



**ANNUAL FINANCIAL REPORT
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
December 31, 2020**

JERICHO WATER DISTRICT
Table of Contents
December 31, 2020

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	3
Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Notes to Financial Statements	23
Required Supplementary Information Other than Management's Discussion and Analysis	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	47
Schedule of the District's Proportionate Share of the Net Pension Liability	50
Schedule of District Pension Contributions	51
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	52
Other Supplementary Information	
Schedule of Expenditures and Financing Sources – Capital Projects Fund	53



VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissions
Jericho Water District
Syosset, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jericho Water District (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.

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's 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 District'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 District'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 opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Jericho 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 management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 16 and 47 through 52, 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, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jericho Water District's basic financial statements. The other supplementary information on page 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Cullen & Danowski, LLP

May 21, 2021

JERICHO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Jericho Water District (District) annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended December 31, 2020 in comparison with the year ended December 31, 2019, with emphasis on the current year. This information should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020 fiscal year are as follows:

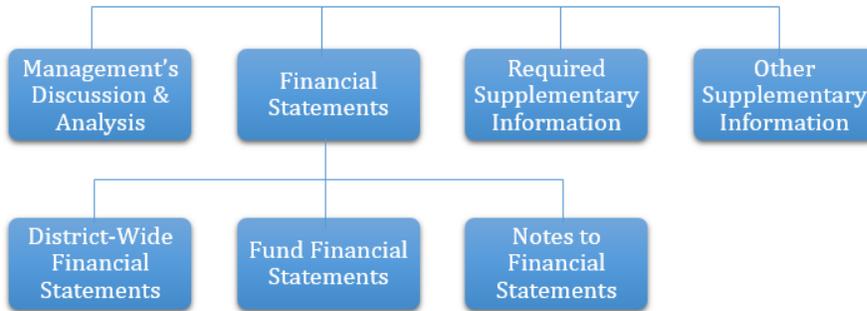
- The District's total net position, as reflected in the district-wide financial statements, was \$22,885,855 at December 31, 2020. This balance represents an increase of \$1,788,829 (8.48%) over the prior year. This was due to an excess of revenues over expenses using the economic resources measurement focus and accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, total \$12,163,408. Of this amount, \$10,166,621 was offset by charges for services and capital grants. General revenues of \$3,785,615 amount to 27.13% of total revenues, and were adequate to cover the balance of operating expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$2,421,247. This was due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting.
- In 2010, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$9,985,000 to fund capital improvements to the District facilities. As of December 31, 2020, the District has issued \$8,620,000 in serial bonds and \$1,365,000 in bond anticipation notes. Bond anticipation notes outstanding at December 31, 2020 were \$985,000.
- In 2013, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$15,250,000 to fund capital improvements to the District facilities. In 2017, the District received authorization from the Town of Oyster Bay to increase the 2013 authorization by \$5,645,000 to \$20,895,000. As of December 31, 2020, \$5,950,000 in serial bond and \$8,700,000 in bond anticipation notes have been issued. Bond anticipation notes outstanding at December 31, 2020 were \$8,650,000.
- In 2018, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$7,300,000 to fund the acquisition and installation of automatic data-reporting water meters and related equipment. The project is also funded by the 2010 authorization and general fund appropriations for a total project cost of \$8,162,438. As of December 31, 2020, \$4,250,000 in bond anticipation notes have been issued and are outstanding at the end of the year. In addition, the District has expended \$5,427,915 through the end of the year on the project.
- In 2019, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$33,229,000 to partially fund capital improvements to the District facilities. As of December 31, 2020, \$6,950,000 in bond anticipation notes have been issued and are outstanding at the end of the year.
- In 2020, the District received authorization from the Town of Oyster Bay to issue serial bonds in the amount of \$23,219,000 to partially fund capital improvements to the District facilities. The projects included in this authorization are partially funded by the 2019 authorization, as well as from grants through New York State. As of December 31, 2020, no debt has been issued related to this authorization.

JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

- The District's 2020 property tax levy of \$2,865,695 was a 52.43% increase over the 2019 tax levy, which exceeded the tax cap of 2.91% and was approved by the Board of Commissioners. The increase in the tax levy was impacted by the increase in debt service that is being used to fund capital projects.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the financial statements, required supplementary information, and other supplementary information. The financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



A. District-Wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported as governmental funds.

Governmental Funds

Governmental funds statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, retainage, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds: general fund and capital projects fund, both of which are considered to be major funds and are presented separately in the fund financial statements.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$1,788,829 between fiscal year December 31, 2020 and 2019. The increase is due to revenues in excess of expenses using the economic resources measurement focus and the accrual basis of accounting. The December 31, 2019 total net position has been decreased by \$271,612, as capital assets, net was increased by \$281,125 as a result of capital assets being understated, while unrestricted net position was reduced by \$552,737 due to revenues being overstated in the prior year. The accompanying Notes to Financial Statements, Note 13 "Restatement of Net Position/Fund Balance" provides additional information. A summary of the District's Statements of Net Position follows:

JERICHO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2020	As Restated 2019	Increase (Decrease)	Percentage Change
Assets				
Current and other assets	\$ 26,122,877	\$ 16,010,163	\$ 10,112,714	63.16 %
Capital assets, net	49,226,688	42,343,324	6,883,364	16.26 %
Total Assets	75,349,565	58,353,487	16,996,078	29.13 %
Deferred Outflows of Resources	4,547,368	2,608,904	1,938,464	74.30 %
Liabilities				
Current and other liabilities	\$ 4,803,921	\$ 3,240,412	\$ 1,563,509	48.25 %
Long-term liabilities	33,618,842	21,102,578	12,516,264	59.31 %
Net pension liability - proportionate share	2,157,695	522,300	1,635,395	313.11 %
Total OPEB liability	14,665,151	12,650,792	2,014,359	15.92 %
Total Liabilities	55,245,609	37,516,082	17,729,527	47.26 %
Deferred Inflows of Resources	1,765,469	2,349,283	(583,814)	(24.85)%
Net Position				
Net investment in capital assets	24,600,030	22,605,360	1,994,670	8.82 %
Restricted	5,234,387	5,025,956	208,431	4.15 %
Unrestricted (deficit)	(6,948,562)	(6,534,290)	(414,272)	6.34 %
Total Net Position	\$ 22,885,855	\$ 21,097,026	\$ 1,788,829	8.48 %

The increase in current and other assets is primarily due to an increase in cash and amounts due from other governments. The increase in amounts due from other governments is primarily related to unspent bond funds held by the Town of Oyster Bay.

The increase in capital assets, net is due to current year additions exceeding depreciation expense. The accompanying Notes to Financial Statements, Note 7 "Capital Assets/Prior Period Adjustment" provides additional information.

Deferred outflows of resources represents contributions to the pension plan subsequent to the measurement date and actuarial adjustments to the pension and OPEB plans that will be amortized in future years.

The increase in current and other liabilities is primarily due to increases in accounts payable, retainage payable and developer deposits, both of which are to related capital project activity as well as an increase in amounts due to employees' retirement.

The increase in long-term liabilities is primarily due to the issuance of long-term bond anticipation notes, net of the repayment of the current maturity of bond indebtedness.

JERICHO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 10 "Pension Plan – New York State", provides additional information.

The total other postemployment benefits (OPEB) liability increased over the prior year, based on the actuarial valuation for the plan. The accompanying Notes to Financial Statements, Note 12 "Postemployment Healthcare Benefits" provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets, relates to the investment in capital assets at cost such as land; construction in progress; buildings and improvements; furniture and equipment; and infrastructure, net of accumulated depreciation and related outstanding debt. This balance as of December 31, 2020, is computed as follows:

Capital assets, net	\$ 49,226,688
Deduct:	
Retainage payable	(790,281)
Bond anticipation notes payable	(20,835,000)
Bonds payable	(11,649,000)
Less: Unspent bond proceeds	<u>8,647,623</u>
	<u>\$ 24,600,030</u>

The restricted component of net position relates to the District's reserves. This balance increased over the prior year by \$208,431 due to the funding of reserves and interest allocated to the reserves, offset by the use of reserves to fund capital asset additions and offset debt service costs.

The unrestricted deficit component of net position relates to the balance of the District's net position. This number does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB liability.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in the accompanying financial statements. The December 31, 2019 revenues were restated to reflect adjustments to charges to services and capital grants. The accompanying Notes to Financial Statements, Note 13 "Restatement of Net Position/Fund Balances", provides additional information. A summary of this statement for the years ended December 31, 2020 and 2019 is as follows:

JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2020	As Restated 2019	Increase (Decrease)	Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 9,825,503	\$ 8,660,469	\$ 1,165,034	13.45 %
Capital grants	341,118	2,132,362	(1,791,244)	(84.00)%
General revenues				
Real property taxes	2,865,643	1,880,008	985,635	52.43 %
Other tax items	109,837	89,910	19,927	22.16 %
Use of money and property	86,111	195,180	(109,069)	(55.88)%
Other	724,024	521,494	202,530	38.84 %
Total Revenues	<u>13,952,236</u>	<u>13,479,423</u>	<u>472,813</u>	3.51 %
Expenses				
Program expenses				
Water administration	1,358,179	1,306,060	52,119	3.99 %
Source of supply, power and pumping	1,950,271	1,782,695	167,576	9.40 %
Purification	708,272	501,769	206,503	41.15 %
Transmission and distribution	2,623,320	2,816,873	(193,553)	(6.87)%
Employee benefits	2,933,207	2,287,952	645,255	28.20 %
Debt service - interest	629,565	607,381	22,184	3.65 %
Depreciation	1,960,593	1,713,053	247,540	14.45 %
Total Expenses	<u>12,163,407</u>	<u>11,015,783</u>	<u>1,147,624</u>	10.42 %
Total Change in Net Position	<u>\$ 1,788,829</u>	<u>\$ 2,463,640</u>	<u>\$ (674,811)</u>	(27.39)%

The District's net position increased by \$1,788,829 and \$2,463,640 for the years ended December 31, 2020 and 2019, respectively.

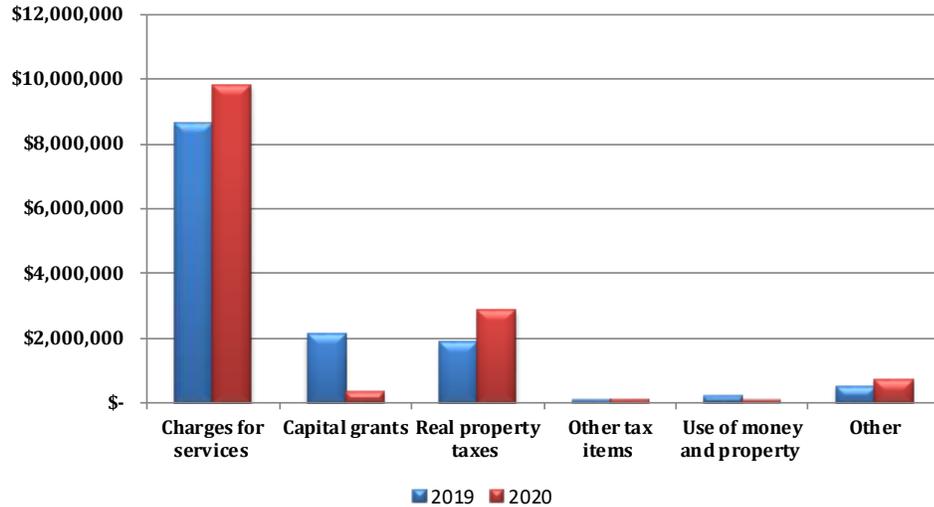
The net increase in total revenues in 2020, as compared to 2019, was \$472,813 or 3.51%, as shown above. The majority of this increase was within charges for services, real property taxes and other revenue, offset by a decrease in capital grants. The increase in charges for services was primarily due to an increase in demand. In addition, the District increased water usage rates effective April 1, 2020. The increase in real property taxes was in accordance with the 2020 budget, which was increased in anticipation of increases in operating and debt service costs. The increase in other revenue is primarily due to the District receiving more in premiums than the previous year and selling scrap and excess materials. The District did not sell any scrap or excess materials in the prior year. In the prior year, the District recognized revenue from a NYS WIIA grant the District received to partially fund the nitrate removal facility. The final 25% of the grant will be received when the project is completed in its entirety. However, the District did receive and recognize \$50,000 in NYS WIIA grant funds to fund a portion of the planning and design of the Kirby Lane AOP treatment project.

The District's expenses for the year increased by \$1,147,624 or 10.42%. The majority of the increase was within source of supply, power and pumping, purification, employee benefits and depreciation expense. The increase in source of supply, power and pumping is due to an increase in electric costs as a result of increased usage and an increase in rates. The increase in purification is due to carbon replacement, additional lab testing and an increase in costs for caustic soda. The increase in employee benefits is primarily due to pension expenses and other postemployment benefits. The increase in depreciation expense is due to prior capital asset additions being depreciated for a full year.

JERICHO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

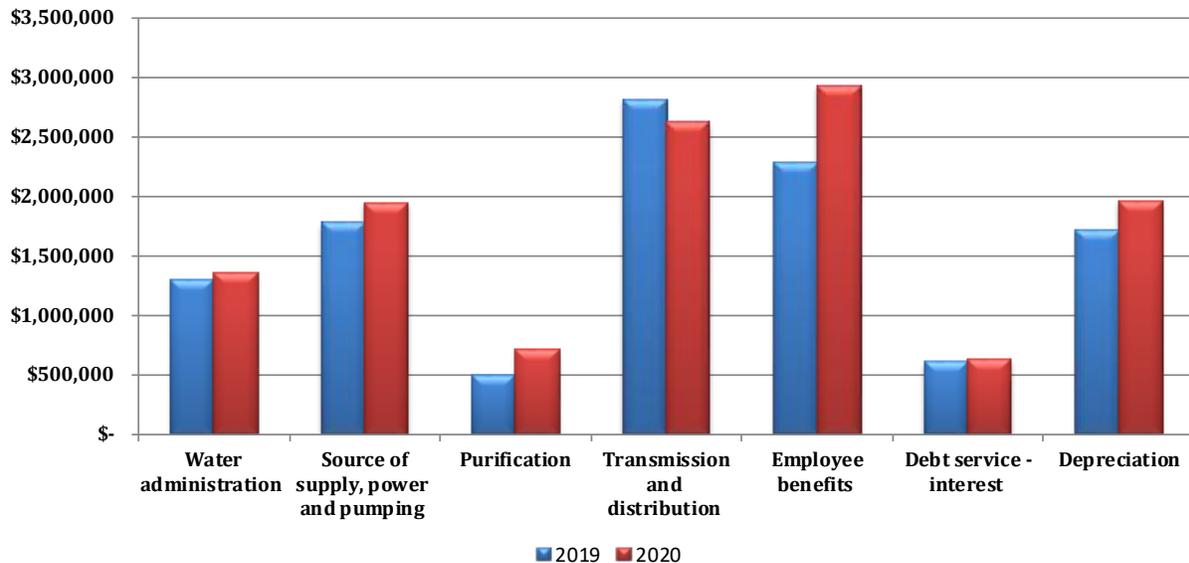
As graphically portrayed below, the District primarily relies on water use charges and real property taxes to support government operations. Collectively, they provided 90.96% and 78.20% of the District's revenues in fiscal years 2020 and 2019, respectively.

A graphic display of the distribution of revenues for the two years follows:



	Charges for services	Capital grants	Real property taxes	Other tax items	Use of money and property	Other
2019	64.25%	15.82%	13.95%	0.67%	1.45%	3.86%
2020	70.42%	2.44%	20.54%	0.79%	0.62%	5.19%

A graphic display of the distribution of expenses for the two years follows:



	Water administration	Source of supply, power and pumping	Purification	Transmission and distribution	Employee benefits	Debt service - interest	Depreciation
2019	11.86%	16.18%	4.56%	25.57%	20.77%	5.51%	15.55%
2020	11.17%	16.02%	5.82%	21.57%	24.12%	5.18%	16.12%

JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of December 31, 2020, the governmental funds reported a combined fund balance of \$21,072,422, an increase of \$8,413,704. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. The December 31, 2019 general fund and capital projects fund – fund balances were restated to adjust for revenues recognized in error. The accompanying Notes to Financial Statements, Note 13 “Restatement of Net Position/Fund Balances” provides additional information. A summary of the change in the components of fund balance by fund is as follows:

	2020	As Restated 2019	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable:				
Inventory	\$ 225,519	\$ 186,672	\$ 38,847	20.81 %
Restricted:				
Capital	2,885,804	1,888,049	997,755	52.85 %
Repairs	436,151	514,794	(78,643)	(15.28)%
Debt		144,954	(144,954)	(100.00)%
Employee benefit accrued liability	856,376	650,826	205,550	31.58 %
Retirement contribution	376,454	372,987	3,467	0.93 %
Assigned:				
Appropriated fund balance	120,000	120,000	-	0.00 %
Debt	3,100,000	2,300,000	800,000	34.78 %
Encumbrances	135,832	105,194	30,638	29.13 %
Unassigned: Fund balance	4,192,701	3,624,114	568,587	15.69 %
	<u>12,328,837</u>	<u>9,907,590</u>	<u>2,421,247</u>	24.44 %
Capital Projects Fund				
Restricted:				
Capital	338,085	1,454,346	(1,116,261)	(76.75)%
Repairs	341,517		341,517	100%
Unspent bond proceeds	8,647,623	1,365,629	7,281,994	533.23 %
Unassigned: Fund balance (deficit)	(583,640)	(68,847)	(514,793)	(747.73)%
	<u>8,743,585</u>	<u>2,751,128</u>	<u>5,992,457</u>	217.82 %
Total Governmental Funds				
Fund Balance	<u>\$ 21,072,422</u>	<u>\$ 12,658,718</u>	<u>\$ 8,413,704</u>	66.47 %

A. General Fund

The general fund is the principal operating fund of the District. For the year ended December 31, 2020, the fund balance increased by \$2,421,247, as revenues and other financing sources of \$13,258,896, exceeded expenditures and other financing uses of \$10,837,649. Revenues and other financing sources increased by \$1,959,257 or 14.78% over fiscal year 2019. The increase was primarily due to increases in real property taxes, metered water sales, sale of property and compensation for loss and other financing sources. The increase in real property taxes was in accordance with the 2020 budget, which was increased in anticipation of increases in operating and debt service costs. The increase in metered water sales was primarily due to an increase in demand. In addition, water usage rates were increased effective April 1, 2020. The increase in sale of property and compensation for loss was primarily the result of the District selling scrap and excess materials in the current year. The District did not sell any scrap or excess materials in the prior year. The

JERICHO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

increase in other financing sources is due to the District receiving more in premiums on debt obligations than it had in the prior year.

Expenditures and other financing uses increased by \$519,704 or 4.80% over fiscal 2019 totals. This increase was primarily due to increases in source of supply, power, and pumping, purification and debt service. The increase in source of supply, power, and pumping is due to an increase in electric costs as a result of increased usage and an increase in rates. The increase in purifications is due to carbon replacement, additional lab testing and an increase in costs for caustic soda. The increase in debt service is due to the scheduled increase in bond principal repayment, and higher interest expenditure due to interest due on the 2019 BAN.

The following is a summary of the District's general fund restricted fund balance activities:

	<u>Balance at 12/31/19</u>	<u>Appropriation of Reserve</u>	<u>Interest Earned</u>	<u>Transfer from Unassigned FB</u>	<u>Balance at 12/31/20</u>
Employee benefit accrued liability	\$ 650,826	\$	\$ 5,550	\$ 200,000	\$ 856,376
Retirement contribution	372,987	(50,000)	3,467	50,000	376,454
Capital	1,888,049	(216,000)	13,755	1,200,000	2,885,804
Debt	144,954	(144,954)			-
Repairs	514,794	(332,318)	3,675	250,000	436,151
	<u>\$ 3,571,610</u>	<u>\$ (743,272)</u>	<u>\$ 26,447</u>	<u>\$ 1,700,000</u>	<u>\$ 4,554,785</u>

In addition, in accordance with the 2020 budget, the District increased the amounts assigned for debt by \$800,000 to \$3,100,000.

B. Capital Projects Fund

The capital projects fund is used to account for financial resources earmarked for specific capital projects. The net change in the capital projects fund – fund balance is an increase of \$5,992,457. This increase was due to revenues and other financing sources of \$14,447,707 in excess of expenditures of \$8,455,250. The District recognized \$13,350,000 in proceeds from long-term bond anticipation notes, \$756,589 in operating transfers in, \$291,118 in installation income and \$50,000 in NYS WIIA grants as funding for various projects. The District's capital projects are for facility improvements and new water treatment infrastructure needed to treat for various new contaminants in accordance with State mandated guidelines. Since not all of this work has been completed, this resulted in an increase in fund balance.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2020 Budget

The District's general fund approved budget for the year ended December 31, 2020 was \$12,574,757. This amount was increased by encumbrances carried forward from the prior year, in the amount of \$105,194, and budget revisions in the amount of \$548,318, for a final budget of \$13,228,269.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$8,892,562 in metered water sales and \$2,865,695 in real property taxes.

JERICHO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance, as Restated	\$ 3,624,114
Revenues Over Budget	854,139
Expenditures and Encumbrances Under Budget	2,254,788
Unused appropriated reserves	(50,000)
Net Change in Nonspendable Fund Balance	(38,847)
Net Change in Restricted Fund Balance	(1,531,493)
Net Change in Assigned Fund Balance	(800,000)
Appropriated for the 2021 Budget	<u>(120,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 4,192,701</u></u>

Opening, Unassigned Fund Balance

The \$3,624,114 shown in the table is the District's December 31, 2019 unassigned fund balance.

Revenues Over Budget

The 2020 final budget for revenues and other financing sources was \$12,404,757. Actual revenues and other financing sources recognized for the year were \$13,258,896. The excess of actual revenue and other financing sources over estimated or budgeted revenue was \$854,139. This was due to the District receiving more than anticipated in metered sales due to increased demand, sale of property and compensation for loss due to an increase in sale of water supplies, and the sale of scrap and excess materials and premiums on debt obligations related to the issuance of bond anticipation notes. This change contributes directly to the change in the unassigned portion of the general fund-fund balance from December 31, 2019 to December 31, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2020 final budget for expenditures and other financing uses was \$13,228,269. Actual expenditures and other financing uses for the year were \$10,837,649 and outstanding encumbrances were \$135,832. Combined, the expenditures and encumbrances for 2019 were \$10,973,481. The final budget was under expended by \$2,254,788. This under expenditure was primarily within water administration, source of supply, power & pumping, purification, transmission and distribution, employee benefits and other

JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

financing uses. Included in the water administration budget is amounts for contingency; the District did not need to use the full amount of the contingency in the current year. The 2020 budget anticipated additional expenditures in source of supply, power and pumping related to electric as the District anticipated the Nitrate Removal facility to be operational in 2020. In addition, several wells had to be taken out of service during the year as a result of testing higher for VOC and other contaminants than allowable as such electric costs were less than anticipated for the year. The under expenditure in purification was due to the District incurring less costs than anticipated for water analysis (testing). The under expenditure in transmission and distribution was primarily within plant salaries due to the District not filling three vacant positions during the year. In addition, the District spent less than anticipated for equipment and capital outlay, water supplies, road patches, conventions, dues and education as well as in electrical and well repairs. The under expenditures in employee benefits was primarily in workers' compensation and health, medical, and dental. The workers' compensation costs were estimated based on past claims during the budgeting process. Actual costs and claims were less than anticipated. The hospital, medical, and dental budget provided for a 5% increase in premiums as well as family coverage for the three vacant positions. The premium rates came in less than anticipated and the positions remained vacant during the year. As part of the budget, the District includes amounts to fund the assignment for debt. The funding of the assignment does not result in an actual expenditure, however, does increase the fund balance assignment. This assignment will be used to offset future debt service payments. This change contributes to the unassigned portion of the general fund-fund balance from December 31, 2019 to December 31, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Net Change in Nonspendable Fund Balance

The District had inventories for supplies and materials at December 31, 2020. The resulting balance sheet assets (inventories) cannot be spent because they are not in spendable form. Accordingly, an equal amount of fund balance is classified as nonspendable. The \$38,847 increase in nonspendable fund balance decreases unassigned fund balance.

Unused Appropriated Reserves

In the 2020 budget \$50,000 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures this funding was not needed and, therefore, it was returned to the reserves for future use.

Net Change in Restricted Fund Balance

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in Section 4.A. of this Management's Discussion and Analysis, details the allocation of interest earning and funding transfers to the reserves, net of the use of the amounts restricted for debt to offset debt service payments. In addition, the District increased the assignment for debt in the amount of \$800,000. This assignment will be used to offset future debt service payments.

Net Change in Assigned Fund Balance

The \$800,000 shown in the table represents an assignment for debt. The increase in the assignment decreases unassigned fund balance.

JERICHO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Appropriated Fund Balance

The District has chosen to use \$120,000 of available December 31, 2020 unassigned fund balance to partially fund the 2021 approved operating budget. As such, the December 31, 2020 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the District will begin the 2021 fiscal year with an unassigned fund balance of \$4,192,701. This is an increase of \$568,587 in the unassigned balance over the prior year.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At December 31, 2020 the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital asset additions of \$8,843,958 in excess of \$1,960,593 depreciation expense for the year. A summary of the District's capital assets, net of accumulated depreciation at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>As Restated 2019</u>	<u>Increase (Decrease)</u>
Land	\$ 304,000	\$ 304,000	\$ -
Construction work in progress	20,352,738	13,783,788	6,568,950
Buildings and improvements	4,007,684	4,179,790	(172,106)
Improvements other than buildings	3,713,066	3,448,444	264,622
Machinery & equipment	9,705,085	9,043,495	661,590
Infrastructure	7,036,513	7,355,911	(319,398)
Wells, water tanks & structures	4,092,697	4,208,222	(115,525)
Software	14,905	19,674	(4,769)
	<u>\$ 49,226,688</u>	<u>\$ 42,343,324</u>	<u>\$ 6,883,364</u>

The majority of the additions were for the ongoing infrastructure improvements for new water treatments.

The District is continuing to make significant capital expenditures resulting from bond authorizations, grants and general fund appropriations for capital improvements to District facilities. As of December 31, 2020, the District has expended approximately 30.5% of the authorization and the construction is on-going.

B. Debt Administration

At December 31, 2020, the District had total bond anticipation notes payable of \$20,835,000 and total bonds payable of \$11,649,000. The bond anticipation notes and bonds were issued for major improvements to the District's infrastructure and facilities. The increase in bond anticipation notes was due to the District issuing new bond anticipation notes to fund capital projects. The decrease in outstanding bonds resulted from principal payments made during the current year. A summary of the outstanding debt at December 31, 2020 and 2019 is as follows:

JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Issue Date	Interest Rate	2020	2019	Increase (Decrease)
Bond anticipation notes payable				
2019	3.00%	\$	\$ 7,485,000	\$ (7,485,000)
2020	1.25 - 2.00%	20,835,000		20,835,000
		<u>\$ 20,835,000</u>	<u>\$ 7,485,000</u>	<u>\$ 13,350,000</u>
Bonds payable				
2014	3.00 - 4.00%	\$ 1,168,000	\$ 1,290,000	\$ (122,000)
2014	3.25 - 4.00%	3,359,000	3,614,000	(255,000)
2018	3.00 - 4.00%	7,122,000	7,564,000	(442,000)
		<u>\$ 11,649,000</u>	<u>\$ 12,468,000</u>	<u>\$ (819,000)</u>

The District has received authorization from the Town of Oyster Bay to issue a total of \$94,628,000 in serial bonds to fund capital improvements to the District's facilities and infrastructure, including meter replacements. As of December 31, 2020, the District has issued \$35,835,000 in bonds and bond anticipation notes related to these authorizations and \$58,793,000 remains unissued.

Additional information on the District's debt can be found in Note 9 "Long-Term Liabilities" of the Notes to Financial Statements.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are estimated amounts due for compensated absences, net pension liability proportionate share and total other postemployment benefits liability. The compensated absences liability is based on employment contracts. The net pension liability - proportionate share and total other postemployment benefits liability are based on actuarial valuations.

	2020	2019	Increase (Decrease)
Compensated absences payable	\$ 1,134,842	\$ 1,149,577	\$ (14,735)
Net pension liability - proportionate share	2,157,695	522,300	1,635,395
Total other postemployment benefits liability	14,665,151	12,650,792	2,014,359
	<u>\$ 17,957,688</u>	<u>\$ 14,322,669</u>	<u>\$ 3,635,019</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Commissioners adopted the District's 2021 budget on September 3, 2020. The District expects to maintain the same quality level of service to its taxpayers and customers that it has historically provided. The 2021 budget of \$14,506,361 represents a \$1,931,604 (15.36%) increase over the 2020 budget. The majority of this increase is within pumping and distribution of water and debt service. Partial funding for the budget will be provided by estimated non-property tax revenues of \$10,239,350, which is an increase of \$700,288 (7.34%). Additionally, the District has elected to appropriate \$120,000 from unassigned fund balance and \$50,000 of reserves towards the next year's budget, which remained the same as the previous

JERICO WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

year. The real property tax levy of \$4,097,011 will provide the balance of the funding for the budget, which is an increase of \$1,231,316 (42.97%) over 2020.

B. Water Sales

The District derives a significant amount of its operating revenues from water sales. For water utilities, water revenues are dependent on the amount of rainfall, particularly during the summer months. As such, these revenues are unpredictable and very volatile. Water revenues for the District can vary significantly from a rainy year to a dry year. Water revenues are budgeted on the conservative side, which is in anticipation of a rainy year. However, actual water revenues can still fall far short of the District’s estimates. The District continued to budget conservatively for 2020. The District also believes that such adverse weather conditions can easily recur consecutively over two years or more running. Gallons billed and water revenues for the current and past five years are as follows:

	Gallons billed (millions)		Water Revenue Recognized in General Fund (thousands)
2020	4,628	\$	9,436
2019	4,518		8,872
2018	4,605		8,511
2017	4,773		7,900
2016	5,220		8,739

C. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District’s future budgets.

D. Tax Cap

New York State law limits the increase in the property tax levy of municipalities to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Municipalities may override the tax levy limit by drafting a local law or resolution that overrides the tax levy limit and having it approved by a 60 percent rate of the governing body. Based on the law, the District’s tax levy cap for 2021 is 2.49%. The District’s tax levy increase of 42.97%, as approved by the Board of Commissioners, exceeds the cap for 2021. The increase to real property taxes was imposed, most significantly due to never before incurred operating and maintenance costs related to the newly implemented Advanced Oxidation Process (AOP) treatment for 1.4 Dioxane, for which the District has never previously had to budget for in prior years. These new costs are the result of the NYS Department of Health Commissioner’s acceptance of the Drinking Water Council’s recommendation to establish a Maximum Contaminant Level (MCL) of 1.0 part per billion (ppb) for 1,4 Dioxane and 10 parts per trillion (ppt) for PFOS and PFOA. Additionally, the increase is attributed to the increased cost to maintain and improve the District’s infrastructure coupled with the need to build new infrastructure and treatment facilities for AOP treatment, as a result of the newly regulated MCL.

8. ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District’s taxpayers, customers and other interested parties with an overview of the District’s financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Jericho Water District’s Business Manager at Jericho Water District, 125 Convent Road, Syosset, New York 11791.

JERICO WATER DISTRICT
Statement of Net Position
December 31, 2020

ASSETS

Cash	
Unrestricted	\$ 7,733,747
Restricted	5,234,387
Receivables	
Accounts receivable	2,340,032
Due from other governments	10,282,236
Inventory	225,519
Prepays	306,956
Capital assets not being depreciated	20,656,738
Capital assets being depreciated, net of accumulated depreciation	<u>28,569,950</u>
Total Assets	<u>75,349,565</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	1,674,023
Other postemployment benefits	<u>2,873,345</u>
Total Deferred Outflows of Resources	<u>4,547,368</u>

LIABILITIES

Payables	
Accounts payable	2,572,019
Accrued liabilities	428,497
Retainage payable	790,281
Due to employees' retirement system	269,846
Developer deposits	659,584
Unearned credits - collections in advance	83,694
Long-term liabilities	
Due within one year	
Bond anticipation notes payable	330,000
Bonds payable	845,000
Compensated absences payable	125,567
Due after one year	
Bond anticipation notes payable	20,505,000
Bonds payable	10,804,000
Compensated absences payable	1,009,275
Net pension liability - proportionate share	2,157,695
Total other postemployment benefits liability	<u>14,665,151</u>
Total Liabilities	<u>55,245,609</u>

DEFERRED INFLOWS OF RESOURCES

Pension	52,544
Other postemployment benefits	<u>1,712,925</u>
Total Deferred Inflows of Resources	<u>1,765,469</u>

NET POSITION

Net investment in capital assets	24,600,030
Restricted:	
Employee benefit accrued liability	856,376
Retirement contribution	376,454
Capital	3,223,889
Repairs	<u>777,668</u>
Unrestricted (deficit)	<u>(6,948,562)</u>
Total Net Position	<u><u>\$ 22,885,855</u></u>

JERICO WATER DISTRICT
Statement of Activities
For the Year Ended December 31, 2020

Program Revenues	
Charges for services	\$ 9,825,503
Capital grants	<u>341,118</u>
Total Program Revenues	<u>10,166,621</u>
Program Expenses	
Home and community services	
<i>Water supply services</i>	
Water administration	1,358,179
Source of supply, power and pumping	1,950,271
Purification	708,272
Transmission and distribution	2,623,320
Employee benefits	2,933,207
Debt service - interest	629,565
Depreciation	<u>1,960,593</u>
Total Program Expenses	<u>12,163,407</u>
Net Revenue (Expense)	<u>(1,996,786)</u>
General Revenues	
Real property taxes	2,865,643
Other tax items	109,837
Use of money and property	86,111
Fines and forfeitures	57,500
Sale of property and compensation for loss	470,644
Miscellaneous	<u>195,880</u>
Total General Revenues	<u>3,785,615</u>
Change in Net Position	1,788,829
Net Position - Beginning of Year, as Restated	<u>21,097,026</u>
Net Position - End of Year	<u><u>\$ 22,885,855</u></u>

JERICHO WATER DISTRICT
Balance Sheet - Governmental Funds
December 31, 2020

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash			
Unrestricted	\$ 6,659,726	\$ 1,074,021	\$ 7,733,747
Restricted	4,554,785	679,602	5,234,387
Receivables			
Accounts receivable	2,340,032		2,340,032
Due from other funds	23,410		23,410
Due from other governments	333,986	9,948,250	10,282,236
Inventory	225,519		225,519
Total Assets	\$ 14,137,458	\$ 11,701,873	\$ 25,839,331
LIABILITIES			
Payables			
Accounts payable	\$ 287,865	\$ 2,284,154	\$ 2,572,019
Accrued liabilities	80,134		80,134
Due to other funds		23,410	23,410
Due to employees' retirement system	269,846		269,846
Developer deposits	8,860	650,724	659,584
Unearned credits - collections in advance	83,694		83,694
Total Liabilities	730,399	2,958,288	3,688,687
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - unbilled metered water sales	1,078,222		1,078,222
FUND BALANCES			
Nonspendable: Inventory	225,519		225,519
Restricted:			
Employee benefit accrued liability	856,376		856,376
Retirement contribution	376,454		376,454
Capital	2,885,804	338,085	3,223,889
Repairs	436,151	341,517	777,668
Unspent bond proceeds		8,647,623	8,647,623
Assigned:			
Appropriated fund balance	120,000		120,000
Designated for debt	3,100,000		3,100,000
Unappropriated fund balance	135,832		135,832
Unassigned: Fund balance (deficit)	4,192,701	(583,640)	3,609,061
Total Fund Balances	12,328,837	8,743,585	21,072,422
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,137,458	\$ 11,701,873	\$ 25,839,331

JERICO WATER DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2020

Total Governmental Fund Balances \$ 21,072,422

The costs of constructing and acquiring capital assets (land, buildings, equipment, and infrastructure) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives. Balances at December 31, 2020, were:

Original cost of capital assets	\$ 78,299,131	
Less: Accumulated depreciation	(29,072,443)	
Capital assets, net		49,226,688

Prepaid items are accounted for as expenditures in the period of acquisition, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes prepaid items among the assets of the District as a whole. 306,956

Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement system are not current financial resources or liabilities and are not reported in the funds.

Deferred outflows of resources	1,674,023	
Net pension liability	(2,157,695)	
Deferred inflows of resources	(52,544)	(536,216)

Total other postemployment benefits liability and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds.

Deferred outflows of resources	2,873,345	
Total other postemployment benefits liability	(14,665,151)	
Deferred inflows of resources	(1,712,925)	(13,504,731)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. 1,078,222

Long-term and related liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds. Long-term and related liabilities consisted of:

Accrued interest on bonds payable	(348,363)	
Retainage payable	(790,281)	
Bond anticipation notes payable	(20,835,000)	
Bonds payable	(11,649,000)	
Compensated absences	(1,134,842)	(34,757,486)

Total Net Position \$ 22,885,855

JERICHO WATER DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2020

	General	Capital Projects	Total Governmental Funds
Revenues			
Real property taxes	\$ 2,865,643	\$	\$ 2,865,643
Other tax items	109,837		109,837
Program revenues	9,473,281		9,473,281
Use of money and property	86,111		86,111
Fines and forfeitures	57,500		57,500
Sale of property and compensation for loss	470,644		470,644
Miscellaneous	13,818		13,818
State sources		50,000	50,000
Installation income		291,118	291,118
Total Revenues	13,076,834	341,118	13,417,952
Expenditures			
Water administration	1,371,249		1,371,249
Source of supply, power and pumping	1,950,271		1,950,271
Purification	723,722		723,722
Transmission and distribution	2,778,362		2,778,362
Employee benefits	1,808,640		1,808,640
Debt service			
Principal	819,000		819,000
Interest	629,816		629,816
Capital outlay		8,455,250	8,455,250
Total Expenditures	10,081,060	8,455,250	18,536,310
Excess (Deficiency) of Revenues over Expenditures	<u>2,995,774</u>	<u>(8,114,132)</u>	<u>(5,118,358)</u>
Other Financing Sources and (Uses)			
Premium on obligations	182,062		182,062
Proceeds of debt		13,350,000	13,350,000
Operating transfers in		756,589	756,589
Operating transfers (out)	<u>(756,589)</u>		<u>(756,589)</u>
Total Other Financing Sources and (Uses)	<u>(574,527)</u>	<u>14,106,589</u>	<u>13,532,062</u>
Net Change in Fund Balances	2,421,247	5,992,457	8,413,704
Fund Balances - Beginning of Year, as Restated	<u>9,907,590</u>	<u>2,751,128</u>	<u>12,658,718</u>
Fund Balances - End of Year	<u>\$ 12,328,837</u>	<u>\$ 8,743,585</u>	<u>\$ 21,072,422</u>

JERICHO WATER DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

Net Change in Fund Balances \$ 8,413,704

Long-term Revenue and Expense Differences

In the Statement of Activities, certain program revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

\$ 352,222

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in compensated absences

14,735

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year resulting in an increase in a long-term asset (prepaid) and an increase in net position.

Increase in prepaid items

1,243

368,200

Capital Related Differences

Capital outlays to purchase, build or improve capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.

Capital outlays and other additions

8,843,958

Depreciation expense

(1,960,593)

6,883,365

Retainage payable is withheld from progress payments to contractors for ongoing capital projects until satisfactory completion. It is not a liability in the governmental funds until it is due and payable because it does not require the use of current financial resources, but it is a liability in the Statement of Net Position. Retainage payable decreased from last year.

(218,215)

6,665,150

Long-Term Debt Transactions

Proceeds from the issuance of long-term bond anticipation notes are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not effect the Statement of Activities.

(13,350,000)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

819,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from December 31, 2019 to December 31, 2020.

251

(12,530,749)

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plan and the change in other postemployment benefits expense, reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Employees' retirement system

(408,874)

Other postemployment benefits

(718,602)

(1,127,476)

Change in Net Position of Governmental Activities

\$ 1,788,829

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Jericho Water District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are as follows:

A. Reporting Entity

The District, which was established in 1923, is governed by Town Law and other general laws of the State of New York. The Board of Commissioners is the legislative body responsible for overall operations. The Board of Commissioners consists of three members, all of whom are elected by residents of the District for terms of three years. The primary function of the District is to provide water service to District residents.

The financial reporting entity is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Commissioners. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no component units or other entities included in the District's reporting entity.

The District is a component unit of the Town of Oyster Bay, New York.

B. Basis of Presentation

District-Wide Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, program revenues, and other exchange and non-exchange transactions. Capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program revenues and expenses for each function of the District's governmental activities. Program expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges to customers for water usage. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The District's financial statements present the following fund types:

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

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

C. Measurement Focus and Basis of Accounting

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes change in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for retainage, principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Expenditures for prepaid items are recognized as expenditures at the time of purchase. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Real Property Taxes

Calendar

Real property taxes for the Town of Oyster Bay are levied annually by the Town Board. The taxes are due in two installments of 50% on January 1 and July 1 without penalty to February 10 and August 10, respectively. Late payments are subject to penalties. The taxes are collected by the Town and subsequently forwarded to the District. Uncollected taxes are subsequently enforced by Nassau County.

Water sales that go uncollected for three months are turned over to the Town for collection. These balances become liens on the respective delinquent properties. The Town remits to the District the amount of the receivables plus interest, regardless of their ability to collect on the liens. Uncollected amounts are enforced by Nassau County.

E. Payment in Lieu of Taxes (PILOT)

The District reports payments in lieu of taxes (PILOT) revenues in the general fund as part of other tax items revenue. These PILOT revenues are often the results of tax abatements granted by industrial development agencies of the town and/or County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected PILOT to the District.

The District's PILOT revenues also include payments from the Long Island Power Authority (LIPA) remitted by Nassau County. Beginning in the 2015-2016 fiscal year, the Nassau County Legislature removed properties owned by LIPA from the assessment and tax rolls and instead, allowed LIPA to make payments in lieu of taxes with annual increases of no more than 2% in response to the New York State Public Authorities Law Section 1020-q (the "LIPA Reform Act") enacted by the state in 2013. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No 77, "Tax Abatement Disclosures", under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments. The District received \$58,977 in LIPA PILOT revenue during the 2020 fiscal year.

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements, eliminations have been made for all interfund receivables and payables between funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, pension costs, potential contingent liabilities and useful lives of capital assets.

I. Cash and Cash Equivalents/Investments

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Investments are reported at fair value based on quoted market price.

Certain cash balances are classified as restricted because their use is restricted by contractual agreement and various legal obligations, such as legal reserves.

The District does not have any cash equivalents or investments at December 31, 2020.

J. Receivables

Receivables include amounts due from customers. Receivables are recorded and revenues recognized as earned in the district-wide financial statements and when available in the fund financial statements. Revenue from unbilled water usage at year end is recognized in the district-wide financial statements. Receivables are shown net of allowance for uncollectibles, if any.

K. Inventory and Prepaids

Inventory consists of supply type items and are recorded at cost on a average cost basis. Prepaids represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in the District-wide financial statements. In the fund financial statements, prepaid items are recorded as expenditures in the period the payments are made. These items are reported as assets using the consumption method. A current asset for both the inventory and prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

L. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

Capitalization thresholds, (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 2,000	Straight line	40 years
Improvements	2,000	Straight line	20 years
Wells, water tanks & structures	2,000	Straight line	40 years
Water mains	2,000	Straight line	40-50 years
Machinery and equipment	2,000	Straight line	5 - 20 years
Software	2,000	Straight line	5 - 10 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension liability not included in the collective pension expense as well as the District's contributions to the pension system subsequent to the measurement date. The second item is related to OPEB and represents changes in total other postemployment benefits not included in OPEB expense.

N. Short-Term Debt

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during the calendar year 2015 through and including 2021. However, bond anticipation notes issued in anticipation of bonds for an assessable improvement may be renewed from time to time for a period not exceeding one year for each such renewal, and without limitation as to the number of such renewals. These renewals cannot extend beyond the period of probable usefulness of the object or purpose for which it is issued, as computed from the date of the first note or notes issued. BANS that are replaced with long-term financing, or renewed subsequent to year end, are treated as long-term obligations, as these notes will not require the use of working capital during that period.

The District issued \$20,835,000 in BANS during December 31, 2020, however, these BANs were renewed prior to the financial statements being issued and were treated as long-term liabilities.

O. Developer Deposits

Developer deposits represent funds advanced from real estate developers for the installation of new water mains and connection to the District's water distribution system. Any funds remaining after the installation is completed are refunded to the developer.

P. Collections in Advance

Collections in advance arise when resources are received by the District before it has legal claim to them, as when charges for service monies are received in advance from payers prior to the services being rendered by the District, such as prepaid water usage fees. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues recognized in subsequent periods when the District has legal claim to the resources.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Q. Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated vacation time and sick leave.

Employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days per year, but may accumulate no more than a maximum of 60 days. Upon separation from service other than termination for cause, employees are paid for all unused accumulated vacation leave. Employees accrue sick leave at a rate of 13 days per year and may accumulate such credits up to a total of 240 days. Upon separation from service other than termination for cause, employees are paid for a percentage of their unused accumulated sick leave, which ranges from 50% to 100% based on the number of years employed.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by December 31st.

R. Other Benefits

Eligible District employees participate in the New York State and Local Employees' Retirement System.

District employees may choose to participate in the District's elective deferred compensation plan established under Internal Revenue Code Section 457.

The District provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee.

The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

S. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenues) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds, when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables for unbilled water. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the district-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pension reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension liability not included in the collective pension expense. The third item is related to OPEB and represents the change in the total other postemployment benefits liability no included in OPEB expense.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

T. Equity Classifications

District-Wide Statements

In the district-wide statements there are three classes of net position:

Net investment in Capital Assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted – Reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which are recorded in the general fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Employee Benefit Accrued Liability Reserve – Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Retirement Contribution Reserve - Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

Capital Reserve, Capital Improvements and for Capital Machinery & Equipment – Capital reserve general was established pursuant to Section 6-C of the General Municipal Law of the State of New York. This reserve is a general reserve for improvements as defined by the District's engineers. This reserve is accounted for in the general fund and capital projects fund.

Repairs Reserve – Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

Unspent Bonds – Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Commissioners. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance could also include an amount appropriated to partially fund the subsequent year’s budget, and encumbrances not classified as restricted at the end of the fiscal year, as well as the following:

Assigned for Debt Service – The balance represents an amount set aside to make future debt service payments on new serial bonds.

Unassigned – Represents the residual classification for the District’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from the overspending of available resources.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Commissioners if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Commissioners.

The Board of Commissioners shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board 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 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 that there is an assignment, and then to the unassigned fund balance.

2. FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but statements that the District feels may have a future impact on these financial statements. The District will evaluate the impact of these pronouncements and implement them, as applicable, if material.

Effective for the Year Ending	Statement
December 31, 2022	GASB No. 87 – <i>Leases</i>

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN DISTRICT-WIDE STATEMENTS AND GOVERNMENTAL FUND STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the district-wide statements and the governmental fund statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Policies

Budgets are adopted annually on a basis consistent with GAAP. The District's procedures for establishing its budget are as follows:

- The District's administration prepares a proposed budget for the general fund and submits it to the Board of Commissioners for approval.
- A public hearing is held in September, the first Thursday after the first Tuesday of the month.
- The proposed budget for the general fund is then submitted to the Oyster Bay Town Board for approval.
- Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balance. These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The District had the following supplemental appropriations during the year:

Budget Revisions	
Interfund Transfers Funded by	
Restricted Fund Balances	
Backhoe	\$ 128,500
Fuel tank monitoring system	332,318
2021 4WD pickup truck	<u>87,500</u>
Total Budget Revisions	<u><u>\$ 548,318</u></u>

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Restricted Fund Balance

The following table provides a summary of activity for restricted fund balance:

	General Fund		Restricted: Capital Improvements				Total
	Employee Benefit Accrued Liability	Retirement Contribution	Capital Improvement	Repairs	Capital Projects Fund		
					Capital Improvement	Repairs	
Beginning Balance	\$ 650,826	\$ 372,988	\$ 1,888,049	\$ 514,794	\$ 1,411,664	\$ 42,682	\$ 4,881,003
Interest earned	5,550	3,466	13,755	3,675			26,446
Transfer(s):							
from Unassigned Fund Balance	200,000		1,200,000	250,000			1,650,000
between General Fund Reserves					216,000	332,318	548,318
to Capital Projects Fund			(216,000)	(332,318)			(548,318)
Use of Reserve					(1,289,579)	(33,483)	(1,323,062)
Ending Balance	<u>\$ 856,376</u>	<u>\$ 376,454</u>	<u>\$ 2,885,804</u>	<u>\$ 436,151</u>	<u>\$ 338,085</u>	<u>\$ 341,517</u>	<u>\$ 5,234,387</u>

C. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

D. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of \$583,640. This will be funded when the District recognizes grant revenue for its current construction project.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities and letters of credit pledged on the District's behalf at year end, in the District's name.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material credit risk, interest rate risk, or concentration of credit-risk.

6. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2020 consisted of:

Metered water sales, billed	\$ 1,259,355
Metered water sales, unbilled	717,000
Water tax liens	309,509
Penalties	33,494
Miscellaneous	28,705
Less: Allowance for doubtful accounts	<u>(8,031)</u>
	<u>\$ 2,340,032</u>

7. CAPITAL ASSETS/PRIOR PERIOD ADJUSTMENT

The December 31, 2019 balances were restated due to an error related to meters included in construction work in progress that should have been capitalized and the exclusion of items that should have been included in construction work in progress.

	As Reported <u>12/31/19</u>	As Restated <u>12/31/19</u>	Increase (Decrease)
Governmental Activities:			
Capital assets that are not depreciated:			
Land	\$ 304,000	\$ 304,000	\$ -
Construction work in progress	<u>14,081,190</u>	<u>13,783,788</u>	<u>(297,402)</u>
Total capital assets not being depreciated	<u>14,385,190</u>	<u>14,087,788</u>	<u>(297,402)</u>
Capital assets being depreciated:			
Buildings and improvements	8,272,687	8,272,687	-
Improvements other than buildings	5,159,873	6,102,706	942,833
Machinery & equipment	19,539,556	20,207,322	667,766
Infrastructure (water mains)	13,225,788	13,177,873	(47,915)
Wells, water tanks & structures	8,565,929	7,623,095	(942,834)
Software	42,352	42,352	-
Total capital assets being depreciated	<u>54,806,185</u>	<u>55,426,035</u>	<u>619,850</u>
Less accumulated depreciation for:			
Buildings and improvements	4,092,897	4,092,897	-
Improvements other than buildings	2,654,262	2,654,262	-
Machinery & equipment	11,122,504	11,163,827	41,323
Infrastructure	5,821,962	5,821,962	-
Wells, water tanks & structures	3,414,873	3,414,873	-
Software	22,678	22,678	-
Total accumulated depreciation	<u>27,129,176</u>	<u>27,170,499</u>	<u>41,323</u>
Total capital assets being depreciated, net	<u>27,677,009</u>	<u>28,255,536</u>	<u>578,527</u>
Capital assets, net	<u>\$ 42,062,199</u>	<u>\$ 42,343,324</u>	<u>\$ 281,125</u>

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	Restated Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 304,000	\$	\$	\$ 304,000
Construction work in progress	13,783,788	7,365,080	(796,130)	20,352,738
Total capital assets not being depreciated	<u>14,087,788</u>	<u>7,365,080</u>	<u>(796,130)</u>	<u>20,656,738</u>
Capital assets being depreciated:				
Buildings and improvements	8,272,687	79,258		8,351,945
Improvements other than buildings	6,102,706	504,585		6,607,291
Machinery & equipment	20,207,322	1,557,384	(58,649)	21,706,057
Infrastructure (water mains)	13,177,873	15,150		13,193,023
Wells, water tanks & structures	7,623,095	118,630		7,741,725
Software	42,352			42,352
Total capital assets being depreciated	<u>55,426,035</u>	<u>2,275,007</u>	<u>(58,649)</u>	<u>57,642,393</u>
Less accumulated depreciation for:				
Buildings and improvements	4,092,897	251,364		4,344,261
Improvements other than buildings	2,654,262	239,963		2,894,225
Machinery & equipment	11,163,827	895,794	(58,649)	12,000,972
Infrastructure	5,821,962	334,548		6,156,510
Wells, water tanks & structures	3,414,873	234,155		3,649,028
Software	22,678	4,769		27,447
Total accumulated depreciation	<u>27,170,499</u>	<u>1,960,593</u>	<u>(58,649)</u>	<u>29,072,443</u>
Total capital assets being depreciated, net	<u>28,255,536</u>	<u>314,414</u>		<u>28,569,950</u>
Capital assets, net	<u>\$ 42,343,324</u>	<u>\$ 7,679,494</u>	<u>\$ (796,130)</u>	<u>\$ 49,226,688</u>

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At December 31, 2020, the District has not recorded any such impairment losses.

Depreciation expense totaled \$1,960,593 for the year ended December 31, 2020.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. INTERFUND TRANSACTIONS

Interfund balances and activity at December 31, 2020 are as follows:

	Interfund			
	Receivable	Payable	Transfer In	Transfer Out
General Fund	\$ 23,410	\$	\$	\$ 756,589
Capital Projects Fund		23,410	756,589	
Total governmental activities	<u>\$ 23,410</u>	<u>\$ 23,410</u>	<u>\$ 756,589</u>	<u>\$ 756,589</u>

Interfund receivables and payables are eliminated on the Statement of Net Position. The District transferred funds from the general fund to the capital projects fund in accordance with the budget and various approvals throughout the year to fund current capital projects.

All interfund payables are expected to be repaid within one year.

9. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, for the year ended December 31, 2020, are summarized as follows:

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20	Amounts Due Within One Year
Long-term debt:					
BANs payable	\$ 7,485,000	\$ 13,350,000	\$	\$ 20,835,000	\$ 330,000
Bonds payable	12,468,000		(819,000)	11,649,000	845,000
Other long-term liabilities:					
Compensated absences	1,149,577	125,567	(140,302)	1,134,842	125,567
	<u>\$ 21,102,577</u>	<u>\$ 13,475,567</u>	<u>\$ (959,302)</u>	<u>\$ 33,618,842</u>	<u>\$ 1,300,567</u>

The general fund is used to liquidate all long-term liabilities.

B. Bond Anticipation Notes Payable

Bond anticipation notes payable is comprised of the following:

	Maturity	Stated Interest Rate	Balance 12/31/19	Issued	Redeemed	Balance 12/31/20
BAN	3/13/2020	3.00%	\$ 7,485,000	\$ -	\$ (7,485,000)	\$ -
BAN	3/12/2021	1.25 - 2.00%		20,835,000		20,835,000
			<u>\$ 7,485,000</u>	<u>\$ 20,835,000</u>	<u>\$ (7,485,000)</u>	<u>\$ 20,835,000</u>

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Bonds Payable

Bonds payable is comprised of the following:

	Issue Date	Final Maturity	Interest Rate	Outstanding at Year-End 12/31/20
Public improvement serial bonds	2014	2028	3.00 - 4.00%	\$ 1,168,000
Refunding public improvement serial bonds	2014	2031	3.25 - 4.00%	3,359,000
Public improvement serial bonds	2018	2033	3.00 - 4.00%	7,122,000
				<u>\$ 11,649,000</u>

The following is a summary of debt service requirements of bonds payable:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 845,000	\$ 380,398	\$ 1,225,398
2022	871,000	354,122	1,225,122
2023	900,000	327,003	1,227,003
2024	928,000	299,022	1,227,022
2025	954,000	269,980	1,223,980
2026 - 2030	4,887,000	858,946	5,745,946
2031 - 2033	2,264,000	120,801	2,384,801
	<u>\$ 11,649,000</u>	<u>\$ 2,610,272</u>	<u>\$ 14,259,272</u>

D. Interest Expense

Interest on long-term debt for the year was composed of:

Interest paid	\$ 629,816
Less: interest accrued in the prior year	(348,614)
Plus: interest accrued in the current year	<u>348,363</u>
Total expense	<u>\$ 629,565</u>

E. Unissued Debt

As of December 31, 2020, the District has the following unissued debt:

<u>Year Authorized</u>	<u>Amount Authorized</u>	<u>Issued</u>	<u>Unissued</u>
2010	\$ 9,985,000	\$ 9,985,000	\$ -
2013/2017	20,895,000	14,650,000	6,245,000
2018	7,300,000	4,250,000	3,050,000
2019	33,229,000	6,950,000	26,279,000
2020	23,219,000	-	23,219,000
	<u>\$ 94,628,000</u>	<u>\$ 35,835,000</u>	<u>\$ 58,793,000</u>

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. PENSION PLANS – NEW YORK STATE

A. Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple employer, public employee retirement system. The system provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. 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. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

B. Funding Policy

The system is noncontributory for the employee except for those who either joined the system after July 27, 1976, with less than ten years of credited service, who contribute 3% of their salary, or joined the system on or after January 1, 2010 and before April 1, 2012, who contribute 3% of their salary throughout active membership. For employees hired after April 1, 2012, employee contribution rates are on a sliding scale based on salaries and range from 3% to 6% of salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the ERS for the current year. The District's average contribution rate was 14.73% of covered payroll for the ERS' fiscal year ending March 31, 2020.

The District's share of the required contributions, based on covered payroll for the District's year ended December 31, 2020 was \$361,132, at an average contribution rate of 14.87%.

C. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the District reported the following liability for its proportionate share of the net pension liability for the system, which was measured as of March 31, 2020. 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 system relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the District.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Measurement date	March 31, 2020
District's proportionate share of the net pension liability	\$ 2,157,695
District's portion of the Plan's total net pension liability	0.0081482%
Change in proportion since the prior measurement date	0.0007766

For the year ended December 31, 2020, the District recognized pension expense of \$770,007 for ERS. At December 31, 2020, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 126,989	\$
Changes in assumptions	43,446	37,515
Net difference between projected and actual earnings on pension plan investments	1,106,139	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	127,603	15,029
District contributions subsequent to the measurement date	269,846	
Total	<u>\$ 1,674,023</u>	<u>\$ 52,544</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2021	\$ 242,473
2022	341,078
2023	427,604
2024	340,478
	<u>\$ 1,351,633</u>

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2018. The actuarial assumptions were 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2020
Asset type		
Domestic equity	36.0%	4.05%
International equity	14.0%	6.15%
Real estate	10.0%	4.95%
Private equities	10.0%	6.75%
Alternative investments	8.0%	3.25-5.95%
Bonds and mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation indexed bonds	4.0%	0.50%
	100.0%	

Rates of return are net of a long-term inflation assumption of 2.5%.

Discount Rate

The discount rate used to calculate the total pension liability was 6.80% (the discount rate used at the prior year’s measurement date of March 31, 2019, was 7.00%). 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 determined. Based upon the assumptions, the ERS’ 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.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Proportionate Share of the Net Pension Asset/(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 6.80%, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (5.80%) or 1 percentage point higher (7.80%) than the current rate:

	1% Decrease 5.80%	Current Assumption 6.80%	1% Increase 7.80%
District's proportionate share of the net pension asset/(liability)	\$ (3,959,980)	\$ (2,157,695)	\$ (497,783)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date, were as follows:

	<i>(Dollars in Thousands)</i>
Measurement date	March 31, 2020
Employers' total pension liability	\$ (194,596,261)
Plan fiduciary net position	168,115,682
Employers' net pension liability	\$ (26,480,579)
Ratio of plan fiduciary net position to the employers' total pension liability	86.39%

Payables to Pension Plan

Employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of December 31, 2020, represent projected employer contributions for the period of April 1, 2020 through December 31, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2020 amounted to \$269,846 of employer contributions. Employee contributions are remitted monthly.

11. PENSION PLANS - OTHER

Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended December 31, 2020 totaled \$104,786.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District provides other postemployment benefits to eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions within the provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The District provides medical, dental, vision and Medicare Part B coverage for eligible retirees. The benefit terms are outlined in the employee handbook.

Employee Covered Benefit Terms – At January 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	37
	62

B. Total OPEB Liability

The District’s total OPEB liability of \$14,665,151 was measured as of December 31, 2020, and was determined by an actuarial valuation as of January 1, 2019. Update procedures were used to roll forward the Total OPEB Liability to the measurement date.

Actuarial Assumptions and Other Inputs – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%	average, including inflation
Discount rate	2.12%	
Healthcare cost trend rates	6.50%	for 2019, decreasing to an ultimate rate of 5.00% by 2023
Retirees' share of benefit-related costs	0 - 10%	of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer’s 20 Bond Index, updated as of December 31, 2020 to reflect current interest rate trends.

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

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study as of the valuation date projected to December 31, 2019.

C. Changes in the Total OPEB Liability

Balance at December 31, 2019	<u>\$ 12,650,792</u>
Changes for the year	
Service cost	603,712
Interest	358,157
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	1,421,108
Benefit payments	<u>(368,618)</u>
	<u>2,014,359</u>
Balance at December 31, 2020	<u><u>\$ 14,665,151</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.74% in 2019 to 2.12% in 2020.

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 what 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:

OPEB	1% Decrease 1.12%	Discount Rate 2.12%	1% Increase 3.12%
Total OPEB liability	<u>\$ (17,462,137)</u>	<u>\$ (14,665,151)</u>	<u>\$ (12,470,382)</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 are 1 percentage point lower (5.50% decreasing to 4.00%) or 1 percentage point higher (7.50% decreasing to 6.00%) than the current healthcare cost trend rate:

OPEB	1% Decrease 5.50% decreasing to 4.00%	Healthcare Cost Trend Rates 6.50% decreasing to 5.00%	1% Increase 7.50% decreasing to 6.00%
Total OPEB liability	<u>\$ (12,068,630)</u>	<u>\$ (14,665,151)</u>	<u>\$ (18,139,746)</u>

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. 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 \$1,087,220. At December 31, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 1,133,233
Changes of assumptions	2,873,345	579,692
Total	\$ 2,873,345	\$ 1,712,925

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

Year Ending December 31,	Amount
2021	\$ 125,351
2022	125,351
2023	162,357
2024	330,917
2025	299,106
Thereafter	117,338
	\$ 1,160,420

13. RESTATEMENT OF NET POSITION/FUND BALANCE

For the year ended December 31, 2019, the District's capital assets in total were understated due to the exclusion of some construction costs not being included in construction in progress. In addition, items included in construction in progress should have been included with the depreciable assets and depreciated. This resulted in a net increase to net position in the amount of \$281,125. Furthermore, for the year ended December 31, 2019, the District's revenues were overstated in the general fund for metered water sales receivable that were not collected within the period of availability, and capital projects fund for grant revenue that did not meet all the requirements under the grant for reimbursement. As such the District's net position and fund balances as of December 31, 2019 have been restated as follows:

	General Fund	Capital Projects Fund	Disrict-Wide Financial Statements
Net position / fund balance, as previously reported	\$ 10,153,442	\$ 3,058,013	\$ 21,368,638
Capital Assets - construction in progress/accumulated depreciation			281,125
Revenue recognition			
Metered water sales	(245,852)		(245,852)
Grant revenue		(306,885)	(306,885)
Net position / fund balance, as restated	\$ 9,907,590	\$ 2,751,128	\$ 21,097,026

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. TAX ABATEMENT PROGRAMS

The Nassau County Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development under New York State Real Property Tax Law §412-a. The amount by which the District's property tax revenue was reduced as a result of these abatements, was unavailable. The District received payments in lieu of taxes (PILOT) payments totaling \$50,860.

The District also recognized \$58,977 in LIPA PILOT revenue. As indicated in Note 1D, these LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*.

15. RISK MANAGEMENT

The District insures against liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability not covered by insurance has been incurred and the amount of loss can be reasonable estimated. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded commercial insurance coverage over the last three years.

16. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate \$50,000 for the employee benefit accrued liability reserve, which is reported in the December 31, 2020 restricted fund balances, to fund the budget and reduce taxes for the year ending December 31, 2021.

17. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$120,000 has been appropriated to reduce property taxes for the year ending December 31, 2021.

18. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

At December 31, 2020, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital improvements and professional fees	<u>\$ 10,208,687</u>
Assigned: Unappropriated Fund Balance	
General Fund	
Water Administration	\$ 18,784
Purification	6,362
Transmission and Distribution	<u>110,686</u>
	135,832
Capital Projects Fund	
Machinery & equipment and professional fees	<u>147,467</u>
	<u>\$ 283,299</u>

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes the outcome of any matters will not have a material effect on these financial statements.

C. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$8,146. The minimum remaining operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 8,185
2022	4,970
2023	468
2024	468
2025	39
	<u>\$ 14,130</u>

19. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustments of or disclosure in the financial statements, except for the following:

On March 12, 2021, the Town of Oyster Bay issued bond anticipation notes on behalf of the District in the amount of \$36,130,000, which mature on March 11, 2022 and bear interest at 2.00%. These bond anticipation notes, along with \$330,000 in general fund appropriations, will be used to pay \$20,835,000 in outstanding bond anticipation notes.

JERICHO WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Revenues				
Real property taxes	\$ 2,865,695	\$ 2,865,695	\$ 2,865,643	\$ (52)
Other tax items	60,000	60,000	109,837	49,837
Program revenues				
Metered water sales	8,892,562	8,892,562	9,345,926	453,364
Fireline charges	100,000	100,000		(100,000)
Hydrant and sprinkler permits	25,000	25,000	32,450	7,450
Interest and penalties - water rents	55,000	55,000	90,405	35,405
Implementation charges	4,750	4,750	4,500	(250)
Total program revenues	<u>9,077,312</u>	<u>9,077,312</u>	<u>9,473,281</u>	<u>395,969</u>
Use of money and property	47,500	47,500	86,111	38,611
Fines and Forfeitures	83,250	83,250	57,500	(25,750)
Sale of property and compensation for loss				
Sale of water supplies	160,000	160,000	275,316	115,316
Plant supplies and labor	80,000	80,000	110,000	30,000
Insurance recoveries	30,000	30,000	6,746	(23,254)
Sale of scrap and excess materials			78,582	78,582
Total sale of property and compensation for loss	<u>270,000</u>	<u>270,000</u>	<u>470,644</u>	<u>200,644</u>
Miscellaneous				
Refund of prior year expense			12,062	12,062
Other unclassified revenue	1,000	1,000	1,756	756
Total miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>13,818</u>	<u>12,818</u>
Total Revenues	12,404,757	12,404,757	13,076,834	672,077
Other Financing Sources				
Premium on obligations			182,062	182,062
Total Revenues and Other Sources	<u>12,404,757</u>	<u>12,404,757</u>	<u>13,258,896</u>	<u>\$ 854,139</u>
Appropriated Fund Balance				
Prior Years' Surplus	120,000	120,000		
Prior Year's Encumbrances	105,194	105,194		
Appropriated Reserves	<u>50,000</u>	<u>598,318</u>		
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$ 12,679,951</u>	<u>\$ 13,228,269</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

JERICHO WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund, Continued
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
Expenditures					
Water Administration					
Office salaries	\$ 691,500	\$ 794,389	\$ 785,463	\$	\$ 8,926
Commissioners fees	25,000	25,000	22,600		2,400
Office equipment	31,675	31,675	4,648		27,027
Auditing	32,500	32,500	31,250		1,250
Legal	69,891	69,891	56,473	4,891	8,527
Other professional fees	46,250	53,750	39,779	6,000	7,971
Insurance	191,200	183,700	181,377		2,323
Communications	52,600	50,100	46,525		3,575
Computer expense	88,700	88,700	80,479		8,221
Office expense	100,000	107,980	90,579	7,893	9,508
Water conservation	4,926	4,926	2,395		2,531
Conventions, dues & education	15,000	11,500	9,538		1,962
NY MTA tax	10,000	10,000	8,711		1,289
Election expenses	4,000	12,000	11,417		583
Contingency	231,238	122,238	-		122,238
Miscellaneous	-	20	15		5
Total Water Administration	<u>1,594,480</u>	<u>1,598,369</u>	<u>1,371,249</u>	<u>18,784</u>	<u>208,336</u>
Source of Supply, Power & Pumping					
Heat, light & power	<u>2,227,500</u>	<u>2,227,500</u>	<u>1,950,271</u>		<u>277,229</u>
Purification					
Caustic soda	415,000	415,000	379,458		35,542
Water analysis	505,060	455,060	334,904	6,362	113,794
Repairs	15,000	15,000	9,360		5,640
Total Purification	<u>935,060</u>	<u>885,060</u>	<u>723,722</u>	<u>6,362</u>	<u>154,976</u>
Transmission and Distribution					
Plant salaries	1,811,250	1,883,930	1,770,273		113,657
Equipment & capital outlay	201,186	254,916	100,414	84,741	69,761
Water supplies	224,305	280,805	193,161	23,184	64,460
Plant supplies	42,989	51,489	41,465	1,181	8,843
Plant expense	108,025	103,525	73,417		30,108
Grounds maintenance	27,500	32,500	30,090		2,410
Engineering & consulting	60,456	67,956	55,174	71	12,711
Auto	77,575	74,575	48,814	277	25,484
Road patches	120,000	118,248	74,569		43,679
Other professional services	240,091	205,591	187,577		18,014
Conventions, dues & education	199,940	226,541	178,848		47,693
Licenses & permits	15,000	9,650	5,195		4,455
Eletrical & well repair	52,500	52,500	19,365	1,232	31,903
Total Transmission and Distribution	<u>3,180,817</u>	<u>3,362,226</u>	<u>2,778,362</u>	<u>110,686</u>	<u>473,178</u>

JERICHO WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund, Continued
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
Employee Benefits					
NYS employees' retirement system	\$ 382,000	\$ 382,000	\$ 361,132	\$	\$ 20,868
Employee Accrual Payouts	200,000	24,431			24,431
Social Security	195,000	195,000	189,778		5,222
Workers' Compensation	157,500	157,500	110,458		47,042
Life Insurance	5,000	5,000	4,000		1,000
Unemployment Insurance	2,000	9,000	7,166		1,834
Hospital, Medical & Dental	1,383,777	1,376,777	1,136,106		240,671
Total Employee Benefits	<u>2,325,277</u>	<u>2,149,708</u>	<u>1,808,640</u>	<u>-</u>	<u>341,068</u>
Debt Service					
Principal	819,000	819,000	819,000		-
Interest	629,817	629,817	629,816		1
Total Debt Service	<u>1,448,817</u>	<u>1,448,817</u>	<u>1,448,816</u>	<u>-</u>	<u>1</u>
Total Expenditures	<u>11,711,951</u>	<u>11,671,680</u>	<u>10,081,060</u>	<u>135,832</u>	<u>1,454,788</u>
Other Financing Uses					
Operating transfers out	968,000	1,556,589	756,589		800,000
Total Expenditures and Other Uses	<u>\$ 12,679,951</u>	<u>\$ 13,228,269</u>	<u>10,837,649</u>	<u>\$ 135,832</u>	<u>\$ 2,254,788</u>
Net Change in Fund Balances			2,421,247		
Fund Balances - Beginning of Year, as Restated			<u>9,907,590</u>		
Fund Balances - End of Year			<u>\$ 12,328,837</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

JERICHO WATER DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
 Last Six Fiscal Years

	<i>Employees' Retirement System</i>					
	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0081482%	0.0073716%	0.0075604%	0.0079627%	0.0077890%	0.0078027%
District's proportionate share of the net pension liability	\$ 2,157,695	\$ 522,300	\$ 244,009	\$ 748,191	\$ 1,250,163	\$ 263,593
District's covered payroll	\$ 2,441,787	\$ 2,454,028	\$ 2,261,920	\$ 2,131,853	\$ 2,112,734	\$ 2,052,218
District's proportionate share of the net pension liability as a percentage of its covered payroll	88.37 %	21.28 %	10.79 %	35.10 %	59.17 %	12.84 %
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

JERICHO WATER DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 361,132	\$ 360,314	\$ 341,999	\$ 330,023	\$ 334,564	\$ 380,821	\$ 394,553	\$ 424,582	\$ 532,068	\$ 266,971
Contributions in relation to the contractually required contribution	361,132	360,314	341,999	330,023	334,564	380,821	394,553	424,582	532,068	266,971
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered payroll	\$ 2,428,283	\$ 2,497,127	\$ 2,412,572	\$ 2,211,586	\$ 2,136,332	\$ 2,156,307	\$ 2,070,708	\$ 2,076,672	\$ 2,043,726	\$ 1,954,864
Contributions as a percentage of covered payroll	15%	14%	14%	15%	16%	18%	19%	20%	26%	14%

JERICO WATER DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Three Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 603,712	\$ 421,263	\$ 480,832
Interest	358,157	422,382	423,688
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	(1,613,419)	-
Changes of assumptions or other inputs	1,421,108	2,376,962	(1,196,390)
Benefit payments	<u>(368,618)</u>	<u>(324,262)</u>	<u>(348,929)</u>
Net change in total OPEB liability	2,014,359	1,282,926	(640,799)
Total OPEB liability, beginning	<u>12,650,792</u>	<u>11,367,866</u>	<u>12,008,665</u>
Total OPEB liability, ending	<u>\$ 14,665,151</u>	<u>\$ 12,650,792</u>	<u>\$ 11,367,866</u>
Covered employee payroll	\$ 2,157,954	\$ 2,105,321	\$ 2,750,407
Total OPEB liability as a percentage of covered employee payroll	679.59%	600.90%	413.32%
Discount Rate	2.12%	2.74%	4.10%
Healthcare Trend Rate	6.50% in 2020 decreasing to 5.00% in 2023	7.00% in 2019 decreasing to 5.00% in 2023	9.00% in 2017 decreasing to 5.00% in 2021
Plan Changes	None	None	None

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

Note to Required Supplementary Information

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

JERICHO WATER DISTRICT
Schedule of Expenditures and Financing Sources - Capital Projects Fund
For the Year Ended December 31, 2020

PROJECT TITLE	Budget 12/31/19	Budget 12/31/20	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance 12/31/20
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Bond Authorizations											
Wheatley Tank Rehabilitation	\$ 9,972,562	\$ 9,972,562	\$ 5,738,571	\$ 1,532,208	\$ 7,270,779	\$ 2,701,783	\$ 9,972,562	\$	\$	\$ 9,972,562	\$ 2,701,783
Split Rock Tank Rehabilitation	5,098,866	7,397,866	832	925,718	926,550	6,471,316	7,397,866			7,397,866	6,471,316
Nitrate Removal Facility	10,710,000	10,710,000	6,737,221	1,233,949	7,971,170	2,738,830	7,710,000	3,000,000		10,710,000	2,738,830
Meter Change Out Program	8,162,438	8,162,438	4,559,578	868,337	5,427,915	2,734,523	7,812,438		350,000	8,162,438	2,734,523
PTAS @ Well Nos. 6 & 16	7,379,000	7,379,000	55,346	423,419	478,765	6,900,235	7,379,000			7,379,000	6,900,235
Kirby Lane AOP System	700,000	6,947,200	35,067	390,337	425,404	6,521,796	6,897,200	50,000		6,947,200	6,521,796
Merry Lane AOP System	200,000	4,599,230	27,300	301,780	329,080	4,270,150	4,599,230			4,599,230	4,270,150
Southwoods Test Well	200,000	7,337,000	14,194	586,340	600,534	6,736,466	7,337,000			7,337,000	6,736,466
Service Connection Replacement	1,440,000	1,440,000		4,950	4,950	1,435,050	1,440,000			1,440,000	1,435,050
Water Main Replacement Program	6,760,000	6,760,000		1,039	1,039	6,758,961	6,760,000			6,760,000	6,758,961
Well Rehabilitation Program	1,440,000	1,440,000		61,531	61,531	1,378,469	1,440,000			1,440,000	1,378,469
Tank Rehabilitation Program	5,450,000	5,450,000		17,173	17,173	5,432,827	5,450,000			5,450,000	5,432,827
New 3MG Tank & Booster Station	7,370,000	7,370,000		-	-	7,370,000	7,370,000			7,370,000	7,370,000
Well No. 17 & 20 GAC Treatment		3,131,000		208,890	208,890	2,922,110	3,131,000			3,131,000	2,922,110
Unallocated Bond (2013/2017)	3,000,000	3,000,000		-	-	3,000,000	3,000,000			3,000,000	3,000,000
Bond Issuance Costs	70,000	125,570	52,385	5,078	57,463	68,107	125,570			125,570	68,107
General Fund Appropriations											
AC Unit at District Headquarters	95,875	95,875	45,075	50,000	95,075	800			95,875	95,875	800
Fuel Tank Monitoring System	115,022	72,341	72,341		72,341	-			72,341	72,341	-
Anita Avenue Water Main Replacement	115,000	105,000	92,101		92,101	12,899			105,000	105,000	12,899
Light Truck	453,369	572,139	453,173	7,786	460,959	111,180			572,139	572,139	111,180
Heavy Duty Trucks		128,500		116,824	116,824	11,676			128,500	128,500	11,676
Pump House No. 3 Building Improvement	115,000	99,612	99,612		99,612	-			99,612	99,612	-
Pump House No. 12 Building	292,000	252,000	106,230	132,526	238,756	13,244			252,000	252,000	13,244
Pump House No. 12 Driveway					-	-				-	-
Installation of GACs	875,000	984,000	777,837	136,686	914,523	69,477			984,000	984,000	69,477
Roof Replacement at Various Facilities	262,500	225,547	225,547		225,547	-			225,547	225,547	-
Security System	473,486	452,158	452,158		452,158	-			452,158	452,158	-
Rehabilitation of Well No. 12	1,172,354	1,125,165	1,024,960	36,231	1,061,191	63,974			1,125,165	1,125,165	63,974
Wheatley Road Water Main Replacement	613,031	612,085	612,085		612,085	-			612,085	612,085	-
Wishing Well Lane	246,681	246,484	246,484		246,484	-			246,484	246,484	-
Landscape Front Entrance at District HQ	71,380	71,380	71,129		71,129	251			71,380	71,380	251
McCoun's Lane Water Main	1,100,000	1,262,000	31,227	1,051,059	1,082,286	179,714			1,262,000	1,262,000	179,714
Fire Alarm at District HQ	40,328	40,328	38,680		38,680	1,648			40,328	40,328	1,648
GIS Improvements		78,000		38,788	38,788	39,212			78,000	78,000	39,212
Woodbury Tank Altitude Valve		375,000		33,483	33,483	341,517			375,000	375,000	341,517
Unallocated General Fund	370	370			-	370			370	370	370
Installation - Developers		291,118		291,118	291,118	-			291,118	291,118	-
Totals	\$ 73,994,262	\$ 98,310,968	\$ 21,569,133	\$ 8,455,250	\$ 30,024,383	\$ 68,286,585	\$ 87,821,866	\$ 3,050,000	\$ 7,439,102	\$ 98,310,968	68,286,585

Revenue not yet recognized:
Bond proceeds (58,793,000)
Grants (750,000)

Fund Balance \$ 8,743,585

