

AUTHORITY MEMBERS



Leon J. Campo Chairman



Melvin M. Fritz, D.O.M.D.



Matthew B. Kondenar Secretary



James T. B. Tripp, Esq.



Michael E. White

Walter C. Hazlitt
Executive Director

Eugene Sidoti
Deputy Executive Director and Controller

Sarah J. Meyland

Director of Watershed Oversight and Protection

Laura J. Mansi Special Assistant for Public Affairs

William J. Schickler
Chief Engineer

Herbert C. Koehler Director of Distribution

Bernard T. Hanrahan

Director of Commercial Office Operations

Van Nostrand & Martin

William V. Burnell & Associates Consulting Engineer

Stone & Webster Engineering Corporation Advisory Engineer

United States Trust Company of New York
Fiscal Agent

Price Waterhouse
Independent Accountants

Prudential-Bache Securities, Inc. Financial Consultant

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

CHAIRMAN'S MESSAGE

Our Suffolk County Community is at a crossroad regarding the protection of our water supply. The consequences of unbridled development in the past have severely damaged the groundwater supply and undirected growth in the future will have similar results. In particular, industrial pollutants released into the environment have created a legacy of contamination which we will have to face for years to come. Many of our communities, not served by the Suffolk County Water Authority, are imperiled by a drinking water supply of poor quality.

In 1987, the Suffolk County Water Authority is on the move. Revitalized by a new Board of Directors, the Authority is pushing forward to build on its past accomplishments and to chart a new course in areas that demand action.

The protection of the water supply is a high priority. Accordingly, the Authority has initiated its own Watershed Protection Plan so that the Authority can be an active participant in preservation efforts while also addressing its own vested interests in water supply protection. The implications of this Program will call on the Authority to re-evaluate many of its previous practices with an eye toward coordinated water supply protection and management.

The extension of water mains to deliver a clean supply of water to communities presently experiencing con-

taminated water is also a high priority. Our goal will be to quicken the pace of our extension program and the Authority is exploring how this can best be accomplished within the financial and construction considerations affecting this program. Certain cases have called for prompt action. Thus, the Authority is undertaking an emergency main extension program in the Rocky Point area due to severe water contamination.

To provide customers with the most efficient and effective response to their problems, the Authority has created the Office of Community Relations. It is served by a 24 hour Hotline, telephone number: (516) 589-5215. We want our customers to know we are interested in giving them the best possible service.

While we want to deliver the purest water possible, water quantity cannot be overlooked. Thus, the Water Authority is preparing a water conservation program. Clean water saved is clean water available for future water needs. We hope to have the cooperation of all our customers in this necessary undertaking.

Another thorny problem arises where small water suppliers have been unable to provide adequate service to their customers. The Authority has acquired such systems in the past and will continue this practice in the future. The Captain Kidd Water Co., serving

150 customers in the Mattituck area, is in the process of being acquired at an estimated cost of \$85,000. Such action demonstrates the Authority's continuing promise to service the water needs of Suffolk County.

As this Authority has a responsibility to its creditors, its customers and the citizenry, we must take every appropriate action and enlist the cooperation of the private community and government entities in order to protect the water supply.

Remember, our ability to provide a plentiful supply of clean, affordable water for this and coming generations of Long Islanders is dependent upon the protection of this vital resource.

The Suffolk County Water Authority is the largest water purveyor, dependent on an underground water supply, in the entire Northeast. As the Chairman, newly appointed by the Suffolk County Legislature, I am committed to making certain that the Water Authority remains in the leadership in the struggle for clean and affordable water. In this quest, I solicit your views and your support.

Thank you.

Leon J. Campo Chairman

HIGHLIGHTS

| | Ma | y 31 |
|-------------------------------------|------------------------------|-----------------|
| | 1987 | 1986 |
| Total Revenues | \$56,754,000 | \$45,923,000 |
| Operating and Maintenance | | |
| Expense except depreciation | 28,542,000 | 27,911,000 |
| Interest on Bonds and Notes; | | |
| including amortization of debt | 15,284,000 | 8,817,000 |
| discount and expense | 6,438,000 | 6,022,000 |
| Depreciation | 0,430,000 | 0,022,000 |
| Facilities for the year | 6,490,000 | 3,173,000 |
| Revenues Invested in | | |
| Facilities (Since June 1, 1951) | 92,562,000 | 86,072,000 |
| Total Water Plant at Cost | 355,113,000 | 331,259,000 |
| Net Additions to Water Plant | 23,854,000 | 22,843,000 |
| Customers (Active Services) | 269,454 | 262,829 |
| Miles of Main in Service | 3,900 24,724 | 3,807 24,262 |
| Fire Hydrants in Service | TO THE CAMPAGE AND THE PARTY | |
| Water Production (Million Galllons) | 43,046 | 41,516 |





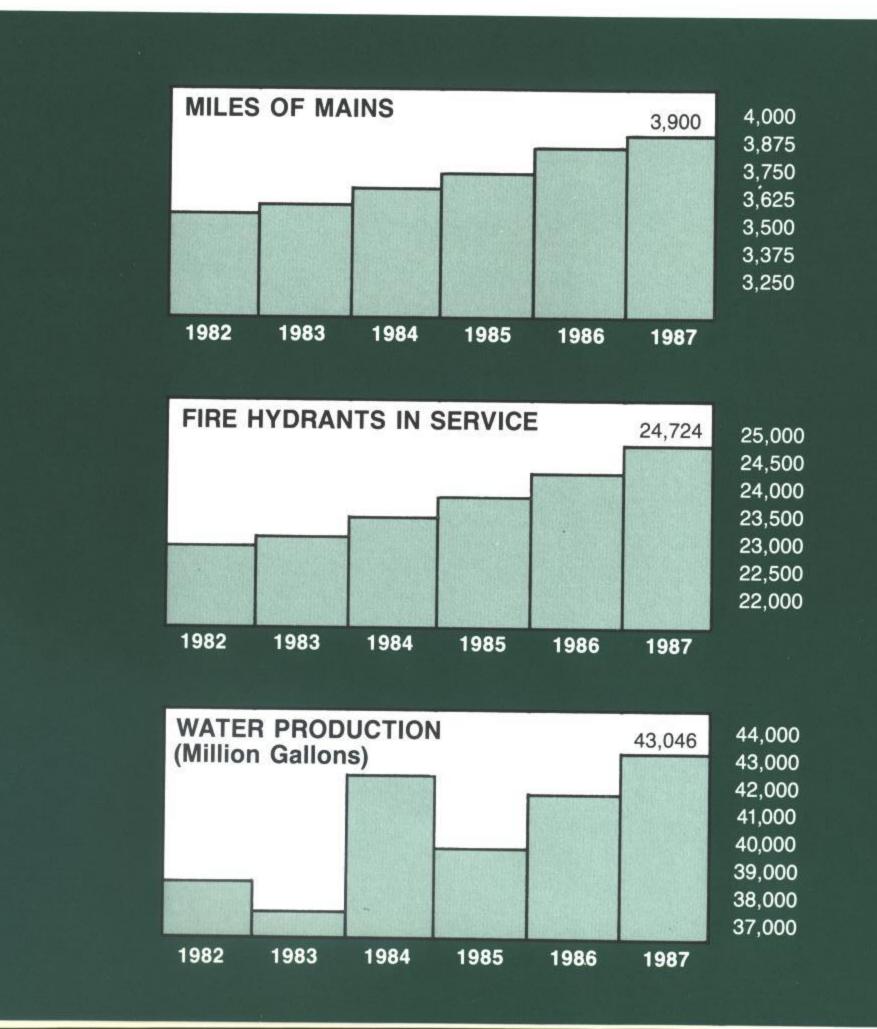
AS OF MAY 31, 1986 □

AS OF MAY 31, 1987

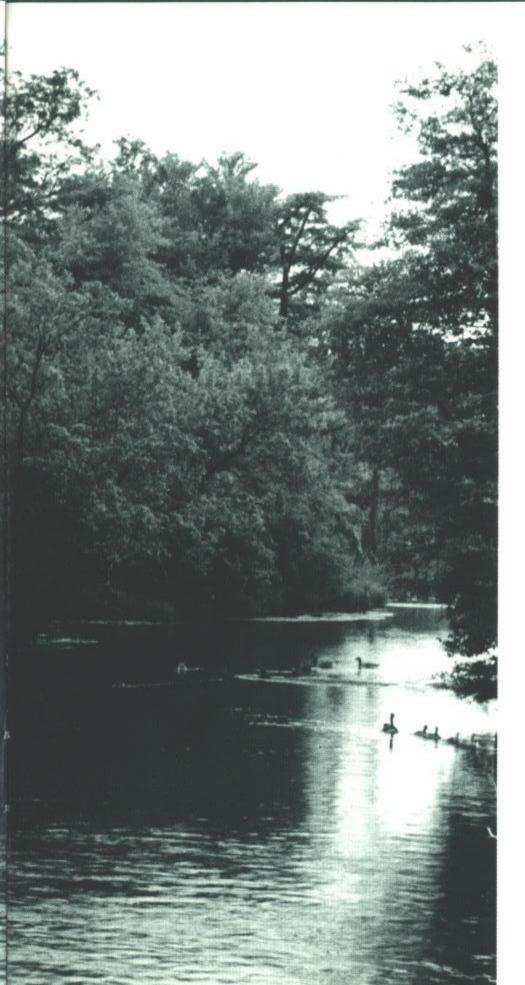
| Service | | | | | | Pum | ping Plan | ts | | Stora | ge Facilit | | | |
|-----------------|------------|-----|-------------|------|-----|-----|---------------------|---------|----|---------|------------|-----------------|---------|---------|
| Areas or Plants | Areas or W | | lls Inac | tive | Num | | Capacity Gallons | Number | | 1,000 (| Gallons | Active Services | | |
| Babylon | 48 | 48 | 8 | 8 | 19 | 19 | 82,102 | 82,102 | 8 | 8 | 7,515 | 7,515 | 54,893 | 55,653 |
| Bay Shore | 49 | 51 | 13 | 12 | 20 | 20 | 83,722 | 87,163 | 7 | 7 | 6,012 | 6,012 | 48,024 | 48,510 |
| Patchogue | 66 | 61 | 7 | 7 | 27 | 25 | 110,592 | 102,096 | 11 | 11 | 11,465 | 11,465 | 52,131 | 53,442 |
| Huntington | 53 | 54 | 3 | 2 | 21 | 21 | 64,886 | 66,614 | 11 | 11 | 11,842 | 11,842 | 28,880 | 29,184 |
| Pt. Jefferson | 69 | 72 | 1 | 1 | 28 | 29 | 109,901 | 114,365 | 7 | 7 | 7,404 | 7,404 | 34,880 | 35,959 |
| Smithtown | 48 | 48 | 3 | 3 | 21 | 21 | 83,578 | 83,578 | 6 | 6 | 6,100 | 6,100 | 23,772 | 24,174 |
| Westhampton | 23 | 27 | - | | 7 | 9 | 16,524 | 21,780 | 4 | 4 | 3,350 | 3,350 | 9,301 | 11,284 |
| East Hampton | 32 | 34 | 2 | 2 | 18 | 18 | 22,860 | 24,588 | 5 | 5 | 5,720 | 5,720 | 10,948 | 11,248 |
| Totals | 388 | 395 | 37 | 35 | 161 | 162 | 574,165 | 582,286 | 59 | 59 | 59,408 | 59,408 | 262,829 | 269,454 |

^{*}Based on 24-hour operation and on actual capacity of pumping equipment for active wells.

DATA COLLECTION







KEEPING DACE WITH SUFFOLK COUNTY 1977/1987

| | For Fiscal Year | Ended May 31 | Ten-Year | Percent |
|--|-----------------|--------------|-------------|----------|
| STATISTICS | 1987 | 1977 | Growth | Increase |
| Customers | 269,454 | 224,252 | 45,202 | 20% |
| Population Served | 920,000 | 785,000 | 135,000 | 17% |
| Miles of Pipelines | 3,900 | 3,316 | 584 | 18% |
| Fire Hydrants | 24,724 | 21,311 | 3,413 | 16% |
| Water Pumped (Million Gallons) | 43,046 | 33,874 | 9,172 | 27% |
| Employees | 486 | 426 | 60 | 14% |
| FINANCIAL | | | | |
| Gross Revenues | 56,754,000 | 23,735,000 | 33,019,000 | 139% |
| Water Plant at Cost | 355,113,000 | 208,193,000 | 146,920,000 | 71% |
| Bonded Indebtedness Total Earnings Employed In the Business at the Close | 166,390,000 | 121,784,000 | 44,606,000 | 37% |
| of Period | 92,562,000 | 48,906,000 | 43,656,000 | 89% |

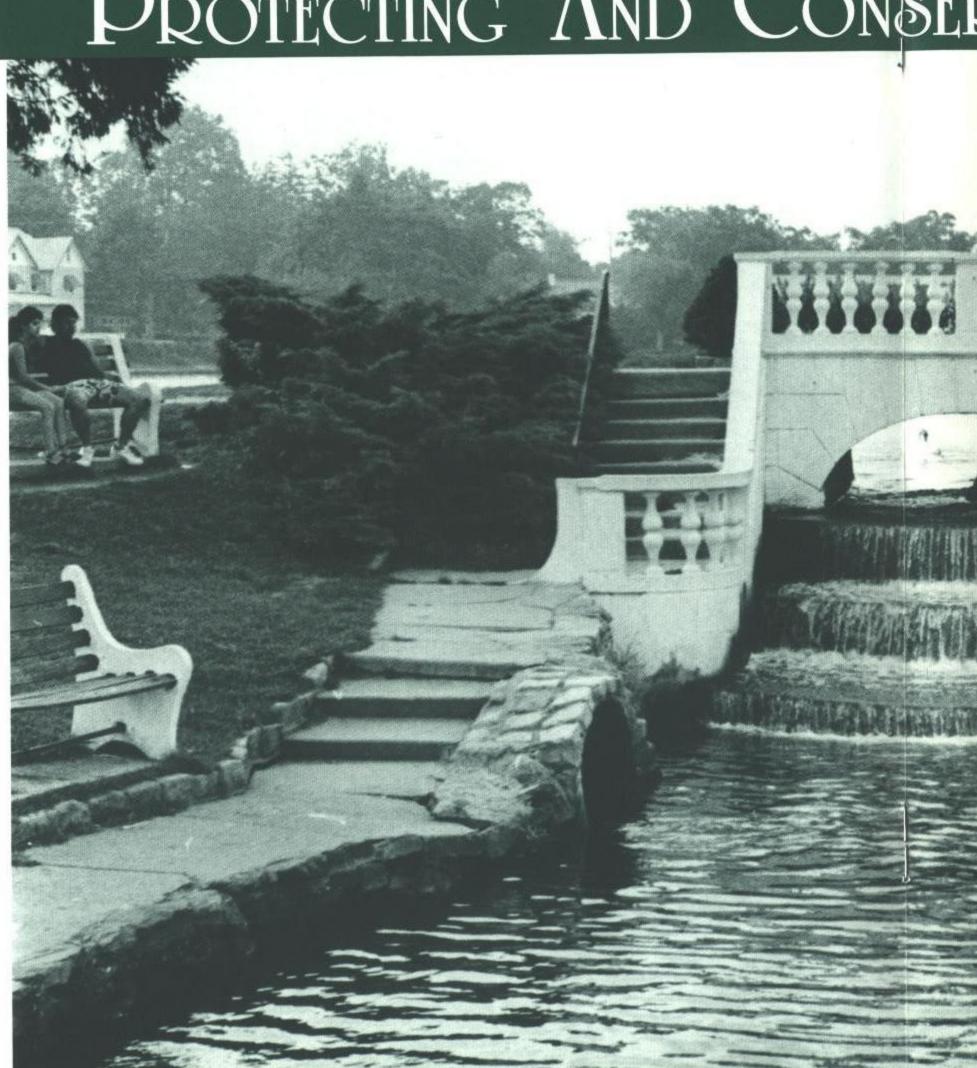
PROTECTING AND CONSEL

The Suffolk County Water Authority has a critical mission. Our primary objective is to help preserve and protect the drinking water supply for the people of Suffolk County and their children-and for those generations yet unborn.

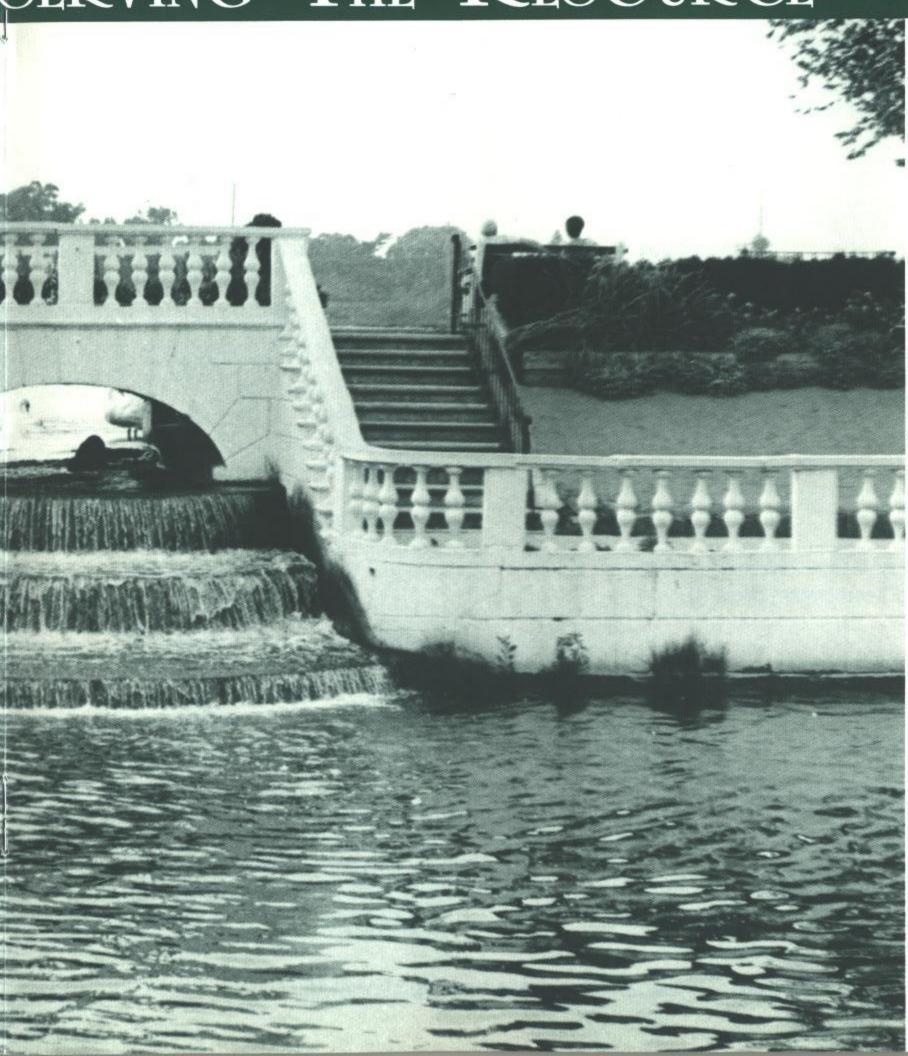
The water we deliver to our customers is of excellent quality, meeting all local, state, and federal standards or guidelines. We do, however, have a concern about the quality and quantity of our future water supply. To prevent the contamination of water production areas, the Authority is promoting protective measures for areas like the Pine Barrens, particularly in eastern Suffolk County.

Planning and research continue to be watchwords at the Suffolk County Water Authority. However, under the direction of a new board, increased emphasis has been placed on educating our customers and fostering and supporting governmental initiatives that protect this vital resource. A good example of this symbiotic relationship was demonstrated when the Water Authority informed its consumers about a pending public referendum that would have direct bearing on the water resources of the County. This proposition, which required the approval of the public and, thereafter, the approval of state government, authorizes funding that permits County government to acquire 30,000 acres of essential Pine Barrens watersheds for preservation purposes. In addition, the proposal designates a portion of the funding for the extension of public water mains to contaminated areas, improvements for waste water treatment plants, and for several other environmental incentives. On November 3, 1987, the voters of Suffolk County overwhelmingly approved the proposition in question, and the results were sent to the State for action. Governmental initiatives like the aforementioned enhance the Authority's ability to deliver clean affordable water to our customers.

Consistent with public education and outreach,



SERVING THE RESOURCE



the Board sanctioned the development of a comprehensive conservation program. In view of the fact that problems related to water quantity have arisen in certain areas of the County such as Southold, Shelter Island, the Montauk peninsula and North Haven, it is necessary to develop programs to save water. However, conservation programs can also benefit those not experiencing deficiencies. Although the Authority depends entirely on resources generated by its users as its only supply of revenues, each gallon saved would mean water is available for other use without the need to install costly new wells or construct expensive water towers.

Furthermore, residents can save on the cost of their water bill, and derive other benefits, such as energy savings. It is the Suffolk County Water Authority's belief that **education** is the key element upon which we can build an effective water conservation program.

In the early summer of 1987, the "Watershed Protection Committee" was formed. This committee, composed of three members of the board, meets regularly with an advisory board representing state, county, town environmental and health agencies, community-based environmental organizations and Water Authority department heads. The primary purpose of this committee is to develop a Watershed Protection Strategy that can become the management blueprint for actions and policies of the Suffolk County Water Authority for years to come.

Encouraging appropriate land use policies, advocating land acquisitions in critical areas, formulating effective conservation measures and promoting high standards of watershed protection are important initiatives that the Suffolk County Water Authority has embraced in order to ensure a plentiful, economic and safe source of water for our consumers now and for future generations.



To the Members of Suffolk County Water Authority

In our opinion, the accompanying balance sheet 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, 1987 and 1986, 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.

Jericho, New York July 28, 1987 Price Waterhouse

STATEMENT
OF
REVENUE
AND
AND
REVENUE
INVESTED IN
FACILITIES

| | | ear ended 31, |
|--|--------------------------------|------------------|
| | 1987 | 1986 |
| Revenues: | | |
| Operating | \$53,208,000 | \$42,339,000 |
| Interest | 3,546,000 | 3,584,000 |
| Total revenues | 56,754,000 | 45,923,000 |
| Operating expenses: | | |
| Operations | 23,438,000 | 22,871,000 |
| Maintenance | 5,104,000 | 5,040,000 |
| Total operating expenses, except depreciation deducted below | 28,542,000 | 27,911,000 |
| Revenue before interest and depreciation (Note 4) | 28,212,000 | 18,012,000 |
| Deduct: | | |
| Interest expense | 9,249,000 | 8,638,000 |
| Amortization of debt discount and expense | 177,000 | 179,000 |
| Depreciation | 6,438,000 | 6,022,000 |
| | 15,864,000 | 14,839,000 |
| Revenue before extraordinary item | 12,348,000 | 3,173,000 |
| Extraordinary item- | and a management of the second | |
| Loss on refunding of Water Works | | |
| Revenue Bonds (Note 3) | 5,858,000 | · |
| Revenue invested in facilities: | | |
| For the year | 6,490,000 | 3,173,000 |
| At beginning of year | 86,072,000 | 82,899,000 |
| At end of year | \$92,562,000 | \$86,072,000 |

The accompanying notes are an integral part of these financial statements.

| | May | 31, |
|---|--|---|
| | 1987 | 1986 |
| ASSETS Water plant, at cost less accumulated depreciation (Note 2) | \$290,764,000 | \$272,980,000 |
| Funds held by Fiscal Agent: New construction fund | 2,979,000 | 2,304,000 |
| Debt service reserve fund (Note 4) | 14,262,000 | 13,144,000 |
| | 36,388,000 | 15,448,000 |
| Current assets: | | |
| Cash (including \$2,559,000 in 1987 and \$1,930,000 in 1986 | | |
| in interest bearing accounts) | 2,679,000 | 2,055,000 |
| Short-term investments | 00 400 000 | 25,400,000 |
| Additional funds held by Fiscal Agent: | | 2 8 |
| General Fund | 95,000 | 100,000 |
| Debt service fund, cash | | 7,047,000 |
| Accounts receivable, less allowance for doubtful accounts of | -,,- | Const. # Const. as activity and a requirement |
| \$412,000 in 1987 and \$366,000 in 1986 | 3,950,000 | 3,328,000 |
| Interest and other receivables | 400 000 | 370,000 |
| Accrued fire protection revenue | | 1,027,000 |
| Materials and supplies, at average cost | | 1,931,000 |
| | 700 000 | 1,475,000 |
| Total current assets | | 42,733,000 |
| | | |
| Deferred charges: | 2,958,000 | 3,045,000 |
| Unamortized debt discount and expense | | 261,000 |
| Other | 3,520,000 | 3,306,000 |
| | \$373,164,000 | \$334,467,000 |
| CAPITALIZATION AND LIABILITIES Capitalization: Water Works Revenue Bonds, less current portion (Note 3) | \$163 170 000 | \$141,485,000 |
| | | 67,532,000 |
| Contributions in aid of construction | | 86,072,000 |
| Revenue invested in facilities Total capitalization | | 295,089,000 |
| | 000,001,000 | |
| Current liabilities: | 3,220,000 | 2,695,000 |
| Current maturities of Water Works Revenue Bonds (Note 3) | | 2,111,000 |
| Accounts payable | | 4,399,000 |
| Accrued interest | | 4,933,000 |
| Accrued retirement contributions | | 3,135,000 |
| Other accrued liabilities | | 3,427,000 |
| Customer deposits | | |
| Total current liabilities | Control of the Contro | 20,700,000 |
| Advances for construction | | 18,678,000 |
| Commitments (Note 5) | \$373,164,000 | \$334,467,000 |
| The accompanying notes are an integral part of these financia | | |

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

STATEMENT OF CHANGES IN FINANCIAL POSITION

| | Year en | ded May 31, |
|---|----------------------|---------------------------|
| | 1987 | 1986 |
| Financial resources were provided by: | | |
| Operations Revenue invested in facilities | 6,615,000 | \$ 3,173,000 6,201,000 |
| Less—capitalized interest | | (170,000) |
| Working capital provided by operations | 55,140,000 | 9,204,000 |
| of \$133,000 in 1987 and \$203,000 in 1986 Decrease in funds held by Fiscal Agent for new construction, | | 10,821,000 |
| debt service reserve and bond proceeds funds | | 9,700,000 |
| | 78,826,000 | 29,725,000 |
| Financial resources were used for: | | |
| Additions to water plant, net of retirements | | 22,715,000 2,695,000 |
| Increase in funds held by Fiscal Agent for new construction, debt service reserve and bond proceeds funds | 20,940,000 | 66,000 |
| | 78,796,000 | 25,476,000 |
| Increase in working capital | | \$ 4,249,000 |
| CHANGES IN ELEMENTS OF WORKING CAPITAL | | |
| Increase (decrease) in current assets: | | |
| Cash | \$ 624,000 | \$ 48,000 |
| Short-term investments | (1,934,000) | 4,670,000 |
| Accounts receivable | 1,168,000 622,000 | 531,000 488,000 |
| Interest and other receivables | (201,000) | 159,000 |
| Accrued fire protection revenue | 74,000 | 62,000 |
| Materials and supplies | 159,000 | 317,000 |
| Prepayments | | 1,002,000 |
| | (241,000) | 7,277,000 |
| (Increase) decrease in current liabilities: | | |
| Current maturities of Water Works Revenue Bonds | (525,000) | (315,000) |
| Accounts payable | 1,128,000 | (1,531,000) |
| Accrued interest | (646,000) | (221,000) |
| Accrued retirement contributions | 798,000 | (58,000) |
| Other accrued liabilities | (214,000) | (779,000) |
| Customer deposits | (270,000) | (124,000) |
| | | (2 000 000) |
| Increase in working capital | 271,000 | (3,028,000) |

The accompanying notes are an integral part of these financial statements.

NOTE 1—Summary of Significant Accounting Policies:

Suffolk County Water Authority (the "Authority") is a public benefit corporation that was created by resolution of the Suffolk County Board of Supervisors in 1937 with a two-fold purpose. The first was to acquire, construct, maintain and operate a public water supply for Suffolk County. The second was to develop a single integrated public water supply and distribution system to serve all of Suffolk County. The accounts of the Authority are maintained generally in accordance with the Uniform System of Accounts prescribed by the New York State Public Service Commission (PSC), although the Authority is not subject to PSC rules and regulations. The Authority establishes rates for which it is not required to obtain approval from the PSC.

Water Plant

Water plant is carried at original cost, including the cost of purchased and contributed property. The capitalized cost of additions to water plant includes charges for indirect costs such as construction period interest, 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 costs of repairs, minor betterments and renewals are charged to maintenance expense as incurred. The Authority does not credit water plant for contributions in aid of construction.

Depreciation

Depreciation of water plant is provided on the straight-line basis using a composite annual rate 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. Substantially all funds held by the Fiscal Agent are invested principally in certificates of deposit, repurchase agreements and other interest bearing accounts. All such investments mature within one year.

A portion of this restricted cash represents monies received from the New Construction Fund held by the Fiscal Agent to be used solely for new construction. In addition, the Bond Proceeds Fund, Debt Service Reserve Fund and Debt Service Fund are similarly restricted.

Short-term Investments

At May 31, 1987, the Authority has invested \$23,466,000 of its operating funds in certificates of deposit, treasury bills and repurchase agreements, with interest rates that range from 5.50% to 7.00%, that mature at various dates through August 26, 1987. The Authority generally holds such short-term investments until maturity.

Revenue

Billings for water service are generally rendered on a quarterly cycle basis except for fire protection revenues which are billed semi-annually in arrears on June 30 and December 31. The Authority accrues for unbilled fire protection service; 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, as determined by New York State to the New York State Employees' Retirement System to provide retirement benefits for substantially all of its employees. The total provision for pension costs amounted to \$1,361,000 and \$2,097,000, of which \$612,000 and \$639,000 were capitalized in water plant accounts, in 1987 and 1986, 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 estimated cost of new main installations. Upon completion of construction, the developer is either billed or refunded the differences between the advance and the actual cost. The resulting net completed cost is transferred to Contributions in Aid of Construction. Other construction loan contracts are written for a five year period and provide for refunding a percentage of revenue collected from these projects which is charged to the original advance. The resulting net balance at the expiration of the contract is transferred to Contributions in Aid of Construction (\$3,746,000—1987; \$3,967,000—1986).

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 commercial customers and large users. No interest is paid on such deposits.

During the 1986 and 1985 fiscal years, the Authority adopted resolutions to refund deposits received from residential customers prior to June 1, 1984 and June 1, 1983, respectively. Accordingly, \$150,000 was authorized to be refunded to customers under these resolutions in both 1987 and 1986. Actual refunds paid under these resolutions were \$100,000 and \$78,000, respectively.

NOTES TO FINANCIAL STATEMENTS MAY 31. 1987 AND 1986

NOTE 2—Water Plant

| NOTE 2—water Pla | 11.000 | ıy 31, |
|--|--------------|---------------|
| | 1987 | 1986 |
| Land and land rights Wells, reservoirs and | \$ 6,428,000 | \$ 6,243,000 |
| structures | 56,542,000 | 54,320,000 |
| equipment | 16,993,000 | 16,334,000 |
| Distribution systems | 245,346,000 | 227,860,000 |
| Other | 5,981,000 | 4,874,000 |
| Water plant in service | 331,290,000 | 309,631,000 |
| Construction in progress | 23,823,000 | 21,628,000 |
| Water plant, at cost Less—Accumulated | 355,113,000 | 331,259,000 |
| depreciation | 64,349,000 | 58,279,000 |
| Net water plant | | \$272,980,000 |

NOTE 3—Water Works Revenue Bonds

| | | Final | | N | May 31, |
|-------------|------------------|------------------|-------|-----------|---------------|
| Series | Interest Rate | Maturity Date | | 1987 | 1986 |
| B-D | 3.50% | 1988 | \$ | 225,000 | \$ 330,000 |
| F | 4.10-4.50% | 1998 | 0.000 | 4,175,000 | 4,500,000 |
| G | 4.00-4.10% | 2000 | | 3,630,000 | 3,730,000 |
| Н | 3.25-3.40% | 2001 | | 4,715,000 | 4,785,000 |
| 1 | 3.25-3.50% | 2002 | 1 | 0,100,000 | 10,550,000 |
| J | 0.10-4.00% | 2002 | | 9,030,000 | 9,475,000 |
| K | 4.10-4.50% | 2002 | | 7,920,000 | 8,240,000 |
| L | 5.00-8.00% | 2003 | | 8,300,000 | 8,550,000 |
| M | 6.25-6.50% | 2005 | | 6,000,000 | 6,000,000 |
| N | 5.00-6.50% | 2006 | | 8,990,000 | 9,110,000 |
| 0 | 5.50-7.00% | 2007 | 1 | 2,190,000 | 12,280,000 |
| Q | 5.75-7.25% | 2008 | 1 | 1,695,000 | 11,825,000 |
| R | 5.50-7.00% | 2010 | 1 | 4,970,000 | 15,050,000 |
| R S T | 7.875% | 2010 | | 6,000,000 | 6,000,000 |
| T | 9.10% | 2011 | | 635,000 | 15,890,000 |
| U | 7.80-12.00% | 2012 | | 2,585,000 | 17,865,000 |
| V | 6.70-9.00% | 2012 | 2 | 4,000,000 | |
| W | 6.00-9.00% | 2012 | 3 | 1,230,000 | |
| | tal bonds outsta | | 16 | 6,390,000 | 144,180,000 |
| | and redemptions | | | 3,220,000 | 2,695,000 |
| | | | | 3,170,000 | \$141,485,000 |

The Authority's debt consists principally of serial bonds which usually mature in increasing annual installments. The Series M bonds mature \$2,000,000 annually from 2003 to 2005. The Series S bonds mature annually in various amounts from 2008 to 2010. After certain dates, the serial bonds are redeemable in the inverse order of their maturity at varying prices in excess of principal amounts depending upon their redemption date. Bond maturities over the next five years are as follows:

| Fisca | 1 | Y | 'e | 3 | ır | | | | | | Amoun |
|-------|---|---|-----------|---|------|--|--|--|--|--|-------------|
| 1988 | - | | 2 | | × | | | | | | \$3,220,000 |
| 1989 | | | | | · (* | | | | | | 3,420,000 |
| 1990 | | | | | | | | | | | 3,585,000 |
| 1991 | | | | | | | | | | | . 3,765,000 |
| 1992 | | | | | | | | | | | 3,955,000 |

In August 1986, the Authority issued \$24,000,000 of Series V Water Works Revenue Bonds at interest rates of 6.70-9.00%.

In November 1986, the Authority issued \$31,230,000 of Series W Water Works Revenue Refunding Bonds at interest rates of 6.00-9.00% for the purpose of advance refunding of \$15,195,000 of its Series T Bonds and \$15,130,000 of its Series U Bonds. The net proceeds of the refunding bonds together with \$4,444,000 from the Authority's operating funds were used to purchase noncallable U.S. Treasury Securities in an amount sufficient, together with the interest to accrue thereon, to pay the redemption price, including accrued interest, on June 1, 1993 and June 1, 1995, of the Series T and Series U bonds to be refunded, respectively. Such securities were deposited with U.S. Trust Company of New York, as escrow agent under a Refunding Trust Agreement with the Authority, to be applied solely to the payment of the redemption price of and interest on the refunded bonds. As a result of this advance refunding, the Authority recognized an extraordinary loss of \$5,858,000 in fiscal 1987 which represented the difference between the net carrying value of the Series T and U bonds and the sum of the net proceeds of the Series W Refunding Bonds and the operating fund contribution of \$4,444,000. The Authority anticipates, however, that such refunding will provide an annual average savings in excess of \$550,000 through 2011.

NOTE 4—Debt Service Requirements

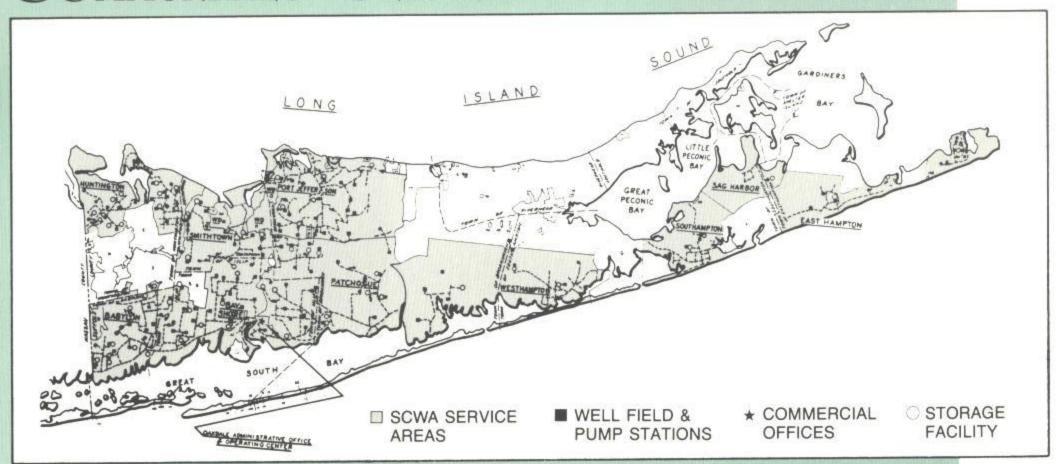
As prescribed in the Authority's Resolution, a minimum Debt Service Reserve Fund balance is to be maintained which is the greater of one and one-half years' interest on the outstanding bonds or the maximum annual future requirement for the payment of interest, serial bonds and Sinking Fund requirements. The required balance amounted to \$14,261,000 at May 31, 1987.

Debt service requirements for the payment of interest and principal on outstanding bonds at May 31, 1987 approximate \$12,950,000 in each of the next five years. Revenue before interest and depreciation was equivalent to 2.22 times (1.57 in 1986) the debt service requirement for the year ended May 31, 1987.

NOTE 5—Commitments

The Authority authorized a capital improvement construction budget for the fiscal year ending May 31, 1988 of approximately \$29,295,000. A substantial portion of this amount has been committed at May 31, 1987.

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
Oakdale
West Bay Shore
West Islip

CENTER MORICHES DISTRICT

Center Moriches
East Moriches
Manorville
Mastic
Mastic Beach
Moriches
Shirley
South Ridge

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

PATCHOGUE DISTRICT

Bayport Bellport Blue Point Bohemia Brookhaven Coram East Holbrook East Patchogue Farmingville Gordon Heights Holbrook Holtsville Lakeland Lake Ronkonkoma Medford North Bellport North Patchogue Patchogue Ronkonkoma Sayville Selden South Centereach South Holbrook South Yaphank West Bellport West Ronkonkoma

PORT JEFFERSON DISTRICT

Belle Terre

Centereach Coram East Setauket Lake Grove Middle Island Miller Place Mount Siani North Centereach North Selden Poquott Port Jefferson Port Jefferson Station Ridge Rocky Point Setauket South Setauket Sound Beach South Stony Brook Stony Brook Terryville

EAST HAMPTON DISTRICT

Amagansett
East Hampton
Freetown
Montauk
North Sea
Sag Harbor
Southampton

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

East Quogue
Quiogue
Quogue
Westhampton
Westhampton Beach

*-Included in Wholesale Water District

West Sayville

Yaphank

SUFFOLK COUNTY WATER AUTHORITY

