



ANNUAL FINANCIAL REPORT
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
December 31, 2021

JERICO WATER DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Jericho Water District as of December 31, 2021 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Jericho Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Jericho Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jericho Water District 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Jericho Water District 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4 through 17 and 49 through 54, 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.

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 supplementary information on page 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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

June 2, 2022

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, 2021 in comparison with the year ended December 31, 2020, 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 2021 fiscal year are as follows:

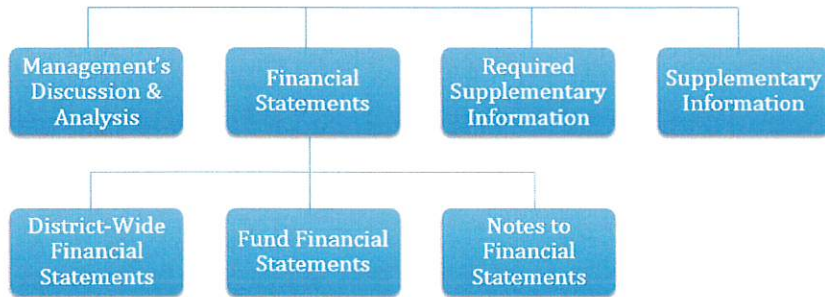
- The District's total net position, as reflected in the district-wide financial statements, was \$26,253,414 at December 31, 2021. This balance represents an increase of \$3,367,559 (14.71%) over the prior year. This was due to an excess of revenues over expenses using the economic resources measurement focus and accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, total \$13,367,711. Of this amount, \$11,115,525 was offset by charges for services, and capital grants and contributions. General revenues of \$5,619,745 amount to 33.58% 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 \$2,601,030. 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, 2021, \$8,620,000 in serial bonds and \$1,365,000 in bond anticipation notes have been issued. Bond anticipation notes outstanding at December 31, 2021 were \$945,000.
- 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, 2021, \$5,950,000 in serial bond and \$9,475,000 in bond anticipation notes have been issued. Bond anticipation notes outstanding at December 31, 2021 were \$9,335,000.
- 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, 2021, \$4,900,000 in bond anticipation notes have been issued and \$4,700,000 were outstanding at the end of the year.
- 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, 2021, \$13,350,000 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, 2021 \$15,500,000 in bond anticipation notes have been issued and are outstanding at the end of the year.

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

- The District's 2021 property tax levy of \$4,097,011 was a 42.97% increase over the 2020 tax levy, which exceeded the tax cap of 2.49% 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 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. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's property tax and customer base, and the condition of the District's buildings, infrastructure, and other facilities.

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 three individual governmental funds: general fund, debt service fund, and capital projects fund, each 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 \$3,367,559 between fiscal year 2021 and 2020. The increase is due to revenues in excess of expenses using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

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

	2021	2020	Increase (Decrease)	Percentage Change
Assets				
Current and other assets	\$ 41,406,649	\$ 26,122,877	\$ 15,283,772	58.51 %
Capital assets, net	61,945,893	49,226,688	12,719,205	25.84 %
Total Assets	103,352,542	75,349,565	28,002,977	37.16 %
Deferred Outflows of Resources	6,533,175	4,547,368	1,985,807	43.67 %
Liabilities				
Current and other liabilities	7,128,158	4,803,921	2,324,237	48.38 %
Long-term liabilities	54,797,043	33,618,842	21,178,201	63.00 %
Net pension liability - proportionate share	7,532	2,157,695	(2,150,163)	(99.65)%
Total OPEB liability	18,181,261	14,665,151	3,516,110	23.98 %
Total Liabilities	80,113,994	55,245,609	24,868,385	45.01 %
Deferred Inflows of Resources	3,518,309	1,765,469	1,752,840	99.28 %
Net Position				
Net investment in capital assets	25,231,542	24,600,030	631,512	2.57 %
Restricted	7,140,215	5,234,387	1,905,828	36.41 %
Unrestricted (deficit)	(6,118,343)	(6,948,562)	830,219	(11.95)%
Total Net Position	\$ 26,253,414	\$ 22,885,855	\$ 3,367,559	14.71 %

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 principally related to unspent bond anticipation notes 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 8 "Capital Assets" 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 other postemployment benefits (OPEB) plans that will be amortized in future years.

The increase in current and other liabilities is primarily due to increases in accounts payable, accrued liabilities, and short-term bond anticipation notes payable, offset by decreases in developer deposits and amounts due to the employees' retirement system.

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

JERICO 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 12 "Pension Plan – New York State", provides additional information.

The total OPEB liability increased over the prior year, based on the actuarial valuation for the plan. The accompanying Notes to Financial Statements, Note 14 "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, 2021, is computed as follows:

Capital assets, net	\$ 61,945,893
Deduct:	
Retainage payable	(792,978)
Bond anticipation notes payable	(43,830,000)
Less: Unspent BAN proceeds	18,608,627
Bonds payable	<u>(10,700,000)</u>
	<u>\$ 25,231,542</u>

The restricted component of net position relates to the District's reserves. This balance increased over the prior year 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. A summary of this statement for the years ended December 31, 2021 and 2020 is as follows:

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

	2021	2020	Increase (Decrease)	Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 9,991,318	\$ 9,825,503	\$ 165,815	1.69 %
Capital grants & contributions	1,124,207	341,118	783,089	229.57 %
General revenues				
Real property taxes	4,097,093	2,865,643	1,231,450	42.97 %
Other tax items	162,621	109,837	52,784	48.06 %
Use of money & property	42,655	86,111	(43,456)	(50.47)%
Other	1,317,376	724,024	593,352	81.95 %
Total Revenues	<u>16,735,270</u>	<u>13,952,236</u>	<u>2,783,034</u>	19.95 %
Expenses				
Program expenses				
Water administration	1,426,362	1,358,179	68,183	5.02 %
Source of supply, power & pumping	2,167,438	1,950,271	217,167	11.14 %
Purification	736,013	708,272	27,741	3.92 %
Transmission & distribution	3,212,820	2,623,320	589,500	22.47 %
Employee benefits	2,804,188	2,933,207	(129,019)	(4.40)%
Debt service - interest	1,011,901	629,565	382,336	60.73 %
Depreciation	2,008,989	1,960,593	48,396	2.47 %
Total Expenses	<u>13,367,711</u>	<u>12,163,407</u>	<u>1,204,304</u>	9.90 %
Total Change in Net Position	<u>\$ 3,367,559</u>	<u>\$ 1,788,829</u>	<u>\$ 1,578,730</u>	88.25 %

The District's net position increased by \$3,367,559 and \$1,788,829 for the years ended December 31, 2021 and 2020, respectively.

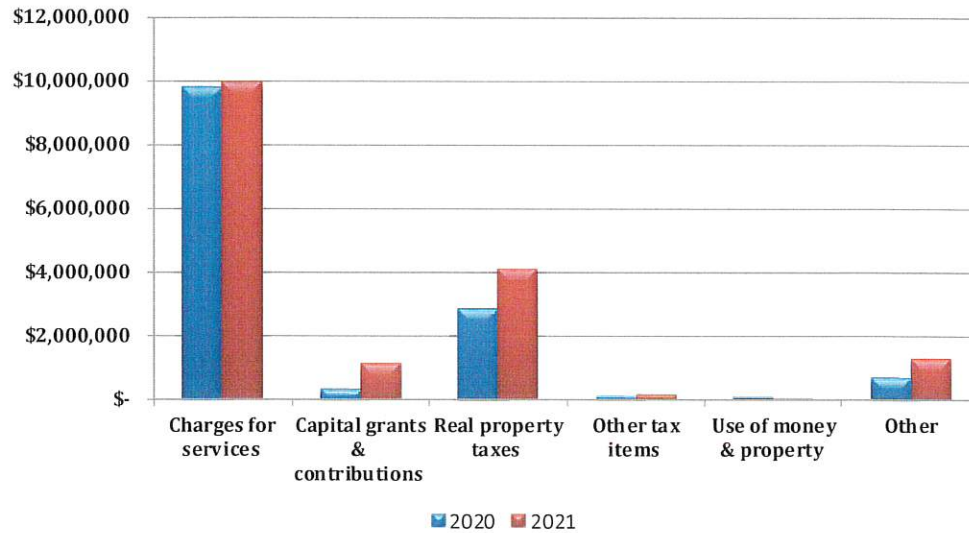
The net increase in total revenues in 2021, as compared to 2020, was \$2,783,034 or 19.95%, as shown above. The majority of this increase was within charges for services, capital grants and contributions, real property taxes and other revenue. The increase in charges for services was primarily due to an increase in demand. In addition, the District increased water usage rates effective April 1, 2021. The increase in capital grants and contributions was due to additional funds received for the installation of water line services and water mains from developers. The increase in real property taxes was in accordance with the 2021 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.

The District's expenses for the year increased by \$1,204,304 or 9.90%. The majority of the increase was within source of supply, power and pumping; transmission and distribution; and, debt service interest. 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 transmission and distribution is due to an increase in plant salaries. The increase in debt service interest is due to an increase in long-term bond anticipation notes.

As graphically portrayed below, the District primarily relies on water use charges and real property taxes to support government operations. Collectively, they provided 84.18% and 90.96% of the District's revenues in fiscal years 2021 and 2020, respectively.

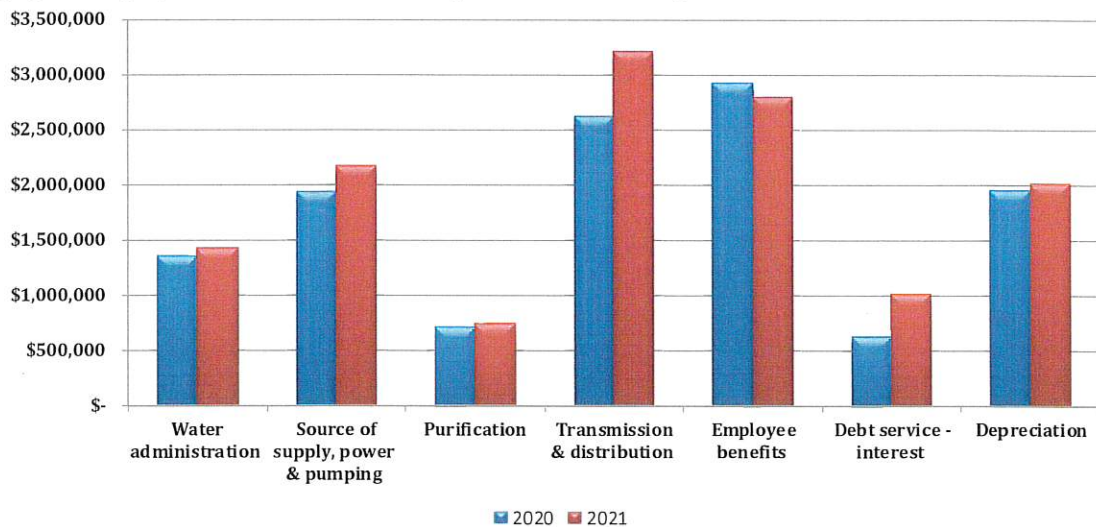
JERICHO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for services	Capital grants & contributions	Real property taxes	Other tax items	Use of money & property	Other
2020	70.42%	2.44%	20.54%	0.79%	0.62%	5.19%
2021	59.70%	6.72%	24.48%	0.97%	0.25%	7.88%

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



	Water administration	Source of supply, power & pumping	Purification	Transmission & distribution	Employee benefits	Debt service - interest	Depreciation
2020	11.17%	16.02%	5.82%	21.57%	24.12%	5.18%	16.12%
2021	10.67%	16.21%	5.51%	24.03%	20.98%	7.57%	15.03%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of December 31, 2021, the governmental funds reported a combined fund balance of \$34,151,204, an increase of \$13,078,782. 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. A summary of the change in the components of fund balance by fund is as follows:

	2021	2020	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable: Inventory	\$ 174,937	\$ 225,519	\$ (50,582)	(22.43)%
Restricted:				
Employee benefit accrued liability	859,305	856,376	2,929	0.34 %
Retirement contribution	282,694	376,454	(93,760)	(24.91)%
Capital	3,366,638	2,885,804	480,834	16.66 %
Repairs	687,592	436,151	251,441	57.65 %
Debt service	762,454		762,454	100%
Assigned:				
Appropriated fund balance	120,000	120,000	-	0.00 %
Future debt service	4,350,000	3,100,000	1,250,000	40.32 %
Encumbrances	220,591	135,832	84,759	62.40 %
Unassigned: Fund balance	4,105,656	4,192,701	(87,045)	(2.08)%
	<u>14,929,867</u>	<u>12,328,837</u>	<u>2,601,030</u>	<u>21.10 %</u>
 Capital Projects Fund				
Restricted:				
Capital	1,090,365	338,085	752,280	222.51 %
Repairs	91,167	341,517	(250,350)	(73.31)%
Unspent bond proceeds	18,608,627	8,647,623	9,961,004	115.19 %
Unassigned: Fund balance (deficit)	(568,822)	(583,640)	14,818	2.54 %
	<u>19,221,337</u>	<u>8,743,585</u>	<u>10,477,752</u>	<u>119.83 %</u>
 Total Governmental Funds				
Fund Balance	<u>\$ 34,151,204</u>	<u>\$ 21,072,422</u>	<u>\$ 13,078,782</u>	<u>62.07 %</u>

A. General Fund

The general fund is the principal operating fund of the District. For the year ended December 31, 2021, the fund balance increased by \$2,601,030, as revenues and other financing sources of \$15,585,965, exceeded expenditures and other financing uses of \$12,984,935. Revenues and other financing sources increased by \$2,327,069 or 17.55% over fiscal year 2020. The increase was mainly due to increases in real property taxes, metered water sales, and other financing sources. The increase in real property taxes was in accordance with the 2021 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, 2021. The 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 \$2,147,286 or 19.81% over fiscal 2020 totals. This increase was mostly due to increases in source of supply, power, and pumping; transmission and distribution; debt service; and, other financing uses. 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

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

transmission and distribution is due to an increase in plant salaries. The increase in debt service is due to the scheduled increase in bond principal repayment and higher interest based on the interest due on the 2020 BAN. The increase in other financing uses is due to an increase in operating transfers out that occurred throughout the year.

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

	Balance at 12/31/20	Appropriation of Reserve	Interest Earned	Transfer from Unassigned FB	Balance at 12/31/21
Employee benefit accrued liability	\$ 856,376	\$	\$ 2,929	\$	\$ 859,305
Retirement contribution	376,454	(145,000)	1,240	50,000	282,694
Capital	2,885,804	(1,377,244)	8,078	1,850,000	3,366,638
Repairs	436,151		1,441	250,000	687,592
Debt service	-			762,454	762,454
	<u>\$ 4,554,785</u>	<u>\$ (1,522,244)</u>	<u>\$ 13,688</u>	<u>\$ 2,912,454</u>	<u>\$ 5,958,683</u>

In addition, in accordance with the 2021 budget, the District increased the amounts assigned for future debt service by \$1,250,000 to \$4,350,000.

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 \$10,477,752. This increase was due to revenues and other financing sources of \$25,174,807 in excess of expenditures of \$14,697,055. The District recognized \$22,495,000 in proceeds from long-term bond anticipation notes, \$1,555,600 in operating transfers in, and \$1,124,207 in installation income. 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. 2021 Budget

The District's general fund approved budget for the year ended December 31, 2021 was \$14,506,361. This amount was increased by encumbrances carried forward from the prior year, in the amount of \$135,832, and budget revisions in the amount of \$1,472,244, for a final budget of \$16,114,437.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$9,750,000 in metered water sales and \$4,097,011 in real property taxes.

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 current and 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

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

this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 4,192,701
Revenues Over Budget	1,249,604
Expenditures and Encumbrances Under Budget	2,908,911
Unused appropriated reserves	(50,000)
Net Change in Nonspendable Fund Balance	50,582
Net Change in Restricted Fund Balance	(2,876,142)
Net Change in Assigned Fund Balance	(1,250,000)
Appropriated for the 2022 Budget	<u>(120,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 4,105,656</u></u>

Opening, Unassigned Fund Balance

The \$4,192,701 shown in the table is the District's December 31, 2020 unassigned fund balance.

Revenues Over Budget

The 2021 final budget for revenues and other financing sources was \$14,336,361. Actual revenues and other financing sources recognized for the year were \$15,585,965. The excess of actual revenues and other financing sources over estimated or budgeted revenues was \$1,249,604. 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, 2020 to December 31, 2021. 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 2021 final budget for expenditures and other financing uses was \$16,114,437. Actual expenditures and other financing uses for the year were \$12,984,935 and outstanding encumbrances were \$220,591. Combined, the expenditures and encumbrances for 2021 were \$13,205,526. The final budget was under expended by \$2,908,911. This under expenditure was primarily within water administration, source of supply, power & pumping, purification, transmission and distribution, employee benefits and other 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 2021 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 2021. 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

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

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, 2020 to December 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Unused Appropriated Reserves

In the 2021 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 Nonspendable Fund Balance

The District had inventories for supplies and materials at December 31, 2021. 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 decrease in nonspendable fund balance increases unassigned fund balance.

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 \$2,876,142. This assignment will be used to offset future debt service payments.

Net Change in Assigned Fund Balance

The \$1,250,000 shown in the table represents an assignment for future debt service. The increase in the assignment decreases unassigned fund balance.

Appropriated Fund Balance

The District has chosen to use \$120,000 of available December 31, 2021 unassigned fund balance to partially fund the 2022 approved operating budget. As such, the December 31, 2021 unassigned fund balance must be reduced by this amount.

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

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the District will begin the 2022 fiscal year with an unassigned fund balance of \$4,105,656. This is a decrease of \$87,045 in the unassigned balance from the prior year.

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

A. Capital Assets

At December 31, 2021 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 \$14,221,053 in excess of of \$2,008,989 depreciation expense recorded for the year. A summary of the District's capital assets, net of accumulated depreciation at December 31, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Land	\$ 304,000	\$ 304,000	\$ -
Construction work in progress	8,414,309	20,352,738	(11,938,429)
Buildings and improvements	3,829,134	4,007,684	(178,550)
Improvements other than buildings	3,464,678	3,713,066	(248,388)
Machinery & equipment	21,592,120	9,705,085	11,887,035
Infrastructure (water mains)	9,063,193	7,036,513	2,026,680
Wells, water tanks & structures	15,268,263	4,092,697	11,175,566
Software	10,196	14,905	(4,709)
Capital assets, net	<u>\$ 61,945,893</u>	<u>\$ 49,226,688</u>	<u>\$ 12,719,205</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, 2021, the District has expended approximately 41.33% of the authorizations and the construction is on-going.

B. Debt Administration

At December 31, 2021, the District had total bond anticipation notes payable of \$43,830,000 and total bonds payable of \$10,700,000. 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, 2021 and 2020 is as follows:

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

Issue Date	Interest Rate	2021	2020	Increase (Decrease)
Bond anticipation notes payable				
2020	1.25 - 2.00%	\$	\$ 20,835,000	\$(20,835,000)
2021	2.00%	43,830,000		43,830,000
		<u>\$ 43,830,000</u>	<u>\$ 20,835,000</u>	<u>\$ 22,995,000</u>
Bonds payable				
2014	3.00 - 4.00%	\$	\$ 1,168,000	\$ (1,168,000)
2014	3.25 - 4.00%	3,097,000	3,359,000	(262,000)
2018	3.00 - 4.00%	6,666,000	7,122,000	(456,000)
2021	2.00 - 4.00%	937,000		937,000
		<u>\$ 10,700,000</u>	<u>\$ 11,649,000</u>	<u>\$ (949,000)</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, 2021, the District has issued \$59,160,000 in bonds and bond anticipation notes related to these authorizations and \$35,468,000 remains unissued.

Additional information on the District's debt can be found in Note 11 "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, which are based on employment contracts, and net pension liability – proportionate share and total other postemployment benefits liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at December 31, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Compensated absences payable	\$ 970,269	\$ 1,134,842	\$ (164,573)
Net pension liability - proportionate share	7,532	2,157,695	(2,150,163)
Total other postemployment benefits liability	18,181,261	14,665,151	3,516,110
	<u>\$ 19,159,062</u>	<u>\$ 17,957,688</u>	<u>\$ 1,201,374</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Commissioners adopted the District's 2022 budget on September 9, 2021. The District expects to maintain the same quality level of service to its taxpayers and customers that it has historically provided. The 2022 budget of \$16,412,429 represents a \$1,906,068 (13.14%) increase over the 2021 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 \$10,890,918, which is an increase of \$651,568 (6.36%). Additionally, the District has elected to appropriate \$120,000 from unassigned fund

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

balance and \$175,000 of reserves towards the next year's budget, which is an increase of \$125,000 over the previous year. The real property tax levy of \$5,226,511 will provide the balance of the funding for the budget, which is an increase of \$1,129,500 (27.57%) over 2021.

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 2021. 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)
2021	4,803	\$ 9,829
2020	4,628	9,436
2019	4,518	8,872
2018	4,605	8,511
2017	4,773	7,900

C. 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 2022 is 1.98%. The District's tax levy increase of 27.57%, as approved by the Board of Commissioners, exceeds the cap for 2022. The increase to real property taxes was imposed, most significantly due to never before incurred operating and maintenance costs related to the continued implementation of Advanced Oxidation Process (AOP) treatment for 1,4 Dioxane, for which the District has never previously had to budget for in prior years. These 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 and related debt service costs.

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, 2021

ASSETS

Cash	
Unrestricted	\$ 8,200,529
Restricted	7,140,215
Receivables	
Accounts receivable	2,573,944
Due from other governments	22,888,385
Inventory	174,937
Prepays	428,639
Capital assets not being depreciated	8,718,309
Capital assets being depreciated, net of accumulated depreciation	<u>53,227,584</u>
Total Assets	<u>103,352,542</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	1,909,066
Other postemployment benefits	<u>4,624,109</u>
Total Deferred Outflows of Resources	<u>6,533,175</u>

LIABILITIES

Payables	
Accounts payable	4,154,409
Accrued liabilities	712,851
Retainage payable	792,978
Bond anticipation notes payable	830,000
Developer deposits	559,501
Unearned credits - collections in advance	78,419
Long-term liabilities	
Due within one year	
Bond anticipation notes payable	920,000
Bonds payable, net	887,304
Compensated absences payable	157,864
Due after one year	
Bond anticipation notes payable	42,080,000
Bonds payable, net	9,939,470
Compensated absences payable	812,405
Net pension liability - proportionate share	7,532
Total other postemployment benefits liability	<u>18,181,261</u>
Total Liabilities	<u>80,113,994</u>

DEFERRED INFLOWS OF RESOURCES

Pension	2,251,043
Other postemployment benefits	<u>1,267,266</u>
Total Deferred Inflows of Resources	<u>3,518,309</u>

NET POSITION

Net investment in capital assets	25,231,542
Restricted:	
Employee benefit accrued liability	859,305
Retirement contribution	282,694
Capital	4,457,003
Repairs	778,759
Debt service	<u>762,454</u>
Unrestricted (deficit)	<u>(6,118,343)</u>
Total Net Position	<u>\$ 26,253,414</u>

JERICOHO WATER DISTRICT
Statement of Activities
For the Year Ended December 31, 2021

Program Revenues	
Charges for services	\$ 9,991,318
Capital grants and contributions	<u>1,124,207</u>
Total Program Revenues	<u>11,115,525</u>
Program Expenses	
Home and community services	
<i>Water supply services</i>	
Water administration	1,426,362
Source of supply, power and pumping	2,167,438
Purification	736,013
Transmission and distribution	3,212,820
Employee benefits	2,804,188
Debt service - interest	1,011,901
Depreciation	<u>2,008,989</u>
Total Program Expenses	<u>13,367,711</u>
Net Revenue (Expense)	<u>(2,252,186)</u>
General Revenues	
Real property taxes	4,097,093
Other tax items	162,621
Use of money and property	42,655
Fines and forfeitures	63,750
Sale of property and compensation for loss	458,918
Miscellaneous	<u>794,708</u>
Total General Revenues	<u>5,619,745</u>
Change in Net Position	3,367,559
Net Position - Beginning of Year	<u>22,885,855</u>
Net Position - End of Year	<u><u>\$ 26,253,414</u></u>

JERICO WATER DISTRICT
Balance Sheet - Governmental Funds
December 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash				
Unrestricted	\$ 6,975,524	\$	\$ 1,225,005	\$ 8,200,529
Restricted	5,958,683		1,181,532	7,140,215
Receivables				
Accounts receivable	2,573,944			2,573,944
Due from other funds	7,528			7,528
Due from other governments	854,117		22,034,268	22,888,385
Inventory	174,937			174,937
Total Assets	<u>\$ 16,544,733</u>	<u>\$ -</u>	<u>\$ 24,440,805</u>	<u>\$ 40,985,538</u>
LIABILITIES				
Payables				
Accounts payable	\$ 321,610	\$	\$ 3,832,799	\$ 4,154,409
Accrued liabilities	101,157			101,157
Due to other funds			7,528	7,528
Bond anticipation notes payable			830,000	830,000
Developer deposits	10,360		549,141	559,501
Unearned credits - collections in advance	78,419			78,419
Total Liabilities	<u>511,546</u>	<u>-</u>	<u>5,219,468</u>	<u>5,731,014</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - unbilled metered water sales	<u>1,103,320</u>			<u>1,103,320</u>
FUND BALANCES				
Nonspendable: Inventory	174,937			174,937
Restricted:				
Employee benefit accrued liability	859,305			859,305
Retirement contribution	282,694			282,694
Capital	3,366,638		1,090,365	4,457,003
Repairs	687,592		91,167	778,759
Debt service	762,454			762,454
Unspent bond proceeds			18,608,627	18,608,627
Assigned:				
Appropriated fund balance	120,000			120,000
Future debt service	4,350,000			4,350,000
Unappropriated fund balance	220,591			220,591
Unassigned: Fund balance (deficit)	<u>4,105,656</u>		<u>(568,822)</u>	<u>3,536,834</u>
Total Fund Balances	<u>14,929,867</u>	<u>-</u>	<u>19,221,337</u>	<u>34,151,204</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,544,733</u>	<u>\$ -</u>	<u>\$ 24,440,805</u>	<u>\$ 40,985,538</u>

JERICHO WATER DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021

Total Governmental Fund Balances \$ 34,151,204

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, 2021, were:

Original cost of capital assets	\$ 92,948,662	
Less: Accumulated depreciation	(31,002,769)	
Capital assets, net		61,945,893

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. 428,639

Proportionate share of long-term liability, as well as 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	1,909,066	
Net pension liability	(7,532)	
Deferred inflows of resources	(2,251,043)	
		(349,509)

Total other postemployment benefits liability, as well as 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	4,624,109	
Total other postemployment benefits liability	(18,181,261)	
Deferred inflows of resources	(1,267,266)	
		(14,824,418)

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. 1,103,320

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	(611,694)	
Retainage payable	(792,978)	
Bond anticipation notes payable	(43,000,000)	
Bonds payable, net	(10,826,774)	
Compensated absences	(970,269)	
		(56,201,715)

Total Net Position \$ 26,253,414

JERICO WATER DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Real property taxes	\$ 4,097,093	\$	\$	\$ 4,097,093
Other tax items	162,621			162,621
Program revenues	9,966,220			9,966,220
Use of money and property	42,655			42,655
Fines and forfeitures	63,750			63,750
Sale of property and compensation for loss	458,918			458,918
Miscellaneous	32,254			32,254
Installation income			1,124,207	1,124,207
Total Revenues	14,823,511	-	1,124,207	15,947,718
Expenditures				
Water administration	1,436,845	9,208		1,446,053
Source of supply, power and pumping	2,167,438			2,167,438
Purification	736,013			736,013
Transmission and distribution	3,241,262			3,241,262
Employee benefits	1,937,773			1,937,773
Debt service				
Principal	1,175,000			1,175,000
Interest	735,004	13,566		748,570
Capital outlay			14,697,055	14,697,055
Total Expenditures	11,429,335	22,774	14,697,055	26,149,164
Excess (Deficiency) of Revenues over Expenditures	3,394,176	(22,774)	(13,572,848)	(10,201,446)
Other Financing Sources and (Uses)				
Premium on obligations	762,454	126,774		889,228
Proceeds of debt		937,000	22,495,000	23,432,000
Payment to escrow agent		(1,041,000)		(1,041,000)
Operating transfers in			1,555,600	1,555,600
Operating transfers (out)	(1,555,600)			(1,555,600)
Total Other Financing Sources and (Uses)	(793,146)	22,774	24,050,600	23,280,228
Net Change in Fund Balances	2,601,030	-	10,477,752	13,078,782
Fund Balances - Beginning of Year	12,328,837	-	8,743,585	21,072,422
Fund Balances - End of Year	\$ 14,929,867	\$ -	\$ 19,221,337	\$ 34,151,204

JERICHO WATER DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balances \$ 13,078,782

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).

\$ 25,098

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 164,573

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 121,683

311,354

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 and other additions exceeded depreciation in the period.

Capital outlays and other additions 14,728,194
Depreciation expense (2,008,989)
12,719,205

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 increased over the prior year by:

(2,697)

12,716,508

Long-Term Debt Transactions

Proceeds and premium 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.

(23,558,774)

Payment to escrow agent is an other financing use in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

1,041,000

Repayment of long-term debt 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.

Repayment of bond anticipation notes 330,000
Repayment of bond principal 845,000

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 increased over December 31, 2020 to December 31, 2021.

(263,331)

(21,606,105)

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 186,707
Other postemployment benefits (1,319,687)
(1,132,980)

Change in Net Position of Governmental Activities \$ 3,367,559

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 and contributions reflect capital-specific grants and contributions, 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.

Debt Service Fund - This fund is used to account for the refunding of a portion of the District's outstanding serial bonds.

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 funds 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 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 \$80,768 in LIPA PILOT revenue during the 2021 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.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 revenue availability, compensated absences, pension costs, other postemployment benefits, 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, 2021.

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 using an average cost basis. These items are reported as assets using the consumption method. A current asset for inventory 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 does not constitute available spendable resources.

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 an asset in the district-wide financial statements. In the governmental funds, prepaid items are recorded as expenditures in the period the payments are made using the purchase method.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 2,000	Straight line	40 years
Improvements	2,000	Straight line	20 years
Machinery and equipment	2,000	Straight line	5 - 20 years
Infrastructure (water mains)	2,000	Straight line	40-50 years
Wells, water tanks & structures	2,000	Straight line	40 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.

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.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 sales. 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 not included in OPEB expense.

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 is 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.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 reserve general was established pursuant to Section 6-C of the General Municipal Law of the State of New York for capital improvement and capital machinery and equipment. This reserve is a general reserve for improvements as defined by the District's engineers. These reserves are 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 hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. These reserves are accounted for in the general fund and capital projects fund.

Restricted for Debt Service - Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the general fund and held until appropriated for debt payments. These restricted amounts are 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 Future 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.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 of Commissioners will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged. It is the intention of the Board of Commissioners that the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the committed fund balance to the extent that there is a commitment, to assigned fund balance to 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 the statement that the District feels may have a future impact on these financial statements. The District will evaluate the impact of this pronouncement and implement it, 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.

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.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 expenditure is recognized for health insurance 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.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Replacement of transfer switches	\$ 236,000
2021 skid steer loader & trailer	86,300
2021 dump truck	66,424
Well nos. 18 & 19 additional drywells	878,520
Juneau pump station electrical improvements	110,000

Employee benefit appropriations funded by:

Retirement contribution reserve	<u>95,000</u>
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Total Budget Revisions	<u><u>\$ 1,472,244</u></u>
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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:

	Beginning Balance	Interest Earned	Funding	Use of Reserve	Ending Balance
General Fund					
Employee benefit accrued liability	\$ 856,376	\$ 2,929	\$	\$	\$ 859,305
Retirement contribution	376,454	1,240		(95,000)	282,694
Capital improvement	2,885,804	8,078	1,850,000	(1,377,244)	3,366,638
Repairs	436,151	1,441	250,000		687,592
Debt	-		762,454		762,454
Capital Projects Fund					
Capital improvement	338,085		1,377,244	(624,964)	1,090,365
Repairs	341,517			(250,350)	91,167
Unspent bond proceeds	8,647,623		22,495,000	(12,533,996)	18,608,627
	<u>\$13,882,010</u>	<u>\$ 13,688</u>	<u>\$26,734,698</u>	<u>\$(14,881,554)</u>	<u>\$25,748,842</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 \$568,822. 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.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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, 2021 consisted of:

Metered water sales, billed	\$ 1,428,816
Metered water sales, unbilled	787,000
Water tax liens	318,926
Penalties	33,143
Miscellaneous	25,576
Less: Allowance for doubtful accounts	<u>(19,517)</u>
	<u>\$ 2,573,944</u>

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at December 31, 2021 consisted of:

General Fund

Town of Oyster Bay

Premiums on obligations	\$ 762,454
Payments in lieu of taxes	76,147
Interest	15,486
Other	<u>30</u>
	854,117

Capital Projects Fund

Town of Oyster Bay

BAN proceeds held by Town	<u>22,034,268</u>
	<u>\$ 22,888,385</u>

District management expects these amounts to be fully collectible.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. CAPITAL ASSETS

Capital assets balances and activities for the year ended December 31, 2021 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 304,000	\$	\$	\$ 304,000
Construction work in progress	20,352,738	5,434,550	(17,372,979)	8,414,309
Total capital assets not being depreciated	20,656,738	5,434,550	(17,372,979)	8,718,309
Capital assets being depreciated:				
Buildings and improvements	8,351,945	78,442		8,430,387
Improvements other than buildings	6,607,291	11,245		6,618,536
Machinery & equipment	21,706,057	12,737,796		34,443,853
Infrastructure (water mains)	13,193,023	2,362,238		15,555,261
Wells, water tanks & structures	7,741,725	11,476,902	(78,663)	19,139,964
Software	42,352			42,352
Total capital assets being depreciated	57,642,393	26,666,623	(78,663)	84,230,353
Less accumulated depreciation for:				
Buildings and improvements	4,344,261	256,992		4,601,253
Improvements other than buildings	2,894,225	259,633		3,153,858
Machinery & equipment	12,000,972	850,761		12,851,733
Infrastructure	6,156,510	335,558		6,492,068
Wells, water tanks & structures	3,649,028	301,336	(78,663)	3,871,701
Software	27,447	4,709		32,156
Total accumulated depreciation	29,072,443	2,008,989	(78,663)	31,002,769
Total capital assets being depreciated, net	28,569,950	24,657,634		53,227,584
Capital assets, net	\$ 49,226,688	\$ 30,092,184	\$ (17,372,979)	\$ 61,945,893

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, 2021, the District has not recorded any such impairment losses.

Depreciation expense totaled \$2,008,989 for the year ended December 31, 2021.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. INTERFUND TRANSACTIONS

Interfund balances and activity at December 31, 2021 are as follows:

	Interfund			
	Receivable	Payable	Transfer In	Transfer Out
General Fund	\$ 7,528	\$	\$	\$ 1,555,600
Capital Projects Fund		7,528	1,555,600	
Total governmental activities	<u>\$ 7,528</u>	<u>\$ 7,528</u>	<u>\$ 1,555,600</u>	<u>\$ 1,555,600</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.

10. SHORT-TERM DEBT

Short-term debt activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance 12/31/20	Issued	Redeemed	Balance 12/31/21
BAN	3/11/2022	2.00%	<u>\$ -</u>	<u>\$ 830,000</u>	<u>\$</u>	<u>\$ 830,000</u>

The BAN was issued to provide cash for the District's capital projects.

The District issued \$43,830,000 in BANS during December 31, 2021, however \$43,000,000 of these BANS were renewed prior to the financial statements being issued and were treated as long-term liabilities.

Interest on short-term debt for the year was \$8,778.

11. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits liabilities, for the year ended December 31, 2021, are summarized as follows:

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21	Amounts Due Within One Year
Long-term debt:					
BANs payable	\$ 20,835,000	\$ 22,495,000	\$ (330,000)	\$ 43,000,000	\$ 920,000
Bonds payable	11,649,000	937,000	(1,886,000)	10,700,000	855,000
Add: Premium on refunding		126,774		126,774	32,304
Other long-term liabilities:					
Compensated absences	1,134,842		(164,573)	970,269	157,864
	<u>\$ 33,618,842</u>	<u>\$ 23,558,774</u>	<u>\$ (2,380,573)</u>	<u>\$ 54,797,043</u>	<u>\$ 1,965,168</u>

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

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Bond Anticipation Notes Payable

Bond anticipation notes payable is comprised of the following:

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance 12/31/20</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 12/31/21</u>
BAN	3/12/2021	1.25 - 2.00%	\$ 20,835,000	\$	\$(20,835,000)	\$ -
BAN	3/11/2022	2.00%	-	43,000,000		43,000,000
			<u>\$ 20,835,000</u>	<u>\$ 43,000,000</u>	<u>\$(20,835,000)</u>	<u>\$ 43,000,000</u>

C. Bonds Payable

Bonds payable is comprised of the following:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year-End 12/31/21</u>
Refunding public improvement serial bonds	2014	2031	3.25 - 4.00%	\$ 3,097,000
Public improvement serial bonds	2018	2033	3.00 - 4.00%	6,666,000
Refunding public improvement serial bonds	2021	2028	2.00 - 4.00%	937,000
				<u>\$ 10,700,000</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>
2022	\$ 855,000	\$ 354,463	\$ 1,209,463
2023	884,000	327,798	1,211,798
2024	913,000	299,038	1,212,038
2025	940,000	269,305	1,209,305
2026	965,000	238,092	1,203,092
2027 - 2031	4,854,000	689,817	5,543,817
2032 - 2033	1,289,000	49,602	1,338,602
	<u>\$ 10,700,000</u>	<u>\$ 2,228,115</u>	<u>\$ 12,928,115</u>

D. Current Bond Refunding

On February 3, 2021, the Town of Oyster Bay, on behalf of the District, issued \$937,000 in public improvement refunding (serial) bonds with interest rates ranging from 2.0% to 4.0%. The net proceeds (the par amount plus premium less underwriter's fees, insurance and other costs) were used to refund outstanding 2014 public improvement serial bonds with interest rates ranging from 3.0% to 4.0%. The net proceeds were used to pay \$1,041,000 of outstanding principal. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$115,276.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

As part of the refunding, the District received premiums that are being amortized as a component of interest expense on weighted-average basis over the life of the bonds in the district-wide statement as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 32,304
2023	27,949
2024	23,374
2025	18,559
2026	13,525
2027 - 2028	11,063
	<u>\$ 126,774</u>

E. Interest Expense

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

Interest paid	\$ 748,570
Less: interest accrued in the prior year	(348,363)
Plus: interest accrued in the current year	<u>602,916</u>
Total expense	<u>\$ 1,003,123</u>

F. Unissued Debt

As of December 31, 2021, the District has the following unissued debt:

<u>Year</u>	<u>Amount</u>		
<u>Authorized</u>	<u>Authorized</u>	<u>Issued</u>	<u>Unissued</u>
2010	\$ 9,985,000	\$ 9,985,000	\$ -
2013/2017	20,895,000	15,425,000	5,470,000
2018	7,300,000	4,900,000	2,400,000
2019	33,229,000	13,350,000	19,879,000
2020	<u>23,219,000</u>	<u>15,500,000</u>	<u>7,719,000</u>
	<u>\$ 94,628,000</u>	<u>\$ 59,160,000</u>	<u>\$ 35,468,000</u>

12. 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 defined benefit, 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

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2021.

The District's share of the required contributions, based on covered payroll for the District's year ended December 31, 2021 was \$494,900, at an average contribution rate of 19.54%.

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

At December 31, 2021, 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, 2021. 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.

Measurement date	March 31, 2021
District's proportionate share of the net pension liability	\$ 7,532
District's portion of the Plan's total net pension liability	0.0075646%
Change in proportion since the prior measurement date	(0.0005836)

For the year ended December 31, 2021, the District recognized pension expense of \$206,956 for ERS. At December 31, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 91,991	\$
Changes in assumptions	1,384,960	26,121
Net difference between projected and actual earnings on pension plan investments		2,163,741
Changes in proportion and differences between the District's contributions and proportionate share of contributions	128,402	61,181
District contributions subsequent to the measurement date	303,713	
Total	<u>\$ 1,909,066</u>	<u>\$ 2,251,043</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, 2022. 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
2022	\$ (101,412)
2023	(21,224)
2024	(102,807)
2025	(420,247)
	<u>\$ (645,690)</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:

Measurement date	March 31, 2021
Actuarial valuation date	April 1, 2020
Inflation	2.7%
Salary increases	4.4%
Investment rate of return (net of investment expense, including inflation)	5.9%
Cost of living adjustments	1.4%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Real Rate of Return
Measurement date		March 31, 2021
Asset type		
Domestic equity	32.0%	4.05%
International equity	15.0%	6.30%
Real estate	9.0%	4.95%
Private equities	10.0%	6.75%
Alternative investments	10.0%	3.63-5.95%
Bonds and mortgages	23.0%	0.00%
Cash	1.0%	0.50%
	100.0%	

Real rates of return are net of a long-term inflation assumption of 2.0%.

Discount Rate

The discount rate used to calculate the total pension liability was 5.90% (the discount rate used at the prior year's measurement date of March 31, 2020, was 6.80%). 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.

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 5.90%, 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 (4.90%) or 1 percentage point higher (6.90%) than the current rate:

	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset/(liability)	\$ (2,090,695)	\$ (7,532)	\$ 1,913,632

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2021
Employers' total pension liability	\$ (220,680,157)
Plan fiduciary net position	<u>220,580,583</u>
Employers' net pension liability	<u>\$ (99,574)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	99.95%

Prepayments to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Annual payments are due February 1st. An employer can elect to prepay the amount due by December 15th to receive a 1% discount. The District paid the annual invoice in November. This resulted in a prepayment of \$101,238 for the period of January 1, 2022 through March 31, 2022. Employee contributions are remitted monthly.

13. 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, 2021 totaled \$106,637.

14. 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 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	24
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>36</u>
	<u>60</u>

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$18,181,261 was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2021.

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	2.06%	
Healthcare cost trend rates	6.50%	for 2021, decreasing to an ultimate rate of 5.00% by 2025
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, 2021 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-2021.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study as of the valuation date projected to December 31, 2021.

C. Changes in the Total OPEB Liability

Balance at December 31, 2020	<u>\$ 14,665,151</u>
Changes for the year	
Service cost	846,493
Interest	377,999
Changes of benefit terms	-
Differences between expected and actual experience	2,661,824
Changes in assumptions or other inputs	45,628
Benefit payments	<u>(415,834)</u>
	<u>3,516,110</u>
Balance at December 31, 2021	<u><u>\$ 18,181,261</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.12% in 2020 to 2.06% in 2021.

The plan had an accumulated experience loss over the past two years primarily due to post-65 healthcare costs increasing more than assumed. The mortality table has been updated to reflect the updated projection scale. The healthcare cost trend rate was reset to 7.00% in 2021, grading down 0.5% per annum to an ultimate rate of 5.00% in years 2025 and later.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 (1.06%) or 1 percentage point higher (3.06%) than the current discount rate:

OPEB	1% Decrease 1.06%	Discount Rate 2.06%	1% Increase 3.06%
Total OPEB liability	\$ (21,639,115)	\$ (18,181,261)	\$ (15,455,818)

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	\$ (15,084,971)	\$ (18,181,261)	\$ (22,302,640)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the District recognized OPEB expense of \$1,735,521. At December 31, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,282,646	\$ 893,140
Changes of assumptions	2,341,463	374,126
Total	\$ 4,624,109	\$ 1,267,266

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
2022	\$ 511,029
2023	548,035
2024	716,595
2025	684,784
2026	503,016
Thereafter	393,384
	\$ 3,356,843

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate \$175,000 for the employee benefit accrued liability reserve, which is reported in the December 31, 2021 restricted fund balances, to fund the budget and reduce taxes for the year ending December 31, 2022.

16. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$120,000 has been appropriated to reduce property taxes for the year ending December 31, 2022.

17. 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 \$81,853.

The District also recognized \$80,768 in LIPA PILOT revenue. As indicated in Note 1E, these LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*.

18. 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 reasonably 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.

19. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

At December 31, 2021, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital improvements and professional fees	\$ 11,047,261
Machinery & equipment and professional fees	68,140
	<u>\$ 11,115,401</u>
Assigned: Unappropriated Fund Balance	
General Fund	
Water Administration	\$ 5,332
Purification	5,592
Transmission and Distribution	209,667
	<u>\$ 220,591</u>

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Grants

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the District's administration believes disallowances, if any, would be immaterial.

C. 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.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$8,185. The minimum remaining operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 4,970
2023	468
2024	468
2025	39
	<u>\$ 5,945</u>

20. 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:

A. Bond Anticipation Notes Payable

On March 10, 2022, the Town of Oyster Bay issued bond anticipation notes on behalf of the District in the amount of \$53,580,000, which mature on March 9, 2023 and bear interest at 3.00%. These bond anticipation notes, along with \$1,750,000 in general fund appropriations, were used to pay \$43,830,000 in outstanding bond anticipation notes and provide additional funding for capital projects in the amount of \$11,500,000.

B. Bond Refunding

On May 11, 2022, the Town of Oyster Bay on behalf of the District issued \$2,624,300 in public improvement refunding (serial) bonds with an interest rate of 5.00%. The net proceeds (the par amount plus premium of \$268,991 less underwriter's fees, insurance and other issuance costs of \$20,889) were used to refund a portion of outstanding 2014 public improvement bonds with interest rates ranging from 3.25% to 4.00%. The net proceeds were used to pay \$2,827,000 of outstanding principal. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$75,962.

JERICO WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Revenues				
Real property taxes	\$ 4,097,011	\$ 4,097,011	\$ 4,097,093	\$ 82
Other tax items	60,000	60,000	162,621	102,621
Program revenues				
Metered water sales	9,750,000	9,750,000	9,828,481	78,481
Hydrant and sprinkler permits	25,000	25,000	27,450	2,450
Interest and penalties - water rents	50,000	50,000	99,039	49,039
Implementation charges	4,500	4,500	11,250	6,750
Total program revenues	9,829,500	9,829,500	9,966,220	136,720
Use of money and property	47,500	47,500	42,655	(4,845)
Fines and Forfeitures	46,350	46,350	63,750	17,400
Sale of property and compensation for loss				
Sale of water supplies	160,000	160,000	287,852	127,852
Plant supplies and labor	80,000	80,000	111,500	31,500
Insurance recoveries	15,000	15,000	17,130	2,130
Sale of scrap and excess materials			42,436	42,436
Total sale of property and compensation for loss	255,000	255,000	458,918	203,918
Miscellaneous				
Refund of prior year expense			32,254	32,254
Other unclassified revenue	1,000	1,000		(1,000)
Total miscellaneous	1,000	1,000	32,254	31,254
Total Revenues	14,336,361	14,336,361	14,823,511	487,150
Other Financing Sources				
Premium on obligations			762,454	762,454
Total Revenues and Other Sources	14,336,361	14,336,361	15,585,965	\$ 1,249,604
Appropriated Fund Balance				
Prior Years' Surplus	120,000	120,000		
Prior Year's Encumbrances	135,832	135,832		
Appropriated Reserves	50,000	1,522,244		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 14,642,193	\$ 16,114,437		

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, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
Expenditures					
Water Administration					
Office salaries	\$ 723,500	\$ 842,001	\$ 839,893	\$	\$ 2,108
Commissioners fees	30,000	30,000	24,900		5,100
Office equipment	22,000	22,000	8,476		13,524
Auditing	35,000	35,200	30,168	5,032	-
Legal	69,891	69,891	51,530		18,361
Other professional fees	46,000	47,800	31,370		16,430
Insurance	217,500	217,500	212,225		5,275
Communications	53,900	53,900	48,225		5,675
Computer expense	87,450	87,450	76,525	300	10,625
Office expense	113,142	113,142	88,124		25,018
Water conservation	3,500	3,500	2,026		1,474
Conventions, dues & education	16,050	16,050	11,045		5,005
NY MTA tax	10,000	10,000	9,818		182
Election expenses	4,000	4,000	2,520		1,480
Contingency	269,688	219,688			219,688
Total Water Administration	1,701,621	1,772,122	1,436,845	5,332	329,945
Source of Supply, Power & Pumping					
Heat, light & power	2,360,000	2,360,000	2,167,438		192,562
Purification					
Caustic soda	450,000	450,000	319,025		130,975
Water analysis	749,862	745,639	416,855	5,592	323,192
Repairs	15,000	11,723	133		11,590
Total Purification	1,214,862	1,207,362	736,013	5,592	465,757
Transmission and Distribution					
Plant salaries	1,990,000	2,153,499	2,044,659		108,840
Equipment & capital outlay	303,742	222,686	100,660	33,459	88,567
Water supplies	239,684	285,811	188,186	97,625	-
Plant supplies	78,181	42,571	30,462		12,109
Plant expense	106,750	101,193	66,559	1,349	33,285
Grounds maintenance	35,000	35,000	30,804		4,196
Engineering & consulting	80,071	119,271	75,037	44,010	224
Auto	77,777	82,777	70,382		12,395
Road patches	130,000	133,500	130,576		2,924
Electrical & well repair	245,432	330,432	276,141	33,224	21,067
Other professional services	269,750	255,255	222,366		32,889
Conventions, dues & education	15,000	2,500	220		2,280
Licenses & permits	5,000	5,535	5,210		325
Total Transmission and Distribution	3,576,387	3,770,030	3,241,262	209,667	319,101

JERICHO WATER DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund, Continued
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
Employee Benefits					
NYS employees' retirement system	\$ 400,000	\$ 495,000	\$ 494,900	\$	\$ 100
Employee Accrual Payouts	300,000				-
Social Security	235,000	235,000	205,800		29,200
Workers' Compensation	140,000	140,000	98,242		41,758
Life Insurance	5,000	5,000	4,120		880
Unemployment Insurance	5,000	5,000			5,000
Hospital, Medical & Dental	1,394,000	1,393,993	1,134,711		259,282
Total Employee Benefits	<u>2,479,000</u>	<u>2,273,993</u>	<u>1,937,773</u>	<u>-</u>	<u>336,220</u>
Debt Service					
Principal	1,175,000	1,175,000	1,175,000		-
Interest	750,323	750,330	735,004		15,326
Total Debt Service	<u>1,925,323</u>	<u>1,925,330</u>	<u>1,910,004</u>	<u>-</u>	<u>15,326</u>
Total Expenditures	13,257,193	13,308,837	11,429,335	220,591	1,658,911
Other Financing Uses					
Operating transfers out	<u>1,385,000</u>	<u>2,805,600</u>	<u>1,555,600</u>		<u>1,250,000</u>
Total Expenditures and Other Uses	<u>\$ 14,642,193</u>	<u>\$ 16,114,437</u>	<u>12,984,935</u>	<u>\$ 220,591</u>	<u>\$ 2,908,911</u>
Net Change in Fund Balances			2,601,030		
Fund Balances - Beginning of Year			<u>12,328,837</u>		
Fund Balances - End of Year			<u>\$ 14,929,867</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 Seven Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
<i>Employees' Retirement System</i>							
District's proportion of the net pension liability	0.0075646%	0.0081482%	0.0073716%	0.0075604%	0.0079627%	0.0077890%	0.0078027%
District's proportionate share of the net pension liability	\$ 7,532	\$ 2,157,695	\$ 522,300	\$ 244,009	\$ 748,191	\$ 1,250,163	\$ 263,593
District's covered payroll	\$ 2,478,515	\$ 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	0.30 %	88.37 %	21.28 %	10.79 %	35.10 %	59.17 %	12.84 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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.

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

	<i>Employees' Retirement System</i>									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 494,900	\$ 361,132	\$ 360,314	\$ 341,999	\$ 330,023	\$ 334,564	\$ 380,821	\$ 394,553	\$ 424,582	\$ 532,068
Contributions in relation to the contractually required contribution	494,900	361,132	360,314	341,999	330,023	334,564	380,821	394,553	424,582	532,068
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,532,967	\$ 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
Contributions as a percentage of covered payroll	20%	15%	14%	14%	15%	16%	18%	19%	20%	26%

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

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 846,493	\$ 603,712	\$ 421,263	\$ 480,832
Interest	377,999	358,157	422,382	423,688
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	2,661,824	-	(1,613,419)	-
Changes of assumptions or other inputs	45,628	1,421,108	2,376,962	(1,196,390)
Benefit payments	(415,834)	(368,618)	(324,262)	(348,929)
Net change in total OPEB liability	3,516,110	2,014,359	1,282,926	(640,799)
Total OPEB liability, beginning	14,665,151	12,650,792	11,367,866	12,008,665
Total OPEB liability, ending	<u>\$ 18,181,261</u>	<u>\$ 14,665,151</u>	<u>\$ 12,650,792</u>	<u>\$ 11,367,866</u>
Covered employee payroll	\$ 2,076,195	\$ 2,157,954	\$ 2,105,321	\$ 2,750,407
Total OPEB liability as a percentage of covered employee payroll	875.70%	679.59%	600.90%	413.32%
Discount Rate	2.06%	2.12%	2.74%	4.10%
Healthcare Trend Rate	6.50% in 2021 decreasing to 5.00% in 2025	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	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, 2021

PROJECT TITLE	Budget 12/31/20	Budget 12/31/21	Expenditures		Total	Unexpended Balance	Methods of Financing		Total	Fund Balance 12/31/21
			Prior Years	Current Year			State Aid	Local Sources		
Bond Authorizations										
Wheatley Tank Rehabilitation	\$ 9,972,562	\$ 9,972,562	\$ 7,270,779	\$ 1,115,308	\$ 8,386,087	\$ 1,586,475	\$	\$	\$ 9,972,562	\$ 1,586,475
Split Rock Tank Rehabilitation	7,397,867	7,397,867	926,550	2,387,297	3,313,847	4,084,020			7,397,867	4,084,020
Nitrate Removal Facility	10,710,000	10,710,000	7,971,170	1,009,240	8,980,410	1,729,590			10,710,000	1,729,590
Merger Change Out Program	8,162,438	8,162,438	5,427,915	1,649,28	5,592,843	2,569,595		850,000	6,162,438	2,569,595
PTAS @ Well Nos. 6 & 16	7,379,000	7,600,000	478,765	3,118,535	3,597,300	4,002,700			7,600,000	4,002,700
Kirby Lane AOP System	6,947,200	11,834,200	425,404	671,784	1,097,188	10,737,012			11,834,200	10,737,012
Merry Lane AOP System	4,599,230	4,599,230	274,874	603,954	878,828	4,599,230		50,000	4,599,230	3,995,276
Southwoods Rd. Test Well	7,337,000	10,122,000	600,534	251,570	852,104	9,269,896			10,122,000	9,269,896
Service Connection Replacement	1,440,000	1,440,000	4950	4,034	8,984	1,431,016			1,440,000	1,431,016
Water Main Replacement Program	6,740,000	3,975,000	581	1,620	3,973,380	3,975,000			3,975,000	3,973,380
Well Rehabilitation Program	1,440,000	1,440,000	61,531	157,033	218,564	1,221,436			1,440,000	1,221,436
Tank Rehabilitation Program	5,450,000	5,450,000	17,173	56,955	74,128	5,375,872			5,450,000	5,375,872
New 3MG Tank & Booster Station	7,370,000	423,000				423,000			423,000	423,000
Well No. 17 & 20 GAC Treatment	3,131,000	3,131,000	2,804,048		326,952	3,131,000			3,131,000	326,952
Well No. 22 AOP		1,080,000	255,481		824,519	1,080,000			1,080,000	824,519
Well No. 20 & 21 AOP	3,131,000		208,890		460,550	298,450			759,000	298,450
Unallocated Bond 2013/2017	3,000,000	3,000,000				3,000,000			3,000,000	3,000,000
Bond Issuance Cost	125,570	125,570	57,463	10,667	68,130	57,440			125,570	57,440
General Fund Appropriations										
AC Unit at District Headquarters	95,075	95,075	95,075		95,075	-			95,075	-
Fuel Tank Monitoring System	72,341	72,341	72,341		72,341	-			72,341	-
Anita Avenue Water Main Replacement	105,000	96,899	92,101	1,785	93,886	3,013			96,899	3,013
Light Truck	572,139	572,139	460,959	110,011	570,970	1,169			572,139	1,169
Heavy Duty Trucks	128,500	281,224	116,624	76,398	195,222	86,002			281,224	86,002
Pump House No. 3 Building Improvement	99,612	99,612	99,612		99,612	-			99,612	-
Pump House No. 12 Building	252,000	252,000	238,756		13,244	13,244			252,000	13,244
Installation of GACs	984,000	984,000	914,523	23,241	937,764	46,236			984,000	46,236
Roof Replacement at Various Facilities	225,547	225,547	225,547		225,547	-			225,547	-
Security System	452,158	452,158	452,158		452,158	-			452,158	-
Rehabilitation of Well No. 12	1,076,165	1,076,165	1,061,192		14,973	14,973			1,076,165	14,973
Wheatley Road Water Main Replacement	612,085	612,085	612,085		612,085	-			612,085	-
Wishing Well Lane	246,484	246,484	246,484		246,484	-			246,484	-
Landscape Front Entrance at District HQ	71,129	71,129	71,129		71,129	-			71,129	-
McCoun's Lane Water Main	1,262,000	1,262,000	1,082,286		119,714	103,390			1,262,000	103,390
Fire Alarm at District HQ	38,680	38,680	38,680		38,680	-			38,680	-
GIS Improvements	78,000	78,000	77,636		364	364			78,000	364
Woodbury Tank Altitude Valve	375,000	375,000	283,833		91,167	375,000			375,000	91,167
Transfer Switch Replacement	49,000	49,000	34,145		14,855	201,855			236,000	201,855
SCADA System Replacement	986,520	986,520	39,533		9,467	9,467			986,520	9,467
Well Nos. 18 & 19 Drywells	110,000	110,000	327,376		551,144	551,144			110,000	551,144
Juneau Electric Upgrade	65,000	65,000	36,480		73,520	73,520			65,000	73,520
DH - Building Renovations	113,356	113,356	14,993		14,993	50,007			113,356	50,007
Pump House Door Replacement						113,356			113,356	113,356
NYC WIA Grant Applications for 2021	370	370	7,369		7,369	3,431			10,800	3,431
Unallocated General Fund						-			370	370
Installation - Developers	291,118	1,415,325	291,118	1,124,207	1,415,325	-			1,415,325	-
Totals	\$ 98,310,969	\$ 100,990,776	\$ 30,024,384	\$ 14,697,055	\$ 44,721,439	\$ 56,269,337	\$ 3,050,000	\$ 10,118,909	\$ 100,990,776	\$ 56,269,337
Revenue not yet recognized:										
Bond proceeds										(36,298,000)
Grants										(750,000)
Fund Balance										\$ 19,221,337

