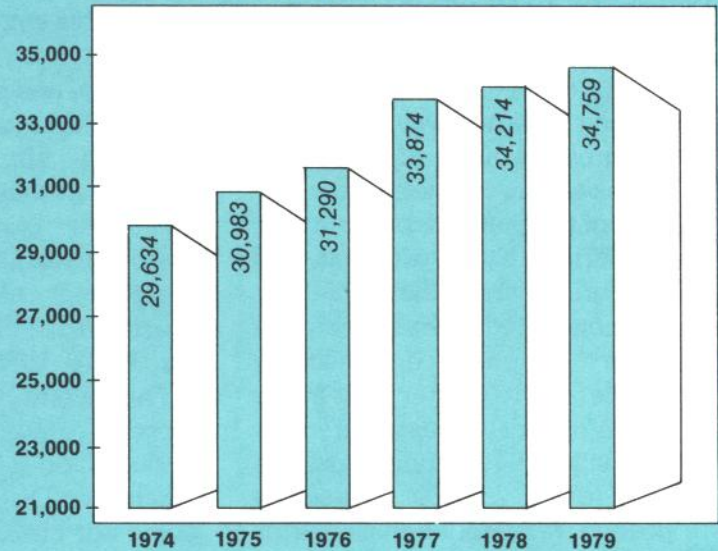




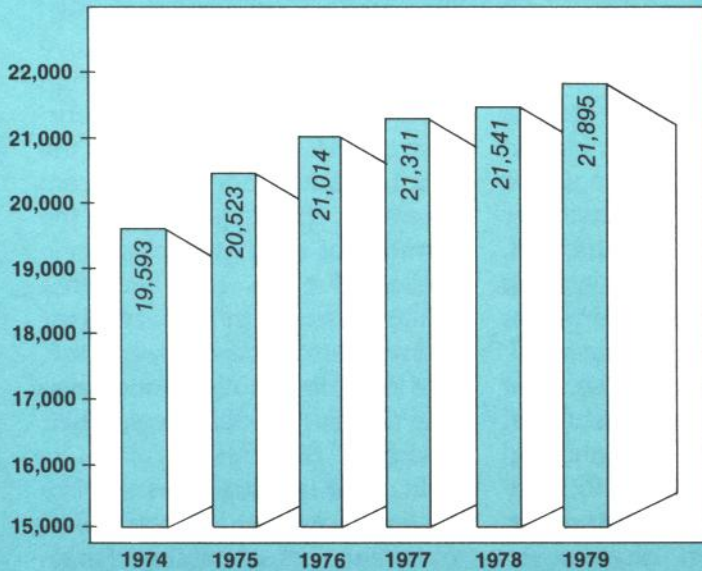
MILES OF MAIN



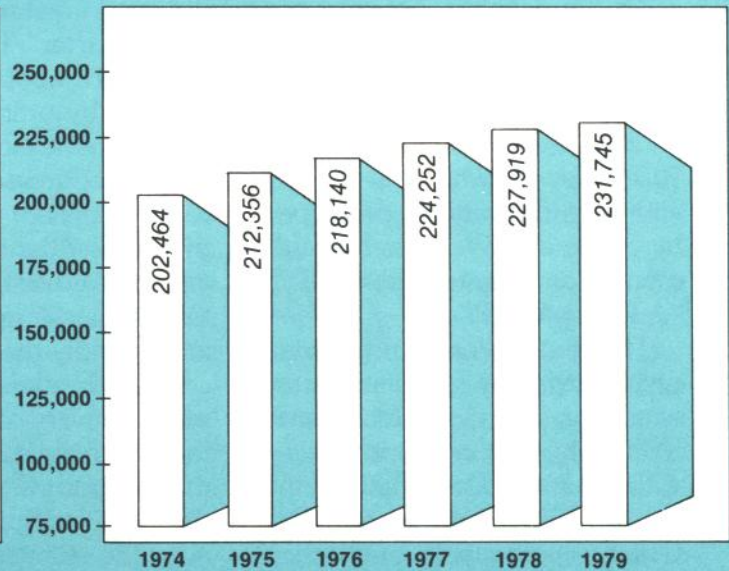
WATER PRODUCTION (Million Gallons)



FIRE HYDRANTS



ACTIVE SERVICES





Certificates of Completion of the "Better Way" program are presented to Authority employees Corliss Hanley, Chief Clerk of Huntington office and Fran Clifton, Office Supervisor of Babylon office by Authority Chairman Robert J. Flynn.

Finding a better way to service our growing family of customers has always been one of the major aims of the Suffolk County Water Authority. In line with this, the Authority during the fiscal year just completed embarked on two major programs designed to enable us to better serve the needs of today's customers.

Maintaining friendly relations with over 230,000 customers poses a tremendous challenge for each and every Authority employee and often seems to demand the patience of a saint. In order to better equip our employees to meet the challenges of today's consumer-oriented society, the Authority conducted an in-house training program for 70 employees who deal directly with our customers, developed by Stone and Webster Management Consultants and entitled, "A Better Way".

The "Better Way" program is a utility customer relations course aimed at improving techniques utilized by employees in dealing with the public. Taking the course were Authority District Office personnel, collection department employees, office supervisors, and those employees directly involved in

IMPROVING CUSTOMER RELATIONS

dealing with the more than 230,000 Authority customers.

The 20-hour course covered procedures employed in handling complaints, emergency situations, and provided information on techniques employed in handling similar situations throughout the utility industry.

At the conclusion of the customer relations program Certificates of Completion were awarded to all those taking part in the "Better Way" program.

The second customer relations program undertaken was introduced on a test basis in the Smithtown District and involved giving our customers the opportunity to read their own water meters. Under the program, customers are mailed a specially designed meter reading card each quarter. The customer is asked to cooperate with the program by jotting down readings shown on the face of his meter on the self-addressed, postage-free card supplied. The customer then drops the card in the mail, and the Authority bases its billing for the quarter on the information furnished by the customer.

Results of the initial test program were so successful that the Authority decided to expand the program first into the Huntington - Northport area and later into the Babylon district. An analysis of returns in the Smithtown office indicate the Authority mailed a total of 20,416

meter reader cards. Of this, 14,429 customers read their own meters and returned the properly filled-in cards to the Authority. This represented a 71 percent return ratio on the first mailing. Second quarter results indicate an increase in customer participation with 75 percent of those receiving cards filling them out and returning them to the Authority. Results were similar in the other test areas with Northport showing a 74 percent participation rate and Huntington a 67 percent rate.

Introduced to reduce the cost of reading water meters and thereby helping to postpone any increase in the price of water at the urging of Authority Chairman Robert Flynn, the program has more than lived up to our expectations and therefore we have decided to introduce the program on a systemwide basis. According to Mr. Flynn, "Perhaps the greatest advantage the program offers is the reduction in the number of estimated bills being mailed due to the fact that customers can now read their own meters at their convenience, and don't have to be home when the meter reader rings their doorbell."

In order to insure the reliability of the program, the Authority will obtain one actual reading of each customer annually by having an Authority representative call at each customer's home.



PLANT FACILITIES

☐ AS OF MAY 31, 1978 ☐ AS OF MAY 31, 1979

| Service Areas or Plants | Wells | | | Pumping Plants | | | | Storage Facilities | | | | Active Services | |
|-------------------------|--------|----------|----|----------------|-----|----------------------------|---------|--------------------|----|-------------------------|--------|-----------------|---------|
| | Active | Inactive | | No. | | Capacity-1000 Gals. Daily* | | No. | | Capacity in 100 Gallons | | | |
| BABYLON | 70 | 45 | 25 | 19 | 19 | 78,157 | 53,015 | 9 | 9 | 7,815 | 7,815 | 50,631 | 51,349 |
| BAY SHORE | 67 | 47 | 24 | 18 | 18 | 79,302 | 53,530 | 8 | 8 | 6,370 | 6,370 | 45,275 | 45,409 |
| EAST HAMPTON | 28 | 25 | 3 | 16 | 16 | 15,720 | 10,875 | 5 | 4 | 3,970 | 3,720 | 8,799 | 8,954 |
| HUNTINGTON | 49 | 49 | 2 | 18 | 18 | 57,708 | 39,135 | 12 | 12 | 9,852 | 11,942 | 27,547 | 27,769 |
| PATCHOGUE | 55 | 57 | 2 | 24 | 25 | 85,668 | 63,050 | 10 | 10 | 10,465 | 10,465 | 42,182 | 43,475 |
| PORT JEFFERSON | 55 | 56 | 2 | 24 | 25 | 87,500 | 61,960 | 7 | 7 | 7,404 | 7,404 | 29,090 | 29,725 |
| SMITHTOWN | 51 | 46 | 5 | 20 | 20 | 80,474 | 55,090 | 6 | 6 | 6,100 | 6,100 | 21,127 | 21,453 |
| WESTHAMPTON | 21 | 21 | — | 7 | 7 | 13,630 | 10,750 | 3 | 3 | 2,350 | 2,350 | 3,268 | 3,611 |
| TOTALS | 396 | 346 | 63 | 146 | 148 | 498,159 | 347,405 | 60 | 59 | 54,326 | 56,166 | 227,919 | 231,745 |

* Based on 24-hour operation.

CUSTOMER REFUNDS

By the close of fiscal 1979 the Authority had completed mailing refund checks to some 91,000 customers under provisions of a program authorized by the Members permitting the refund of \$10 and \$12 residential service deposits. Under the customer refund program a total of \$914,100 has been refunded to date, with an additional \$450,000 slated

to be returned to some 45,000 customers during fiscal 1980. Deposits returned cover those received through May 31, 1971. Customers due to receive refunds during the coming fiscal period will represent those who paid service deposits prior to May 31, 1974. Funds for continuation of the program have been obtained from revenues and are included in the budget of the Authority. Their return will not seriously affect available reserves

or the sound financial structure of the Authority.

The customer deposits the Authority has held have been used to help maintain a low water rate over the years and are being returned without the payment of interest since, in reality, the funds to pay interest would have to come via a rate increase. Thus, all customers would be forced to pay a higher water rate in order to pay themselves interest on their deposits.

To the Members of
Suffolk County Water Authority

July 20, 1979

In our opinion, the accompanying balance sheets and the related statements of revenue and revenue invested in facilities and of changes in financial position present fairly the financial position of Suffolk County Water Authority at May 31, 1979 and 1978, and 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.

STATEMENT OF REVENUE AND REVENUE INVESTED IN FACILITIES

| | Year ended May 31 | |
|---|---------------------|---------------------|
| | 1979 | 1978 |
| Revenues (Note 1): | | |
| Operating | \$24,745,000 | \$23,885,000 |
| Interest | 2,491,000 | 1,870,000 |
| Total revenues | <u>27,236,000</u> | <u>25,755,000</u> |
| Operating expenses: | | |
| Operations | 11,376,000 | 10,021,000 |
| Maintenance | 2,715,000 | 2,122,000 |
| Total operating expenses, except depreciation deducted below | <u>14,091,000</u> | <u>12,143,000</u> |
| Revenue before interest and depreciation (Note 4) | <u>13,145,000</u> | <u>13,612,000</u> |
| Deduct: | | |
| Interest on bonds | 5,886,000 | 6,155,000 |
| Amortization of debt discount and expense | 130,000 | 128,000 |
| Depreciation (Note 1) | <u>2,768,000</u> | <u>2,608,000</u> |
| | <u>8,784,000</u> | <u>8,891,000</u> |
| Revenue before extraordinary item | <u>4,361,000</u> | <u>4,721,000</u> |
| Extraordinary item: | | |
| Loss on refunding of Series P Water Works Revenue Bonds (Note 3) | | <u>2,035,000</u> |
| Revenue invested in facilities: | | |
| For the year | 4,361,000 | 2,686,000 |
| At beginning of year | <u>51,592,000</u> | <u>48,906,000</u> |
| At end of year | <u>\$55,953,000</u> | <u>\$51,592,000</u> |



BALANCE SHEET

May 31,

ASSETS

Water Plant, at cost, less accumulated depreciation (Notes 1 and 2)

Funds held by Fiscal Agent (Note 1):

New construction fund, cash
Debt service reserve fund, including certificates of deposit
of \$8,585,000 in 1979 and \$8,800,000 in 1978 (Note 4)
Bond proceeds fund, invested in certificates of deposit

Current assets:

Cash
Bank certificates of deposit (Note 1)
Additional funds held by Fiscal Agent:
General fund
Debt service fund
Accounts receivable, less allowance for doubtful accounts
of \$343,000 and \$249,000
Interest and other receivables
Unbilled fire protection revenue (Note 1)
Materials and supplies, at average cost
Prepayments

Total current assets

Deferred charges:

Unamortized debt discount and expense (Note 1)
Other

CAPITALIZATION AND LIABILITIES

Capitalization:

Water Works Revenue Bonds, less current portion (Note 3)
Contributions in aid of construction (Note 1)
Revenue invested in facilities

Total capitalization

Current liabilities:

Current maturities of Water Works Revenue Bonds (Note 3)
Accounts payable
Accrued interest on bonds
Accrued retirement contributions (Note 1)
Other accrued liabilities
Customer deposits

Total current liabilities

Advances for construction (Note 1)

Commitments (Note 5)

| | 1979 | 1978 |
|---|----------------------|----------------------|
| Water Plant, at cost, less accumulated depreciation (Notes 1 and 2) | <u>\$198,803,000</u> | <u>\$191,530,000</u> |
| Funds held by Fiscal Agent (Note 1): | | |
| New construction fund, cash | 1,723,000 | 500,000 |
| Debt service reserve fund, including certificates of deposit of \$8,585,000 in 1979 and \$8,800,000 in 1978 (Note 4) | 8,790,000 | 8,901,000 |
| Bond proceeds fund, invested in certificates of deposit | <u>1,964,000</u> | <u>4,800,000</u> |
| | 12,477,000 | 14,201,000 |
| Current assets: | | |
| Cash | 1,296,000 | 2,862,000 |
| Bank certificates of deposit (Note 1) | 12,200,000 | 9,400,000 |
| Additional funds held by Fiscal Agent: | | |
| General fund | 100,000 | 100,000 |
| Debt service fund | 4,674,000 | 4,345,000 |
| Accounts receivable, less allowance for doubtful accounts of \$343,000 and \$249,000 | 2,388,000 | 2,283,000 |
| Interest and other receivables | 273,000 | 463,000 |
| Unbilled fire protection revenue (Note 1) | 592,000 | 580,000 |
| Materials and supplies, at average cost | 1,598,000 | 1,392,000 |
| Prepayments | <u>371,000</u> | <u>404,000</u> |
| Total current assets | 23,492,000 | 21,829,000 |
| Deferred charges: | | |
| Unamortized debt discount and expense (Note 1) | 2,566,000 | 2,691,000 |
| Other | <u>214,000</u> | <u>116,000</u> |
| | 2,780,000 | 2,807,000 |
| | <u>\$237,552,000</u> | <u>\$230,367,000</u> |
| Capitalization: | | |
| Water Works Revenue Bonds, less current portion (Note 3) | \$117,194,000 | \$119,035,000 |
| Contributions in aid of construction (Note 1) | 41,834,000 | 37,979,000 |
| Revenue invested in facilities | <u>55,953,000</u> | <u>51,592,000</u> |
| Total capitalization | 214,981,000 | 208,606,000 |
| Current liabilities: | | |
| Current maturities of Water Works Revenue Bonds (Note 3) | 1,839,000 | 1,698,000 |
| Accounts payable | 1,141,000 | 707,000 |
| Accrued interest on bonds | 2,928,000 | 2,735,000 |
| Accrued retirement contributions (Note 1) | 3,515,000 | 3,073,000 |
| Other accrued liabilities | 1,190,000 | 671,000 |
| Customer deposits | <u>2,700,000</u> | <u>2,732,000</u> |
| Total current liabilities | 13,313,000 | 11,616,000 |
| Advances for construction (Note 1) | 9,258,000 | 10,145,000 |
| Commitments (Note 5) | <u>\$237,552,000</u> | <u>\$230,367,000</u> |

STATEMENT OF CHANGES IN FINANCIAL POSITION

| | Year ended May 31 | |
|--|-------------------|--------------|
| | 1979 | 1978 |
| Financial resources were provided by: | | |
| Operations: | | |
| Revenue before extraordinary item | \$ 4,361,000 | \$ 4,721,000 |
| Add non-cash charges to revenue-depreciation and amortization | 2,893,000 | 2,731,000 |
| Working capital provided from operations | 7,254,000 | 7,452,000 |
| Extraordinary loss | | 2,035,000 |
| Deduct-Unamortized issuance costs and debt discount related to refunded Series P Bonds | | (368,000) |
| Working capital used by extraordinary loss | | (1,667,000) |
| Decrease in funds held by Fiscal Agent for new construction, debt service and from bond proceeds | 1,724,000 | 5,413,000 |
| Net proceeds from sale of Water Works Revenue Bonds | | 15,071,000 |
| Advances and contributions for construction, net of refunds of \$275,000 in 1979 and \$316,000 in 1978 | 2,968,000 | 2,179,000 |
| | 11,946,000 | 28,448,000 |
| Financial resources were used for: | | |
| Additions to water plant, net of retirements | 10,041,000 | 8,124,000 |
| Retirement of Series P Bonds | | 14,950,000 |
| Current maturities and redemptions of Water Works Revenue Bonds | 1,839,000 | 1,698,000 |
| Other | 100,000 | (13,000) |
| | 11,980,000 | 24,759,000 |
| (Decrease) increase in working capital | (\$ 34,000) | \$ 3,689,000 |
| Changes in Elements of Working Capital | | |
| Increase (decrease) in current assets: | | |
| Cash | (\$ 1,566,000) | (\$ 416,000) |
| Bank certificates of deposit | 2,800,000 | 2,000,000 |
| Funds held by Fiscal Agent | 329,000 | (318,000) |
| Accounts receivable | 105,000 | 447,000 |
| Interest and other receivables | (190,000) | 394,000 |
| Unbilled fire protection revenue | 12,000 | 3,000 |
| Materials and supplies | 206,000 | 134,000 |
| Prepayments | (33,000) | 102,000 |
| | 1,663,000 | 2,346,000 |
| (Increase) decrease in current liabilities: | | |
| Current maturities of Water Works Revenue Bonds | (141,000) | (74,000) |
| Accounts payable | (434,000) | 676,000 |
| Accrued interest on bonds | (193,000) | 387,000 |
| Accrued retirement contributions | (442,000) | (110,000) |
| Other accrued liabilities | (519,000) | 46,000 |
| Customer deposits | 32,000 | 418,000 |
| | (1,697,000) | 1,343,000 |
| (Decrease) increase in working capital | (\$ 34,000) | \$ 3,689,000 |



NOTES TO FINANCIAL STATEMENTS

MAY 31, 1979 AND 1978

NOTE 1 - 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 Public Service Commission although the Authority is not subject to their rules and regulations.

Water Plant

The Authority carries its water plant at original cost, including the costs of purchased and contributed property. The capitalized cost of additions to water plant includes charges for indirect costs such as engineering, supervision, payroll taxes and pension benefits. The original 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 Authority does not capitalize interest on funds borrowed for construction or credit water plant for contributions in aid of construction. The costs of repairs, minor betterments and renewals are charged to maintenance expense as incurred.

Depreciation

Depreciation of water plant is provided on a straight-line basis using a composite annual rate of 1.4% which is based on the average service lives and net salvage value of properties.

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.

At May 31, 1979 \$10,549,000 of the Debt Service Reserve and Bond Proceeds Funds held by the Fiscal Agent were invested in certificates of deposit with interest rates that range from 9.5% to 10.0% and mature at various dates through November, 1979.

Bank Certificates of Deposit

At May 31, 1979 the Authority has invested \$12,200,000 of its operating funds in certificates of deposit with interest rates that range from 9.73% to 10.85% and mature at various dates through November, 1979. The Authority generally maintains such short-term investments through maturity.

Revenue

Billings for water service are rendered on a quarterly cycle basis except for fire protection revenues which are billed semi-annually in arrears on June 1 and December 31. The Authority accrues for unbilled fire protection service but all other revenues are recognized when billed.

Income Taxes

As a public benefit corporation, the Authority is exempt from Federal and State income taxes.

Bond Premiums or Discounts and Expenses

Premiums or discounts and expenses related to the issuance of long-term debt are amortized over the lives of the issues.

Retirement Contributions

The Authority makes annual contributions to the New York State Employees' Retirement System to provide retirement benefits for substantially all of its employees as

determined by New York State. Total provision for statutory pension costs amounted to \$1,879,000 and \$1,459,000 in 1979 and 1978, respectively.

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. For such contracts entered into prior to May 31, 1976, the Authority refunds such contract 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 (\$3,409,000 - 1979; \$2,289,000 - 1978). The policy of refunding these advances has been discontinued for contracts entered into after May 31, 1976.

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.

Customer Deposits

As security for the payment of bills, the Authority generally requires a deposit from new residential or commercial customers. No interest is paid on such deposits.

During the 1978 fiscal year, the Authority adopted two resolutions to refund customer deposits received prior to May 31, 1971, from residential customers who have had a good payment history. Accordingly, \$334,000 and \$580,000 was refunded to customers under these resolutions in 1979 and 1978, respectively.

NOTE 2 - Water Plant:

| | May 31, | |
|--|----------------------|----------------------|
| | 1979 | 1978 |
| Land and land rights | \$ 5,643,000 | \$ 5,440,000 |
| Wells, reservoirs and structures | 37,765,000 | 33,817,000 |
| Pumping and purification equipment | 10,027,000 | 9,046,000 |
| Distribution systems | 163,142,000 | 156,740,000 |
| Other | 2,586,000 | 2,271,000 |
| Water plant, in service .. | 219,163,000 | 207,314,000 |
| Construction in progress .. | 6,974,000 | 8,905,000 |
| Water plant, at cost | 226,137,000 | 216,219,000 |
| Less - Accumulated depreciation | 27,334,000 | 24,689,000 |
| Net water plant | <u>\$198,803,000</u> | <u>\$191,530,000</u> |

NOTE 3 - Water Works Revenue Bonds:

Total bonds outstanding at May 31, 1979 and 1978 follow:

| Series | Interest Rate | Final Maturity Date | 1979 | 1978 |
|--|---------------|---------------------|----------------------|----------------------|
| | | | | |
| A | 2.75% | 1984 | \$ 1,315,000 | \$ 1,515,000 |
| A (Term) | 2.75% | 1985 | 953,000 | 1,068,000 |
| B-D | 3.50% | 1988 | 975,000 | 1,055,000 |
| F | 4.10-4.50% | 1998 | 4,920,000 | 4,965,000 |
| G | 4.00-4.10% | 2000 | 4,070,000 | 4,110,000 |
| H | 3.25-3.40% | 2001 | 5,060,000 | 5,095,000 |
| I | 3.25-3.50% | 2002 | 13,280,000 | 13,610,000 |
| J | 0.10-4.00% | 2002 | 11,925,000 | 12,240,000 |
| K | 4.10-4.50% | 2002 | 10,100,000 | 10,320,000 |
| L | 5.00-8.00% | 2003 | 9,960,000 | 10,120,000 |
| M | 6.25-6.50% | 2005 | 6,000,000 | 6,000,000 |
| N | 5.00-6.50% | 2006 | 9,730,000 | 9,790,000 |
| O | 5.50-7.00% | 2007 | 12,770,000 | 12,820,000 |
| Q | 5.75-7.25% | 2008 | 12,450,000 | 12,500,000 |
| R | 5.50-7.00% | 2010 | 15,525,000 | 15,525,000 |
| Total Bonds Outstanding | | | 119,033,000 | 120,733,000 |
| Less: Current Maturities and Redemptions | | | 1,839,000 | 1,698,000 |
| | | | <u>\$117,194,000</u> | <u>\$119,035,000</u> |

The debt consists principally of serial bonds which usually mature in increasing annual instalments, except that \$953,000 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 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 March 1978, the Authority issued \$15,525,000 of Series R Water Works Revenue Refunding Bonds for the purpose of advance refunding

of the Series P bonds. The net proceeds of the refunding bonds together with \$1,499,000 from the Authority's operating funds were used to purchase direct and general obligations of the United States of America in an amount sufficient, together with interest to accrue thereon, to provide for payment of principal (\$14,950,000) and interest on the Series P bonds. As a result of this advance refunding, the Authority recognized an extraordinary loss of \$2,035,000 in fiscal 1978 which represented the differential between the net carrying value of the Series P bonds and the sum of the net proceeds of the Series R Refunding Bonds and the operating fund contribution of \$1,499,000.

NOTE 4 - Debt Service Requirements:

As prescribed in the Authority's Resolution, a minimum Debt Service Fund balance is to be maintained

which is the greater of one and one-half years' interest on the outstanding bonds or the maximum annual future requirement for the payment of interest on Serial Bonds and sinking fund requirements.

The required balance amounted to \$8,790,000 at May 31, 1979.

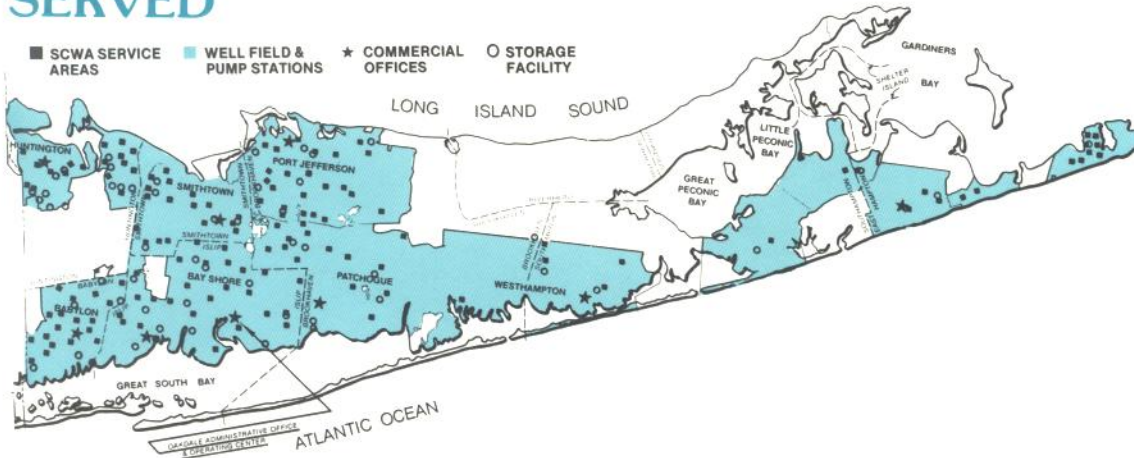
Debt service requirements for the payment of interest and principal on outstanding bonds at May 31, 1979 approximate \$7,723,000 in each of the next five years. Revenue before interest and depreciation was equivalent to 1.70 (1.72 in 1978) times the debt service requirement for the year ended May 31, 1979.

NOTE 5 - Commitments:

The Authority has authorized a capital improvement construction budget for the fiscal year ending May 31, 1980 of approximately \$11,582,000. A substantial portion of this amount has been committed at May 31, 1979.



COMMUNITIES SERVED



Babylon District

Amity Harbor
Amityville
Babylon
Copiague
Deer Park
Lindenhurst
North Amityville
North Babylon
North Lindenhurst
Pinelawn
West Babylon
Wheatley Heights
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
West Islip

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

East Hampton District

Amagansett
East Hampton
Freetown
Montauk
Sag Harbor
Southampton

Patchogue District

Bayport
Bellport
Blue Point
Bohemia
Brookhaven
Coram
East Holbrook

East Patchogue
Farmingville
Gordon Heights
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
Quogue
Quogue
Westhampton
Westhampton Beach

* - Included in Wholesale Water Districts



**SUFFOLK COUNTY
WATER AUTHORITY**

Oakdale, Long Island, N.Y. 11769