

# Keeping Pace With Suffolk County

# 1980-1990

		10 /	Danasa	
1990	1980	Growth	Percent Increase	
291,550	234,999	56,551	24%	
998,000	822,000	176,000	21%	
4,235	3,430	805	23%	
26,468	22,184	4,284	19%	
43,361	35,136	8,225	23%	
588	419	169	40%	
\$ 63,861,000	\$ 27,934,000	\$ 35,927,000	129%	
477,209,000	235,916,000	241,293,000	102%	
146,455,000	117,194,000	29,261,000	25%	
	Ended May 1990 291,550 998,000 4,235 26,468 43,361 588 \$ 63,861,000 477,209,000	291,550       234,999         998,000       822,000         4,235       3,430         26,468       22,184         43,361       35,136         588       419         \$ 63,861,000       \$ 27,934,000         477,209,000       235,916,000	Ended May 31         10-Year Growth           1990         1980         Growth           291,550         234,999         56,551           998,000         822,000         176,000           4,235         3,430         805           26,468         22,184         4,284           43,361         35,136         8,225           588         419         169           \$ 63,861,000         \$ 27,934,000         \$ 35,927,000           477,209,000         235,916,000         241,293,000	



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.



# A Message from the Board of Directors

#### As for the future, our task is not to foresee, but to enable it

There are few things more precious than a safe and reliable drinking water supply. Our mission at the Suffolk County Water Authority is not to predict the future, but rather to determine the future integrity of our water resources for this and coming generations. The delivery of high quality water to the public at reasonable rates and the advancement of strategies to protect the water source is our constant challenge and ultimate responsibility.

With the coordinated and cooperative efforts of a dedicated and hard-working management team and staff of employees, our objectives for the 1989/90 fiscal year have been met. We remain committed to maintaining the highest standards of excellence. However, continued success will take the ever-increasing cooperation and participation of all segments of the Suffolk community, particularly in safeguarding the groundwater supply.

Suffolk County Water Authority rates remain among the lowest in the state. Due to further management economies, there was no increase in water rates during 1990. We have kept the cost of water extremely reasonable against the tide of new and costly regulations and in spite of decreased water use due to an unusual amount of rainfall in the spring and summer of 1989.

Considerable yearly savings continue to be realized from various on-going initiatives such as a reduced insurance program, participation in LILCO's Energy Cooperative, and a refinancing in 1988. Furthermore, as a result of the Authority's excellent bond rating, we continue to save substantially on our borrowing costs.

The SCWA has the largest

N.Y.S. Approved Laboratory for the testing of drinking water in the state. We are the largest in terms of volume and number of samples and constituents tested for. In 1989, we tested 29,800 water samples and we are averaging 2,700 water samples per month in 1990. Because we take a precautionary approach to monitoring the quality of the water, the SCWA has never failed to conform to any drinking water standards. However, in order to maintain that high standard, meet the growing demands of an expanding customer base and conform to increasingly stricter water standards, the Water Authority has commissioned a study for a new water testing laboratory. This study also includes seeking a cost-effective solution to eliminate leased space, improve communications, and consolidate various operations.

The SCWA's Watershed Oversight and Protection Division has yielded a wealth of information over the last several years about our water supply. A computer data base (Geographic Information System) has placed the Authority in a position of leadership in matters concerning the water resource. This information is currently being utilized to aid us in the siting of wells and devising wellhead protection, conservation, and land acquisition strategies. Pollution source reduction programs and other public education efforts, stemming from this increased knowledge, have enhanced our ability to reduce the threats of contamination to our fragile water source. Furthermore, it is important to note that this valuable data is shared with health agencies and government, including Suffolk County, to protect the water supply. This capability

also accrues to the economic health of the Authority by reducing the need for expensive capital improvements, especially in the area of well restoration and replacement.

In keeping with our continuing efforts to improve customer service and contain costs, our customers are now receiving a newly designed bill which provides more information in an easier-to-understand format. This new bill is costing less to produce and we have been able to make an environmental contribution by using recycled paper for the envelopes.

Our communication efforts with our customers have been enhanced over the last few years by a consumer information radio campaign. The Authority has earned national recognition for several of its radio messages on the proper "disposal of household chemicals," "recycling," and "water conservation." We believe this educational effort has been an investment in our citizenry that has aided us in our mission to provide an ample, safe, and affordable supply of water to our customers.

During December of 1989, the Water Authority experienced a record number of water-main breaks due to an unusually severe cold snap. In addition to repairing 116 main breaks, which required around-the-clock work during the holiday season, Authority employees handled over 600 service calls related to the severe weather. This crisis period, as others over the years, points to the high quality and exemplary efforts of our work force.

We would like to express our appreciation to all our employees for their outstanding efforts throughout the year in behalf of the Authority to serve the public. Thank you.

Members Board of Directors SCWA



# Highlights

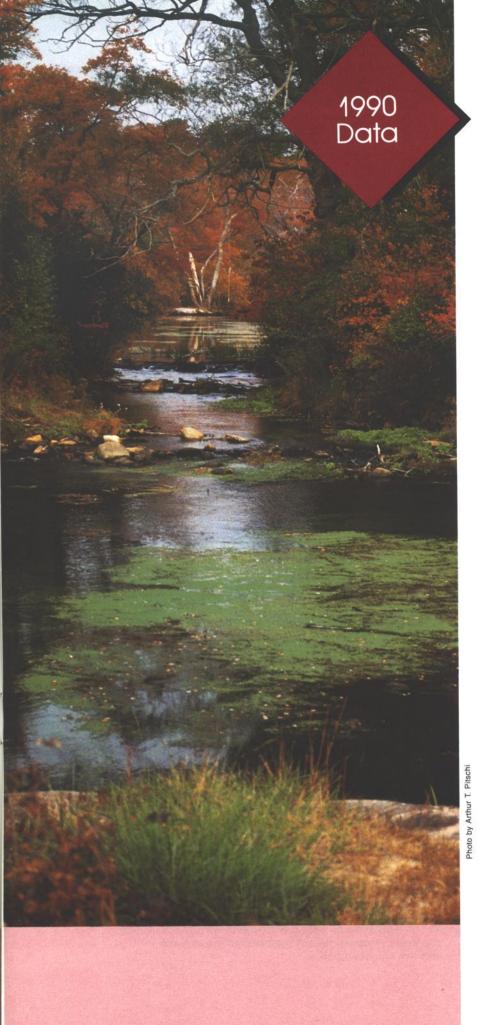
	May	31
	1990	1989
Total Revenues	\$ 63,861,000	\$ 62,503,000
except depreciation	40,507,000	37,737,000
including amortization of debt discount and expense	9,600,000	9,205,000
Depreciation	8,203,000	7,658,000
Revenues Invested in Facilities for the year	5,551,000	7,903,000
(since June 1, 1951)	134,355,000	128,804,000
Total Water Plant at Cost	477,209,000	429,841,000
Net Additions to Water Plant	47,354,000	43,216,000
Customers (Active Services)	291,550	282,585
Miles of Main in Service	4,235	4,123
Fire Hydrants in Service	26,468	26,048
(Million Gallons)	43,361	49,300

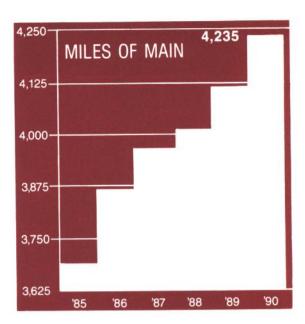
# Plant Facilities

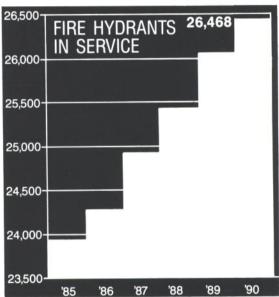
Service		WE	LLS			Pu	mping Pla	ants		Stor	age Facil			
Areas of Plants	Active Inactive					Ca	pacity - 1 Gallon	,000 s Daily*	No.		1,000	Active Services		
BABYLON	48	48	4	6	19	19	81,648	81,288	7	7	7,220	7,220	56,792	55,968
BAY SHORE	49	45	14	19	20	21	82,224	80,568	7	7	6,012	6,012	49,498	50,040
PATCHOGUE	67	70	7	5	27	28	108,864	117,504	11	12	11,465	12,465	56,296	60,532
HUNTINGTON	53	51	4	6	21	22	63,072	63,648	11	11	11,842	11,842	29,677	30,589
PT. JEFFERSON	68	65	4	7	29	30	107,496	105,912	7	8	7,404	7,854	38,199	40,201
SMITHTOWN	45	47	4	2	20	20	82,224	83,520	6	6	6,100	6,100	24,795	25,361
*WESTHAMPTON	30	32	1	0	11	12	24,336	24,912	4	4	3,350	3,350	15,849	16,859
EAST HAMPTON	35			1	19	19	24,408	24,732	5	5	5,720	5,720	11,479	12,000
TOTALS	395	0.0282		46	166	171	574.272	582,084	58	60	59,113	60,563	282,585	291,550

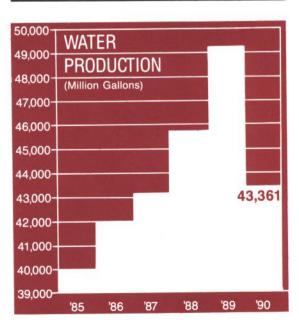
AS OF MAY 31, 1989 AS OF MAY 31, 1990 🗌

<sup>\*\*</sup>Includes satellite plant located in Center Moriches.
\*Based on 24-hour operation and on actual capacity of pumping equipment for active wells.









Well
Restoration
Program
Implemented to Meet
1989 Water
Standards

As of January, 1989 new water standards promulgated by the New York State Department of Health went into effect. The new standard of five (5) parts per billion for virtually all synthetic volatile organic chemicals is an extremely stringent regulation that surpasses the drinking water standards of any other state in the U.S.A.

In order to comply with the new standards, the Water Authority has implemented a remediation program utilizing Granular Activated Carbon Systems (GAC's). Since January 1989, the Water Authority has installed thirty-six (36) GAC's for those wells that had to be removed from service due to volatile organic chemicals and/or pesticides. Ten (10)

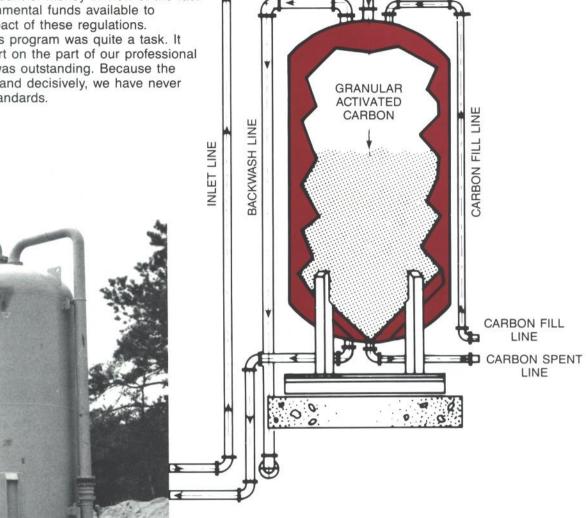


All our GAC systems will be enclosed in attractive buildings to prevent freezing, reduce maintenance, and blend in with the neighborhood.

of these filters were installed in this fiscal year.

Each GAC costs approximately \$500,000 which includes the installation and housing of the unit. The approximate cost of this program to date is \$18,000,000. This is a staggering amount of money in view of the fact that there are no governmental funds available to mitigate against the impact of these regulations.

Implementation of this program was quite a task. It took a monumental effort on the part of our professional staff and the outcome was outstanding. Because the Authority moved swiftly and decisively, we have never contravened the new standards.



#### GRANULAR ACTIVATED CARBON SYSTEM

The Granular Activated Carbon System (GAC) is used for the efficient removal of dissolved organic compounds from water intended for potable use. A unit consists of two process vessels. Each vessel contains 20,000 lbs. of Granulated Activated Carbon. When the carbon in the vessels becomes saturated with contaminants from the water, the unit is shut down and the spent carbon is replaced.

# 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, 1990 and 1989, 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 16, 1990 Price Waterhouse

# Statement of Revenue

#### And Revenue Invested in Facilities

		year ended ay 31,
	1990	1989
Revenues: Operating Interest	\$ 61,255,000 2,606,000	\$ 58,255,000 4,248,000
Total Revenues	63,861,000	62,503,000
Operating Expenses: Operations Maintenance	31,242,000 9,265,000	30,487,000 7,250,000
Total operating expenses, except depreciation, amortization, and interest deducted below	40,507,000	37,737,000
Revenue before depreciation, amortization, interest, and extraordinary item	23,354,000	24,766,000
Deduct: Interest expense Amortization of debt discount and expense Depreciation	9,371,000 229,000 8,203,000	9,048,000 157,000 7,658,000
	17,803,000	16,863,000
Revenue Before Extraordinary Item	5,551,000	7,903,000
Water Works Revenue Bonds (Note 3)		19,434,000
Revenue Invested in Facilities: For the year At beginning of year	5,551,000 128,804,000	27,337,000 101,467,000
At end of year	\$ 134,355,000	\$ 128,804,000

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

# Balance Sheet

Ma	ay 31,
1990	1989
	,
\$ 392,036,000	\$ 352,038,000
	12,020,000
7,100,000	20,529,000
1,674,000 7,335,000 8,055,000 4,299,000 250,000 1,518,000 3,492,000 677,000	875,000 1,100,000 9,700,000 6,882,000 793,000 1,308,000 3,270,000 488,000
27,300,000	24,416,000
3,624,000 2,064,000 5,688,000	3,500,000 1,648,000 5,148,000 \$ 414,151,000
	1990 \$ 392,036,000 7,100,000 1,674,000 7,335,000 8,055,000 4,299,000 250,000 1,518,000 3,492,000 677,000 27,300,000 3,624,000 2,064,000

#### **CAPITALIZATION AND LIABILITIES**

Capitalization: Water System Revenue Bonds, less current		
portion (Note 3)	\$ 143,630,000	\$ 136,455,000
Contributions in aid of construction	102,092,000	95,654,000
Revenue invested in facilities	134,355,000	128,804,000
Total Capitalization	380,077,000	360,913,000
Current Liabilities:		
Current maturities of Water System		
Revenue Bonds (Note 3)	2,825,000	2,780,000
Accounts payable	2,842,000	1,612,000
Accrued interest	5,230,000	6,545,000
Accrued retirement contributions (Note 5)	195,000	3,240,000
Other accrued liabilities (Note 6)	6,733,000	4,971,000
Customer deposits	5,927,000	6,123,000
Total Current Liabilities	23,752,000	25,271,000
Advances for construction	28,295,000	27,967,000
Commitments (Note 8)		
	\$ 432,124,000	\$ 414,151,000

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

# Statement of Cash Flows

		year ended ay 31,
	1990	1989
Cash Flows from Operating Activities:		-
Revenue invested in facilities	\$ 5,551,000	\$ 27,337,000
in facilities to net cash provided by operations:		(19,434,000)
Extraordinary gain	8,432,000	7,815,000
Accrued interest on Series F-W Bonds	0,402,000	3,908,000
Capitalized interest	(610,000)	(207,000)
Decrease (increase) in bond fund held	(010,000)	, , ,
by fiscal agent	1,645,000	(1,402,000)
Decrease (increase) in accounts receivable	2,583,000	(1,877,000)
Decrease (increase) in interest and other receivables	543,000	(553,000)
(Increase) in accrued fire protection revenue	(210,000)	(21,000)
(Increase) in materials and supplies	(222,000)	(973,000)
(Increase) decrease in prepayments	(189,000)	157,000
Increase in accounts payable	1,230,000	13,000
Increase (decrease) in accrued interest	(1,315,000)	1,762,000
(Decrease) in accrued retirement contributions	(3,045,000)	(866,000)
Increase in other accrued liabilities	1,762,000	987,000
(Decrease) increase in customer deposits	(196,000)	2,389,000
Net cash provided by operating activities	15,959,000	19,035,000
Cash Flows from Investing Activities:		
Additions to water plant, net of retirements	(47,590,000)	(43,808,000
Other	(416,000)	(765,000)
Net cash used in investing activities	(48,006,000)	(44,573,000
Cash Flows from Financing Activities:		
Net proceeds from issuance of		
Water System Revenue Bonds	9,646,000	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 of		
Water System Revenue Bonds	(2,780,000)	(3,425,000
Advances for construction, net of refunds	6,766,000	12,983,000
Decrease in funds held by fiscal agent	12,020,000	18,192,000
Decrease (increase) in construction fund	13,429,000	(20,529,000
Net cash provided by financing activities	39,081,000	1,363,000
Net increase (decrease) in cash and cash equivalents	7,034,000	(24,175,000
Cash and cash equivalents at beginning of year	1,975,000	26,150,000
Cash and cash equivalents at end of year	\$ 9,009,000	\$ 1,975,000

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

# Notes to Financial Statements

MAY 31, 1990 and 1989

# 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.

#### Statement of Cash Flows

For purposes of the Statement of Cash Flows, short-term investments which have a maturity of ninety days or less are considered cash equivalents. Interest paid, net of amounts capitalized, was \$10,686,000 and \$7,286,000 during fiscal 1990 and 1989, 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, principally for the construction, revenue and debt service requirements of the Authority. The 1988 General Resolution (the "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. Amounts in the bond fund are held in cash on May 31, 1990. All other funds previously maintained by the Fiscal Agent are now maintained by the Authority.

#### Construction Fund

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

#### Short-term Investments

At May 31, 1990, the Authority has invested \$14,435,000 of its construction and operating funds in certificates of deposit with interest rates that range from 7.65% to 8.15% and which mature at various dates through July 5, 1990. 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 respective issues.

# 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 (\$3,810,000 - 1990; \$10,578,000 - 1989).

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,
	1990	1989
Land and land rights Wells, reservoirs and	\$ 7,162,000	\$ 7,108,000
structures	64,719,000	60,692,000
equipment	20,818,000	19,653,000
Distribution systems	321,756,000	292,195,000
Other	19,135,000	16,610,000
Water plant		
in service	433,590,000	396,258,000
in progress	43,619,000	33,583,000
Water plant,		the second second
at cost	477,209,000	429,841,000
Less - Accumulated	200	
depreciation	85,173,000	77,803,000
Net water plant	\$392,036,000	\$352,038,000

# Note 3 -Water System Revenue Bonds

On November 1, 1989, the Authority issued \$10,000,000 of Series 1989 Water System Revenue Bonds at interest rates of 5.9% - 7.0% and maturity dates through 2014. The Series 1989 bonds were issued for the purpose of financing the cost of improvements to the Authority's water system. The Series 1989 bonds were the second series issued under the Resolution.

On October 27, 1988, the Authority completed a plan of restructuring its debt under which the Authority issued \$139,235,000 of Water System 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)

Outstanding bonds are summarized as follows: May 31,

Series	Interest Rate	Final Maturity Date	y 1990	1989
	6.50-7.375° 5.90-7.00°		\$136,455,000 10,000,000	\$139,235,000
Total	bonds outst	anding .		139,235,000
	Current ma redemption		2,825,000	2,780,000
			\$143,630,000	\$136,455,000

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

	Fisca	Fiscal Year													Amount	
7	1991									٠						\$2,825,000
																3,165,000
																3,350,000
	1994															3,555,000
																3,760,000

# 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 lesser of 10% of the proceeds of the Series 1988-1989 Bonds or the average of the annual installments of debt service with respect to all Series 1988-1989 Bonds outstanding for the current and all future fiscal years. 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 Resolution. Accordingly, the balance of \$12,020,000 at May 31, 1989 was transferred from the debt service reserve fund to the construction fund on June 1, 1989. Bond insurance was also purchased on the Series 1989 Bonds.

Debt service requirements for the payment of interest and principal on outstanding bonds at May 31, 1990 approximate \$13,239,000 in each of the next five years. Revenue before interest and depreciation was equivalent to 1.82 times (2.06 in 1989) the debt service requirement for the year ended May 31, 1990.

### Note 5 - Pension Plan

The Authority's employees are eligible to participate in the New York State Employees' Retirement System, which is a cost sharing multiple employer public employee retirement system. The benefits provided to members of these retirement systems are established by New York State law and may be amended only by the State Legislature. Benefit provisions vary as follows:

The Employees' Retirement System is subdivided into the following four classes:

Tier I - members who last joined prior to July 1, 1973.

Tier II - members who last joined on or after July 1, 1973 and prior to July 27, 1976.

Tier III - members who last joined on or after July 27, 1976 and prior to September 1, 1983.

Tier IV - members who joined on or after September 1, 1983.

Tier I members are eligible for retirement at age 55. If members retire with 20 or more years of total service, the service retirement benefit is 2% of the final average salary for each year of service. If members retire with less than 20 years of total service, the service retirement benefit is 1.66% of the final average salary for each year of service.

Tier II members are eligible to retire with full benefits at age 62; and with reduced benefits for retirement between ages 55 and 62. See above for description of service retirement benefits.

Tier III members with 10 or more years of credited service after July 1, 1973, are eligible to retire with full benefits at age 62 and with reduced benefits for retirement between ages 55 and 62. Benefits are integrated with Social Security beginning at age 62. If members retire at age 62 and have 25 or more years of credited service, the service retirement benefit will be 2% of final average salary for each year or service (not to exceed 30 years), plus 1.5% of the final average salary for each year of credited service beyond 30 years. If members retire at age 62 with fewer than 25 years of credited service, the service retirement benefit will be 1.66% of the final average salary for each year service.

Tier IV members with 10 or more years of credited service are eligible to retire with full benefits at age 62 or between the ages of 55 and 62 with 30 years or more of credited service. Tier IV members with less than 30 years of credited service cannot retire prior to age 62. See Tier III above for description of service retirement benefits.

Retirement benefits vest after 10 years of credited service and are payable at age 55 or greater. The Employees' Retirement System also provides death and disability benefits.

Tier III and IV members are required by law to contribute 3% of salary to the Employees' Retirement System and eligible Tier I and II members may make contributions under certain conditions. The Authority is required by the same statute to contribute the remaining amounts necessary to pay benefits when due.

The State of New York and the various local and governmental units and agencies which participate in the Retirement System are jointly represented, and it is not possible to determine the actuarially computed value of vested benefits for the Authority on an individual basis.

Pension expense recorded in the Authority's accounts was \$737,000 and \$1,674,000 for the years ended May 31, 1990 and May 31, 1989, respectively. The reduction in pension expense in fiscal 1990 is the result of a change in the actuarial method utilized by New York State in determining the contributions to be made to the Retirement System.

### Note 6 - Deferred Compensation

All Authority employees may participate in a deferred compensation program designated as an Internal Revenue Code Section 457 plan. This program enables employees to contribute a portion of their salary, on a tax deferred basis, to group variable annuity contracts. All assets in the plan remain the property of the Authority until paid or made available to participants and, accordingly, are subject to the claims of the Authority's general creditors. The assets and related liabilities of the plan are recorded at the assets' market values. The Authority has no liability for making contributions to the deferred compensation program. The Authority remits deferred compensation amounts withheld from employees' salaries to an outside fiduciary agent who administers the program and invests program assets as instructed by each of the participants. Assets in such program amounted to \$832,000 and \$597,000 at May 31, 1990 and May 31, 1989, respectively.

### Note 7 - Postretirement Benefits

The Authority provides certain health insurance benefits for retired employees. Substantially all the Authority's employees may become eligible for these benefits if they reach normal retirement age while working for the Authority. The cost of retiree health care benefits is recognized as an expense as costs are incurred.

### Note 8 - Commitments

The Authority authorized a capital improvement construction budget for the fiscal year ending May 31, 1991 of approximately \$50,285,000.

The Authority is obligated under several operating leases for offices and equipment which, in the aggregate, approximate \$3,475,000 and expire at various dates through 1994.

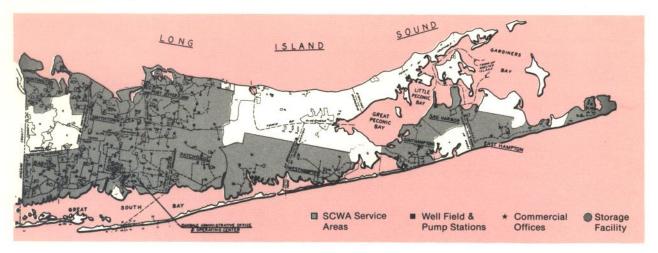
# Note 9-Subsequent Events

One June 1, 1990, the Authority issued \$30,000,000 of Series 1990 Water System Revenue Bonds. The Series 1990 Bonds bear interest rates ranging from 5.9% - 7.125% and mature through 2015. As with all Authority bonds, the payment of principal and interest of the Series 1990 Bonds, when due, is insured by a municipal bond insurance policy issued by AMBAC Indemnity Corporation. Bond maturities over the next five years for the Series 1990 bonds are as follows:

Fisca	Fiscal Year Amount														Amount		
1992												+					\$500,000
1993																	530,000
1994														,	+		550,000
1995																	600,000
1996																	630,000

Debt service requirements for the payment of interest and principal on the Series 1990 Bonds approximate \$2,577,000 in each of the next five years.

# Communities Served



#### BABYLON DISTRICT

Amity Harbor
Amityville
Babylon
Copiague
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
East Moriches
Eastport
East Yaphank
Manorville
Mastic
Mastic Beach
Middle Island\*\*
Moriches
North Shirley
Shirley
South Ridge

#### EAST HAMPTON DISTRICT

Amagansett
East Hampton
Freetown

\* - Included in Wholesale Water District

\*\* Serves portion of area

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 Nissequogue\*\* St. James\* San Remo\* Smithtown South Hauppauge Village of the Branch West St. James West Smithtown\* WESTHAMPTON DISTRICT East Quogue Mattituck Oakville Quiogue Quoque Remsenburg Speonk Westhampton

Westhampton Beach