

Suffolk  
County  
Water  
Authority

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1989 ANNUAL REPORT

# Keeping Pace With Suffolk County 1979-1989

STATISTICS	For Fiscal Year Ended May 31		10-Year Growth	Percent Increase
	1989	1979		
Customers .....	<b>282,585</b>	231,735	<b>50,850</b>	22%
Population Served .....	<b>963,000</b>	841,000	<b>122,000</b>	15%
Miles of Main .....	<b>4,123</b>	3,399	<b>724</b>	21%
Fire Hydrants .....	<b>26,048</b>	21,895	<b>4,153</b>	19%
Water Pumped (million gals.) ...	<b>49,300</b>	34,759	<b>14,541</b>	42%
Employees .....	<b>575</b>	420	<b>155</b>	37%
<b>FINANCIAL</b>				
Gross Revenues .....	<b>\$ 62,503,000</b>	\$ 27,236,000	<b>\$ 35,267,000</b>	129%
Water Plant at Cost .....	<b>429,841,000</b>	226,137,000	<b>203,704,000</b>	90%
Bonded Indebtedness .....	<b>139,235,000</b>	119,033,000	<b>20,202,000</b>	17%
Total Earnings in the Business at the Close of Period	<b>\$ 128,804,000</b>	\$ 55,953,000	<b>\$ 72,851,000</b>	130%

## About the Authority

The Suffolk County Water Authority is a self-supporting, public-benefit corporation operating by virtue of the Public Authorities Law of the State of New York. It is without taxing power and operates as a business enterprise. The only revenue the Authority receives is that obtained from the sale of water to its customers. The Authority is non-profit; all revenue received must be used for operating expenses and for paying outstanding debts. Any excess revenue is used for construction purposes. The Authority is operated solely for the benefit of the customers it serves.



Photo by Arthur T. Pitschi

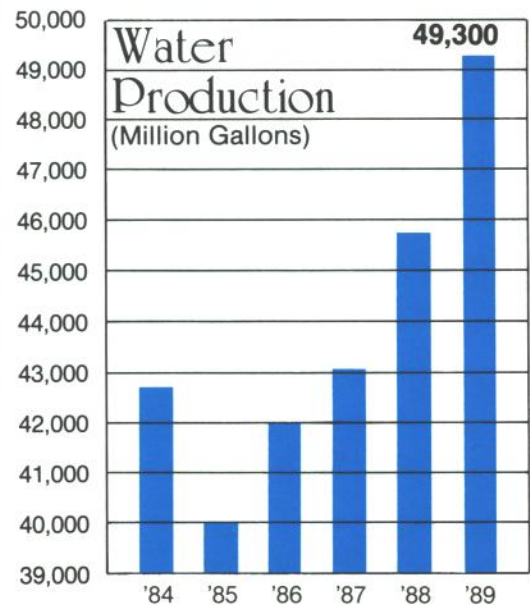
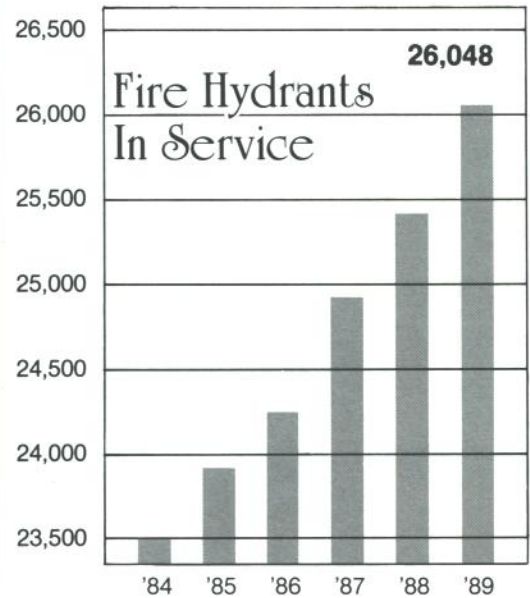
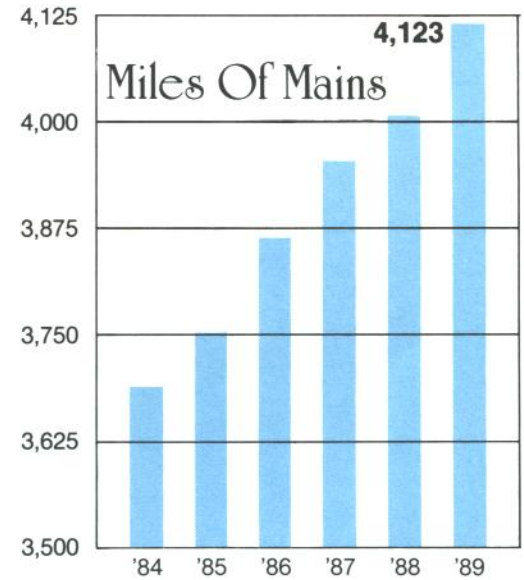
Seated; Leon J. Campo, Chairman, left to right; James T.B. Tripp, Esq., Melvin M. Fritz, D.O.M.D., Michael E. White, Esq, and Matthew B. Kondenar.

## 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, Esq.



# Data Collection



# Highlights

	May 31	
	1989	1988
Total Revenues .....	\$ 62,503,000	\$ 58,345,000
Operating and Maintenance Expense		
except depreciation .....	37,737,000	32,995,000
Interest on Bonds and Notes;		
including amortization of debt		
discount and expense .....	9,205,000	9,516,000
Depreciation .....	7,658,000	6,929,000
Revenues Invested in Facilities		
for the year .....	7,903,000	8,905,000
Revenues Invested in Facilities		
(since June 1, 1951) .....	128,804,000	101,467,000
Total Water Plant at Cost .....	429,841,000	386,625,000
Net Additions to Water Plant .....	43,216,000	31,512,000
Customers (Active Services) .....	282,585	275,944
Miles of Main in Service .....	4,123	4,012
Fire Hydrants in Service .....	26,048	25,462
Water Production		
(Million Gallons) .....	49,300	45,513

## Plant Facilities

Service Areas of Plants	WELLS				Pumping Plants				Storage Facilities					
					Capacity - 1,000 Gallons Daily*									
	Active		Inactive		No.				No.	1,000 Gallons		Active Services		
BABYLON	45	48	5	4	19	19	80,780	81,648	8	7	7,515	7,220	56,342	56,792
BAY SHORE	52	49	9	14	20	20	89,395	82,224	7	7	6,012	6,012	49,093	49,498
PATCHOGUE	72	67	1	7	27	27	117,000	108,864	11	11	11,465	11,465	55,022	56,296
HUNTINGTON	54	53	2	4	21	21	66,528	63,072	11	11	11,842	11,842	29,424	29,677
PT. JEFFERSON	70	68	0	4	28	29	113,112	107,496	7	7	7,404	7,404	36,842	38,199
SMITHTOWN	47	45	1	4	21	20	84,096	82,224	6	6	6,100	6,100	24,615	24,795
**WESTHAMPTON	31	30	0	1	11	11	24,624	24,336	4	4	3,350	3,350	13,461	15,849
EAST HAMPTON	35	35	0	1	18	19	24,336	24,408	5	5	5,720	5,720	11,145	11,479
TOTALS	406	395	18	39	165	166	599,871	574,272	59	58	59,408	59,113	275,944	282,585

\*\*Includes satellite plant located in Center Moriches

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

AS OF MAY 31, 1988 □

AS OF MAY 31, 1989 □

# A Message from the Chairman

Photo by Arthur T. Pitschi



Leon J. Campo

*It's the set of the sail and not the wind that determines the way we go.*

In order to meet the challenges of the 1990's, the Suffolk County Water Authority has designed a comprehensive plan that promotes rate fairness and ensures the protection and wise use of our region's water resources.

Water quality remains our principal concern. The Water Authority has accepted its responsibility as a key manager of Suffolk's land and water resources. Unbridled land development and growing evidence of groundwater contamination places the future of Long Islanders in jeopardy. However, the Authority together with the citizens are making a difference in protecting our water supply.

In March of 1989, the Water Authority adopted the first of a Four-Year Water Preservation Plan. This bold multi-year initiative will make a major difference in watershed protection as it enables the Authority to meet all of its stricter water quality requirements. The plan also addresses the major threats to the water supply and provides public water for those in need. The components of this plan complement one another and comprise a complete program which ensures water quality. The plan will implement: wellhead remediation; the acquisition of marginal water companies; extension of public water mains; a land acquisition program to protect well sites; the construction of a state-of-the-art water testing laboratory; and a two-year phase-out of discounts for high water use.

The price tag for this watershed preservation plan is reasonable, costing the average household less than a nickel more a day, or less than \$18.00 annually. This is the first increase in water rates since 1986. Furthermore, by restructuring rates to encourage water conservation, all customers will pay a fair share for the cost of this essential plan.

Water remains a bargain for Water Authority customers. A

comparative analysis of the Water Authority's rates with the major investor-owned utilities regulated by the NYS Public Service Commission places the Authority's rates at about 58% below the average cost of water. In addition, on average, our rates are approximately 24% lower than municipal water districts in Suffolk County. We are proud of our achievement to contain the cost of water, particularly in view of the Authority's accelerating growth and increasing responsibilities to meet the public's need for clean drinking water.

In the fall of 1988, the Water Authority Board approved a major refinancing plan. Since 1951, the Authority had operated under a bond resolution which required the approval of the Authority's Advisory and Consulting Engineers for any expenditure over \$25,000. That practice, designed by the original bond holder, represented a lack of adequate control by the Board thereby impeding our efforts at watershed protection. The refinancing of approximately 159.7 million dollars of Water Authority bonds was awarded to Merrill Lynch Pierce Fenner and Smith. The new bond resolution, in addition to freeing the Authority to pursue the programs and objectives that we believe are essential, saves over \$13,000,000 over the life of the new bond issue or an annual savings of \$500,000.

To assure that the Authority has the management depth and skills needed to direct and ensure the success of its programs, the Board has taken steps to reinforce its existing management team. We have begun implementing a management development plan and have established two new managerial positions. David Ross, who has twenty years' experience in the utility field, is our new Deputy Executive Director. Among his other duties, he is charged with coordinating efforts for long-term planning in such areas as well-field

requirements, customer relations, space needs and watershed acquisitions. The second position, that of Human Resources Director, has been filled by Michael Stevenson who has fifteen years of experience in the area of human resource administration. The Authority with nearly six hundred employees required a seasoned Human Resources professional to coordinate our overall human resources capabilities.

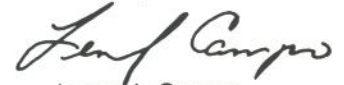
Charles K. Stein was selected as the Authority's new Director of Finance after the retirement of Eugene Sidoti. In addition to Mr.

Stein's demonstrated expertise in auditing, accounting, data processing, municipal budgeting and public finance, he brings an in-depth knowledge of Suffolk County acquired after serving eighteen years in the public sector. The Board's goal is to put in place an experienced, highly motivated, public spirited management team capable of tackling the ever-expanding responsibilities of the Water Authority. We are doing just that!

In the final analysis, it is the excellent service rendered by each of our employees that enables the

Authority to continue to move forward to meet the needs of the public. I would like to express the appreciation of the Members to our employees for their high work performance on behalf of the people of Suffolk County. We render a vital service to the public and our continued vigilance and hard work are critical to this and future generations of Long Islanders.

Thank you.



Leon J. Campo  
Chairman



# Water Conservation

In the spring of 1989, the Water Authority formally embraced a water conservation program stressing the voluntary cooperation of homeowners and the business community.

The thrust of the program is public outreach. Some of the components of our educational efforts include: public service announcements, billing inserts, press releases, posters and videos with var-

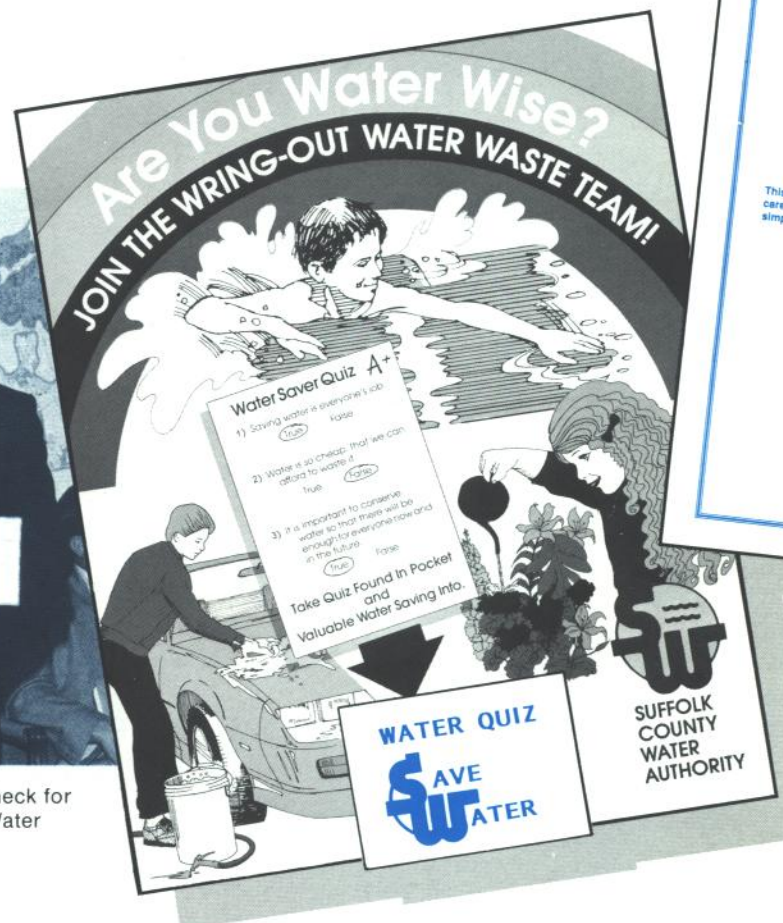
ious conservation themes, as well as water audits and the development of conservation plans for large users. In addition, we are conducting a residential retrofit pilot program for 1100 homes in the Southwest Sewer District area. This program is being funded by the N.Y.S. Department of Environmental Conservation. This pilot study provides us with an excellent educational oppor-

tunity and should yield us important data on the subject of water conservation.

Water conservation has to be an integral part of our overall objectives. On January 9, 1989, new and much stricter water standards promulgated by the N.Y.S. Department of Health went into effect. The new standard of 5 parts per billion for all organic chemicals forced the Water Authority to close 35



Harold Berger, Regional Director of the N.Y.S. DEC, presented a check for \$103,110 to Chairman Leon J. Campo for Authority to administer Water Conservation Residential Retrofit Pilot Program.



**Water Saver Quiz A+**  
1) Saving water is everyone's job. ☒ True ☐ False  
2) Water is so cheap that we can afford to waste it. ☐ True ☒ False  
3) It is important to conserve water so that there will be enough for ever one now and in the future. ☐ True ☒ False  
Take Quiz Found In Pocket and Valuable Water Saving Info.

**WATER QUIZ**  
**SAVE WATER**

**SUFFOLK COUNTY WATER AUTHORITY**

wells. Due to the industriousness of our employees, 28 wells have been put back in service by employing carbon filtration systems. However, as pumping increases to meet peak demands, the potential of drawing contaminants towards our wells also increases. Therefore, in order to ensure that water pressures are maintained during peak periods, particularly for essen-

tial fire-fighting services, the careful and wise use of water is *essential*.

Additionally, an effective conservation program helps to reduce the need to build costly new wells and storage tanks. **Each gallon saved means water is available for other use.** However, in order for the program to be truly successful, the Water Authority recognizes that a working

partnership with all segments of the Long Island community is *essential*. Therefore, we are committed to working with government, business, and the Long Island community to ensure the success of this program. The wise conservation practices of all our residents will go a long way toward guaranteeing a plentiful supply of water now and in the future.

# WATER CONSERVATION KIT

Save Water, Energy, and Money



sponsored by:

SUNK COUNTY WATER AUTHORITY  
SUNRISE HIGHWAY & POND ROAD  
P.O. BOX 38  
OAKDALE, L.I., NEW YORK 11769  
(516) 589-5200

## TOILET WATER SAVER BAG

SAVE WATER EVERY TIME YOU FLUSH

Toilets are the largest single water waster in your home. Approximately six gallons of clean water is gone each time you flush. By using this toilet tank bag, you can save over 1200 gallons of water a year.



1. REMOVE THE TOILET TANK FLUSH VALVE CAP.
2. INSERT THE BAG INTO THE TANK.
3. ATTACH THE BAG TO THE FLUSH VALVE.

ATTACH BY LOCKING BAG AND FASTEN WITH TIE.

NIAGARA PRODUCTS  
Four Gold Mine Rd., Planders, New Jersey

### WATER CONSERVATION PROGRAM ADOPTED BY SCWA

We Urge You to Conserve Water

A conservation program cannot work without the cooperation of everyone. All of us working together to conserve water will make that critical difference in our ability to build a vital long-lasting service and ensure an adequate supply of water for Suffolk County residents.

However, without the cooperation of all citizens, it will be necessary to require that water use with a long-term mandate. Please, therefore, conserve water. We urge you to implement these measures where applicable to you.

#### Repair All Leaks Inside and Outside Your Home Promptly

LEAKS waste water 24 hours a day. Never take a leak. Check all faucets inside and outside for leaks. Often they can be repaired with an inexpensive washer. Check showers, bathtubs, and toilets. You can lose more than 100 gallons a day from an invisible toilet leak and that is more than 80,000 gallons a year. Repair or replace every garden and house pipe. Check your hoses. If you are adding water daily to your pool, or experience a sudden loss of water, it may be an indication of a leak.



#### Install Water Sensor Devices

- If purchasing an in-ground sprinkler system, check with a plumber or plumbing supply store to modify your system for a weather water sensor device.
- If you already have an in-ground sprinkler system, check with a plumber or plumbing supply store to modify your system for a weather water sensor device.

#### Use Automatic Timers

For above-ground sprinklers, install an inexpensive timing device that automatically shuts off at a pre-set time. This timer attaches to your hose and can be set for 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 hours. It is a great example of water saving.

#### Restrict Lawn Watering

Set timers for early AM or late PM. In the ground is dry, the water used will be absorbed and will not be available for the next day. This is a great example of water saving.

#### Don't Run Hose While Washing the Car

Clean the car with a bucket of water. Use the hose and to rinse off. A high-pressure water hose that is recommended.

#### Do Not Use Water to Clean Driveways and Sidewalks

Use a dry concrete power broom.

#### Commercial, Industrial and Institutional Water Users

Some of our customers are large businesses, schools, hospitals, and government buildings. These users are encouraged to conserve water by using water-saving devices, such as low-flow toilets, faucets, and showerheads. They are also encouraged to use water-saving practices, such as turning off the water when not in use and repairing leaks promptly.

# Report of Independent Accountants

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 cash flows present fairly, in all material respects, the financial position of Suffolk County Water Authority at May 31, 1989 and 1988, and the results of its operations and its cash flows 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  
August 9, 1989

Price Waterhouse

## Statement of Revenue And Revenue Invested In Facilities

	For the year ended May 31,	
	1989	1988
<b>Revenues:</b>		
Operating .....	\$ 58,255,000	\$ 54,209,000
Interest .....	4,248,000	4,136,000
Total revenues .....	62,503,000	58,345,000
<b>Operating expenses:</b>		
Operations .....	30,487,000	26,945,000
Maintenance .....	7,250,000	6,050,000
Total operating expenses, except depreciation deducted below .....	37,737,000	32,995,000
Revenue before interest, depreciation and extraordinary item .....	24,766,000	25,350,000
<b>Deduct:</b>		
Interest expense .....	9,048,000	9,341,000
Amortization of debt discount and expense .....	157,000	175,000
Depreciation .....	7,658,000	6,929,000
	16,863,000	16,445,000
Revenue before extraordinary item .....	7,903,000	8,905,000
Extraordinary item - Gain on refunding of Water Works Revenue Bonds (Note 3) .....	19,434,000	
<b>Revenue invested in facilities:</b>		
For the year .....	27,337,000	8,905,000
At beginning of year .....	101,467,000	92,562,000
At end of year .....	\$ 128,804,000	\$ 101,467,000

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

# Balance Sheet

	May 31,	
	1989	1988
<b>ASSETS</b>		
Water plant, at cost less accumulated depreciation (Note 2) .....	\$ 352,038,000	\$ 315,681,000
Funds held by Fiscal Agent:		
New construction fund .....		6,802,000
Debt service reserve fund (Notes 1 and 4) .....	12,020,000	14,263,000
Bond proceeds fund .....		9,147,000
	12,020,000	30,212,000
Major construction fund (Notes 1 and 4) .....	20,529,000	
<b>Current Assets:</b>		
Cash (including \$655,000 in 1989 and \$940,000 in 1988 in interest bearing accounts) .....	875,000	4,750,000
Short-term investments .....	1,100,000	21,400,000
Bond fund held by Fiscal Agent (Note 1) .....	9,700,000	8,298,000
Accounts Receivable, less allowance for doubtful accounts of \$312,000 in 1989 and \$372,000 in 1988 .....	6,882,000	5,005,000
Interest and other receivables .....	793,000	240,000
Accrued fire protection revenue .....	1,308,000	1,287,000
Materials and supplies, at average cost .....	3,270,000	2,297,000
Prepayments .....	488,000	645,000
<b>Total current assets</b> .....	<b>24,416,000</b>	<b>43,922,000</b>
Deferred charges:		
Unamortized debt discount and expense .....	3,500,000	2,783,000
Other .....	1,648,000	883,000
	5,148,000	3,666,000
	\$ 414,151,000	\$ 393,481,000

## CAPITALIZATION AND LIABILITIES

### Capitalization:

Water Works Revenue Bonds, less current portion (Note 3) .....	\$ 136,455,000	\$ 159,745,000
Contributions in aid of construction .....	95,654,000	81,493,000
Revenue invested in facilities .....	128,804,000	101,467,000
<b>Total Capitalization</b> .....	<b>360,913,000</b>	<b>342,705,000</b>

### Current Liabilities:

Current maturities of Water Works Revenue Bonds (Note 3) .....	2,780,000	3,425,000
Accounts payable .....	1,612,000	1,599,000
Accrued interest .....	6,545,000	4,783,000
Accrued retirement contributions .....	3,240,000	4,106,000
Other accrued liabilities .....	4,971,000	3,984,000
Customer deposits .....	6,123,000	3,734,000
<b>Total current liabilities</b> .....	<b>25,271,000</b>	<b>21,631,000</b>
Advances for construction .....	27,967,000	29,145,000
Commitments (Note 5) .....		
	\$ 414,151,000	\$ 393,481,000

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

# Statement of Cash Flows

	For the year ended May 31,	
	1989	1988
<b>Cash flows from operating activities:</b>		
Revenue invested in facilities .....	\$ 27,337,000	\$ 8,905,000
Adjustments to reconcile revenue invested in facilities to net cash provided by operations:		
Extraordinary gain .....	(19,434,000)	
Depreciation and amortization .....	7,815,000	7,104,000
Accrued interest on Series F-W Bonds .....	3,908,000	
Capitalized interest .....	(207,000)	(230,000)
(Increase) decrease in bond fund held by fiscal agent .....	(1,402,000)	17,000
(Increase) in accounts receivable .....	(1,877,000)	(1,055,000)
(Increase) in interest and other receivables .....	(553,000)	(71,000)
(Increase) in accrued fire protection revenue .....	(21,000)	(186,000)
(Increase) in materials and supplies .....	(973,000)	(207,000)
Decrease in prepayments .....	157,000	77,000
Increase in accounts payable .....	13,000	616,000
Increase (decrease) in accrued interest .....	1,762,000	(262,000)
(Decrease) in accrued retirement contribution .....	(866,000)	(29,000)
Increase in other accrued liabilities .....	987,000	635,000
Increase in customer deposits .....	2,389,000	37,000
Net cash provided by operating activities .....	19,035,000	15,351,000
<b>Cash flows from investing activities:</b>		
Additions to water plant, net of retirements .....	(43,808,000)	(31,616,000)
Other .....	(765,000)	(321,000)
Net cash used in investing activities .....	(44,573,000)	(31,937,000)
<b>Cash flows from financing activities:</b>		
Net proceeds from issuance of Water Works Revenue Bonds .....	135,657,000	
Cost of U.S. Government Securities deposited in escrow trust fund for payment of Series F-W Bonds .....	(141,515,000)	
Repayment of current maturities for Series B-W Bonds .....	(3,425,000)	(3,220,000)
Advances for construction, net of refunds .....	12,983,000	13,635,000
Decrease in funds held by fiscal agent for new construction, debt service reserve and bond proceeds funds .....	18,192,000	6,176,000
Increase in major construction fund .....	(20,529,000)	
Net cash provided by (used for) financing activities .....	1,363,000	16,591,000
Net increase in cash and cash equivalents .....	(24,175,000)	5,000
Cash and cash equivalents at beginning of year .....	26,150,000	26,145,000
Cash and cash equivalents at end of year .....	\$ 1,975,000	\$ 26,150,000

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

# Notes To Financial Statements

MAY 31, 1989 AND 1988

## 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 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.

#### Statement of Cash Flows

In fiscal 1989, the Authority adopted Financial Accounting Standard No. 95 - "Statement of Cash Flows" and restated its statement of changes in financial position for fiscal 1988 to conform with this new presentation. For purposes of this statement, short-term investments which have a maturity of ninety days or less are considered cash equivalents.

Interest paid, net of amounts capitalized, was \$7,286,000 and \$9,603,000 during fiscal 1989 and 1988, respectively.

#### 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 values of properties.

#### Funds Held by Fiscal Agent

The Authority's Resolution authorizing the Series B-W bond issues (which, in effect, were retired in fiscal 1989 in connection with the refunding described in Note 3) required that all revenue be deposited in the name of the Fiscal Agent and allocated to specific funds. During fiscal year 1989, the Authority issued its Series 1988 Bonds pursuant to a Resolution which reduced the role of the Fiscal Agent. Under the prior Resolution, the Fiscal Agent maintained several accounts (funds) on behalf of the Authority, prin-

cipally for the construction, revenue and debt service requirements of the Authority. The 1988 Resolution requires that a debt service reserve fund (see Note 4) and a bond fund be maintained by the Fiscal Agent. The bond fund is used solely for the purpose of paying the principal of, premium, if any, and interest on the bonds, and for retiring the bonds prior to maturity. Substantially all funds held by the Fiscal Agent are invested principally in certificates of deposit, repurchase agreements and U.S. Treasury Bills. All such investments mature within one year. All other funds previously maintained by the Fiscal Agent are now maintained by the Authority.

#### Major Construction Fund

In accordance with the Series 1988 Bond Resolution, monies in the major construction fund are restricted to the costs of acquisition and construction of the water system.

#### Short-term Investments

At May 31, 1989, the Authority has invested \$21,629,000 of its construction and operating funds in certificates of deposit and repurchase agreements, with interest rates that range from 8.75% to 9.91%, that mature at various dates through July 5, 1989. 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 \$814,000 and \$1,674,000, of which \$274,000 and \$753,000 were capitalized in water plant accounts, in fiscal 1989 and 1988, 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 (\$10,578,000 - 1989; \$5,733,000 - 1988).

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.

## Note 2 - Water Plant

	May 31,	
	1989	1988
Land and land rights ...	\$ 7,108,000	\$ 6,488,000
Wells, reservoirs and structures .....	60,692,000	58,264,000
Pumping and purification equipment .....	19,653,000	17,826,000
Distribution systems ...	292,195,000	268,746,000
Other .....	16,610,000	15,096,000
Water plant in service .....	396,258,000	366,420,000
Construction in progress .....	33,583,000	20,205,000
Water plant, at cost .....	429,841,000	386,625,000
Less - Accumulated depreciation .....	77,803,000	70,944,000
Net water plant ...	\$ 352,038,000	\$ 315,681,000

## Note 3 - Water Works Revenue Bonds

On October 27, 1988, the Authority completed a plan of restructuring its debt under which the Authority issued \$139,235,000 of Water Works Revenue Bonds Series 1988 ("Series 1988 Bonds"). The net proceeds from the Series 1988 Bonds and certain existing bond funds were deposited with the escrow agent pursuant to a Refunding Trust Agreement, and invested in U.S. Government securities. The maturities of these securities and related earnings thereon are expected to provide sufficient cash flow to meet the debt service requirements of the series F-W bonds as they mature. This advance refunding transaction effectively released the Authority from its obligation to repay the series F-W bonds (principal outstanding of \$159,745,000 at October 27, 1988) and constituted a defeasance in substance.

This transaction resulted in an extraordinary gain on early retirement of debt summarized as follows:

Carrying amount of Series F-W Bonds, including current maturities and net of unamortized discount .....	\$ 160,949,000
Cost of U.S. Government Securities deposited in escrow trust fund .....	(141,515,000)
Net extraordinary gain .....	\$ 19,434,000

Outstanding bonds are summarized as follows:

May 31,				
Series	Interest Rate	Final Maturity Date	1989	1988
B-D ...	3.50%	1988	\$	115,000
F .....	4.10-4.50%	1998		3,850,000
G ....	4.00-4.10%	2000		3,500,000
H ....	3.25-3.40%	2001		4,645,000
I .....	3.25-3.50%	2002		9,645,000
J .....	0.10-4.00%	2002		8,570,000
K .....	4.10-4.50%	2002		7,590,000
L .....	5.00-8.00%	2003		8,040,000
M ....	6.25-6.50%	2005		6,000,000
N ....	5.00-6.50%	2006		8,860,000
O ....	5.50-7.00%	2007		12,090,000
Q ....	5.75-7.25%	2008		11,545,000
R .....	5.50-7.00%	2010		14,890,000
S .....	7.875%	2010		6,000,000
T .....	9.10%	2011		570,000
U ....	7.80-12.00%	2012		2,425,000
V .....	6.70-9.00%	2012		23,625,000
W ....	6.00-9.00%	2012		31,210,000
1988 ...	6.50-7.375%	2012	\$ 139,235,000	
Total bonds outstanding ...			139,235,000	163,170,000
Less: Current maturities and redemptions .....			2,780,000	3,425,000
			\$ 136,455,000	\$ 159,745,000

Bond maturities over the next five fiscal years are as follows:

Fiscal Year	Amount
1990 .....	\$2,780,000
1991 .....	2,825,000
1992 .....	2,990,000
1993 .....	3,165,000
1994 .....	3,355,000

## Note 4 - Debt Service Requirements

As prescribed in the Authority's Resolution for the Series 1988 Bonds, a minimum debt service reserve fund balance is to be maintained which is the lesser of 10% of the proceeds of the Series 1988 Bonds or the average of the annual installments of debt service with respect to all Series 1988 Bonds outstanding for the current and all future fiscal years. The required balance amount to \$11,948,000 at May 31, 1989. On June 1, 1989, the Authority purchased bond insurance on the Series 1988 Bonds for the payment of principal and interest on stated maturity and sinking fund installment dates in the event of default by the Authority. Therefore, maintenance of a debt service reserve fund subsequent to May 31, 1989 is no longer required pursuant to the 1988 Bond Resolution. Accordingly, the balance of \$12,020,000 at May 31, 1989 was transferred from the debt service reserve fund to the major construction fund on June 1, 1989.

Debt service requirements for the payment of interest and principal on outstanding bonds at May 31, 1989 approximate \$12,424,000 in each of the next five years. Revenue before interest and depreciation was equivalent to 2.06 times (1.95 in 1988) the debt service requirement for the year ended May 31, 1989.

## Note 5 - Commitments

The Authority authorized a capital improvement construction budget for the fiscal year ending May 31, 1990 of approximately \$64,756,000. A substantial portion of this amount has been committed at May 31, 1989.

The Authority is obligated under several operating leases for offices and equipment which, in the aggregate, approximate \$4,050,000 and expire at various dates through 1994.

# Staff



Photo by Arthur T. Pitschi

First row, left to right: Charles K. Stein, Bernard T. Hanrahan, Herbert C. Koehler, David T. Ross. Second row, left to right: Laura J. Mansi, Walter C. Hazlitt, Richard R. Heinrichs, Edward J. Rosavitch, Patrick Dugan and Michael Stevenson.

Walter C. Hazlitt  
*Executive Director*

David T. Ross  
*Deputy Executive Director*

Herbert C. Koehler  
*Director of Distribution*

Edward J. Rosavitch  
*Chief Engineer*

Charles K. Stein  
*Director of Finance*

Michael Stevenson  
*Director of Human Resources*

Laura J. Mansi  
*Director of Public Information*

Bernard T. Hanrahan  
*Director of Commercial Office Operations*

Sarah J. Meyland  
*Director of Watershed Oversight & Protection*

Patrick Dugan  
*Chief Chemist*

Richard R. Heinrichs  
*Superintendent of Production*

Van Nostrand & Martin  
*Counsel*

William V. Burnell & Associates  
*Consulting Engineer*

Stone & Webster Engineering Corporation  
*Advisory Engineer*

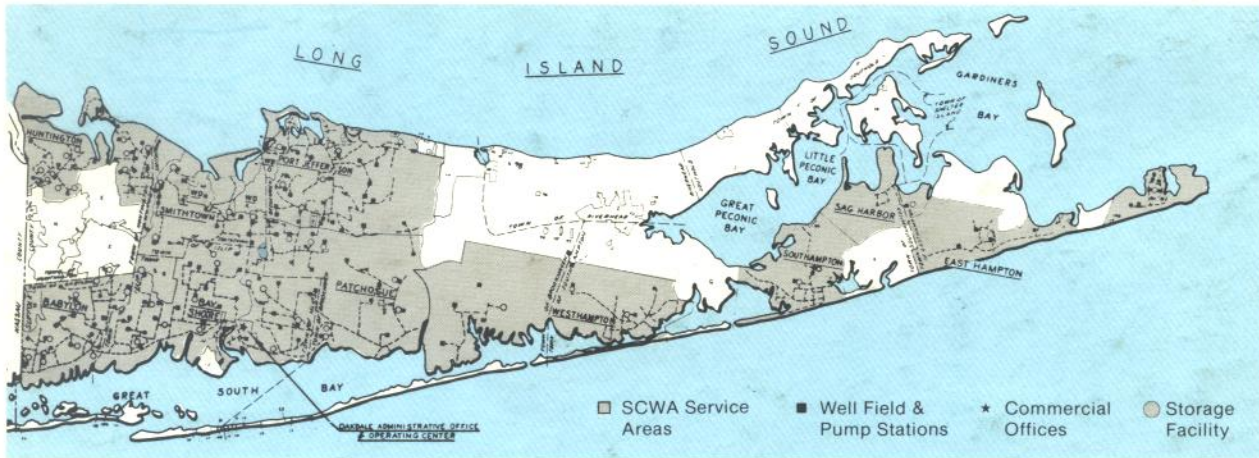
United States Trust Company of New York  
*Bond Trustee*

Price Waterhouse  
*Independent Accountants*

Smith Barney Harris Upham & Co. Incorporated  
*Financial Consultant*

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

# Communities Served



## **BABYLON DISTRICT**

Amity Harbor  
Amityville  
Babylon  
Copague  
Deer Park  
Dix Hills\*\*  
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  
Islandia  
Islip

Islip Manor  
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  
Middle Island\*\*  
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 Patchogue  
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  
Village of Lake Grove  
Village of Patchogue

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  
Nissequoque\*\*  
St. James\*  
San Remo\*  
Smithtown  
South Hauppauge  
Village of the Branch  
West St. James  
West Smithtown\*

## **WESTHAMPTON DISTRICT**

East Quogue  
Mattituck  
Oakville  
Quogue  
Quogue  
Remsenburg  
Speonk  
Westhampton  
Westhampton Beach

\* - Included in Wholesale Water District

\*\* Serves portion of area