

ROSLYN WATER DISTRICT
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021

ROSLYN WATER DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Roslyn Water District
Roslyn, New York

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Roslyn Water District, (the "District"), a component unit of the Town of North Hempstead, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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 Roslyn Water

District, as of December 31, 2021, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board. 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 principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 assurance.


Other-Matter

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roslyn Water District's basic financial statements. The additional information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues and schedule of expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 8, 2022 on our consideration of the Roslyn Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Huntington, New York
April 8, 2022

ROSLYN WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Roslyn Water District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2021. Please review it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The District reported net position of \$3,737,683 comprised of \$33,264,316 in total assets and deferred outflows, offset by \$29,526,633 in total liabilities and deferred inflows (Table 1).
- The District's net position decreased by (\$525,147) from \$4,262,830 to \$3,737,683 (Table 2).
- The General Fund reported excess of Revenues over Expenditures of \$245,600 for the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short term as well as that remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as the availability of capital projects, and continuing local government support to assess the *overall health* of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the funds – not the District as a whole. Some funds are required to be established by State law. However, the Board of Commissioners establishes funds to help control and manage money for particular purposes (ex. various capital projects funds).

Governmental Funds: The District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation beside the fund financial statements.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents individual fund statements and schedules.

THE DISTRICT AS A WHOLE

Governmental entities are required by GAAP to report their financial position. The Statement of Net Position presents the value of all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in a government's financial condition. The District reported net position of \$3,737,683 comprised of \$5,123,501 in capital assets net of related debt, and \$5,061,948 in restricted net position offset by an unrestricted net position deficit of (\$6,447,766).

Net position decreased by (\$525,147) from a year ago, increasing from \$4,262,830 to \$3,737,683. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – had a deficit of (\$6,447,766) at December 31, 2021.

Roslyn Water District
 Management's Discussion and Analysis
 December 31, 2021

The following table (Table 1) was derived from the current and prior year government-wide Statement of Net Position.

Table 1
 Statement of Net Position
 as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 14,746,559	\$ 10,836,334
Capital assets, Net	<u>16,323,835</u>	<u>16,212,999</u>
Total Assets	<u>31,070,394</u>	<u>27,049,333</u>
Deferred Outflows	2,193,922	2,071,742
Liabilities		
Long-term obligations	22,858,278	23,635,389
Other liabilities	<u>5,085,878</u>	<u>505,961</u>
Total Liabilities	<u>27,944,156</u>	<u>24,141,350</u>
Deferred Inflows	1,582,477	716,895
Net Position:		
Invested in capital assets, net of related debt	5,123,501	5,574,426
Restricted	5,061,948	4,759,856
Unrestricted	<u>(6,447,766)</u>	<u>(6,071,452)</u>
Total Net Position	<u>\$ 3,737,683</u>	<u>\$ 4,262,830</u>

The unrestricted net position of (\$6,447,766) decreased by (\$376,314) from the prior year. The negative unrestricted net position is primarily the result of the District's unfunded OPEB liability.

Table 2 compares the 2021 change in net position to the 2020 change in net position.

Table 2
 Changes in Net Position for 2021
 Compared with 2020 activity

	<u>2021</u>	<u>2020</u>
Program Revenues		
Charges for Services	<u>\$ 2,228,557</u>	<u>\$ 2,225,383</u>
Total Program Revenues	<u>2,228,557</u>	<u>2,225,383</u>

Roslyn Water District
 Management's Discussion and Analysis
 December 31, 2021

General Revenues		
Real Property Tax Items	2,934,004	2,884,587
Use of Money and Property	92,081	70,999
Other Revenue	<u>95,957</u>	<u>50,557</u>
Total General Revenue	<u>3,122,042</u>	<u>3,006,143</u>
Total Revenue	<u>5,350,599</u>	<u>5,231,526</u>
Expenses		
General Government	1,725,965	1,877,677
Water Services	<u>4,149,781</u>	<u>3,576,901</u>
Total Program Expenses	<u>5,875,746</u>	<u>5,454,578</u>
Change in Net Position	(525,147)	(223,052)
Net Position - Beginning of Year	<u>4,262,830</u>	<u>4,485,882</u>
Net Position - End of Year	<u>\$ 3,737,683</u>	<u>\$ 4,262,830</u>

THE DISTRICT'S FUND

As the District completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$6,071,223. This represents an increase of \$245,600 for 2021. The Capital Reserve Fund increased \$241,415 in 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had \$16,323,835 invested in capital assets (net of depreciation). Capital assets include all of the District's major capital assets, including infrastructure assets, water treatment facilities, water mains, valves and hydrants, land, District headquarters and other structures, as well as vehicles and other equipment. A comparison of the District's capital assets is presented in Table 3 below.

Table 3
 Capital Assets at Year-End

	<u>2021</u>	<u>2020</u>
Land	\$ 6,562	\$ 6,562
Buildings	4,667,279	4,667,279
Tanks and Improvements	2,151,810	2,151,810
Site Improvements	295,964	295,964

Roslyn Water District
 Management's Discussion and Analysis
 December 31, 2021

Machinery and Equipment	13,389,462	13,377,501
Infrastructure	3,666,522	3,656,049
Construction in Progress	<u>3,876,475</u>	<u>2,871,709</u>
	28,054,074	27,026,874
Accumulated Depreciation	<u>(11,730,239)</u>	<u>(10,813,875)</u>
Total Capital Assets, Net	<u>\$16,323,835</u>	<u>\$16,212,999</u>

Debt

At year-end, the District had \$14,544,007 in outstanding serial bonds payable versus \$14,978,509 a year ago. For a breakdown of the interest payment schedule refer to Note 3D of the basic financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District derives a significant portion of their revenue from metered 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 our estimates. The District also believes that such adverse weather conditions can easily recur over two or more consecutive years. Metered water sales for the past five years are as follows:

	Metered Water Sales
2021	\$ 2,011,408
2020	1,962,363
2019	1,950,847
2018	1,928,945
2017	1,856,435

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. For fiscal years, beginning in 2012 no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Board of Commissioners by unanimous vote approves the annual budget as well as the property taxes levy to be assessed each year.

The district considered many factors when setting the 2022 budget, tax rates, and water rates. The District's revenue source is split between sales of water and related items and real property taxes.

The District is very conscious of the economic environment and rising property taxes. A product of an ongoing examination of how the District does business, the budget emphasizes outcomes or results for the community and allows for longer-term financial planning decisions.

In considering the district budget for the year 2022 the Board of Commissioners and management used the following estimates:

- An increase of 6.4% in the overall budget.
- No increase in water revenue for 2022.
- An increase of 10.5% in the amount to be raised by taxes for 2022.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Roslyn Water District, 24 West Shore Drive, Roslyn, NY 11576.

BASIC FINANCIAL STATEMENTS

ROSLYN WATER DISTRICT
Statement of Net Position
December 31, 2021

Assets

Current Assets

Cash and Cash Equivalents	\$ 5,938,629
Accounts Receivable - Water	365,537
Due From Town of North Hempstead	8,101,386
Inventory	144,385
Prepaid Expenses	196,622
Total Current Assets	14,746,559

Capital Assets

Nondepreciable Capital Assets	3,883,037
Depreciable Capital Assets, Net of Depreciation	12,440,798
Capital Assets, Net	16,323,835

Total Assets	31,070,394
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Deferred Outflows of Resources

Deferred Outflows Related to Pensions	929,519
Deferred Outflows Related to OPEB	1,264,403
Total Deferred Outflows of Resources	2,193,922

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities	482,061
Accrued Expenses	102,746
Bond Anticipation Notes Payable	4,500,000
Deferred Revenue	1,071
Total Current Liabilities	5,085,878

Non-current Liabilities

Due Within One Year	
Current Portion of Bonds Payable	443,184
Due in More Than One Year	
Serial Bonds Payable	14,100,823
Accrued Compensated Absences	378,336
Net OPEB Liability	7,932,426
Net Pension Liability	3,509
Total Non-current Liabilities	22,858,278

Total Liabilities	27,944,156
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Deferred Inflows of Resources

Deferred Inflows Related to Pensions	1,038,929
Deferred Inflows Related to OPEB	543,548
Total Deferred Inflows of Resources	1,582,477

Net Position

Invested in Capital Assets, net of related debt	5,123,501
Restricted	5,061,948
Unrestricted	(6,447,766)
Total Net Position	\$ 3,737,683

The notes to the financial statements are an integral part of this statement.

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

	Expenses	Program Revenues Charges for Services & Grants	Net (Expenses)/ Revenue and Changes in Net Position Governmental Activites
Governmental Activities			
General Government			
Unallocated Insurance	\$ 106,427		\$ (106,427)
Employee Benefits	1,161,853		(1,161,853)
Debt Service-Interest and Other Charges	457,685		(457,685)
Total General Government	1,725,965	-	(1,725,965)
Water Services	4,149,781	2,228,557	(1,921,224)
Net Program Expenses	\$ 5,875,746	\$ 2,228,557	(3,647,189)
General Revenue			
Real Property Taxes and Property Tax Items			2,934,004
Use of Money and Property			92,081
Other Revenue			95,957
Total General Revenue			3,122,042
Change in Net Position			(525,147)
Net Position - Beginning of Year			4,262,830
Net Position - End of Year			\$ 3,737,683

The notes to the financial statements are an integral part of this statement.

ROSLYN WATER DISTRICT

Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 1,198,070	\$ -		\$ 1,198,070
Accounts Receivable - Water	236,224			236,224
Due From Town of North Hempstead	125,114	132,599		257,713
Restricted Cash	4,930,420		\$ 7,843,673	12,774,093
Inventory	144,385			144,385
Prepaid Expenses	45,915			45,915
Total Assets	\$ 6,680,128	\$ 132,599	\$ 7,843,673	\$ 14,656,400
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 473,044	\$ -	\$ -	\$ 473,044
Accrued Liabilities	-		9,017	9,017
Deferred Revenue	-	1,071		1,071
Bond Anticipation Notes Payable			4,500,000	4,500,000
Contractor and Customer Deposits	189,861			189,861
Total Liabilities	662,905	1,071	4,509,017	5,172,993
Fund Balances:				
Nonspendable	190,300			190,300
Restricted				
Capital Reserve	3,583,881			3,583,881
Repair Reserve	1,346,539			1,346,539
Debt Service	-	131,528	-	131,528
Assigned	439,993		3,334,656	3,774,649
Unassigned	456,510			456,510
Total Fund Balances	6,017,223	131,528	3,334,656	9,483,407
Total Liabilities and Fund Balance	\$ 6,680,128	\$ 132,599	\$ 7,843,673	\$ 14,656,400

RECONCILIATION TO STATEMENT OF NET POSITION

Total fund balance reported above				\$ 9,483,407
Add assets not reported above:				
Receivables			\$ 129,313	
Prepaid Expenses			150,707	
Capital Assets		\$ 28,054,074		
Less Accumulated Depreciation		(11,730,239)	16,323,835	16,603,855
Deferred Outflows/Inflows of Resources not reported above:				
Deferred Outflows/Inflows Related to Pensions				(109,410)
Deferred Outflows/Inflows Related to OPEB				720,855
Less liabilities not reported above:				
Serial Bonds Payable			(14,544,007)	
Accrued Expenses			(102,746)	
Unamortized Premium on Bond Refunding			-	
Accrued Compensated Absences			(378,336)	
Net OPEB Liability			(7,932,426)	
Net Pension Liability-Proportionate Share			(3,509)	(22,961,024)
Total Net Position				\$ 3,737,683

The notes to the financial statements are an integral part of this statement.

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

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Real Property Taxes	\$ 2,669,139			\$ 2,669,139
Other Payments in Lieu of Taxes	264,865			264,865
Departmental Income	2,218,383			2,218,383
Interest	31,761	\$ -		31,761
Other Revenue	95,600	60,320		155,920
Total Revenues	5,279,748	60,320	-	5,340,068
Expenditures				
Administration	663,057			663,057
Source of Supply, Power & Pumping	1,285,742			1,285,742
Purification	177,933			177,933
Transmission and Distribution	872,712			872,712
Unallocated Insurance	113,887			113,887
Employee Benefits	761,060			761,060
Debt Service:				
Principal Retirement - Serial Bonds	434,502	-		434,502
Interest Charges - Serial Bonds	432,417			432,417
Fiscal Agent Fees & Debt Service Charges	20,759	-	7,107	27,866
Capital Outlay:				
Current Expenditures - Capital Reserve	272,079	-	989,094	1,261,173
Total Expenditures	5,034,148	-	996,201	6,030,349
Excess (Deficiency) of Revenues over Expenditures	245,600	60,320	(996,201)	(690,281)
Other Financing Sources (Uses):				
Amortization of Premium on Refunding		357		357
Payments to Escrow Agents to Advance Refund Bonds	-	-		-
Net Increase (Decrease)	245,600	60,677	(996,201)	(689,924)
Fund Balance January 1,	5,771,623	70,851	4,330,857	10,173,331
Fund Balance December 31,	<u>\$ 6,017,223</u>	<u>\$ 131,528</u>	<u>\$ 3,334,656</u>	<u>\$ 9,483,407</u>

The notes to the financial statements are an integral part of this statement.

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

Excess of revenues over expenditures as reported in the governmental funds statement		\$ (689,924)
Revenues reported in the Statement of Activity not included in the governmental funds statement:		
Increase in Water Sales Receivables	\$ 10,174	
Amortization of Premium on Bond Refunding	<u>-</u>	10,174
Revenues reported in the governmental funds statement not included in the Statement of Activity:		
Proceeds of Advance Refunding Bonds	<u>-</u>	-
Expenses reported in the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense	(958,009)	
Increase in Prepaid Insurance Expense	7,460	
Decrease in Accrued Bond Interest	2,598	
Increase in Accrued Compensated Absences	(4,559)	
Increase in OPEB Liability and Related Deferred Outflows/Inflows	(477,777)	
Increase/Decrease in the Proportionate Share of Net Pension Liability and Related Deferred Outflows/Inflows	<u>81,543</u>	(1,348,744)
Expenditures reported in the governmental funds statement not included in the Statement of Activity:		
Capital Outlays (Including donated property from developers)	1,068,845	
Principal Payment on Serial Bonds	434,502	
Payment to Escrow Agents to Advance Refund Bonds	<u>-</u>	<u>1,503,347</u>
Change in net position reported on the Statement of Activities		<u><u>\$ (525,147)</u></u>

The notes to the financial statements are an integral part of this statement.

ROSLYN WATER DISTRICT
Notes to Financial Statements
December 31, 2021

Note 1 – Summary of Significant Accounting Policies

The Roslyn Water District (the "District"), which was established in 1910, is governed by its Charter, the local law and other general laws of the State of New York. The Board of Commissioners are the legislative body responsible for overall operations, the Chairman serves as chief executive officer and the Treasurer serves as chief fiscal officer. Major services provided by the District include water sales and meter and tap sales and services.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards.

The District's more significant accounting policies are described below.

A. Reporting Entity

All governmental activities and functions performed for the property owners of the District are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the District, (b) organizations for which the primary government is financially accountable, and (c) 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 decision to include a potential component unit in the Town's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the Town of North Hempstead reporting entity.

1. Included in the Reporting Entity

The Roslyn Water District is a public water service established in 1910 and operated under provisions of Article 6 of the General Municipal Law. The Board of Commissioners, of which there are three, are elected by the residents of the District. The District acquires real property used by the District, approves all expenditures for new buildings or alterations, and retains general oversight responsibility for the district.

The Board of Commissioners are required to make a detailed annual report of the operations of the District to the Town of North Hempstead including any matters the legislature board may require.

The Town of North Hempstead raises taxes for District purposes; has title to real property used by the District; and all indebtedness is issued and supported by the full faith and credit of the Town of North Hempstead. The District is a component unit, part of the primary government, and is reported in the special revenue fund types.

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the Town of North Hempstead at:

Town of North Hempstead
Town Hall
Manhasset, NY 11030

B. Basis of Presentation

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds).

Government-Wide Financial Statements

The government-wide financial statements report information on the District as a whole.

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

The government-wide Statement of Activities reports both the gross and net cost of the District's function (home and community service - water supply services), which are otherwise supported by general revenues (real property taxes, use of money and property, sale of property and compensation for loss, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants to produce the net cost of each program. Program revenues include (a) charges for services and (b) operating and capital grants and contributions that are directly associated with the function. The net cost is normally covered by general revenues. The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The fund financial statements are similar to the financial statements presented in the previous model. The new emphasis is on major fund financial statements. The District considers all funds to be major funds.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized in the financial statements. The following funds are used by the District.

Governmental Funds – 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 measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Governmental funds are further classified as major funds.

The District reports the following as major funds governmental funds:

General Fund – the principal operating fund and includes all operations not required to be recorded in other funds.

Debt Service Fund - the Debt Service Fund is used to account for the accumulation of resources for the payment of bond principal, interest and related costs. Generally, the Town administers the resources of this fund on behalf of the District.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the enterprise, or internal service funds. Resources provided by bonded debt are administered by the Town on behalf of the District.

Fiduciary Funds – used to account for assets held by the local government in a trustee or custodial capacity.

Custodial Funds – used to account for money (and/or property) as received and disbursed and held in the capacity of trustee, custodian or agent.

C. Measurement Focus and Basis of Accounting

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

In the government-wide Statement of Net Position and the Statement of Activities governmental activities are presented using the economic resources measurement focus and are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-

like transactions are recognized when the exchange takes place. Interfund transactions have been eliminated from the government-wide financial statements.

In the funds statement, governmental activities use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when a liability is incurred except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b. Principal and interest on indebtedness are recognized as expenditures when payment is due.
- c. Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as expenditures when payment is due.
- d. Other postemployment benefits are charged as expenditures when payment is due.

D. Equity Classifications

Government-Wide Financial Statements

In government-wide financial statements equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

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

Nonspendable - Consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items,

inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

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.

Committed - Consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board of Commissioners is the decision-making authority that can, by Board Approval prior to the end of the fiscal year, commit fund balance.

Assigned - Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. 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. The Board of Commissioners are authorized to assign fund balance.

Unassigned - Represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the District spends funds in the following order; restricted, committed, assigned, unassigned.

The District has, by resolution, adopted a fund balance policy that states the District must maintain a minimum unrestricted (the total of committed, assigned, and unassigned) fund balance in accordance with New York State guidelines.

E. Revenue/Accounts Receivable

Revenue from metered water sales are recognized when billed. Delinquent water sales in excess of one year old are submitted to the Town of North Hempstead annually and become a lien on the property owner's tax bill. The Town of North Hempstead subsequently collects the water arrears and submits them to the District.

F. Property Taxes

Property taxes and delinquent water bills are levied and collected by the Town of North Hempstead on behalf of the District. The Town remits 100% of the amount of real property tax levied and the delinquent water bills to the District.

G. Inventory and Prepaid Items

Inventory type items including materials and supplies are recorded as expenditures when purchased.

Payments to vendors for costs such as insurance and retirement, that apply to future accounting periods are recorded as prepaid assets in the government-wide financial statements.

H. Capital Assets

Capital outlays are recorded as expenditures in the General and Capital Projects Funds and as assets in the government-wide financial statements. In accordance with GASB Statement Number 34, infrastructure has been capitalized retroactively. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Building & Improvements	20 – 50 years
Water System	20 – 25 years
Machinery and Equipment	5 – 15 years
Improvements	10 – 25 years
Infrastructure	25 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available.

I. Developer Deposits

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

J. Long Term Debt

All long-term debt is reported as liabilities in the government-wide financial statements. The long-term debt consists of general obligation bonds, compensated absences, other postemployment benefits, and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds, if any, are reported as other financing sources and payment of principle and interest are reported as expenditures. The liabilities for general obligation bonds, compensated absences, and other postemployment benefits are liquidated through future budget appropriations in the General Fund.

K. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These amounts are not reported as expenditures in the governmental funds because they are not expected to be paid with available financial resources. Instead, the liability is reported in the general long-term debt account group as accrued liabilities, and represents a reconciling item between the fund and government-wide statements.

L. Other Postemployment Benefits

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits and survivors benefits are provided through the New York State Health Insurance Program whose premiums are based on the benefits paid during the year.

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

M. Net Pension Liability – Proportionate Share

For purposes of measuring the net pension liability – proportionate share, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State and Local Retirement System (the "System") have been determined on the same basis as they are reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms; and reports investments at fair value.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow resource (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. Insurance

The District purchases insurance 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.

P. 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 amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Adoption of New Accounting Pronouncements

The District has adopted all current Statements of the Government Accounting Standards Board (GASB) that are applicable.

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

An operating budget is adopted each year for the general fund. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. No later than September 30, the budget officer submits a tentative budget to the Town of North Hempstead for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds as approved by the Board of Commissioners.
2. All modifications of the budget must be approved by the governing board. (However, the Board of Commissioners are authorized to transfer between budget codes).
3. Budgets are adopted on a basis consistent with GAAP.

Budgeted amounts reported in the financial statements are as originally adopted.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes, is employed in the General Funds. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

Note 3 – Detailed Notes

A. Cash and Investments

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the District’s Investment Policy and General Municipal Law. The depository bank deposits for safekeeping and trust with the District’s third-party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Under the Investment Policy, the District at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank.

At December 31, 2021 the carrying amount of the District’s deposits was \$6,128,260 and the bank balance was \$6,288,195. The entire bank balance throughout the year was covered by federal depository insurance, by an Irrevocable Stand-By Letter of Credit, or by collateral by the District’s agent in the District’s name. The deposits were deemed collateralized under New York State Law during the year.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 – Deposits insured or collateralized with securities held by the District or by its agent in the District’s name.

Category 2 – Deposits collateralized with securities by the pledging financial institutions trust department or agent in the District’s name.

Category 3 – Deposits not collateralized or insured.

Based on these three levels of risk, all of the District’s cash deposits are classified as Category 1 or 2.

The District’s bank balances and collateral held in the name of the District at December 31, 2021 are categorized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
First Nat’l Bank					
Of Long Island	\$6,128,260	\$6,288,195	\$6,288,195		
	<u>\$6,128,260</u>	<u>\$6,288,195</u>	<u>\$6,288,195</u>		

A reconciliation of cash and cash equivalents as shown on the balance sheet and the deposits disclosed in this note are as follows:

Roslyn Water District
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Carrying Amounts of Deposit	\$	6,128,260
Cash on Hand		<u>230</u>
	\$	<u>6,128,490</u>

B. Interfund Receivables and Payables

There were no interfund receivables and payables at December 31, 2021.

C. General Fixed Assets

A summary of changes in general fixed assets for the year ended is as follows:

	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</u>
Land	\$ 6,562	-	-	\$ 6,562
Buildings	4,667,279			4,667,279
Tanks & Improvements	2,151,810			2,151,810
Site Improvements	295,964			295,964
Machinery & Equipment	13,377,501	65,718	53,757	13,389,462
Infrastructure	3,656,049	10,473		3,666,522
Construction in Progress	<u>2,871,709</u>	<u>1,209,072</u>	<u>204,306</u>	<u>3,876,475</u>
	<u>27,026,874</u>	<u>1,285,263</u>	<u>258,063</u>	<u>28,054,074</u>
Less Accumulated Depreciation				
Buildings	1,084,748	107,012		1,191,760
Tanks & Improvements	1,216,984	66,417		1,283,401
Site Improvements	235,802	6,264		242,066
Machinery & Equipment	6,738,656	604,756	41,645	7,301,767
Infrastructure	<u>1,537,685</u>	<u>173,560</u>		<u>1,711,245</u>
	<u>10,813,875</u>	<u>958,009</u>	<u>41,645</u>	<u>11,730,239</u>
Capital Assets, Net	<u>\$ 16,212,999</u>	<u>\$ 327,254</u>	<u>\$ 216,418</u>	<u>\$ 16,323,835</u>

D. Indebtedness

Long Term Debt

General Obligation Bonds

Bonded indebtedness of the District is reflected as non-current liabilities in the Statement of Net Position. Current requirements for principal and interest expenditures are provided for in the budget of the General Fund.

Outstanding general obligation bonds payable at December 31, 2021 are as follows:

<u>Description</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Interest Payable In Future Periods</u>
Refunding -- 02-21 826	10/15/10	2022	4.00%	\$ 12,374	\$ 145
2016 Series C	9/20/16	2046	2.25-3.00%	5,595,994	2,301,765
2016 Series C	9/20/16	2046	2.25-3.00%	2,620,897	1,078,036
2016 Series C	9/20/16	2046	2.25-3.00%	2,604,807	1,071,418
2017 Series B	4/1/17	2047	3.00-4.00%	1,800,410	993,420
2017 Series B	4/1/17	2047	3.00-4.00%	<u>1,909,525</u>	<u>989,989</u>
				<u>\$14,544,007</u>	<u>\$6,434,773</u>

Roslyn Water District
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The annual debt service requirements on the above bonds are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 864,594	\$ 443,184	\$ 421,410
2023	851,891	441,152	410,739
2024	851,504	451,419	400,085
2025	843,274	454,072	389,202
2026	840,578	462,388	378,190
2027-2031	4,188,635	2,471,881	1,716,754
2032-2036	4,147,259	2,785,311	1,361,948
2037-2041	4,088,183	3,178,277	909,906
2042-2046	4,026,625	3,644,326	382,299
2047	216,237	211,997	4,240
	<u>\$20,918,780</u>	<u>\$14,544,007</u>	<u>\$6,374,773</u>

A summary of changes in long-term debt is as follows:

	<u>Restated Balance at 1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2021</u>
Serial Bonds Payable	\$14,978,509	\$ -	\$ 434,502	\$14,544,007
Bond Anticipation Notes	-	4,500,000	-	4,500,000
Compensated Absences	373,777	4,559	-	378,336
OPEB Liability	7,340,634	591,792	-	7,932,426
Net Pension Liability-ERS	942,469	-	938,960	3,509
	<u>\$23,635,389</u>	<u>\$ 5,096,351</u>	<u>\$ 1,373,462</u>	<u>\$27,358,278</u>

E. Retirement Plan

Plan Description

The District participates in the New York State and Local Employees Retirement System (ERS) which is referred to as the "System". This is a cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2018, he was elected for a new term commencing January 1, 2019. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.u/retire/publications or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits. There are six tiers of members, each tier with certain eligibility and benefit calculation criteria. There are also ordinary disability benefits, accidental disability benefits, and ordinary death benefits available.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3,4,5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally

contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required as follows:

2021	\$ 183,662
2020	167,189
2019	177,259

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

At December 31, 2021, The District reported a Liability of \$3,509 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2021, the District's proportion was 0.0035243 percent.

For the year ended December 31, 2021, the District recognized pension expense of \$102,120. At December 31, 2021, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,858	\$ 0
Changes in Assumptions	645,244	12,170
Net difference between projected and actual earnings on Pension Plan investments	0	1,008,074
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,755	18,685
Contributions subsequent to the measurement date	183,662	0
	<u>\$ 929,519</u>	<u>\$ 1,038,929</u>

\$183,662 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended December 31:

2022	(43,670)
2023	(10,538)
2024	(48,331)
2025	(190,531)

Actuarial Assumptions

The total pension liability as of March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following actuarial assumptions:

Inflation	2.7%
Salary increases	4.4%
Investment rate of return	5.9%
Cost of Living Adjustment	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 previous actuarial valuation as of April 1, 2019 used April 1, 2010 - March 31, 2015 System experience, mortality improvements based on the Society of Actuaries Scale MP-2018, inflation of 2.5%, cost-of-living adjustments of 1.3%, salary increases of 4.5%, investment rate of return of 6.8%.

The actuarial assumptions used in the April 1, 2020 valuation are 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 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 arithmetic real rates of return for each major class are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32%	4.05%
International Equity	15	6.30
Private Equity	10	6.75
Real Estate	9	4.95
Opportunistic/ARS Portfolio	3	4.50
Credit	4	3.63

Roslyn Water District
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Real Assets	3	5.95
Fixed Income	23	0.00
Cash	<u>1</u>	0.50
	<u>100%</u>	

The real rate of return is net of the long-term inflation assumption of 2.0%.

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon assumptions, the System's 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 Liability to the discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.9 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9 percent) or 1-percentage point higher (6.9 percent) than the current rate:

	1% Decrease <u>4.9%</u>	Current <u>5.9%</u>	1% Increase <u>6.9%</u>
District's proportionate share of the net pension liability	\$974,042	\$3,509	(\$891,549)

Pension Plan Fiduciary Net Position

The components of the current-year collective net pension liability of the participating employers as of March 31, 2021 were as follow (dollars in thousands):

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

F. Other Post Employment Benefits

General Information about the OPEB Plan

Plan Description

The District administers a single-employer, defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note E. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a publicly financial report.

Benefits Provided

The plan provides medical insurance for eligible retirees and their dependents through the New York State Health Insurance Program (NYSHIP), which covers both active and retired members, as well as dental and vision benefits. The plan also reimburses retirees for Medicare premiums.

Plan Membership

As of January 1, 2020, the plan membership data is as follows:

Retirees currently receiving benefit payments	8
Retirees entitled to but not yet receiving benefit payments	0
Active employees	<u>14</u>
	<u>22</u>

Total OPEB Liability

The District's total OPEB liability is \$7,932,426 as of December 31, 2021.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to December 31, 2021. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal, as a level percentage of salary
Salary Increases	2.5 percent
Discount Rate	2.0 percent (initial rate) changed to 1.8 percent
Mortality	SOA RP-2014 Total Dataset. Mortality improvements are projected using SOA Scale MP-2014.
Turnover	Rates based on the experience of the New York State Retirement System.

Roslyn Water District
Notes to Financial Statement
December 31, 2021

Retirement Rated based on the experience of the New York State Retirement System.

The discount rate was changed from 2.0% to 1.8%, based on the yield derived from the 20 Year AA Municipal GO Bond Rate Index, as of December 31, 2021, per Fidelity Investments.

Changes in the Total OPEB Liability

Balance as of January 1, 2021	\$7,340,634
Changes for the Year:	
Service cost	272,043
Interest on Total OPEB Liability	145,604
Changes in benefits	0
Differences between expected and actual experience	0
Changes in assumptions	295,036
Benefit payments	<u>(120,891)</u>
Net Changes	<u>591,792</u>
Balance as of December 31, 2021	<u>\$7,932,426</u>

Changes in benefits – none.

Changes in assumptions – based on changing discount rate from 2.0% (initial) to 1.8%.

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 (0.8 percent) and 1 percentage point higher (2.8 percent) than the current assumed discount rate:

	1% Decrease <u>0.8%</u>	Assumed Discount Rate <u>1.8%</u>	1% Increase <u>2.8%</u>
Total OPEB Liability	<u>\$9,671,582</u>	<u>\$7,932,426</u>	<u>\$6,600,005</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current assumed healthcare cost trend rate:

Roslyn Water District
Notes to Financial Statement
December 31, 2021

	<u>1% Decrease</u>	<u>Assumed Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$6,354,503</u>	<u>\$7,932,426</u>	<u>\$10,091,430</u>

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 an OPEB expense of \$598,668. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 135,301
Changes in Assumptions – Discount Rate	1,264,403	408,247
Changes in Benefits	<u>-</u>	<u>-</u>
	<u>\$ 1,264,403</u>	<u>\$ 543,548</u>

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

Year ended December 31:

2022	181,021
2023	181,020
2024	248,299
2025	61,344
2026	49,171

G. Reserved Fund Equity – General Fund

In 1992, the District established a Reserve Fund under Section 6c of the New York State General Municipal Law. The purpose of the fund is to pay for the cost of capital projects. The funds are segregated and are reported as Restricted Cash of the general fund and a reservation of fund equity.

The following schedule summarizes the 2021 changes in the Capital Reserve Account:

Balance at January 1, 2021	\$ 4,689,005
Use by General Fund	(272,079)
Expenditure by General Fund to Capital Reserve – Other	500,000
Interest Income	<u>13,494</u>
Balance at December 31, 2021	<u>\$ 4,930,420</u>

H. Expendable Trust Fund

The expendable trust fund represents deposits received from developers for work to be completed by the District, on behalf of the developers. No deposits were received from developers in 2021. Total expenditures were \$5,591, and \$0 was returned to developers in 2021. Funds on hand as of December 31, 2021 were \$189,861.

I. Accrued Compensated Absences

Pursuant to the terms of the District's collective bargaining agreement, employees are permitted to accumulate earned but unused sick leave. Unused sick days at year's end may be accumulated up to a maximum of 185 days of which the equivalent of 175 days may be paid in cash. Sick leave is payable upon retirement or termination. Vacation and personal days shall not be accumulated from year to year. As of December 31, 2021, Accrued Compensated Absences totaled \$378,336.

J. Tax Abatement Program

The District is subject to real property tax abatements granted by the Nassau County Industrial Development Agency ("NCIDA"), an entity created as a New York State public benefit corporation. The NCIDA was established by Code Section 922, which became Chapter 674 of the Laws of 1975. The NCIDA offers several abatement programs on certain qualified projects to promote, retain, attract and encourage sound commerce and industry base to prevent unemployment. At December 31, 2021, only the real property tax abatement program offered by NCIDA impacts the Districts revenue. Generally, a qualified project is an applicant submitted project which meets certain economic development criteria (such as job creation/retention) and which either 1) has been or will be financed by issuance of NCIDA bonds, notes or other evidence of indebtedness with respect thereto or 2) is a straight lease transaction which the NCIDA has determined to undertake pursuant to a lease policy. The NCIDA, based on the agreement and as a condition of providing assistance, may require that the benefiting company remit a PILOT payment to offset the amount of taxes abated. The NCIDA is authorized to enter into PILOT agreements per Real Property Tax Law, Section 412-a and General Municipal Law, Section 874. During the year ended December 31, 2021, the District received \$264,865 in PILOT payments as the result of agreements the NCIDA ratified, as an offset to the real property tax abatements.

K. Contingent Liabilities

The District is a party to legal proceedings and disputes that arose in the ordinary course of operations. In the current opinions of the District's legal counsels, it is unlikely that the liabilities, if any, arising from these legal proceedings and disputes will have a material adverse effect on the District or its operations.

L. New Pronouncements

Roslyn Water District
Notes to Financial Statement
December 31, 2021

The Government Accounting Standards Board (GASB) has issued several pronouncements prior to December 31, 2021 that have effective dates that may impact future financial presentations, as follows:

- GASB Statement No. 87 - *Leases*
- GASB Statement No. 92 - *Omnibus 2020*
- GASB Statement No. 93 - *Replacement of Interbank Offered Rates*
- GASB Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 97 - *Certain Component Unit Criteria, and Accounting Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*
- GASB Statement No. 98 - *The Annual Comprehensive Financial Report*

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

N. Subsequent Events

The District has evaluated subsequent events through the date of this report, which is the date financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Adopted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Real Property Taxes	\$ 2,669,123	\$ 2,669,123	\$ 2,669,139	\$ 16
Other Payments in Lieu of Taxes	240,000	240,000	264,865	24,865
Departmental Income	2,143,000	2,193,000	2,218,383	25,383
Interest	5,000	5,000	31,761	26,761
Other Revenue	-	76,602	95,600	18,998
Total Revenues	<u>5,057,123</u>	<u>5,183,725</u>	<u>5,279,748</u>	<u>96,023</u>
Expenditures				
Administration	738,150	740,150	663,057	77,093
Source of Supply, Power & Pump.	1,570,538	1,486,538	1,285,742	200,796
Purification	275,000	275,000	177,933	97,067
Transmission and Distribution	991,055	999,657	872,712	126,945
Unallocated Insurance	127,000	127,000	113,887	13,113
Employee Benefits	907,697	907,697	761,060	146,637
Debt Service				
Principal - Serial Bonds	434,502	434,502	434,502	-
Interest - Serial Bonds	432,417	432,417	432,417	-
Fiscal Agent Fees	20,737	20,737	20,759	(22)
	<u>887,656</u>	<u>887,656</u>	<u>887,678</u>	<u>(22)</u>
Capital Reserve Fund	-	200,000	272,079	(72,079)
Total Expenditures	<u>5,497,096</u>	<u>5,623,698</u>	<u>5,034,148</u>	<u>589,550</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(439,973)</u>	<u>(439,973)</u>	<u>245,600</u>	<u>685,573</u>
Other Financing Sources (Uses):				
Interfund Transfers	-	-	-	-
Premium on Obligations	-	-	-	-
Allocation of Fund Balance	439,973	439,973	-	(439,973)
Net Increase (Decrease)	<u>\$ -</u>	<u>\$ -</u>	<u>245,600</u>	<u>\$ 245,600</u>
Fund Balance January 1,			<u>5,771,623</u>	
Fund Balance December 31,			<u>\$ 6,017,223</u>	

The notes to the financial statements are an integral part of this statement.

ROSLYN WATER DISTRICT
Schedule of Employer's Proportionate Share of The Net Pension Liability
And Schedule of Employer's Contributions
For the Year Ended December 31,

Schedule of Employer's Proportionate Share of The Net Pension Liability

	2021	2020	2019	2018	2017	2016	2015
Proportionate % of the net pension liability	0.0035243%	0.0035591%	0.0039210%	0.0040161%	0.0038888%	0.0037428%	0.0037177%
Proportionate share of the net pension liability	\$ 3,509	\$ 942,469	\$ 277,818	\$ 129,619	\$ 365,397	\$ 600,738	\$ 125,592
Covered payroll	\$ 1,152,967	\$ 1,159,349	\$ 1,226,086	\$ 1,231,946	\$ 1,197,630	\$ 1,112,510	\$ 1,022,398
Proportionate share of the net pension liability as a percentage of its covered payroll	0.3%	81.3%	22.7%	10.5%	30.5%	53.9%	12.2%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%

Amounts presented above were determined as of March 31 (Systems measurement date).
Additional years will be presented as they become available for a full 10-year trend.

Schedule of Employer's Contributions

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 183,662	\$ 167,189	\$ 177,259	\$ 179,353	\$ 177,331	\$ 168,045	\$ 161,562
Contribution in relation to the contractually required contribution	183,662	167,189	177,259	179,353	177,331	168,045	161,562
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,152,967	\$ 1,159,349	\$ 1,226,086	\$ 1,231,946	\$ 1,197,630	\$ 1,112,510	\$ 1,022,398
Contributions as a percentage of covered payroll	15.9%	14.4%	14.5%	14.6%	14.8%	15.1%	15.8%

Additional years will be presented as they become available for a full 10-year trend.

ROSLYN WATER DISTRICT
Schedule of Changes in the Total OPEB Liability
And Related Ratios
For the Year Ended December 31,

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 272,043	\$ 205,098	\$ 148,481	\$ 161,172
Interest on Total OPEB Liability	145,604	187,103	205,637	189,919
Changes in Benefit terms	-	-	-	-
Differences between expected and actual experience	-	(202,951)	-	-
Changes in assumptions and other inputs	295,036	275,987	1,121,723	(403,675)
Benefit Payments	(120,891)	(108,663)	(99,087)	(95,234)
Net Changes	591,792	356,574	1,376,754	(147,818)
Total OPEB Liability - beginning	7,340,634	6,984,060	5,607,306	5,755,124
Total OPEB Liability - ending	\$ 7,932,426	\$ 7,340,634	\$ 6,984,060	\$ 5,607,306
Covered Employee Payroll	1,029,851	1,029,851	1,165,929	1,061,528
Total OPEB Liability as a percentage of Covered Employee Payroll	770.20%	712.80%	599.00%	528.20%
Notes to Schedule:				
Assumption changes:				
Discount Rate	1.80%	2.00%	2.70%	3.70%
Plan changes:				
	None	None	None	None

Additional years will be presented as they become available for a full 10-year trend.

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTAL INFORMATION

ROSLYN WATER DISTRICT
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Adopted Budget	Adjusted Budget	Actual Revenues	Variance Favorable (Unfavorable)
Revenues				
Real Property Taxes	\$ 2,669,123	\$ 2,669,123	\$ 2,669,139	\$ 16
Other Payments in Lieu of Taxes	240,000	240,000	264,865	24,865
Departmental Income				
Metered Water Sales	1,915,000	1,965,000	2,011,408	46,408
Unmetered Water Sales	130,000	130,000	129,027	(973)
Water Service Charges	75,000	75,000	77,948	2,948
Penalty Charges	23,000	23,000	-	(23,000)
Total Departmental Income	<u>2,143,000</u>	<u>2,193,000</u>	<u>2,218,383</u>	<u>25,383</u>
Interest Earnings	5,000	5,000	18,267	13,267
Interest Earnings - Restricted Reserve	-	-	13,494	13,494
Other Revenue				
Sale of Equipment	-	-	-	-
Insurance Recoveries	-	-	9,603	9,603
Refund of Prior Year Expenditures	-	50,602	57,310	6,708
Miscellaneous Income	-	-	18,887	18,887
Premium on Obligations	-	26,000	-	(26,000)
Grants	-	-	9,800	9,800
Total Other Revenues	<u>-</u>	<u>76,602</u>	<u>95,600</u>	<u>18,998</u>
Total Revenues	<u><u>\$ 5,057,123</u></u>	<u><u>\$ 5,183,725</u></u>	<u><u>\$ 5,279,748</u></u>	<u><u>\$ 96,023</u></u>

The notes to the financial statements are an integral part of this statement.

ROSLYN WATER DISTRICT
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Adopted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Administration				
Personal Services				
Salaries	\$ 417,750	\$ 417,750	\$ 385,250	\$ 32,500
Commissioners' Fees	21,000	21,000	16,700	4,300
Subtotal Personal Services	<u>438,750</u>	<u>438,750</u>	<u>401,950</u>	<u>36,800</u>
Equipment & Capital Outlay				
Office Equipment	5,000	5,000	1,648	3,352
Contractual Expenditures				
Postage	28,000	28,000	20,912	7,088
Computer Expense	35,000	37,000	38,446	(1,446)
Printing/Public Relations Expense	46,000	46,000	45,033	967
Office Supplies & Expense	12,500	12,500	11,816	684
Telephone & Communications	7,750	7,750	6,469	1,281
Light & Power	8,400	8,400	8,400	-
Heating	4,000	4,000	3,504	496
Bonds - Commissioner & Treasurer	-	-	-	-
Legal Notices	8,000	8,000	3,498	4,502
Conferences & Meetings	14,000	14,000	11,149	2,851
Election Expense	1,000	1,000	369	631
Architectural and Engineering	30,000	30,000	15,506	14,494
Auditing & Accounting	12,750	12,750	12,750	-
Legal	33,000	33,000	31,253	1,747
Other Professional Services	32,000	32,000	31,850	150
Repairs & Maintenance				
Operating Equipment	7,000	7,000	6,018	982
Plant & Grounds	-	-	-	-
Other Operating Expenses	15,000	15,000	12,486	2,514
Subtotal Contractual	<u>294,400</u>	<u>296,400</u>	<u>259,459</u>	<u>36,941</u>
Total Administration	<u>\$ 738,150</u>	<u>\$ 740,150</u>	<u>\$ 663,057</u>	<u>\$ 77,093</u>

The notes to the financial statements are an integral part of this statement.

ROSLYN WATER DISTRICT
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Adopted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Source of Supply, Power and Pumping				
Personal Services	\$ 250,748	\$ 345,748	\$ 321,633	\$ 24,115
Equipment & Capital Outlay				
Operating Equipment	-	-	-	-
Contractual Expenditures				
Telephone & Communications	30,000	30,000	23,204	6,796
Light & Power	675,790	675,790	658,504	17,286
Heating	55,000	55,000	40,132	14,868
Architectural and Engineering	50,000	32,000	17,598	14,402
Tools, Parts & Supplies	20,000	20,000	6,276	13,724
Repairs & Maintenance				
Operating Equipment	430,000	269,000	196,859	72,141
Plant & Grounds	55,000	55,000	19,439	35,561
Other Operating Expenses	4,000	4,000	2,097	1,903
Subtotal Contractual	<u>1,319,790</u>	<u>1,140,790</u>	<u>964,109</u>	<u>176,681</u>
Total Source of Supply, Power and Pump.	<u>\$ 1,570,538</u>	<u>\$ 1,486,538</u>	<u>\$ 1,285,742</u>	<u>\$ 200,796</u>
 Purification				
Contractual Expenditures				
Water Analysis & Treatment	\$ 125,000	\$ 125,000	\$ 64,926	\$ 60,074
Water Treatment	150,000	150,000	113,007	36,993
Other Operating Expenses	-	-	-	-
Total Purification	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 177,933</u>	<u>\$ 97,067</u>

The notes to the financial statements are an integral part of this statement.

ROSLYN WATER DISTRICT
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Adopted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Transmission & Distribution				
Personal Services	\$ 623,055	\$ 528,055	\$ 512,488	\$ 15,567
Equipment & Capital Outlay				
Operating Equipment	55,000	135,602	117,331	18,271
Meters	60,000	54,000	32,005	21,995
Mains, Valves & Hydrants	10,000	8,000	1,246	6,754
Subtotal Equipment & Capital Outlay	<u>125,000</u>	<u>197,602</u>	<u>150,582</u>	<u>47,020</u>
Contractual Expenditures				
Architectural and Engineering	5,000	25,000	23,707	1,293
Uniforms & Laundry	7,000	7,000	7,195	(195)
Gas & Oil	16,000	16,000	15,379	621
Tools, Parts & Supplies	45,000	45,000	40,784	4,216
Repairs & Maintenance;				
Operating Equipment	20,000	20,000	15,165	4,835
Mains, Valves & Hydrants	110,000	110,000	58,701	51,299
Meters	-	-	-	-
Road Repairs	35,000	46,000	46,217	(217)
Other Operating Expenses	5,000	5,000	2,494	2,506
Subtotal Contractual	<u>243,000</u>	<u>274,000</u>	<u>209,642</u>	<u>64,358</u>
Total Transmission & Distribution	<u>\$ 991,055</u>	<u>\$ 999,657</u>	<u>\$ 872,712</u>	<u>\$ 126,945</u>
Unallocated Insurance				
Unallocated Insurance	<u>\$ 127,000</u>	<u>\$ 127,000</u>	<u>\$ 113,887</u>	<u>\$ 13,113</u>
Employee Benefits				
State Retirement	\$ 202,543	\$ 202,543	\$ 179,544	\$ 22,999
MTA Tax	-	-	-	-
Social Security	104,225	104,225	89,916	14,309
Workers' Compensation	68,000	68,000	51,488	16,512
Unemployment Insurance	-	-	-	-
Hospital Insurance	500,929	500,929	416,497	84,432
Dental & Optical Insurance	32,000	32,000	23,615	8,385
Total Employee Benefits	<u>\$ 907,697</u>	<u>\$ 907,697</u>	<u>\$ 761,060</u>	<u>\$ 146,637</u>

The notes to the financial statements are an integral part of this statement.

Robert A. Johnson, CPA P.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Roslyn Water District
Roslyn, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities and each major fund, for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Roslyn Water District's (the "District") basic financial statements, and have issued our report thereon dated April 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Huntington, New York
April 8, 2020