

Suffolk County Water Authority



1992 Annual Report

Statistical Highlights 1983-1992

	For Fiscal Year Ended May 31 1992	1983	10-Year Growth	Percent Increase
Customers	299,549	246,169	53,380	22%
Population Served	1,017,219	842,000	175,219	21%
Miles of Main	4,375	3,586	789	22%
Fire Hydrants	27,216	23,024	4,192	18%
Water Pumped (billion gallons)	50.6	37.1	13.5	36%
Employees	569	424	145	34%

Financial Highlights 1983-1992

	For Fiscal Year Ended May 31 1992	1983	10-Year Growth	Percent Increase
Gross Revenues	74,506,000	39,096,000	35,411,000	91%
Operating and Maintenance Expense, Except Depreciation	46,577,000	21,748,000	24,829,000	114%
Water Plant at Cost	549,719,000	274,757,000	274,962,000	100%
Bonded Indebtedness	199,965,000	133,193,000	66,772,000	50%
Total Earnings in the Business at the Close of Period	150,604,000	73,186,000	77,418,000	106%

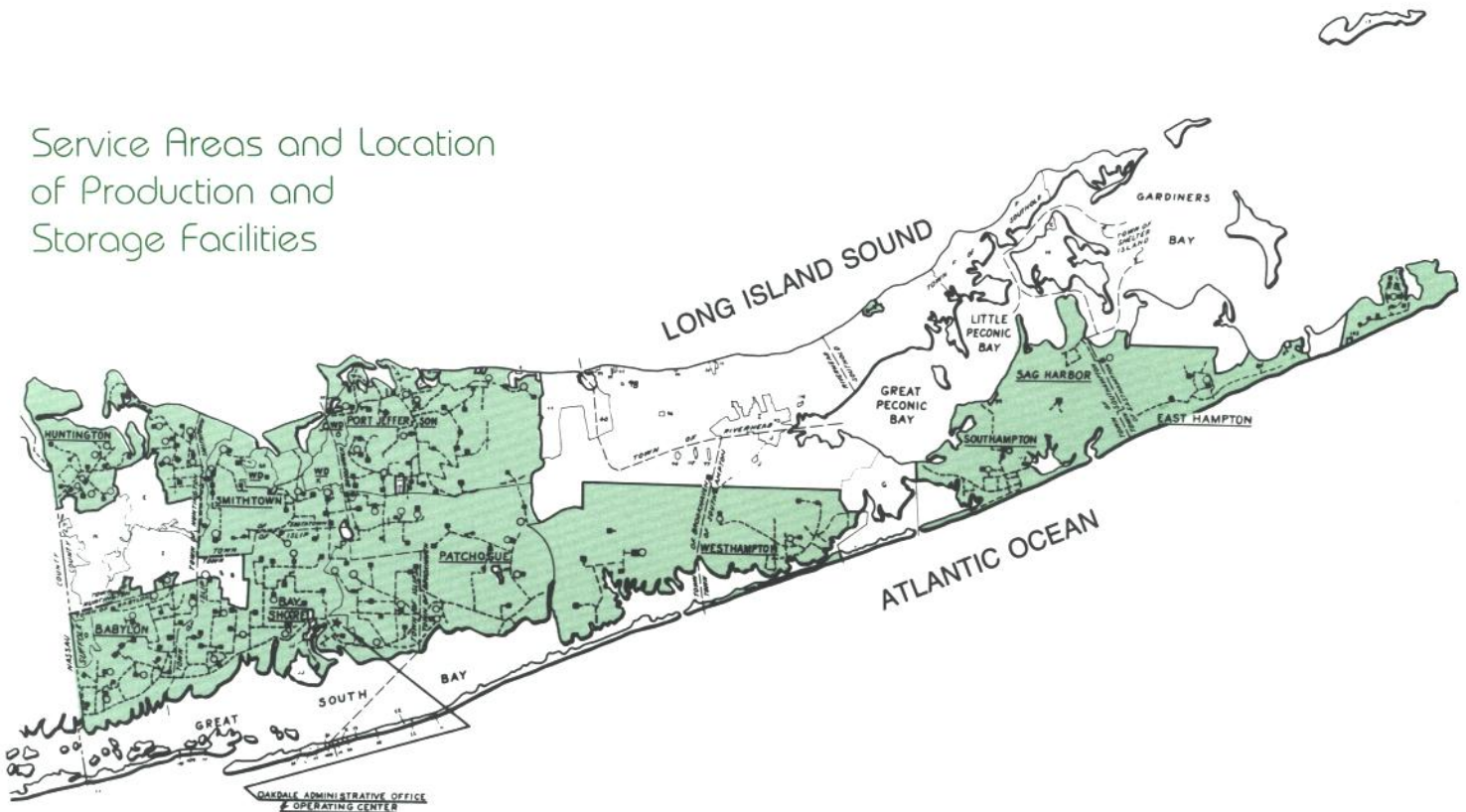
Authority Profile



The Authority was created by the Suffolk County Board of Supervisors in 1937 and operates by virtue of the Public Authorities Law of the State of New York. Actual operations began in 1951 with the acquisition of the properties of the South Bay Consolidated Water Company by the Authority.

The Suffolk County Water Authority is a non-profit, self-supporting, public-benefit corporation that operates as a business enterprise. It is without taxing power; the only revenue it receives is obtained from the sale of water to its customers. 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.

Service Areas and Location of Production and Storage Facilities



LEGEND:

SCWA SERVICE AREA

WELL FIELD AND PUMP STATION

TRANSMISSION MAINS

WD WATER DISTRICT SERVED AT WHOLESALE

STORAGE FACILITY

Authority Members

Michael A. LoGrande, *Chairman and CEO*

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

Matthew B. Kondenar, *Secretary*

Eric J. Russo, *Esq.*

James T. B. Tripp, *Esq.*



photo credit: Hoda Garnett

Left to Right: Matthew B. Kondenar; James T.B. Tripp, Esq.; Michael A. LoGrande;
Eric J. Russo, Esq.; Melvin M. Fritz, D.O.M.D.

Management

STAFF

Herman J. Miller
Division Director of Water Supply and Distribution Services

Nicolo DiBartolo
Division Director of Financial Services

Edward J. Rosavitch
Chief Engineer

Patrick J. Dugan, Jr.
Chief Chemist

Michael Stevenson
Director of Human Resources

Laura J. Mansi
Director of Public Information

CONSULTANTS

Van Nostrand & Martin
Counsel

United States Trust Company of New York
Bond Trustee

Price Waterhouse
Independent Accountants

Smith Barney Harris Upham & Co., Inc.
Financial Consultant

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



Chairman's Message

The Members of the Suffolk County Water Authority are pleased to present the annual report for the fiscal year 1991-1992. In many ways, this has been an exceptional year for the Authority in terms of productivity, consolidation of operations, long-term planning, and public service and education.

Despite the on-going recession on Long Island and two back-to-back reduced revenue-producing years in 1989 and 1990, due to excessive rainfall, the Suffolk County Water Authority has managed to maintain its excellent financial status. An on-going consolidation and reorganization has allowed for a reduction in personnel through early retirement incentives and the elimination of positions. Expenditures have been reduced through the rebidding of numerous contracts and eliminating leased space where possible. We anticipate that by the end of 1993, we will have eliminated all remaining leased space. The extremely reasonable purchase of buildings and properties by the Suffolk County Water Authority, during this year, to replace rented space was made possible by the current depressed real estate market. In addition, the Authority updated "miscellaneous fees" for services, such as restoration of water service and collections, to reflect actual costs to the Authority. These and other cost-cutting measures in tandem with a small rate increase that became effective on May 1, 1992, will keep us on a steady financial course for at least the next two years.

The average rate increase was 4.9% and amounts to about \$7.20 per year or \$1.80 per quarter for the typical residential user. The last remaining 10% large volume discount will be phased out over 1992 and 1993 in conformance with state-recommended conservation measures. The new basic rate of just over \$1.21 per thousand gallons continues to maintain the Water Authority's rates as among the lowest in the state. The goal is to maintain the new rate for at least two years. This rate increase, coupled with no increase at all for the last three years, amounts to less than 1% a year for five years of service.

Although new construction remains sluggish in Suffolk, the Authority connected over 3,500 new customers to the public water supply system this year. A sizeable proportion of the new connections was the result of a cooperative effort between town government and/or state agencies and the Suffolk County Water Authority to bring clean drinking water to those established residents and businesses with a threatened supply. A major portion, if not all, of the funding for these projects came from government funding and through the application of the Suffolk County Water Authority's rule which allows seventy-five feet of free water main for each home or business wishing to connect to the system.

One of these water main extension projects made public water possible for seventy-three families in Medford, who had been living on bottled water supplied by the New York State Department of Environmental Conservation (NYS DEC). Private wells that supplied these homes

were contaminated by a plume of gasoline of undetermined origin. The project was funded in part by the NYS DEC, which contributed \$250,000 for water mains and hook-ups, and through the Suffolk County Water Authority's 75-foot rule, which reduced the cost of the project by over \$150,000. The Town of Brookhaven acted as the contract agency for the NYS DEC and coordinated the effort between the residents and both agencies. Under other special projects, the Suffolk County Water Authority installed about 56,380 feet of water main in the Town of Brookhaven alone. One of the largest of these, in Manor Park, provided public water to 630 homes under the Authority's 75-foot rule. Tapping fees and hook-ups were funded by the Town for those that qualified. These projects, and others like it, are perfect examples of how government and public agencies, working together, can get the job done expeditiously and truly serve a public need.

In keeping with the Authority's mandate, as a public-benefit corporation, to acquire those companies unable to render adequate service, we acquired the Bridgehampton Water Company on May 22, 1992, adding 1,015 new services to the system. Our immediate goal was to upgrade the system to meet our high standards and integrate it into the SCWA water supply system. We have already made necessary improvements at the pump stations, and we anticipate that the connection between the systems will be completed in the late fall of 1992. Replacement of old mains in that system will be made over the next two years.

While the acquisition of the Bridgehampton Water Company brings the total acquisitions of private water companies by the Suffolk County Water Authority since 1951 to thirty-seven, several acquisitions are pending. Purchase of the Surfside Water Company, formerly supplied by Bridgehampton, will soon be completed, adding 116 active services to the system. Also, completion of purchase of Scott's Beach, Inc., a small system in Miller Place, took place on September 3, 1992. In addition, the Suffolk County Water Authority has initiated condemnation proceedings against the Swan Lake Water Company in Patchogue, which services 499 customers, and the Sunhill Water Company



First Delivery of Water Main for Medford Project Chairman Meets with Community Leaders and Government Officials

with 1,046 customers in Selden. Also at this time, the Authority is actively pursuing negotiations with the Shorewood Water Company located in North Brookhaven, which serves about 5,400 customers. All of these privately-owned water companies have been the subject of vociferous complaint from their respective customers and elected representatives. The complaints have ranged from inadequate service to the high cost of service. We are sensitive to the community's concerns, and we continue to pursue these acquisitions vigorously.

In the late summer of 1991, the Water Authority completed its water conservation retrofit program for the Montauk peninsula. We supplied about 2,600 residential customers and 44 hotel/motel and condominium owners with water-saving devices to avert salting of wells and the cutting of production. The program was well received, and we will analyze "before and after" water use to determine the degree of success of this effort. We believe a combination of water conservation techniques and the development of Hither Woods for water production purposes is critical to maintaining a plentiful and reliable supply of water for this unique region.

Main Street Pump Station in Mastic



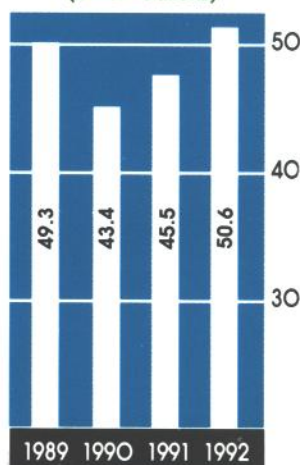
The Suffolk County Water Authority, at the invitation of the Town of Southold, is proceeding with the installation of public water service in a pilot area of Southold. In April of 1992, we presented the plan to officials of the Town. Subsequently, we launched a public-information effort aimed at providing the residents and property owners in the selected pilot area, located in the southwestern corner of Southold, with as much information as possible concerning the proposal. This effort will aid us in determining whether the pilot study is feasible in terms of public participation. This pilot project is predicated upon the degree of community interest, and at this time, we continue to receive a favorable reply from the majority of the residents concerned.

Three new pump stations were developed this year at Fish Road in Rocky Point, at Quogue/Riverhead Road in Oakville, and at Main Street in Mastic to provide additional supply for these areas. Additional plans for Shirley and Mastic Beach include a new well and pump station at the aging Margin Drive facility. Also, during this year, we installed two additional active carbon adsorption systems, bringing the total carbon filtration systems, at forty-four well sites, to sixty-five. The cost of several filters was recovered this year as the result of the settlement of the SCWA lawsuit against Rhone-Poulenc, Inc., the successor of interest to Union Carbide, who manufactured and sold the pesticide Temik on Long Island in the mid-to-late seventies.

FIRE HYDRANTS IN SERVICE



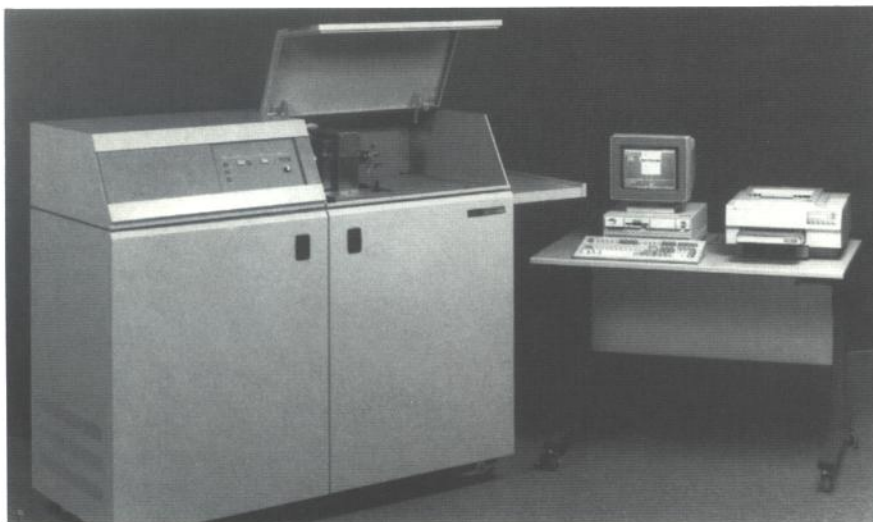
WATER PUMPAGE (Billion Gallons)



MILES OF MAIN



Inductively Coupled Plasma-Mass Spectrometer



In order to have immediate access to information critical to emergency repair of water mains, the Suffolk County Water Authority has begun a valve data conversion project. We have hired a consulting engineering firm to convert approximately 26,000 water valve location sketches to an electronic format. This will enable the Construction Maintenance Department to network with district office and field personnel with up-to-date valve locations thereby containing shut-down areas and making prompt repairs. The entire project should be completed in 1993.

The Authority's entire distribution system is also currently being computerized utilizing the Stoner Model. The model consists of the Authority's distribution network of water mains, wells, storage tanks, and control valves. The Advanced Pipeline Modeling and Simulation Program will automate what is done manually by engineers, allowing for quick analyses and appropriate solutions. This computer-based system

is an excellent tool in making decisions for future well sites, tanks, transmission lines, adequate fire protection, etc. It is anticipated that this project will be completed in 1995.

Another area of interest to the Authority is how to best improve the productivity and cost-efficiency of our meter reading program. We are currently examining and testing out two automatic meter reading systems; telephone meter reading and walk-by electronic meter reading. The Authority is also planning to introduce remote radio meter reading as soon as the technology is tried and tested.

In 1988, the Authority implemented a Geographic Information System (GIS), which is a computerized resource management and mapping system that relates spatial information such as industrial and commercial facility locations with attribute information such as owner, address, water usage, zoning,

closeness to public supply wells and nearness to deep recharge areas, etc. The Geographic Information System maximizes the SCWA's ability to manage and protect the water resources of the County, particularly in conjunction with information generated by federal, state, and local agencies. Since the implementation of the GIS, the Authority has become the leader in coordinating the effort to set county-wide standards and constructing a data base for this system.

The Suffolk County Water Authority has the largest New York State laboratory for the testing of drinking water in the state. It is the largest in terms of volume and number of samples and constituents tested for. All of our lab equipment is state-of-the-art as required by state regulators. Our newest and most state-of-the-art piece of equipment is an ICP-MS (Inductively Coupled Plasma-Mass Spectrometer). This ICP-MS is used to test for inorganics such as lead, iron, manganese, and other metals. What makes this piece of equipment unique is that it gives the ability to detect more than one metal from a single water sample. In fact, it can test for numerous metals simultaneously. In addition to the on-going regulatory changes which continue to increase our sampling and monitoring requirements, the Authority recently implemented a Lead and Copper Sampling Program as mandated by law. This will be a continual program which requires sampling and testing of water for lead and copper every six months from the taps of homes which may pose potential risks. We have had our first testing period, and we have met all of the requirements of this law.

Water Week Essay Contest Winners



Water Week Slogan Contest Winners



Public education is an important component of a complete plan of water protection. Therefore, the Authority has disseminated water conservation and protection strategies to the public through billing inserts and a comprehensive Water Supply Statement which covers the broad spectrum of issues related to Long Island's groundwater and the SCWA public supply system. The Suffolk County Water Authority's Watershed Oversight and Protection Department offers information and advice to commercial establishments through our Source Reduction Program, which seeks to eliminate potential sources of contamination. In addition, the Authority conducts tours of our laboratory facilities and/or pumping plants during the year for students, teachers, and

interested groups. This year, the Suffolk County Water Authority initiated a Water Week Slogan Contest in May for students in grades 3-12 in celebration of Water Week. At the same time, we co-sponsored an essay contest for grades 4-6 with the Suffolk County Department of Health Services entitled "The Day the Water Stopped." The response to both these contests was extremely gratifying, and the quality of the entries indicated just how well the teachers had prepared their students. Our hope is that the children take this valuable lesson on the vital importance of our water resources home and to their communities. We will continue to expand our public education efforts because we believe the best guarantee in maintaining the integrity of the water supply is in partnership with the public we serve.



Outstanding Efforts by SCWA Employees During Hurricane Bob



In August of 1991, the eastern end of Long Island, particularly the coastal areas, were severely hit by Hurricane Bob, which side-swiped the island and caused much coastal damage. Through the extraordinary efforts of our employees, our customers were kept supplied with water, and in the aftermath, those who had lost their private supply of water were offered water at various Suffolk County Water Authority locations. We are very proud of our employees who participated in this effort, particularly those who volunteered to work long hours in hazardous conditions to aid the public and their fellow employees. Their dedication and successful efforts were exemplary.

The members of the Board and I are grateful to our employees for their efforts in achieving outstanding results this year, and with their continued dedication to the public we serve, we look forward to the future with confidence and pride.

Sincerely,

Michael A. LoGrande

Michael A. LoGrande
Chairman and CEO

Highlights 1991-1992

	May 31	
	1992	1991
Total Revenues	\$ 74,506,000	\$ 74,909,000
Operating and Maintenance Expense except depreciation	46,577,000	42,987,000
Interest on Bonds and Notes; including amortization of debt discount and expense	13,158,000	11,654,000
Depreciation	9,747,000	9,043,000
Revenues Invested in Facilities for the year	5,024,000	11,225,000
Revenues Invested in Facilities (since June 1, 1951)	150,604,000	145,580,000
Total Water Plant at Cost	549,719,000	516,603,000
Net Additions to Water Plant	32,971,000	39,394,000
Customers (Active Services)	299,549	296,037
Miles of Main in Service	4,375	4,312
Fire Hydrants in Service	27,216	26,914
Water Production (Billion Gallons)	50.6	45.5

Plant Facilities 1991-1992

Service Areas of Plants	WELLS				Pumping Plants				Storage Facilities				Active Services	
	Active	Inactive			No.		Capacity - 1,000 Gallons Daily*		No.		1,000 Gallons			
BABYLON	48	48	6	3	19	19	81,288	80,928	7	7	7,220	7,220	56,014	56,088
BAY SHORE	45	48	19	12	21	21	80,568	91,872	7	7	6,012	6,012	50,279	50,389
PATCHOGUE	71	71	5	5	29	29	119,376	115,776	12	12	12,465	12,465	61,243	62,009
HUNTINGTON	51	54	6	2	22	22	63,648	67,104	11	11	11,842	11,842	30,661	30,743
PT. JEFFERSON	65	68	6	5	30	30	105,336	112,464	8	8	7,854	7,854	40,847	41,419
SMITHTOWN	47	45	0	3	20	20	81,360	83,520	6	6	6,100	6,100	25,542	25,598
WESTHAMPTON	33	34	0	0	13	14	25,776	28,800	4	4	4,050	4,050	19,196	20,887
EAST HAMPTON	35	33	1	4	19	19	24,732	26,280	5	5	5,720	5,720	12,255	12,416
TOTALS	395	401	43	34	173	174	582,084	606,744	60	60	61,263	61,263	296,037	299,549

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

AS OF MAY 31, 1991 ☐ AS OF MAY 31, 1992 ☒

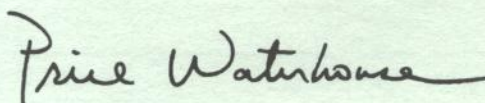
Report of Independent Accountants

Price Waterhouse

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 (the "Authority") at May 31, 1992 and 1991, 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.

As discussed in Note 8 to the financial statements, the Authority changed its method of accounting for unbilled revenues during the year ended May 31, 1991.

A handwritten signature in cursive script that reads "Price Waterhouse".

Jericho, New York
August 4, 1992

Statement of Revenue And Revenue Invested in Facilities

(Amounts in Thousands)

	For the year ended May 31,	
	1992	1991*
Revenues:		
Operating	\$ 72,228	\$ 66,004
Interest and other	2,278	3,076
Total Revenues	74,506	69,080
Operating Expenses:		
Operations	35,043	32,668
Maintenance	11,534	10,319
Total operating expenses	46,577	42,987
Revenue before depreciation, amortization, interest, and cumulative effect of change in accounting principle	27,929	26,093
Deduct:		
Interest expense, net	12,829	11,362
Amortization of debt discount and issue costs	329	292
Depreciation	9,747	9,043
	22,905	20,697
Revenue before cumulative effect of change in accounting principle	5,024	5,396
Cumulative effect of change in accounting principle (Note 8)		5,829
Revenue invested in facilities	5,024	11,225
At beginning of year	145,580	134,355
At end of year	150,604	145,580

*Reclassified in part for comparative purposes.

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

Balance Sheet

(Amounts in Thousands)

	May 31,	
	1992	1991
ASSETS		
Water plant, at cost less accumulated depreciation (Note 2)	\$ 447,794	\$ 423,578
Construction fund (Note 4)	3,800	32,500
Current Assets:		
Cash (including \$443 in 1992 and \$812 in 1991 in interest bearing accounts)	2,688	1,965
Short-term investments	18,716	11,875
Bond fund held by Fiscal Agent	10,879	10,199
Accounts receivable, less allowance for doubtful accounts of \$212 in 1992 and \$249 in 1991	4,537	4,522
Interest and other receivables	355	1,246
Accrued water service and fire protection revenues (Note 8)	9,637	10,128
Materials and supplies, at average cost	4,228	4,064
Prepayments	583	570
Total Current Assets	51,623	44,569
Long term investments	2,999	
Unamortized debt discount and issue costs	4,621	4,945
Other (Note 6)	2,686	2,109
	10,306	7,054
	\$ 513,523	\$ 507,701

CAPITALIZATION AND LIABILITIES

Capitalization:

Water System Revenue Bonds, less current portion (Note 3)	\$ 196,085	\$ 199,965
Contributions in aid of construction	125,600	117,504
Revenue invested in facilities	150,604	145,580
Total Capitalization	472,289	463,049

Current Liabilities:

Current maturities of Water System Revenue Bonds (Note 3)	3,880	3,665
Accounts payable	3,346	2,958
Accrued interest	7,000	6,401
Accrued retirement contributions (Note 5)	895	601
Other accrued liabilities (Note 6)	6,391	6,664
Customer deposits	6,159	6,150
Total Current Liabilities	27,671	26,439
Advances for construction	13,563	18,213
Commitments and Contingencies (Note 9)		
	\$ 513,523	\$ 507,701

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

Statement of Cash Flows

(Amounts in Thousands)

	For the year ended May 31,	
	1992	1991
Cash Flows from Operating Activities:		
Revenue invested in facilities	\$ 5,024	\$ 11,225
Adjustments to reconcile revenue invested in facilities to net cash provided by operations:		
Depreciation and amortization	10,076	9,335
Capitalized interests	(1,154)	(941)
Increase in bond funds held by fiscal agent	(680)	(2,144)
(Increase) in accounts receivable	(15)	(223)
(Increase) in long term investments	(2,999)	
(Increase) Decrease in interest and other receivables	891	(996)
(Increase) Decrease in accrued water service and fire protection revenue	491	(8,610)
(Increase) in materials and supplies	(164)	(572)
(Increase) Decrease in prepayments	(13)	107
Increase in accounts payable	388	116
Increase in accrued interest	599	1,171
Increase in accrued retirement contributions	294	406
(Decrease) in other accrued liabilities	(273)	(69)
Increase in customer deposits	9	223
Net cash provided by operating activities	12,474	9,028
Cash Flows from Investing Activities:		
Additions to water plant, net of retirements	(32,809)	(39,644)
Other	(582)	(45)
Net cash used in investing activities	(33,391)	(39,689)
Cash Flows from Financing Activities:		
Net proceeds from issuance of Water System Revenue Bonds		58,387
Repayment of current maturities of Water System Revenue Bonds	(3,665)	(2,825)
Advances for construction, net of refunds	3,446	5,330
(Increase) Decrease in construction fund	28,700	(25,400)
Net cash provided by financing activities	28,481	35,492
Net increase in cash and cash equivalents	7,564	4,831
Cash and cash equivalents at beginning of year	13,840	9,009
Cash and cash equivalents at end of year	\$ 21,404	\$ 13,840

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

Notes to Financial Statements

MAY 31, 1992 and 1991

(Amounts in Thousands)

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 an original maturity of ninety days or less are considered cash equivalents. Interest paid, net of amounts capitalized, was \$12,230 and \$10,191 during fiscal 1992 and 1991, 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 of 2.14% which is based on the average service lives and net salvage values of properties.

Funds Held by Fiscal Agent

The 1988 General Bond Resolution, as amended, (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 and interest on the bonds, and for retiring the bonds prior to maturity. Amounts in the bond fund are invested in repurchase agreements and U.S. Treasury notes, as of May 31, 1992 and May 31, 1991.

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.

Investments

At May 31, 1992, the Authority has invested \$19,899 of its construction, operating and general funds in certificates of deposit with interest rates that range from 3.50% to 4.0% and which mature at various dates through August 19, 1992. Additionally, the Authority has invested \$2,617 and \$2,999 in repurchase agreements and bonds, respectively. It is the Authority's intent to hold such 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 water revenues and fire protection service (see Note 8).

Income Taxes

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

Bond Premiums or Discounts and Issue Costs

Premiums or discounts and issue costs related to the issuance of long-term debt are amortized on a straight line basis 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 (\$5,525 - 1992; \$3,519 - 1991:).

Contributions in Aid of Construction also includes 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 water users. No interest is paid on such deposits.

Note 2 - Water Plant

	May 31,	
	1992	1991
Land and land rights ..	\$ 8,354	\$ 8,316
Wells, reservoirs and structures	70,503	67,831
Pumping and purification equipment	23,387	22,028
Distribution systems	369,131	347,171
Other	18,700	21,743
Water plant in service	490,075	467,089
Less - Accumulated depreciation	101,925	93,025
Net water plant in service	388,150	374,064
Construction in progress	59,644	49,514
Water plant	\$ 447,794	\$ 423,578

Note 3 - Water System Revenue Bonds

On June 1, 1990 and March 15, 1991, the Authority issued \$30,000 each of Series 1990 and 1991 Water System Revenue Bonds, respectively. As with all Authority bonds, the payment of principal and interest of the Series 1990-1991 Bonds, when due, is insured by a municipal bond insurance

policy issued by AMBAC Indemnity Corporation (see Note 4). The Bonds were issued for the purpose of financing the cost of improvements to the Authority's water system.

Outstanding bonds are summarized as follows:

May 31,				
Series	Interest Rate	Final Maturity Date	1992	1991
1988	6.50-7.375%	2012	\$130,640	\$133,630
1989	5.90-7.00 %	2014	9,825	10,000
1990	5.90-7.125%	2015	29,500	30,000
1991	5.2 -7.0 %	2016	30,000	30,000
Total bonds outstanding			199,965	203,630
Less: Current maturities and redemptions			3,880	3,665
			\$196,085	\$199,965

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

Fiscal Year	Amount
1993	\$ 3,880
1994	4,665
1995	4,950
1996	5,265
1997	5,605

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 1988-1991 Bonds or the average of the annual installments of debt service with respect to all Series 1988-1991 Bonds outstanding for the current and all future fiscal years or the Authority may purchase bond insurance in lieu of the debt service reserve fund requirement. The Authority has elected to maintain bond insurance on the Series 1988-1991 Bonds for the payment of principal and interest on stated maturity and sinking fund installment dates in the event of default by the Authority.

Debt service requirements for the payment of interest and principal on outstanding bonds at May 31, 1992 approximate \$18,130 in each of the next five years. Revenue before interest and depreciation was equivalent to 1.58 times (2.00 in 1991) the debt service requirement for the year ended May 31, 1992.

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, multi-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 of 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 of 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 zero for the years ended May 31, 1992 and May 31, 1991. The zero balance in pension expense 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 \$1,720 and \$1,124 at May 31, 1992 and May 31, 1991, 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 - Change in Accounting

Effective June 1, 1990, the Authority changed its method of accounting for unbilled water revenues to record an accrual for estimated revenues for all water service delivered but not yet billed to customers. Previously, only estimated revenues from unbilled fire protection services were accrued; other water revenues were recorded when billed, generally on a quarterly cycle basis. This change results in better matching of revenues and expenses and provides consistency in the revenue recognition methods for all water services of the Authority.

The cumulative effect of this accounting change for the periods prior to June 1, 1990 was \$5,829 and has been included in revenue invested in facilities for the year ended May 31, 1991. The effect of the change for the year ended May 31, 1991 was to increase revenue invested in facilities before the cumulative effect of such change by \$2,789.

Note 9 - Commitments and Contingencies

The Authority authorized a capital improvement construction budget for the fiscal year ending May 31, 1992 of approximately \$51,566.

The Authority is obligated under several operating leases for offices and equipment which, in the aggregate, approximate \$699 and expire at various dates through 1996.

The Authority is involved in various litigation resulting from the ordinary course of operations. In the opinion of management, and based on advice from legal counsel, no material liability exists with respect to these lawsuits.

District Offices and Communities Served



BABYLON DISTRICT

MANAGER:
Clifford J. Foy
179 Little East Neck Rd.
Babylon, NY 11702

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

MANAGER:
Stuart J. Bernhard
20 Fourth Avenue
Bay Shore, NY 11706
Bay Shore
Brentwood
Brightwaters
Central Islip
Edgewood
East Islip

Great River
Islandia
Islip
Islip Manor
Islip Terrace
North Bay Shore
North Great River
Oakdale
Village of Islandia**
West Bay Shore
West Islip

EAST HAMPTON DISTRICT

MANAGER:
Ronald P. Blake
32 Montauk Highway
East Hampton,
NY 11937

Amagansett
Bridgehampton
East Hampton
Montauk
North Haven
North Sea
Sag Harbor
Southampton
Wainscott
Watermill

HUNTINGTON DISTRICT

MANAGER:
Robert Graven
131 Spring Road
Huntington, NY 11743

Asharoken
Centerport
Cold Spring Harbor
Commack
Crab Meadow
East Huntington
East Neck
East Northport
Eaton's Neck
Fort Salonga
Halesite
Huntington
Huntington Bay
Huntington Station
Lloyd Harbor
Northport

PATCHOGUE DISTRICT

MANAGER:
Julius Perino
336 West Main Street
Patchogue, NY 11772

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

MANAGER:
Steven Romano
120 West Broadway
Port Jefferson,
NY 11777

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

MANAGER:
Timothy Cassidy
401 E. Jericho Turnpike
Smithtown, NY 11787

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
Village of Islandia**
West St. James
West Smithtown*

WESTHAMPTON BEACH DISTRICT

MANAGER:
William T. Stone
1098 Old Riverhead Rd.
Westhampton Beach,
NY 11978

Center Moriches
East Moriches
East Quogue
Eastport
East Yaphank
Manorville
Mastic
Mastic Beach
Mattituck
Middle Island**
Moriches
North Shirley
Oakville
Quogue
Quogue
Remsenburg
Shirley
South Ridge
Speonk
Westhampton
Westhampton Beach

*Included in Wholesale Water District

**Serves portion of area

Suffolk County Water Authority

Oakdale, Long Island, N.Y. 11769

