

## **AUTHORITY MEMBERS**



Left to right Michael E.White; Leon J. Campo, Chairman; James T.B. Tripp, Esq.; Melvin M. Fritz, D.O.M.D. and Matthew B. Kondenar, Secretary.

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

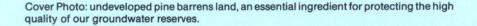
United States Trust Company of New York Fiscal Agent

Price Waterhouse Independent Accountants

Prudential-Bache Securities, Inc. Financial Consultant

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









Leon J. Campo

...Two roads diverged in a wood and we
We took the one less traveled by,
And that has made all the difference.
Robert Frost

## CHAIRMAN'S MESSAGE

Ralph Waldo Emerson, the poet and naturalist, wrote in the Conduct of Fate, "What we call results are beginnings," and it is with that thought in mind that I reflect upon the positive accomplishments of the Suffolk County Water Authority. During this past year, there have been

many beginnings!

In May of 1987, the Suffolk County Legislature brought together five individuals of divergent backgrounds to serve as Board Members of the Authority. The Legislature emphasized an expectation of a revitalized Water Authority which stressed protection, management, and conservation of the public's water supply. Although the Water Authority is an adequate purveyor of water, constructs a predictable amount of miles of pipeline each year and makes an adequate investment in well sites and backbone plant, it historically failed to address the rapid degradation of the water source attributable to the everincreasing expansion and development of the region. The new Board understands that we cannot be a "silent service" but rather a bold initiator to protect the watershed. It is our objective to provide the necessary leadership that will help to ensure a safe and dependable supply of water for this and future generations of consumers. While we recognize that our actions are vital to this important mission, we also realize that only through a concerted effort of all segments of the Suffolk County community will we succeed.

I am proud of the strides we have made during this last year to protect the water supply. With the establishment of a Watershed Oversight and Protection Program and the input and encouragement of a watershed committee composed of volunteers from government agencies and community groups, and the cooperation of the public

at large, we are on the move!

For the first time in its 36

For the first time in its 36-year history, the Authority has established an ongoing land acquisition program to better protect our well sites while removing key lands in the recharge area from development. Our initial appropriation of two million dollars is modest, however, we believe these funds will "challenge" government at every level to aggressively act to purchase vulnerable parcels of land. For example, the Authority has committed for one year's time one million dollars of this fund toward the joint purchase of Hither Woods, a 777-acre watershed located in East Hampton. The Authority has identified six potential well sites on this parcel



### CHAIRMAN'S MESSAGE (CONTINUED)

that are critical in serving the Montauk Peninsula. Future appropriations for our land acquisition program will be determined by need.

Once it is fully implemented, the incorporation of a computer based Geographic Information System, recently approved by this Board, will enable us to more effectively protect and manage the water supply. This system will allow the Authority to develop a data base that will give us a greater understanding of groundwater conditions thereby helping us to make judgements that will protect the consumer. With this new system, we will be capable of anticipating problems and alleviating them through prevention rather than remediation. Additionally, the GIS will aid us in pinpointing and responding to customer complaints, as well as to plan, construct and operate the water-distribution system on a day-to-day basis.

In March of 1988, we launched a conservation program which will accrue to the benefit of our customers, the Water Authority, and the County as a whole, both in economic and environmental terms. As a first step, we have begun a public awareness campaign, utilizing billing inserts and public service radio spots that alert our consumers as to the importance of conservation and how they can contribute to the effort. Community information is now an ongoing responsibility of the Water Authority. Additional actions to conserve this vital resource are currently under

consideration.

An essential component of Authority operations is the careful monitoring of the quality of the water we deliver. In the last year, our laboratory, which has the capability of testing for 100 compounds, has analyzed an overwhelming 23,000 water samples--an increase of some 5,000 water samples in just one year's time! To meet this tremendous demand, a new and expanded laboratory, in the planning stage, will incorporate the best technology available. Additionally, this laboratory is being designed to enhance our public information efforts.

Of the approximately 79,000 private wells in Suffolk County, more than 30,000 are in Brookhaven Town. Under the revised New York State Water Quality Standards, some 20 percent of these are considered "imperiled". It is estimated that a minimum of 10 percent of these wells will fall into this "danger zone" on an annual basis. In order to meet the pressing need for public water, the Authority is planning a major increase in pipeline construction. We anticipate a doubling of our current water main installations in coming

In order to more readily enable those residents threatened by sub-standard well water to obtain public water, the Authority shares, with the consumer, the cost associated with extending the system. In furtherance of this commitment, the Board adopted a "75 foot rule" to replace the "50 foot rule" which reduces the cost of connecting to the public water system by 50 percent. This action will benefit thousands of homeowners!

The Water Authority played an aggressive role in removing obstacles in the way of bringing public water to two areas of Rocky Point where private wells had been declared unusable. Both these projects, Rocky Point I and II, were earmarked for Superfund monies but had been delayed by bureaucratic red tape until the Water Authority intervened on the community's behalf. This Board feels strongly that as a public agency, we must act aggressively in the public's interest.

In March of 1988, the acquisition of the Captain Kidd Water Company was finalized and the necessary improvements completed. This facility, located in Southold, now meets the standards of all the other Authority operations.

In response to a great public need, the Authority has acquired the North Shore Water Company for 1.8 million dollars. This company, located in Rocky Point, serves 1500 families and has been the subject of vociferous criticism from its customers and from government officials. As Chairman, I entered into direct negotiations with the owner of this facility and we arrived at a fair purchase price that avoided surcharges to these customers.

The huge gasoline spill in East Setauket caused by Northville Industries represents an intolerable threat to our water source. As a result of this one-million-gallon gasoline spill, the Authority is now engaged in a stepped-up monitoring program of the well fields in the affected area. We advocate the installation of monitoring wells between the spill and our wells, a more aggressive recovery effort at the site and more stringent regulations to prevent an accident of this magnitude from recurring.

While taking steps forward to ensure the quality and quantity of the public water system, we have not ignored other important aspects of the Authority's operations. We have established high standards of work performance and public service for our employees as well as the firms

with which we do business. We continue to review internal management practices and future personnel and space requirements.

As a result of a complete review of our insurance program, we implemented a number of changes that included a "hands on" appraisal of all of our facilities, a comprehensive bid process and the introduction of self-insurance. With these new approaches, the Authority realized annual savings of approximately \$600,000.

By commencing legal action against four well drilling companies convicted of bid-rigging, the Board sent a strong, clear message to those who do business with the Authority. The Suffolk County Water Authority will not tolerate fraud perpetrated against the public we serve! We are seeking treble damages under provisions of the Racketeer Influenced Corrupt Organizations (RICO) and federal anti-trust laws.

This Board, unlike any in the past, is striving to revitalize the Water Authority to protect the water source — second to none! — to promote conservation of the precious resource — second to none! — to meet the needs of those with imperiled water supplies by responding quickly and affirmatively — second to none! Our goals are to ensure an adequate supply of clean and affordable water for this and coming generations of Suffolk County residents. This last year saw many "beginnings" toward these goals and we are grateful to the Suffolk County Legislature for giving us this significant opportunity to serve the people.

Thank you.

Leon J. Campo Chairman



## HIGHLIGHTS

		May 3	31
	1988		1987
Total Revenues\$	58,345,000	\$	56,754,000
Operating and Maintenance			
Expense except depreciation	32,995,000		28,542,000
Interest on Bonds and Notes;			
including amortization of			
debt discount and expense	9,516,000		15,284,000
Depreciation	6,929,000		6,438,000
Revenues Invested in			
Facilities for the year	8,905,000		6,490,000
Revenues Invested in Facilities			
(since June 1, 1951)	101,467,000		92,562,000
Total Water Plant at Cost	386,625,000		355,113,000
Net Additions to Water Plant	31,512,000		23,854,000
Customers (Active Services)	275,944		269,454
Miles of Main in Service	4,012		3,900
Fire Hydrants in Service	25,462		24,724
Water Production			
(Million Gallons)	45,513		43,046



## PLANT FACILITIES

	AS OF MAY 31, 1987  AS OF											MAY 31	, 1988	
Service						Pumping Plants  Capacity - 1,000  No. Gallons Daily*				Sto	orage Faci			
Areas or Plants	Ac	tive	Inac	tive	No.						1,000 Ga	Active Services		
BABYLON	48	45	8	5	19	19	82,102	80,780	8	8	7,515	7,515	55,653	56,342
BAY SHORE	51	52	12	9	20	20	87,163	89,395	7	7	6.012	6.012	48,510	49,093
PATCHOGUE	61	72	7	1	25	27	102,096	117,000	11	11	11,465	11,465	53,442	55,022
HUNTINGTON	54	54	2	2	21	21	66,614	66,528	111	11	11.842	11,842	29.184	29,424
PT. JEFFERSON	72	70	1	0	29	28	114,365	113,112	7	7	7.404	7,404	35,959	36,842
SMITHTOWN	48	47	3	1	21	21	83,578	84,096	6	6	6.100	6,100	24.174	24,615
WESTHAMPTON	27	31	_	0	9	11	21,780	24,624	4	4	3,350	3,350	11.284	13,461
EAST HAMPTON	34	35	2	0	18	18	24,588	24,336	5	5	5.720	5.720	11,248	11,145
TOTALS	395	406	35	18	162	165	582,286	599,871	59	59	59,408	59,408	269,454	275,944

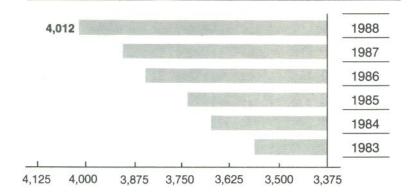
<sup>\*</sup>Based on 24 hour operation and on actual capacity of pumping equipment for active wells.

## KEEPING PACE WITH SUFFOLK COUNTY 1978/1988

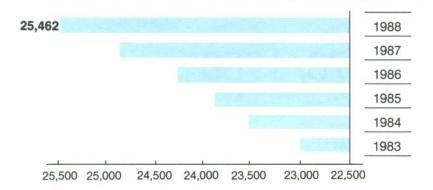
		Fiscal Year ed May 31	10-Year	Percent
STATISTICS	1988	1978	Growth	Increase
Customers	275,944	227,919	48,025	21%
Population Served	941,000	828,000	113,000	14%
Miles of Main	4,012	3,354	658	20%
Fire Hydrants	25,462	21,541	3,921	18%
Water Pumped	45,513	34,214	11,299	33%
Employees	521	418	103	25%
FINANCIAL				
Gross Revenues	58,345,000	25,755,000	32,590,000	127%
Water Plant at Cost	386,625,000	216,219,000	170,406,000	79%
Bonded Indebtedness	163,170,000	120,733,000	42,437,000	35%
Total Earnings in the Business at the Close				32.11
of Period	101,467,000	51,592,000	49,875,000	97%

## DATA COLLECTION

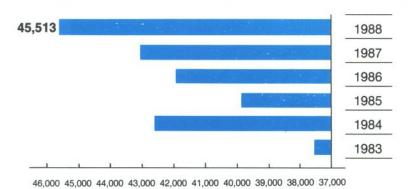
### MILES OF MAINS

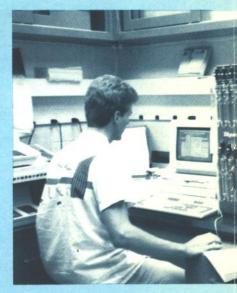


### FIRE HYDRANTS IN SERVICE



## WATER PRODUCTION (Million Gallons)





Testing for volatile organic compounds a SCWA laboratory in Oakdale.



Certificates of Appreciation awarded to Advisory Watershed Committee members by Water Authority Board on May 31, 1988.



## SCWA WORKING FOR YOU



Chairman, Leon Campo, County Legislators Wayne Prospect and Edward Romaine, and Rocky Point community leaders look on as Anthony Sini signs agreement to sell North Shore Water Company to the SCWA.





Sarah Meyland, Director of Watershed Oversight & Protection, looks on as Allan Scott demonstrates the mapping capability of the new Geographic Information System (G.I.S.).



SCWA Chairman, Leon Campo, accepts plaque from Directors of the Nature Conservancy in recognition of the Authority's commitment to protect ecologically significant lands under their care.

# REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of Suffolk County Water Authority

In our opinion, the accompanying balance sheet and related statements of revenue and revenue invested in facilities and of changes in financial position present fairly, in all material respects, the financial position of Suffolk County Water Authority at May 31, 1988 and 1987, 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. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Jericho, New York July 27, 1988 Price Waterhouse

## STATEMENT OF REVENUE AND REVENUE INVESTED IN FACILITIES

	For the year ended May 31			
	1988		1987	
Revenues: Operating	54,209,000 4,136,000	\$	53,208,000 3,546,000	
Total revenues	58,345,000		56,754,000	
Operating expenses: Operations Maintenance	26,945,000 6,050,000		23,438,000 5,104,000	
Total operating expenses, except depreciation deducted below	32,995,000		28,542,000	
Revenue before interest and depreciation (Note 4)	25,350,000		28,212,000	
Deduct: Interest expense	9,341,000 175,000 6,929,000		9,249,000 177,000 6,438,000	
	16,445,000		15,864,000	
Revenue before extraordinary item  Extraordinary item - Loss on refunding of Water Works Revenue Bonds (Note 3)	8,905,000		12,348,000 5,858,000	
Revenue invested in facilities: For the year	8,905,000 92,562,000		6,490,000 86,072,000	
At end of year\$	101,467,000	\$	92,562,000	

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

## **BALANCE SHEET**

		31	
	1988		1987
ASSETS			
Water plant, at cost less accumulated depreciation			
(Note 2)	315,681,000	\$	290,764,000
Funds held by Fiscal Agent:			
New construction fund	6,802,000		2.979.000
Debt service reserve fund (Note 4)	14,263,000		14,262,000
Bond proceeds fund	9,147,000		19,147,000
	30,212,000		36,388,000
Current assets:			
Cash (including \$940,000 in 1988 and \$2,559,000			
in 1987 in interest bearing accounts)	4,750,000		2,679,000
Short-term investments	21,400,000		23,466,000
Additional funds held by Fiscal Agent:	- 1, 1 - 1, 1 - 1		
General Fund	138,000		95.000
Debt service fund, cash	8,160,000		8,220,000
Accounts receivable, less allowance for doubtful	-,,		0,220,000
accounts of \$372,000 in 1988 and \$412,000 in 1987	5,005,000		3,950,000
Interest and other receivables	240,000		169,000
Accrued fire protection revenue	1,287,000		1,101,000
Materials and supplies, at average cost	2,297,000		2,090,000
Prepayments	645,000		722,000
Total current assets	43,922,000		42,492,000
Deferred charges:			
Unamortized debt discount and expense	2,783,000		2,958,000
Other	883,000		562,000
	3,666,000		3,520,000
Ś	393,481,000	\$	373,164,000

#### **CAPITALIZATION AND LIABILITIES**

Capitalization:		
Water Works Revenue Bonds, less current		
portion (Note 3)	159,745,000	\$ 163,170,000
Contributions in aid of construction	81,493,000	79,322,000
Revenue invested in facilities	101,467,000	92,562,000
Total capitalization	342,705,000	335,054,000
Current liabilities:		
Current maturities of Water Works		
Revenue Bonds (Note 3)	3,425,000	3,220,000
Accounts payable	1,599,000	983,000
Accrued interest	4,783,000	5,045,000
Accrued retirement contributions	4,106,000	4,135,000
Other accrued liabilities	3,984,000	3,349,000
Customer deposits	3,734,000	3,697,000
Total current liabilities	21,631,000	20,429,000
Advances for construction		
Commitments (Note 5)	29,145,000	17,681,000
\$	393,481,000	\$ 373,164,000

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

## STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ende	d May	/ 31,
	1988		1987
Financial resources were provided by: Operations:			
Revenue invested in facilities	8,905,000	\$	6,490,000
Add - depreciation and amortization	7,104,000		6,615,000
Less - capitalized interest	(230,000)		(212,000)
Working capital provided by operations  Net proceeds from sale of Water Works	15,779,000		12,893,000
Revenue Bonds (Note 4)			55,140,000
net of refunds of \$163,000 in 1988 and \$133,000 in 1987  Decrease in funds held by Fiscal Agent for new	13,635,000		10,793,000
construction, debt service reserve and bond proceeds funds	6,176,000		
bond proceeds funds			70 000 000
F	35,590,000		78,826,000
Financial resources were used for: Additions to water plant, net of retirements  Current maturities and redemptions of	31,616,000		24,010,000
Water Works Revenue Bonds	3,425,000		33,545,000
bond proceeds funds			20,940,000
Other	321,000		301,000
	35,362,000		78,796,000
Increase in working capital\$	228,000	\$	30,000
Changes in Elements of Working Capital			
Increase (decrease) in current assets:			
Cash \$	2,071,000	\$	624,000
Short-term investments	(2,066,000)		(1,934,000)
Additional funds held by Fiscal Agent	(17,000)		1,168,000
Accounts receivable	1,055,000		622,000
Interest and other receivables	71,000		(201,000)
Accrued fire protection revenue	186,000		74,000
Materials and supplies	207,000		159,000
Prepayments	(77,000)		(753,000)
	1,430,000		(241,000)
(Increase) decrease in current liabilities:			
Current maturities of Water Works	120000		
Revenue Bonds	(205,000)		(525,000)
Accounts payable	(616,000)		1,128,000
Accrued interest	262,000		(646,000)
Accrued retirement contributions	29,000		798,000
Other accrued liabilities	(635,000)		(214,000)
Customer deposits	(37,000)		(270,000)
	(1,202,000)		271,000

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

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 1988 AND 1987

### 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 straightline 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, 1988, the Authority has invested \$21,400,000 of its operating funds in certificates of deposit, treasury bills and repurchase agreements, with interest rates that range from 6.15% to 7.40%, that mature at various dates through August 31, 1988. 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 \$1,674,000 and \$1,361,000, of which \$753,000 and \$612,000 were capitalized in water plant accounts, in 1988 and 1987, 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 difference 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 (\$5,733,000 - 1988; \$3,746,000 - 1987).

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 1988 and 1987. Actual refunds paid under these resolutions were \$98,000 and \$100,000, respectively.

### NOTE 2 - WATER PLANT

		May 31
	1988	1987
Land and land rights Wells, reservoirs and	\$ 6,488,000	\$ 6,428,000
structures Pumping and purification	58,264,000	56,542,000
equipment	17,826,000	16,993,000
Distribution systems	268,746,000	245,346,000
Other	15,096,000	11,784,000
Water plant in service Construction	366,420,000	337,093,000
in progress	20,205,000	18,020,000
Water plant, at cost Less - Accumulated	386,625,000	355,113,000
depreciation	70,944,000	64,349,000
Net water plant	\$ 315,681,000	\$ 290,764,000

### NOTE 3 -WATER WORKS REVENUE BONDS

				M	lay 31			
Series	Interest Rate	Final Maturit Date	у	1988		1987		
B-D	3.50%	1988	\$	115,000	\$	225,000		
F	4.10-4.50%	1998		3,850,000		4,175,000		
G	4.00-4.10%	2000		3,500,000		3,630,000		
H	3.25-3.40%	2001		4,645,000		4,715,000		
I	3.25-3.50%	2002		9,645,000		10,100,000		
J	0.10-4.00%	2002		8,570,000		9,030,000		
K	4.10-4.50%	2002		7,590,000		7,920,000		
L	5.00-8.00%	2003		8,040,000		8,300,000		
Μ	6.25-6.50%	2005		6,000,000		6,000,000		
Ν	5.00-6.50%	2006		8,860,000		8,990,000		
0	5.50-7.00%	2007		12,090,000		12,190,000		
Q	5.75-7.25%	2008		11,545,000		11,695,000		
R	5.50-7.00%	2010		14,890,000		14,970,000		
S	7.875%	2010		6,000,000		6,000,000		
Τ	9.10%	2011		570,000		635,000		
U	7.80-12.00%	2012		2,425,000		2,585,000		
٧	6.70-9.00%	2012		23,625,000		24,000,000		
W	6.00-9.00%	2012		31,210,000		31,230,000		
	bonds Outsta			163,170,000	183	166,390,000		
	redemption			3,425,000		3,220,000		
	-		\$	159,745,000	\$	163,170,000		

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:

Fiscal	Year					Amount
1989						\$3,425,000
1990						3,470,000
1991						3,765,000
1992						3,955,000
1993						4,160,000

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 non-callable 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 \$14,263,000 at May 31, 1988.

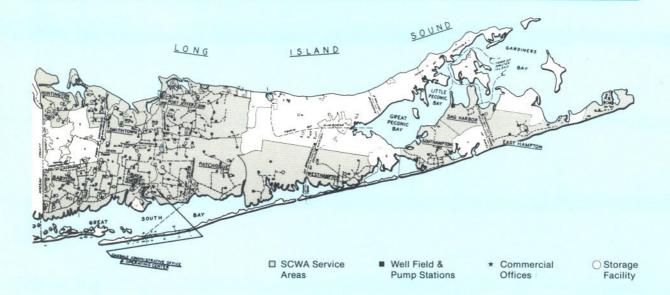
Debt service requirements for the payment of interest and principal on outstanding bonds at May 31, 1988 approximate \$12,931,000 in each of the next five years. Revenue before interest and depreciation was equivalent to 1.95 times (2.22 in 1987) the debt service requirement for the year ended May 31, 1988.

### NOTE 5 - COMMITMENTS

The Authority authorized a capital improvement construction budget for the fiscal year ending May 31, 1989 of approximately \$35,962,000. A substantial portion of this amount has been committed at May 31, 1988.

The Authority is obligated under several operating leases for offices and equipment which, in the aggregate, approximate \$2,200,000 and expire at various dates through 1993

## **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
Edgewood
East Islip
Great River
Islip
Islip Terrace
North Bay Shore
North Great River
Oakdale
West Bay Shore
West Islip

#### CENTER MORICHES DISTRICT

Center Moriches
East Moriches
Eastport
East Yaphank
Manorville
Mastic
Mastic Beach
Moriches
North Shirley
Shirley
South Ridge

## EAST HAMPTON DISTRICT

Amagansett
East Hampton
Freetown
Montauk
North Haven
North Sea
Sag Harbor
Southampton
Watermill

#### 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 Patchoque Farmingville Gordon Heights Hagerman Holbrook Holtsville Lakeland Lake Ronkonkoma Medford North Bellport

North Patchogue
Patchogue
Ronkonkoma
Sayville
Selden
South Centereach
South Holbrook
South Medford
South Yaphank
Village of Islandia
West Bellport
West Ronkonkoma
West Sayville
West Yaphank
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
Rocky Point

Setauket South Setauket Sound Beach South Stony Brook Stony Brook Terryville

### SMITHTOWN DISTRICT

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

#### WESTHAMPTON DISTRICT

East Quogue
Oakville
Quiogue
Quogue
Westhampton
Westhampton Beach

<sup>\*-</sup>Included in Wholesale Water District





OAKDALE, LONG ISLAND, N.Y. 11769