

LOCUST VALLEY WATER DISTRICT
A Component Unit of the Town of Oyster Bay
Financial Statements
December 31, 2020

LOCUST VALLEY WATER DISTRICT
(A Component Unit of the Town of Oyster Bay)

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Locust Valley Water District
Locust Valley, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the Locust Valley Water District (the "District"), a component unit of the Town of Oyster Bay, New York as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Locust Valley Water District as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 32–37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

To the Board of Commissioners
Locust Valley Water District
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economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Raich Ende Malter & Co. LLP

RAICH ENDE MALTER & CO. LLP
Melville, New York
May 26, 2021

LOCUST VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

Our discussion and analysis of the Locust Valley Water District (the "District"), a component unit of the Town of Oyster Bay, New York (the "Town"), financial performance provides an overview of the District's financial activities for the year ended December 31, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements use the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund. These statements use the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The relationship (or differences) between governmental activities (reported in the Statement of Net Positions and the Statement of Activities) and the governmental funds are reported in a reconciliation at the bottom of each of the fund financial statements.

Condensed Financial Information

Our analysis below focuses on the net position and changes in net position as set forth in the following condensed financial statements:

	<i>In Thousands</i>	
	<i>December 31,</i>	
	<i>2020</i>	<i>As Restated 2019</i>
Condensed Statement of Net Position:		
Assets		
Current and other assets	\$ 3,485	\$ 1,986
Capital assets	16,537	14,899
	<u>20,022</u>	<u>16,885</u>
Deferred Outflows of Resources		
Pensions	604	192
Other postemployment benefits	447	446
	<u>1,051</u>	<u>638</u>
Liabilities		
Current liabilities	1,348	540
Non-current liabilities	15,600	13,668
	<u>16,948</u>	<u>14,208</u>
Deferred Inflows of Resources		
Pensions	19	56
Other postemployment benefits	495	624
	<u>514</u>	<u>680</u>
Net Position		
Net investment in capital assets	4,757	4,111
Restricted	864	2,077
Unrestricted	(2,010)	(3,553)
	<u>\$ 3,611</u>	<u>\$ 2,635</u>

Continued

	<i>In Thousands</i>	
	<i>December 31,</i>	
	<u>2020</u>	<u>As Restated 2019</u>
Changes in Net Position		
Program Revenues		
Charges for services	\$ 2,126	\$ 1,765
Capital grants and contributions	716	148
	<u>2,842</u>	<u>1,913</u>
General Revenues		
Real property taxes	1,160	1,036
Other real property tax items	14	14
Interest	24	35
Rental income	303	265
Other local sources	64	21
	<u>1,565</u>	<u>1,371</u>
	<u>4,407</u>	<u>3,284</u>
Expenses - Water Supply Services	<u>(3,431)</u>	<u>(3,276)</u>
Changes in Net Position	<u>\$ 976</u>	<u>\$ 8</u>

Financial Highlights

Government-wide Financial Statements

The District's total assets and deferred outflows of resources at December 31, 2020 were \$21,072,743, an increase of \$3,549,612 from the prior year restated balance. The increase was due to increases in cash, due from Town of Oyster Bay, due from state and federal governments and capital assets. Total liabilities and deferred inflows of resources at December 31, 2020 were \$17,462,007, an increase of \$2,574,076 from the prior year restated balance. This increase is primarily due to increases in bond anticipation notes payable, other postemployment benefits obligation and the net pension liability – proportionate share offset by decreases in general obligation bonds payable and compensated absences.

The District's net position as of December 31, 2020 was \$3,610,736, a decrease of \$975,536 from the prior year restated net position. Of the District's total net position, \$4,756,343 was a net investment in capital assets, \$864,000 is restricted for payment of debt service and \$2,009,607 was unrestricted deficit.

The deficit balance of unrestricted net position does not necessarily indicate financial stress. These financial statements include a liability for other postemployment benefits ("OPEB"). OPEB costs must now be recognized during the period of the employees' years of service and for benefits already earned by current and former employees. Currently, there is no New York State statute providing local governments with the authority for establishing a postemployment benefits trust.

Program revenues were \$2,842,371 in the current year, which were \$929,247 more than the prior year.

General revenues were \$1,564,906 in the current year, which were \$194,168 more than the prior year.

Total operating expenses were \$3,431,741, which were \$156,276 more than the prior year restated balance.

With a hot, dry weather pattern throughout the spring and summer, demand for irrigation water was significantly increased in 2020. Overall, water revenue significantly increased from 2019 due to weather and stay at home orders from the COVID-19 pandemic, coupled with the increase in water rates.

The following table indicates the District's gallons billed and revenue figures for the last three years.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gallons billed (in millions)	668	572	570
Water supply services revenue (in thousands)	\$2,049	\$1,594	\$1,661

The District receives most of its funding from water revenue. However, the District also receives funds from taxation, tank rentals, sales of supplies, new service taps, fire hydrant rental, backflow testing, and interest. Seasonal and annual fluctuations in water rates caused by varying climatic conditions are common, as over 50% of the water consumed in the District is used for irrigation purposes. The real property tax rate levied on behalf of the District, collected by the Town of Oyster Bay for 2020, was \$1,159,722, an increase of 11.9% from 2019. During 2020, in addition to the increase in water revenue and property taxes, capital grants and contributions increased by \$568,662 due to a grant secured by the District from New York State for a new filtration system.

Governmental Fund Financial Statements

The General Fund reported revenues and other financing sources in excess of expenditures this year of \$976,433, increasing the restated fund balance to \$2,362,574. The major reason for the increase was due to increases in metered water sales and interfund transfers in of unspent bond proceeds from the Capital Fund.

The Capital Fund reported revenues and other financing sources in excess of expenditures and other financing uses this year of \$443,104, increasing the restated fund balance to \$495,104. This surplus resulted from the recognition of bond anticipation notes as a long-term financing source.

Budgetary Highlights – General Fund

The District significantly increased budgeted amounts from the original to modified budget for water purification (\$55,000), transmission and distribution salary expenditures (\$132,000), and debt service (\$303,000), due to increased regulations related to water contaminates, the accumulated sick and vacation payout related to the retirement of the Superintendent and the refunding of the 2013 Public Improvements Serial Bonds, respectively. Due to cost overruns, the District was compelled to make several line item adjustments to its original annual operating budget. A total increase of \$303,000 in appropriations was made after the original budget was adopted, resulting in a modified budget of \$4,061,000 for December 31, 2020. The District's actual results were approximately \$1,381,000 better than budgeted during the year due to the following:

	<u><i>In Thousands</i></u>
Departmental income more than budget	\$ 233
Other revenue more than budget	70
Administration expenditures less than budget	50
Transmission and distribution expenditures less than budget	88
Employee benefit expenditures less than budget	48
Other expenditures less than budget	21
Other financing sources more than budget	871
	<u>\$ 1,381</u>

Capital Assets

At December 31, 2020, the District had approximately \$16,536,000 invested in capital assets, net of depreciation, including land, pump stations, transmission and distribution pipeline, and storage tanks (see next page). This represents an increase of approximately \$1,637,000.

Capital assets, net of depreciation, at December 31, 2020, consist of the following:

	<u><i>In Thousands</i></u>
Land	\$ 1,953
Buildings	443
Water tanks	4,756
Wells and pumphouses	8,269
Infrastructure	1,090
Vehicles and equipment	25
	<u>\$ 16,536</u>

Major capital additions and improvements for 2020 included:

	<u><i>In Thousands</i></u>
Completion of Well No. 5 Rehabilitation	\$ 9
Completion of Control and Data Acquisition ("SCADA")	13
Completion of Well No. 6 GAC Filter	1,969
	<u>\$ 1,991</u>

Debt

The District currently has bonded debt in the amount of \$9,655,000 and long-term bond anticipation notes of \$2,589,534. The debt service cost for the District was \$1,324,834 in 2020, which was greater than originally anticipated due to a current refunding of debt. The debt service is projected to be \$1,068,914 in 2021. The District will pay the debt service through its current operating budget and the use of restricted fund balance.

Economic Factors and Next Year's Budget

Since weather cannot be predicted in the long-term and irrigation accounts for over 50% of the water consumed in the District, it is difficult to estimate future annual water supply revenue. The District expects basic increases in all areas of operation. While energy has stabilized and construction projects in long-term planning are expected to be paid for through bonding and grants, increased treatment costs and basic maintenance issues for the water system remain. With several capital projects expected to be financed through bonded debt and grants, the District's capital improvement budget for 2021 was increased from 2020. Major capital improvements planned for 2021 include:

- Well No. 7 Rehabilitation
- Facility Security Systems and Office Generator
- Well No. 8 Perchlorate Treatment
- Well No. 5 GAC Changeout
- Oyster Bay Water District Interconnect

The estimated costs for the projects above are \$5,960,000. In 2020, the District was approved for an additional grant related to the perchlorate treatment project at Well #8 and is anticipating grant funds in relation to the Oyster Bay Water District interconnect. The District has not yet received these funds.

In 2021, the District plans to request, from the Town of Oyster Bay, bond authorization of approximately \$18 million in funds, for the future development of costly water treatment plant systems to meet new State regulations, anticipated maintenance and rehabilitation projects, and other capital improvement initiatives.

The anticipated increase in annual debt service, as well as operating and maintenance costs associated with filtration, will negatively impact the overall cost of water to consumers.

In order to pay the bonds necessary for the new facilities outlined in the engineering reports, the Board adopted a new water rate schedule with increases in 2021 and anticipates continued regular water and tax rate increases. The real property tax amount for 2021 has been set at \$1,391,692. This is an increase from the prior year budgeted tax revenue of 20.0%, or \$231,948, which is above the property tax cap set by New York State. This increase in excess of the property tax cap was approved by a voting majority of the Board of Commissioners.

Contacting the District's Financial Management

This financial report is designed to provide our consumers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent at the District Office, 226 Buckram Road, Locust Valley, New York, or at (516) 671-1783.

LOCUST VALLEY WATER DISTRICT

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

December 31, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,334,304
Accounts receivable	772,199
Due from Town of Oyster Bay - net	870,747
Due from state and federal government	216,000
Due from other governments	41,067
Inventory of materials and supplies	114,583
Prepaid expenses	136,299
	<u>3,485,199</u>

Non-Current Assets

Non-depreciable capital assets	1,953,014
Depreciable capital assets - net of depreciation	14,583,342
	<u>16,536,356</u>

Total Assets 20,021,555

DEFERRED OUTFLOWS OF RESOURCES

Other postemployment benefits	604,577
Pensions	446,611
	<u>1,051,188</u>

Total Deferred Outflows of Resources 1,051,188

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	424,540
Accrued interest payable	163,435
Other liabilities	29,034
Non-current liabilities due within one year	731,301
	<u>1,348,310</u>

Non-Current Liabilities

General obligation bonds payable, inclusive of premiums	8,969,214
Bond anticipation notes	2,589,534
Accrued compensated absences	283,714
Other postemployment benefits obligation	3,264,897
Net pension liability - proportionate share	492,776
	<u>15,600,135</u>

Total Liabilities 16,948,445

DEFERRED INFLOWS OF RESOURCES

Pensions	18,700
Other postemployment benefits	494,862
	<u>513,562</u>

Total Deferred Inflows of Resources 513,562

NET POSITION

Net investment in capital assets	4,756,343
Restricted	864,000
Unrestricted (deficit)	(2,009,607)
	<u>\$ 3,610,736</u>

Total Net Position \$ 3,610,736

LOCUST VALLEY WATER DISTRICT

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Activities

Year Ended December 31, 2020

Governmental Activities

Home and Community Services - Water supply services

Expenses \$ (3,431,741)

Revenue:

Charges for services 2,126,040

Capital grants and contributions 716,331

(589,370)

General Revenues

Real property taxes 1,159,722

Other real property tax items 14,356

Interest 23,684

Rental income 303,468

Other 63,676

1,564,906

Changes in Net Position

975,536

Net Position - Beginning, as restated (See Note 11)

2,635,200

Net Position - Ending

\$ 3,610,736

LOCUST VALLEY WATER DISTRICT

FUND FINANCIAL STATEMENTS

Balance Sheet - Governmental Funds

December 31, 2020

	<i>General Fund</i>	<i>Capital Projects Fund</i>	<i>Total</i>
ASSETS			
Cash and cash equivalents	\$ 1,334,304	\$ -	\$ 1,334,304
Accounts receivable	772,199	-	772,199
Due from Town of Oyster Bay - net	48,429	822,318	870,747
Due from state and federal government	216,000	-	216,000
Due from other governments	41,067	-	41,067
Inventory of materials and supplies	114,583	-	114,583
Prepaid expenses	136,299	-	136,299
	<u>\$ 2,662,881</u>	<u>\$ 822,318</u>	<u>\$ 3,485,199</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 97,326	\$ 327,214	\$ 424,540
Other liabilities	29,034	-	29,034
	<u>126,360</u>	<u>327,214</u>	<u>453,574</u>
DEFERRED INFLOWS OF RESOURCES			
Water sales - unavailable	173,947	-	173,947
FUND BALANCES (DEFICIT)			
Nonspendable	250,882	-	250,882
Restricted	864,000	495,104	1,359,104
Assigned	521,574	-	521,574
Unassigned	726,118	-	726,118
	<u>2,362,574</u>	<u>495,104</u>	<u>2,857,678</u>
	<u>\$ 2,662,881</u>	<u>\$ 822,318</u>	<u>\$ 3,485,199</u>
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:			
Total governmental fund balances			\$ 2,857,678
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds:			
Capital assets- non-depreciable			1,953,014
Capital assets- depreciable			20,229,319
Accumulated depreciation			<u>(5,645,977)</u>
			16,536,356
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows in the funds:			
Water sales - unavailable			173,947
Deferred outflows of resources related to pensions plans and other postemployment benefits payable included in the Statement of Net Position			1,051,188
Long-term liabilities are not due and payable in the current period and, therefore, are not included in the funds:			
General obligation bonds payable, inclusive of premiums			(9,685,583)
Bond anticipation notes			(2,589,534)
Accrued compensated absences			(298,646)
Other postemployment benefits obligation			(3,264,897)
Net pension liability - proportionate share			(492,776)
Accrued interest payable			(163,435)
Deferred inflows of resources related to pensions plans and other postemployment benefits payable included in the Statement of Net Position			<u>(513,562)</u>
Net Position of Governmental Activities			<u>\$ 3,610,736</u>

See notes to financial statements.

LOCUST VALLEY WATER DISTRICT

FUND FINANCIAL STATEMENTS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended December 31, 2020

	<i>General Fund</i>	<i>Capital Projects Fund</i>	<i>Total</i>
Revenues			
Real property taxes	\$ 1,159,722	\$ -	\$ 1,159,722
Other real property tax items	14,356	-	14,356
Departmental income	2,096,197	-	2,096,197
Use of money and property	327,152	-	327,152
Licenses and permits	250	-	250
Sales of property and compensation for loss	18,286	-	18,286
Other miscellaneous sources	40,771	-	40,771
State aid	-	716,331	716,331
	<u>3,656,734</u>	<u>716,331</u>	<u>4,373,065</u>
Expenditures			
Current:			
Administration	467,535	-	467,535
Source of supply, power and pumping	328,971	-	328,971
Purification	165,624	-	165,624
Transmission and distribution	1,127,928	-	1,127,928
Employee benefits	439,137	-	439,137
Capital outlay	-	1,990,985	1,990,985
Debt service	1,324,834	-	1,324,834
	<u>3,854,029</u>	<u>1,990,985</u>	<u>5,845,014</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(197,295)</u>	<u>(1,274,654)</u>	<u>(1,471,949)</u>
Other Financing Sources (Uses)			
Interfund transfers in	871,776	-	871,776
Interfund transfers out	-	(871,776)	(871,776)
Issuance of debt	-	2,589,534	2,589,534
Refunding bonds issued	267,000	-	267,000
Premiums on obligations	34,952	-	34,952
	<u>1,173,728</u>	<u>1,717,758</u>	<u>2,891,486</u>
Net Change in Fund Balances	<u>976,433</u>	<u>443,104</u>	<u>1,419,537</u>
Fund Balance - beginning, as restated (See Note 11)	<u>1,386,141</u>	<u>52,000</u>	<u>1,438,141</u>
Fund Balance - ending	<u>\$ 2,362,574</u>	<u>\$ 495,104</u>	<u>\$ 2,857,678</u>
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities:			
Net Change in Fund Balances			\$ 1,419,537
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the lives of the assets:			
Capital assets purchases capitalized			2,034,613
Depreciation expense			(397,442)
The issuance of long-term debt provides current financial resources, while the repayment of bond principal consumes the current financial resources in the governmental funds:			
Issuance of debt			(2,856,534)
Repayment of bond principal			986,000
Premiums on bonds			(30,583)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:			
			29,843
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Accrued compensated absences			89,993
Other postemployment benefits			(197,485)
Pension expense			(74,504)
Accrued interest cost			(27,902)
Change in Net Position of Governmental Activities			<u>\$ 975,536</u>

See notes to financial statements.

LOCUST VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Locust Valley Water District (the "District") supplies water to the residents of the Locust Valley water district. The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies established in GAAP and used by the District are discussed below.

- a. **Financial Reporting** - The Town of Oyster Bay, New York (the "Town") is financially accountable, as a result of fiscal dependency, for the District. Long-term debt of the District, which is backed by the full faith and credit of the Town, and other fiscal matters, results in a fiscal interdependency with the Town. Accordingly, the District is a component unit of the Town of Oyster Bay, New York.
- b. **Basic Financial Statements - Government-Wide Statements** - The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities, which consist of the water supply services and general administrative services, as governmental.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

In the government-wide Statement of Net Position, the District's governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources as well as long-term debt and obligations and deferred inflows of resources. The District's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net costs of the District's function (home and community service - water supply services). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues include (a) charges for services, and (b) operating and capital grants and contributions that are directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. Program revenues are directly associated with the function. The net costs (by function) are normally covered by general revenues.

Interfund transactions have been eliminated from the government-wide financial statements.

This government-wide focus is centered on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- c. **Basic Financial Statements - Fund Financial Statements** - The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund type is used by the District:

Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources), rather than upon net income. The following are descriptions of the major governmental funds of the District:

General Fund - is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for and reported in another fund.

Capital Projects Fund - is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

- d. **Measurement Focus/Basis of Accounting** - Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

- 1) *Accrual* - Governmental activities in the government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when incurred.
- 2) *Modified Accrual* - The governmental funds' financial statements are presented using a current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after the financial statement date. Grant revenue pursuant to a reimbursable grant arrangement is recorded when eligible expenditures are incurred. Expenditures are recorded when incurred except that: (a) principal and interest on indebtedness are not recognized as expenditures until due and (b) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as expenditures when paid.
- 3) *Use of Estimates* - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

- e. **Financial Statement Amounts** - Financial statement amounts include the following:

- 1) *Cash and Cash Equivalents* - Cash and cash equivalents include cash in banks and liquid investments with maturities of three months or less at time of purchase.
- 2) *Accounts Receivable* - Accounts receivables include amounts due from customers and unbilled water usage. Receivables are recorded, and revenues recognized as earned. At December 31, 2020, the District considered all remaining accounts receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

- 3) *Inventory of Materials and Supplies* - Inventory of materials and supplies consists of meters, parts, and supplies held for consumption, and are valued at the lower of cost or net realizable value using the first-in, first-out (“FIFO”) method. Inventory is accounted for under the consumption method, whereby cost is recorded as expenditure at the time of consumption.
- 4) *Prepaid expenses* - Prepaids represent insurance, retirement benefits and other services that will benefit a future period.
- 5) *Capital Assets* - The accounting treatment depends on whether the assets are reported in the government-wide or fund financial statements.
 - a) *Government-Wide Financial Statements* - In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual is unavailable except for donated capital assets, which are recorded at their acquisition value at the date of donation. Capital assets purchased or acquired with an original cost of \$5,000 or more are capitalized and included as capital assets in the government-wide financial statements.

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method. The range of estimated useful lives and salvage values by type of asset is as follows:

<i>Assets</i>	<i>Life</i>	<i>Salvage Values</i>
Water tanks	40 years	25%
Buildings	15-40 years	25%
Wells and pumphouses	10-40 years	25%
Transportation and maintenance equipment	3 years	-
Office equipment	5 years	-
Infrastructure	40 years	25%

- b) *Fund Financial Statements* - In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.
- 6) *Deferred Outflows and Inflows of Resources* - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first is related to the net pension liability reported in the government-wide Statement of Net Position. This represents the differences between expected and actual experience, changes of assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between the District’s contributions and proportionate share of contributions. This amount also includes the District contributions to the pension systems subsequent to the measurement date. See Note 6 for more details. The second item is related to other postemployment benefits liability. This represents the changes in assumptions. See Note 9 for more details.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualifies for reporting in this category. For the first item, the District reports unearned revenue from unavailable water rents. This unavailable income is deferred and will be recognized in the governmental funds as an inflow of resources in the period that the amounts become available. The second item is related to the pension reported in the government-wide Statement of Net Position. This represents the differences between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on pension plan investments and the change in proportion and differences between the District's contributions and its proportionate share of contributions. See Note 6 for more details. The third item is related to the other postemployment benefits liability reported in the government-wide Statement of Net Position. This represents the differences between expected and actual experience and the changes in assumptions. See Note 9 for more details.

- 7) *Long-term Liabilities* - All long-term debt and other long-term liabilities are reported as liabilities in the government-wide statements. Bond premiums and discounts are deferred and amortized over the life of the bonds, when significant. Debt issuance costs are expensed as incurred. Long-term debt and liabilities consist of general obligation bonds, bond anticipation notes, compensated absences, other postemployment benefits payable and the net pension liability - proportionate share.

Only the portion of long-term liabilities expected to be financed from expendable available financial resources is reported as liabilities in governmental fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Issuance costs are reported as debt service expenditures.

- 8) *Compensated Absences* - The District allows employees to accumulate unused sick leave and vacation time to a maximum of 260 days. Upon termination, vacation leave is paid at 100% and sick time is paid at 50% to 100%, depending on length of service. The liability for these compensated absences is recorded in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.
- 9) *Postemployment Benefits* – In addition to providing pension benefits, the District, per its contract with employees, will pay full premium costs for the medical, dental and vision coverage for an employee or Commissioner (“participant”) of the District at retirement, provided the participant has been employed with the District for more than 10 years prior to the date of retirement.

The District recognized the cost of providing benefits by recording its share of insurance premiums as an expenditure in the governmental funds in the year paid. The liability for these other postemployment benefits is recorded as long-term debt in the government-wide statements.

- 10) *Other Benefits* – Eligible District employees may choose to participate in the New York State and Local Employees' Retirement System (the “ERS”). District employees may choose to participate in the District's elective deferred compensation plan established under Internal Revenue Code Section 457.
- 11) *Property Taxes and Delinquent Water Bills* - Property taxes and delinquent water bills are collected by the Town of Oyster Bay Receiver of Taxes on behalf of the District. The Town of Oyster Bay Receiver of Taxes collects all real property taxes for the Town, Nassau County, Town Special Districts and School Districts. Town and County taxes are levied on January 1 and are due in two installments payable by February 10 and August 10. The Town remits 100% of the amount of real property tax levied and the delinquent water bills to the District. Responsibility for the collection of unpaid taxes rests with Nassau County.
- 12) *Interfund Transfers* - Interfund transfer balances represent the funding of capital expenditures through general fund appropriations and residual capital project balances used to service the debt.

13) *Net Position and Fund Equity Classification* - In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a) *Net Investment in Capital Assets* - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted* - Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
- c) *Unrestricted* - Consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use; it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are nonspendable, restricted, committed, assigned, or unassigned.

- a) *Nonspendable Fund Balance* - includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory of materials and supplies and prepaid expenses recorded in the General Fund.
- b) *Restricted Fund Balance* - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Restricted fund balance in the General and Capital Funds represents unspent bond proceeds to be used to service future debt service.
- c) *Committed Fund Balance* - includes amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority. The Board of Commissioners is not empowered to establish local law; accordingly, the District will not have committed fund balances.
- d) *Assigned Fund Balance* - includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The District assigned fund balance for the next year's budget. The Board of Commissioners has the authority to assign amounts to be used for specific purposes through resolution. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- e) *Unassigned Fund Balance* - includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. It is also used to report negative fund balances in other governmental funds.

In circumstances where expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves), the Board of Commissioners will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged. It is the intention of the Board of Commissioners that the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget or board approved budget revision, and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the committed fund balance to the extent that there is a commitment, to assigned fund balance to the extent that there is an assignment, and then to the unassigned fund balance.

The District's fund balance policy, adopted by the Board, recommends that the District maintain an unassigned fund balance no greater than 25% of the general fund operating budget.

- 14) *New Pronouncements* – The District has adopted all the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. The following are newly effective accounting pronouncements:

Statement No. 87, Leases, the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for the year ending December 31, 2022.

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, the objective of which is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for the year ending December 31, 2021.

Statement No. 91, Conduit Debt Obligations, the objective of which are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for the year ending December 31, 2022.

Statement No. 92, Omnibus 2020, as amended by Statement No. 95, was issued to enhance comparability in accounting and financial reporting and consistency of authoritative language on various topics. The remaining requirements of this Statement are effective for the year ending December 31, 2022.

Statement No. 93, Replacement of Interbank Offered Rates, amends certain provisions of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments as amended and 87, Leases. It has been issued to address the various accounting and reporting implications that will result from the replacement of LIBOR, as LIBOR will cease to exist in 2021. The requirements of this Statement are effective for the year ending December 31, 2022.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, this Statement has been issued to improve financial reporting by addressing issues related to public private and public-public partnership arrangements, in which one a government (transferor) contracts with an operator (governmental or nongovernmental entity) to provide public services by conveying the right to operate or use a nonfinancial assets. The requirements of this Statement are effective for the year ending December 31, 2023.

Statement No. 96, Subscription-Based Information Technology Arrangements, this Statement has been issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for the year ending December 31, 2023.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, the portion of this statement that is not effective immediately has been issued to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for the year ending December 31, 2022.

The District is currently evaluating the impact of the above pronouncements.

2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data - The District’s budget policies are as follows:

The District prepares an annual budget for the General Fund, which is approved by the Board of Commissioners. The budget is then submitted to the Town of Oyster Bay for inclusion in the Town budget and a public hearing is held thereon. The budget is not subject to referendum. Any revisions to the annual budget are adopted by resolution of the Board of Commissioners.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the General and Capital Projects Funds. Expenditures for such commitments are recorded in the period in which the liability is incurred.

The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the current year are increased by the amount of encumbrances, if any, carried forward from the prior year.

New York State has enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. No local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body.

For the 2020 budget, the District has been approved to increase its property tax levy by 11.9%.

Fund Balance - The following table provides the detail regarding fund balance categories and classifications for the governmental funds that show components of nonspendable fund balances, as well as the purposes for restricted and assigned fund balance. The unassigned fund balance is also shown.

	General Fund	Capital Projects Funds	Total
Nonspendable:			
Inventory of materials and supplies	\$ 114,583		\$ 114,583
Prepaid items	136,299		136,299
Total Nonspendable	<u>250,882</u>	<u>\$ -0-</u>	<u>250,882</u>
Restricted for:			
Capital projects - unspent bond proceeds	864,000	495,104	1,359,104
Total Restricted	<u>864,000</u>	<u>495,104</u>	<u>1,359,104</u>
Assigned to:			
Subsequent year's budget	521,574		521,574
Total Assigned	<u>521,574</u>	<u>-0-</u>	<u>521,574</u>
Unassigned	<u>726,118</u>		<u>726,118</u>
Total Fund Balances	<u>\$ 2,362,574</u>	<u>\$ 495,104</u>	<u>\$ 2,857,678</u>

3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's investment policies are governed by state statutes. In addition, the District has its own written policy. The District is authorized to use time and demand accounts and can invest its excess funds certificates of deposit. The District's funds are deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks. It is the District's policy to require third party collateral for bank deposits above the FDIC limit per institution.

At December 31, 2020, the carrying amount of the District's deposits was \$1,334,304, and the bank balance was \$1,384,887. Of the total bank balance, \$250,000 was insured by the FDIC and the remaining \$1,134,887 was collateralized by a third-party financial institution, in the District's name.

During the year, District funds were invested in banks outside of New York State, which was a violation of General Municipal Law 10. Upon discovery of the violation, the District corrected the issue.

4- CAPITAL ASSETS

Capital assets for the year ended December 31, 2020 are as follows:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Capital assets not being depreciated:				
Land	\$ 1,953,014			\$ 1,953,014
Total capital assets not being depreciated	1,953,014	\$ -0-	\$ -0-	1,953,014
Depreciable capital assets:				
Building	711,074			711,074
Water tanks	5,697,828			5,697,828
Wells and pumphouses	8,789,696	1,996,329		10,786,025
Infrastructure	2,751,786			2,751,786
Vehicles and equipment	164,157	38,284	24,990	177,451
Office, furniture and equipment	105,155			105,155
Total depreciable capital assets	18,219,696	2,034,613	24,990	20,229,319
Accumulated depreciation:				
Building	256,452	11,522		267,974
Water tanks	826,343	115,960		942,303
Wells and pumphouses	2,300,773	215,860		2,516,633
Infrastructure	1,648,410	13,573		1,661,983
Vehicles and equipment	136,392	40,527	24,990	151,929
Office, furniture and equipment	105,155			105,155
Total accumulated depreciation	\$ 5,273,525	\$ 397,442	\$ 24,990	5,645,977
Total net depreciable capital assets				14,583,342
Total capital assets				<u>\$16,536,356</u>

Depreciation expense was charged to home and community services - water supply services.

5 - INDEBTEDNESS

Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2020:

	(As Restated)				Non-current
	Balance			Balance	Liabilities
	1/1/2020	Increases	Reductions	12/31/2020	Due Within
					One Year
General obligation bonds	\$ 10,374,000	\$ 267,000	\$ 986,000	\$ 9,655,000	\$ 712,000
Add: Premiums on obligations	-	34,952	4,369	30,583	4,369
Total General obligation bonds	10,374,000	301,952	990,369	9,685,583	716,369
Bond anticipation note payable	-	2,589,534	-	2,589,534	
Compensated absences	388,639	180,320	270,313	298,646	14,932
Other postemployment benefits	2,779,552	533,247	47,902	3,264,897	-0-
Net pension liability	126,234	475,407	108,865	492,776	-0-
Totals	\$ 13,668,425	\$ 4,080,460	\$ 1,417,449	\$ 16,331,436	\$ 731,301

General Obligation Serial Bonds - The District periodically borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term obligations, which are backed by the full faith and credit debt of the Town of Oyster Bay, bear interest at rates ranging from 2.0% to 4.0% and have maturity dates ranging from 2027 to 2033.

Principal and interest payments to maturity of the general obligation serial bonds as of December 31, 2020 are as follows:

	Principal	Interest	Total
Years Ending December 31, 2021	\$ 712,000	\$ 310,937	\$ 1,022,937
2022	733,000	289,405	1,022,405
2023	757,000	266,505	1,023,505
2024	781,000	242,883	1,023,883
2025	807,000	218,262	1,025,262
2026-2030	3,904,000	680,303	4,584,303
2031-2033	1,961,000	107,406	2,068,406
	\$ 9,655,000	\$ 2,115,701	\$ 11,770,701

Interest expense of \$363,885 has been included in home and community services - water supply service expense in the statement of activities.

Current Refunding of Bonds - On August 5, 2020, the Town issued the District \$267,000 in Public Improvement Refunding Bonds with interest rates ranging from 2.0% to 4.0% and annual maturities through November 2027.

The net proceeds of \$299,102 (the par amount of the bonds plus a premium of \$34,952 less underwriter's fees, insurance and other issuance costs of \$2,850) were used to current refund \$294,000 of outstanding 2013 Public Improvement Serial Bonds, with interest rates of 2.0% to 4.0%. The net proceeds were used to pay \$294,000 of outstanding principal and \$5,102 of accrued interest expenditures.

The current refunding was done in order to reduce debt payments in the short-term. The refunding decreased total debt service payments by \$29,756. The overall transaction resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$34,178.

Bond Anticipation Notes (BANs) - BANs are generally used as a temporary means of financing capital expenditures in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes. These BANs bear interest rates of 1.25% and 2.00% and were renewed on March 12, 2021. These notes are considered long-term and reported in the government-wide Statement of Net Position. See Note 12 for more information.

Compensated Absences - Represents the value of the earned and unused portion of the liability for compensated absences.

Other Postemployment Benefits - Represents the cost of postemployment healthcare in the year when the employee services are received and provides information useful in assessing potential demands on the District's future cash flows.

Net Pension Liability - Proportionate Share - Represents the District's proportionate share of the ERS net pension liability.

All long-term liabilities are paid from the General Fund.

6 - PENSION PLANS

- a. **Plan Description** - The District participates in the New York State and Local Employees' Retirement System (the "ERS"). This is a cost-sharing, multi-employer, defined benefit pension plan. The ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (the "NYSRSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance.

As set forth in the NYSRSSL, the Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of their funds. The ERS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be found at: www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

- b. **Benefits Provided** - The ERS provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility - Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 and Tier 2 is 55 and 62, respectively.

Benefit calculation - Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility - Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit calculation: - Generally the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

Eligibility - Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 members is age 63.

Benefit calculation - Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years of employment. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

Disability Retirement Benefits

Disability retirement benefits are available to members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets of other benefits depend on a member's tier, years of service and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: 1) all retirees who have attained age 62 and have been retired for five years; 2) all retirees who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

- c. ***Funding Policy*** - Generally, Tiers 3, 4 and 5 members must contribute 3% of their salary to the ERS. As a result of Article 19 of the RSSL, eligible Tiers 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the ERS, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tiers 5 and 6 members are required to contribute for all years of service. Under the authority of the New York State Retirement and Social Security Law, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31.

The contribution paid during the current year was equal to 100% of the required payment. The contractually required contribution for the year ended December 31, 2020 was \$115,554.

- d. **Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pension** - At December 31, 2020, the District reported the following liability for its proportionate share of the net pension liability for the ERS. The net pension liability was measured as of March 31, 2020 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in reports provided to the District.

	<u>ERS</u>
Actuarial valuation date	April 1, 2019
Net pension liability	\$ 492,776
District's portion of the Plan's total net pension liability	0.0018609%
Change in allocation of the ERS System's total net pension liability since the prior measurement date	0.0000793%

For the year ended December 31, 2020, the District's recognized pension expense is \$190,058. At December 31, 2020, the District's reported deferred outflows of resources related to pension from the following sources are as follows:

	<u>ERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,002	\$ -0-
Changes of assumptions	9,922	8,568
Net difference between projected and actual earnings on pension plan investments	252,621	-0-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	66,728	10,132
District's contributions subsequent to the measurement date	<u>88,338</u>	<u>-0-</u>
Total	<u>\$ 446,611</u>	<u>\$ 18,700</u>

The District's contribution, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in *pension expense* as follows:

	<u>ERS</u>
Years Ending December 31, 2021	\$ 66,242
2022	87,414
2023	104,280
2024	<u>81,637</u>
	<u>\$ 339,573</u>

- e. **Actuarial Assumptions** - The total pension liability as of the measurement date of March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019 with update procedures used to roll forward the total pension liability to the measurement date.

	<u>ERS</u>
Measurement date	March 31, 2020
Actuarial valuation date	April 1, 2019
Investment rate of return (net of investment expense)	6.8%
Salary increases	4.2%
Cost of living adjustments	1.3%
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of return of 7.0%.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below:

Asset Type:	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36.0%	4.05%
International equity	14.0%	6.15%
Private equity	10.0%	6.75%
Real estate	10.0%	4.95%
Absolute return strategies*	2.0%	3.25%
Opportunistic portfolio	3.0%	4.65%
Real assets	3.0%	5.95%
Bonds and mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation indexed bonds	4.0%	0.50%
	100.0%	

The real rate of return is net of the long-term inflation assumption of 2.50%.

* Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

- f. **Discount Rate** - The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the ERSs' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.
- g. **Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption** - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (5.8%) or 1% point higher (7.8%) than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
District's proportionate share of the net pension liability/(asset)	\$ 904,382	\$ 492,776	\$ 113,684

- h. **Pension Plan Fiduciary Net Position** - The components of the current-year net pension liability of the employers participating in the ERS's as of March 31, 2020 were as follows (In thousands):

	<u>ERS</u>
Employers' total pension liability	\$ 194,596,261
Plan fiduciary net position	<u>168,115,682</u>
Employers' net pension asset/(liability)	<u>\$ 26,480,579</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	86.39%

Detailed information about the pension plan's fiduciary net position is available in the System's separately issued financial statements.

7 - LEASES

The District leases space on its tank to cellular telephone companies for their antennas, with expiration dates in 2026 through 2032.

Future minimum rentals to be received under these leases are as follows:

Years Ending December 31,	2021	\$ 314,429
	2022	323,858
	2023	333,574
	2024	343,581
	2025	353,889
	2026-2030	860,991
	2031-2032	<u>144,004</u>
		<u>\$ 2,674,326</u>

The District leases land to the Locust Valley Fire District for its headquarters. The lease extends through October 2022 and calls for rent of \$1 per year. The lease also called for a payment of \$240,000 within 30 days after the Fire District received a building permit from the Town of Oyster Bay for the construction of an addition to its headquarters building. The District received \$120,000 in 2002 and \$120,000 in 2004.

This \$240,000 payment was intended to compensate the District for a portion of its costs to expand its garage and parking facilities, necessitated by the expansion of the fire headquarters building. Rental income is being recorded over the remaining life of the lease at \$12,000 per year. The advanced collection and billing of this rental income of \$24,000 is shown as an other liability.

The rental income received for the year ended December 31, 2020 is as follows:

Tank	\$291,468
Fire District	<u>12,000</u>
	<u>\$303,468</u>

8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; health care; and workers' compensation, for which the District carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded coverage in the past three years.

9 - OTHER POSTEMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)

In the government-wide financial statements, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The District recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. No assets are accumulated in a trust that meets the criteria for paragraph 4 of GASB Statement No. 75.

Plan Description - The District administers a single-employer Other Postemployment Benefits ("OPEB") plan ("the Retiree Medical, Dental, Vision, and Medicare Part B Insurance" or "the Plan") for its employees. The Plan provides medical through the Empire Core Plan Enhancement; dental through the Group Health Insurance Plan; vision through the Davis Optical Plan; and Medicare Part B insurance. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financial requirements to the Board of Commissioners. The Plan does not issue a publicly available financial report.

The District, per its contracts with employees, will pay the full premium costs for the medical, dental and optical insurance coverage for an employee or commissioner of the District at retirement, provided the employee has reached age 55 and has been employed by the District for at least 10 years prior to the date of retirement. These contracts will be renegotiated at various times in the future. The retiree is also eligible for Medicare reimbursement in the amount of \$1,735 per year. Upon death of an active or retired employee or commissioner, the District will pay the full cost of health insurance for a period of one year. Thereafter, the non-remarried spouse and dependents will pay the full cost.

The OPEB valuation is based on census data as of January 1, 2020. The number of participants as of this date is as follows:

Active employees	11
Retired employees	<u>2</u>
	<u>13</u>

There have been no significant changes in the number of participants or the type of coverage since that date.

Total OPEB Liability – The District's total liability of \$3,264,897 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2019, with update procedures used to roll forward the OPEB liability to the measurement date.

Contributions - The District funds the Plan at its own discretion, on a pay-as-you-go basis. During the year ended December 31, 2020, the Town paid \$11,331 for retiree insurance premiums, inclusive of Medicare Part B premiums.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The total OPEB liability in the January 1, 2020 valuation, measured as of December 31, 2020 was determined using the following actuarial assumptions and other inputs:

Salary increases	- 3.50%
Discount rate	- 2.12%
Healthcare cost trend rates	- 6.5% pre-65 and 5.0% post-65 in 2020, grading down 0.5% for pre-65 per annum to an ultimate rate of 5.0% in years 2023 and later

The discount rate was based on the Bond Buyer's 20 Bond Index. The discount rate used as of December 31, 2019 was 2.74%.

Mortality rates were based on the RPH-2014 Total Dataset mortality table projected full generationally using projection scale MP-2019.

The decrement tables used for this valuation are based on the New York State Employees' Retirement System (ERS).

Annual OPEB Cost and Net OPEB Obligation - The following table shows the components of the District's other postemployment benefits liability:

Net OPEB obligation - beginning of year	\$ 2,779,552
Changes for the year:	
Service cost	142,588
Interest	79,912
Differences between expected and actual experience	(36,571)
Changes in assumptions and other inputs	310,747
Benefit payments	<u>(11,331)</u>
Increase in net OPEB obligation	<u>485,345</u>
Net OPEB obligation - end of year	<u>\$ 3,264,897</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current discount rate:

One Percent Decrease (1.12%)	Discount Rate (2.12%)	One Percent Increase (3.12%)
<u>\$ 3,870,467</u>	<u>\$ 3,264,897</u>	<u>\$ 2,784,044</u>

Sensitivity of the total OPEB liability to changes in the Healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current healthcare cost trend rates:

One Percent Decrease (5.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	One Percent Increase (7.5% decreasing to 6.0%)
\$ 2,691,633	\$ 3,264,897	\$ 4,018,848

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended December 31, 2020, the District recognized OPEB expense of \$208,816. At December 31, 2020, the District reported deferred outflows or inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -0-	\$ 395,063
Changes of assumptions	604,577	99,799
Total	<u>\$ 604,577</u>	<u>\$ 494,862</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Years Ending December 31, 2021	\$ (13,684)
2022	7,491
2023	46,803
2024	47,859
2025	21,246
	<u>\$ 109,715</u>

10 - COMMITMENTS AND CONTINGENCIES

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of this pandemic are uncertain. Currently, management is unable to quantify its future effects on the operations and financial performance of the District.

11- PRIOR PERIOD ADJUSTMENTS

Fund balances and net position have been restated as follows as of December 31, 2020:

General Fund

<i>Fund Balance</i> - beginning of year, as previously stated	\$ 1,077,842
Understatement of the prepaid expense related to ERS contribution	27,216
Overstatement of accrued interest payable	154,274
Understatement of the accounts payable	(42,086)
Overstatement of due to other funds	315,000
Understatement of other liabilities	(36,000)
Understatement of deferred inflows of resources	(110,105)
	<u> </u>
<i>Fund Balance</i> - beginning of year, as restated	<u>\$ 1,386,141</u>

Capital Fund

<i>Fund Balance</i> - beginning of year, as previously stated	\$ 367,000
Overstatement of due from other funds	(315,000)
	<u> </u>
<i>Fund Balance</i> - beginning of year, as restated	<u>\$ 52,000</u>

Governmental Activities

<i>Net Position</i> - beginning of year, as previously stated	\$ 2,262,648
Understatement of the accounts payable	(42,086)
Overstatement of premiums on obligations	414,638
	<u> </u>
<i>Net Position</i> - beginning of year, as restated	<u>\$ 2,635,200</u>

12 - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through the date the financial statements were available to be issued. The following subsequent events require disclosure:

Debt Issuance

On February 3, 2021, the Town of Oyster Bay on the District's behalf issued \$1,035,000 in public improvement refunding bonds, which refunded the District's 2014 Series A general obligation bonds. The public improvement refunding bonds will mature on March 1, 2028 and bear interest rates ranging from 2.0% to 4.0%.

On March 12, 2021, the Town of Oyster Bay on the District's behalf renewed the bond anticipation notes, Series A, in the amount of \$2,589,534. The bond anticipation notes will mature on March 11, 2022 and bear an interest rate of 2.0%.

LOCUST VALLEY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund

Year Ended December 31, 2020

(Unaudited)

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Revenues				
Real Property Taxes				
Ad valorem	\$ 1,159,744	\$ 1,159,744	\$ 1,159,722	\$ (22)
Other Real Property Tax Items				
Payment in lieu of taxes	-	-	14,356	14,356
Departmental Income				
Metered water sales	1,820,000	1,820,000	2,049,436	229,436
Hydrant rentals and sprinkler charges	43,465	43,465	43,042	(423)
Interest and penalties - water rents	-	-	2,794	2,794
Other water charges	-	-	925	925
	<u>1,863,465</u>	<u>1,863,465</u>	<u>2,096,197</u>	<u>232,732</u>
Use of Money and Property				
Interest earnings	10,000	10,000	23,684	13,684
Rental Income	275,600	275,600	303,468	27,868
	<u>285,600</u>	<u>285,600</u>	<u>327,152</u>	<u>41,552</u>
Licenses and Permits				
Sprinkler and Hydrant Permits	-	-	250	250
Sales of Property and Compensation for Loss				
Sale of equipment	-	-	526	526
Sale of supplies	20,000	20,000	17,760	(2,240)
	<u>20,000</u>	<u>20,000</u>	<u>18,286</u>	<u>(1,714)</u>
Other Miscellaneous Sources				
Premiums on obligations	-	-	14,712	14,712
Miscellaneous revenue	25,000	25,000	26,059	1,059
	<u>25,000</u>	<u>25,000</u>	<u>40,771</u>	<u>15,771</u>
Total Revenue	<u>3,353,809</u>	<u>3,353,809</u>	<u>3,656,734</u>	<u>302,925</u>

LOCUST VALLEY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund

Year Ended December 31, 2020

(Unaudited)

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Expenditures				
Administration				
Office salaries	152,000	152,000	148,711	3,289
Commissioners' fees	21,000	24,000	22,400	1,600
Insurance	120,000	130,000	110,116	19,884
Legal services	45,000	40,000	36,075	3,925
Audit and accounting services	40,000	50,000	48,344	1,656
Notices, advertising, and election costs	20,000	20,000	18,760	1,240
Stationery, office, and miscellaneous	23,000	23,000	19,250	3,750
Communications	30,000	30,000	25,976	4,024
Consultants	9,000	14,000	11,437	2,563
Utilities	12,000	14,000	10,499	3,501
Postage	11,000	11,000	8,110	2,890
Educational	10,000	7,000	5,057	1,943
Permits	3,000	3,000	2,800	200
Contingency	75,000	-	-	-
	<u>571,000</u>	<u>518,000</u>	<u>467,535</u>	<u>50,465</u>
Source of Supply, Power and Pumping				
Power and fuel for pumps	<u>320,000</u>	<u>340,000</u>	<u>328,971</u>	<u>11,029</u>
Purification				
Water treatment and analysis	<u>115,000</u>	<u>170,000</u>	<u>165,624</u>	<u>4,376</u>
Transmission and Distribution Expenditures				
Salaries	614,000	746,000	742,322	3,678
Engineering	60,000	60,000	57,871	2,129
Automobile	39,000	21,000	16,017	4,983
Maintenance - grounds	50,000	45,000	28,726	16,274
Maintenance - building	8,000	8,000	6,060	1,940
Uniforms	5,000	5,000	3,698	1,302
Repairs:				
Pump station	80,000	75,000	65,254	9,746
Hydrants, tanks and mains	83,000	84,700	84,593	107
Cottage - repairs and utilities	3,000	2,600	2,532	68
Equipment and supplies:				
Tools	9,000	3,000	1,703	1,297
Vehicle and plant equipment	182,000	80,400	48,681	31,719
Hydrant parts	12,000	12,000	(2,130)	14,130
Purchase of meters and supplies	83,000	73,000	72,601	399
	<u>1,228,000</u>	<u>1,215,700</u>	<u>1,127,928</u>	<u>87,772</u>

LOCUST VALLEY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund

Year Ended December 31, 2020

(Unaudited)

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Employee Benefits				
Retirement system	122,000	119,000	115,554	3,446
Taxes - social security and medicare	59,000	63,100	62,957	143
Health insurance	290,000	283,200	241,072	42,128
Dental and optical insurance	26,000	22,000	19,554	2,446
	<u>497,000</u>	<u>487,300</u>	<u>439,137</u>	<u>48,163</u>
Debt Service				
Principal	692,000	986,000	986,000	-
Interest	335,000	341,000	335,984	5,016
Bond issuance costs	-	3,000	2,850	150
	<u>1,027,000</u>	<u>1,330,000</u>	<u>1,324,834</u>	<u>5,166</u>
Total Expenditures	<u>3,758,000</u>	<u>4,061,000</u>	<u>3,854,029</u>	<u>206,971</u>
Deficiency of Revenues Over Expenditures	(404,191)	(707,191)	(197,295)	509,896
Other Financing Sources (Uses)				
Interfund transfers in	-	-	871,776	871,776
Refunding bonds issued	-	267,000	267,000	-
Premiums on obligations	-	36,000	34,952	(1,048)
	<u>-</u>	<u>303,000</u>	<u>1,173,728</u>	<u>870,728</u>
Net Change in Fund Balance	<u>(404,191)</u>	<u>(404,191)</u>	<u>976,433</u>	<u>1,380,624</u>
Fund Balance - Beginning, as restated (See Note 11)			<u>1,386,141</u>	
Fund Balance - Ending			<u>2,362,574</u>	

LOCUST VALLEY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District's Proportionate Share of the Net Pension Liability

December 31, 2020

(Unaudited)

NYSERS	2020	2019	2018	2017	2016	2015	2014
District's portion of the pension liability	0.0018609%	0.0017816%	0.0019592%	0.0021142%	0.0022640%	0.0022994%	0.0022994%
District's proportionate share of the net pension liability	\$ 492,776	\$ 126,234	\$ 63,232	\$ 198,652	\$ 357,342	\$ 77,679	\$ 103,906
District's covered-employee payroll	\$ 753,447	\$ 660,053	\$ 632,584	\$ 625,846	\$ 631,136	\$ 642,549	\$ 626,041
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	65.40%	19.12%	10.00%	31.74%	56.62%	12.09%	16.60%
Plan fiduciary net position as a percentage of the total pension liability coming from the plan	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

Changes of assumptions.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in the current and prior period:

2020	6.80%
2019	7.00%

In 2020, the annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014.

LOCUST VALLEY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District's Pension Contributions

December 31, 2020

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 115,554	\$ 108,865	\$ 103,857	\$ 102,620	\$ 99,602	\$ 118,644	\$ 123,366	\$ 123,613	\$ 106,405	\$ 82,396
Contributions in relation to the contractually required contribution	<u>115,554</u>	<u>108,865</u>	<u>103,857</u>	<u>102,620</u>	<u>99,602</u>	<u>118,644</u>	<u>123,366</u>	<u>123,613</u>	<u>106,405</u>	<u>82,396</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 913,526	\$ 685,807	\$ 639,698	\$ 621,829	\$ 623,792	\$ 642,549	\$ 626,041	\$ 610,945	\$ 592,425	\$ 586,252
Contributions as a percentage of covered-employee payroll	12.65%	15.87%	16.24%	16.50%	15.97%	18.46%	19.71%	20.23%	17.96%	14.05%

LOCUST VALLEY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Total Other Postemployment Benefit (OPEB) Liability and Related Ratios

December 31, 2020

(Unaudited)

<i>Period</i>	<i>Total OPEB Liability - beginning of the period</i>	<i>Service cost</i>	<i>Interest on total OPEB liability</i>	<i>Differences between expected and actual experience</i>	<i>Changes of assumptions or other inputs</i>	<i>Benefit payments</i>	<i>Total OPEB liability - end of the period</i>	<i>Covered-employee payroll</i>	<i>Total OPEB liability as a percentage of covered-employee payroll</i>
January 1, 2020 - December 31, 2020	\$ 2,779,552	\$ 142,588	\$ 79,912	\$ (36,571)	\$ 310,747	\$ (11,331)	\$ 3,264,897	\$ 790,616	412.96%
January 1, 2019 - December 31, 2019	2,623,452	100,454	91,581	(561,606)	539,964	(14,293)	2,779,552	771,333	360.00%
January 1, 2018 - December 31, 2018	2,777,450	88,394	97,584	-	(281,260)	(58,716)	2,623,452	632,584	415.00%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay other postemployment benefits (OPEB).

The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

Changes of assumptions.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

2020	2.12%
2019	2.74%
2018	4.10%
2017	3.44%