

JERICO WATER DISTRICT
AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Jericho Water District
Syosset, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jericho Water District, (the "District"), a component unit of the Town of Oyster Bay, New York as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

BEYOND THE NUMBERS...

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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 Jericho Water District as of December 31, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total other postemployment benefits (OPEB), schedule of the District's proportionate share of the net pension liability, and schedule of District's contributions as listed in the table of contents, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jericho Water District, New York's basic financial statements. The capital projects fund - schedule of project expenditures listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The capital projects fund - schedule of project expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 capital projects fund - schedule of project expenditures is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Albrecht, Viggiano, Zureck and Company P.C.

Hauppauge, New York
May 13, 2020

JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Jericho Water District, a component unit of the Town of Oyster Bay, New York's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2019. Please read it in conjunction with the District's financial statements and notes to financial statements.

USING THIS ANNUAL REPORT

This annual report consists of two sets of financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities - Government-wide provide information about the activities of the District as a whole and present a longer-term view of the District's finances. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Government Fund Financial Statements

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds tell how services were financed in the short-term, as well as what remains for future spending. Governmental fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund and capital projects fund. The District's basic services are reported in 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 general government operations and the basic 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 reconciliation at the bottom of the fund financial statements.

**JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CONDENSED FINANCIAL INFORMATION

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

Condensed Statement of Net Position as of December 31:

	<u>2019</u>	<u>2018</u>
Assets:		
Current and other assets	\$ 16,562,900	\$ 18,477,156
Capital assets	42,062,199	31,930,935
Total Assets	<u>58,625,099</u>	<u>50,408,091</u>
Deferred Outflows of Resources	<u>2,608,904</u>	<u>906,971</u>
Liabilities:		
Current and other liabilities	4,116,891	6,112,792
Long-term liabilities	33,399,191	25,111,186
Total Liabilities	<u>37,516,082</u>	<u>31,223,978</u>
Deferred Inflows of Resources	<u>2,349,283</u>	<u>1,780,146</u>
Net Position:		
Net investment in capital assets	22,902,762	25,342,711
Restricted	5,025,956	4,764,936
Unrestricted	<u>(6,560,080)</u>	<u>(11,796,709)</u>
Total Net Position	<u>\$ 21,368,638</u>	<u>\$ 18,310,938</u>

JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED FINANCIAL INFORMATION (continued)

Changes in Net Position for the years ended December 31:

	2019	2018
Program Revenues:		
Charges for services	\$ 8,906,321	\$ 8,688,156
Capital grants and contributions	2,439,247	117,639
Total Program Revenues	11,345,568	8,805,795
General Revenues:		
Real property taxes	1,880,008	1,441,933
Other real property tax items	89,910	70,979
Use of money and property	195,180	109,750
Sale of property and compensation for loss	383,476	457,823
Other local sources	138,018	32,373
Total General Revenue	2,686,592	2,112,858
Total Revenues	14,032,160	10,918,653
Expenses - Water supply services	10,974,460	10,497,879
Changes in Net Position	\$ 3,057,700	\$ 420,774

FINANCIAL HIGHLIGHTS

The District's total assets and deferred outflows of resources at December 31, 2019 were \$61,234,003, an increase of \$9,918,941 from the prior year. The increase is primarily due to the increase in cash and capital assets offset by a decrease in amounts due from other governments. In addition to this deferred outflows of resources increased for other postemployment benefits payable and decreased for pensions based on actuary assumptions. Total liabilities and deferred inflows of resources at December 31, 2019 were \$39,865,365, an increase of \$6,861,241 from the prior year. The increase is primarily due to an increase in liabilities for bond anticipation notes payable offset by a decrease in accounts payable.

The District's net position as of December 31, 2019 was \$21,368,638 an increase of \$3,057,700 from the prior year. Of the District's total net position, \$22,902,762 was a net investment in capital assets, \$5,025,956 was restricted while (\$6,560,080) was in unrestricted (deficit) net position.

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

The District's long-term liabilities which include compensated absences, other postemployment benefits payable and net pension liability will be funded through future budgetary appropriations when they become payable in future periods. In addition, the District has outstanding \$12,468,000 of general obligation bonds and \$7,485,000 of bond anticipation notes payable.

**JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL HIGHLIGHTS (continued)

Program revenues were \$11,345,568 in the current year, which were \$2,539,773 more than the prior year. The increased revenues were attributable to the increase in charges for services and a large increase in capital grants and contributions. General revenues were \$2,686,592 in the current year, which was an increase from last year of \$573,734 due in part to the increase in real property taxes and use of money and property offset by a decrease in sale of property and compensation for loss. Operating expenses by categories compared to the prior year are as follows:

	2019	2018	Increase (Decrease)
Expenses - Water supply services:			
Personal services	\$ 2,416,754	\$ 2,418,609	\$ (1,855)
Contractual and other	3,990,643	3,895,941	94,702
Employee benefits	2,287,952	2,161,700	126,252
Depreciation expense	1,671,730	1,600,644	71,086
Interest expense	607,381	420,985	186,396
	<u>\$ 10,974,460</u>	<u>\$ 10,497,879</u>	<u>\$ 476,581</u>

Overall, expenses - water supplies services increased \$476,581 from the prior year. Primarily due to the change in actuarial assumptions related to the OPEB and net pension liabilities coupled with an increase in depreciation expense and interest expense related to the BAN.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reported budget and actual in the general fund as follows:

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance
Revenues	\$ 11,031,352	\$ 11,031,353	\$ 11,545,492		\$ 514,139
Expenditures	(11,005,435)	(10,846,636)	(9,285,592)	\$ (105,194)	1,455,850
Other Financing Uses	(395,000)	(1,232,353)	(1,032,353)		200,000
Subtotal	<u>(11,400,435)</u>	<u>(12,078,989)</u>	<u>(10,317,945)</u>	(105,194)	1,655,850
Total	<u>\$ (369,083)</u>	<u>\$ (1,047,636)</u>	<u>\$ 1,227,547</u>	\$ (105,194)	<u>\$ 2,169,989</u>

The general fund reported excess of revenues over expenditures and other financing uses this year of \$1,227,547 increasing its fund balance from \$8,925,895 to \$10,153,442.

Revenues were over budget due to the District budgeting conservatively for payments in lieu of taxes, interest and penalties – water rents, other water charges, interest earnings, sale of water supplies and unanticipated revenues from a premium and refund of prior year expense.

**JERICHO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

In the District's original budget, the total appropriations for expenditures and other financing uses exceeded estimated revenues and other financing sources by \$369,083. Throughout the year, the District increased the original budget by appropriating restricted fund balance in the amount of \$678,553. These increases in appropriations were primarily for transmission and distribution and transfers to the capital projects fund.

CAPITAL ASSETS AND LONG-TERM DEBT

The District has been financing all capital expenditures from proceeds of general obligation bonds, annual budgetary appropriations, and from capital grants and contributions. During 2019, the District expended \$11,802,994 primarily on an improved meter charge out system, ongoing projects related to tank rehabilitation, and various equipment and machinery. Additional information on the District's capital assets can be found in Note D on the financial statements.

As of December 31, 2019, the District authorized total general obligation debt in the amount of \$71,409,000, of which \$49,354,000 is unissued, to finance the cost of improvements to the water system.

In addition to the capital improvements described above, Jericho Water District is committed to the long-term maintenance of the water system and plans significant capital expenditures on a regular basis. The District capital budget for 2020 estimates expenditures of \$168,000.

In addition, the District has encumbered funds for contractual commitments related to capital improvements of \$6,924,254.

As of December 31, 2019, the District had outstanding \$12,468,000 of general obligation bonds and \$7,485,000 of bond anticipation notes. Additional information on the District's long-term debt can be found in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Jericho Water District derives a majority 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 Jericho Water District, one of the largest commissioner operated districts in the State, 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 consecutively over two years or more running.

**JERICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Gallons billed and water revenues for the past five years are as follows:

	<u>Gallons Billed (in millions)</u>		<u>Water Revenue Recognized in the General Fund (in thousands)</u>
2019	4,518	\$	8,872
2018	4,605		8,511
2017	4,773		7,900
2016	5,220		8,792
2015	5,207		8,739

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 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. On September 5, 2019, the District's Board of Commissioners unanimously voted and approved a resolution to override the tax levy cap imposed by the State for the 2020 Budget.

For 2020, the District adopted a budget that includes an increase in real property taxes, which resulted in an increase to the real property tax levy of 52% from 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Business Manager at Jericho Water District, 125 Convent Road, Syosset, New York 11791.

BASIC FINANCIAL STATEMENTS

JERICO WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
 December 31, 2019

Assets

Current assets:	
Cash and investments	\$ 10,968,647
Accounts receivable	2,408,672
Prepays	305,713
Due from federal and state	306,885
Due from other governments	2,386,311
Inventory of materials and supplies	186,672
Total Current Assets	16,562,900
Non-current assets:	
Non-depreciable capital assets	14,385,190
Depreciable capital assets, net of depreciation	27,677,009
Total Non-current Assets	42,062,199
Total Assets	58,625,099

Deferred Outflows of Resources

Pensions	585,657
Other postemployment benefits	2,023,247
Total Deferred Outflows of Resources	2,608,904

Liabilities

Current liabilities:	
Accounts payable and accrued expenses	2,275,158
Retainage payable	572,066
Unearned revenue	76,292
Developer deposits	316,896
Non-current liabilities due within one year:	
Compensated absences	57,479
General obligation bonds payable	819,000
Total Current Liabilities	4,116,891
Non-current liabilities:	
Compensated absences	1,092,099
General obligation bonds payable	11,649,000
Bond anticipation notes payable	7,485,000
Other postemployment benefits payable	12,650,792
Net pension liability - proportionate share	522,300
Total Non-current Liabilities	33,399,191
Total Liabilities	37,516,082

Deferred Inflows of Resources

Pensions	190,699
Other postemployment benefits	2,158,584
Total Deferred Inflows of Resources	2,349,283

Net Position

Net investment in capital assets	22,902,762
Restricted	5,025,956
Unrestricted (Deficit)	(6,560,080)
Total Net Position	\$ 21,368,638

See notes to financial statements.

JERICO WATER DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

Governmental Activities

Expenses - Water supply services \$ 10,974,460

Program Revenues

Charges for services 8,906,321
Capital grants and contributions 2,439,247

Total Program Revenues 11,345,568

Net Program Expense 371,108

General Revenues

Real property taxes 1,880,008
Other real property tax items 89,910
Use of money and property 195,180
Sale of property and compensation for loss 383,476
Other local sources 138,018

Total General Revenues 2,686,592

Change in Net Position 3,057,700

Net Position - beginning of the year 18,310,938

Net Position - End of the Year \$ 21,368,638

**JERICO WATER DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019**

	General	Capital Projects	Total
Assets			
Cash and investments	\$ 8,682,590	\$ 2,286,057	\$ 10,968,647
Accounts receivable	2,408,672		2,408,672
Due from other fund	54,112		54,112
Due from federal and state		306,885	306,885
Due from other governments	165,348	2,220,963	2,386,311
Inventory of materials and supplies	186,672		186,672
Total Assets	\$ 11,497,394	\$ 4,813,905	\$ 16,311,299
Liabilities			
Accounts payable and accrued expenses	\$ 541,660	\$ 1,384,884	\$ 1,926,544
Due to other fund		54,112	54,112
Unearned revenue	76,292		76,292
Developer deposits		316,896	316,896
Total Liabilities	617,952	1,755,892	2,373,844
Deferred Inflows of Resources			
Water rents - unavailable	726,000		726,000
Total Deferred Inflows of Resources	726,000		726,000
Fund Balances			
Nonspendable	186,672		186,672
Restricted	3,571,610	2,819,973	6,391,583
Assigned	2,525,194	238,040	2,763,234
Unassigned	3,869,966		3,869,966
Total Fund Balances	10,153,442	3,058,013	13,211,455
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,497,394	\$ 4,813,905	\$ 16,311,299
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position			
Total Governmental Fund Balances			\$ 13,211,455
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			42,062,199
Deferred outflows of resources related to pension plans and other postemployment benefits are included in the statement of net position.			2,608,904
Prepaid assets are not current financial resources, and therefore, are not reported in the funds.			305,713
Other assets that are not available to pay for current period expenditures and are therefore deferred in the funds			726,000
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:			
Accrued interest payable		\$ (348,614)	
Retainage payable		(572,066)	
Compensated absences		(1,149,578)	
General obligation bonds payable		(12,468,000)	
Bond anticipation notes payable		(7,485,000)	
Other postemployment benefits payable		(12,650,792)	
Net pension liability - proportionate share		(522,300)	(35,196,350)
Deferred inflows of resources related to pension plans and other postemployment benefits are included in the Statement of Net Position.			(2,349,283)
Net Position of Governmental Activities			\$ 21,368,638

See notes to financial statements.

JERICHO WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	General	Capital Projects	Total
Revenues			
Real property taxes	\$ 1,880,008		\$ 1,880,008
Other real property tax items	89,910		89,910
Departmental income	8,904,320		8,904,320
Use of money and property	195,180		195,180
Sale of property and compensation for loss	383,476		383,476
Miscellaneous local sources	92,598		92,598
State aid		\$ 2,439,247	2,439,247
Installation income		45,420	45,420
Total Revenues	11,545,492	2,484,667	14,030,159
Expenditures			
Home and Community Service - Water Supply:			
Administration	1,306,058		1,306,058
Source of supply, power and pumping	1,782,695		1,782,695
Purification	501,769		501,769
Transmission and distribution	2,670,278		2,670,278
Employee benefits	1,795,543		1,795,543
Capital outlay		11,636,624	11,636,624
Debt service	1,229,249		1,229,249
Total Expenditures	9,285,592	11,636,624	20,922,216
Other Financing Sources (Uses)			
Issuance of bond anticipation note		7,485,000	7,485,000
Transfers in		1,032,353	1,032,353
Transfers out	(1,032,353)		(1,032,353)
Total Other Financing Sources (Uses)	(1,032,353)	8,517,353	7,485,000
Net Change in Fund Balance	1,227,547	(634,604)	592,943
Fund Balance at Beginning of Year	8,925,895	3,692,617	12,618,512
Fund Balance at End of Year	\$ 10,153,442	\$ 3,058,013	\$ 13,211,455
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities			
Net Changes in Fund Balances - Total Governmental Funds			\$ 592,943
Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures while in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:			
Capital assets purchases capitalized		\$ 11,495,351	
Depreciation expense		(1,671,730)	9,823,621
The issuance of long-term debt provides current financial resources, while the repayment of bond principal consumes the current financial resources in the governmental funds:			
Bond anticipation notes issued			(7,485,000)
Repayment of bond principal			756,000
Some expenditures reported in the governmental funds will provide benefits in future periods and therefore are not reported as expenditures in the statement of activities.			(5,324)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			2,000
Some expenses reported in the statement of activities, such as compensated absences, accrued interest, pension and other postemployment benefits payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			(626,540)
Change in Net Position of Governmental Activities			\$ 3,057,700

See notes to financial statements.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

The Jericho Water District (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 the 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 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 principles.

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

1. Financial Reporting

The Town of Oyster Bay, New York is financially accountable as a result of fiscal dependency for the Jericho Water District. Debt of the District, which is backed by the full faith and credit of the Town, and other fiscal matters result in a fiscal interdependency with the Town. Accordingly, the Jericho Water District has been determined to be a component unit of the Town of Oyster Bay, New York.

2. 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 - net investment in capital assets; 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 is otherwise supported by general revenues (property, use and money, sale of property and compensation for loss, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating and capital grants, to produce the net cost of each program. The net cost is normally covered by general revenues (real property tax, use and money, sale of property and compensation for loss, etc.). This 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.

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation (continued)

Fund Financial Statements

The fund financial statements focus on the major funds. 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Accordingly, the District maintains the following funds:

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. Government funds are further classified as major funds.

The District reports the following major governmental funds:

General Fund - is the principal operating fund of the District. This fund is used to account for and report all financial resources except those required to be accounted for in other funds.

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

3. Measurement Focus/Basis of Accounting

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

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.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

3. Measurement Focus/Basis of Accounting (continued)

In the fund financial statements, 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. The District considers all revenues available if they are collected within 60 days after the year end except for grant revenue pursuant to a reimbursable grant arrangement which is recorded when eligible expenditures are incurred.

Expenditures are recorded when incurred except that:

- a. Expenditures for prepaid expenses are recognized at the time of purchase.
- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.
- d. Expenditures for retirement are recognized in the corresponding period to which it relates.

4. Property Taxes and Delinquent Water Bills

Property taxes and delinquent water bills are collected by the Town of Oyster Bay Receiver of Taxes on behalf of the District. The Town of Oyster Bay Receiver of Taxes collects all real property taxes for the Town, Nassau County, Town Special Districts and School Districts. Town and County taxes are levied on January 1, and are due in two installments payable by February 10 and August 10. The Town remits 100% of the amount of real property tax levied and the delinquent water bills to the District. Responsibility for collection of unpaid taxes is assumed by Nassau County.

5. Accounts Receivable

Accounts receivables include amounts due from customers. Receivables are recorded and revenues recognized as earned. Revenue from unbilled water usage at year end is recognized in the government-wide financial statements. At December 31, 2019, the District considered all remaining accounts receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

6. Prepaids

In the fund level statements, certain payments to vendors that reflect costs applicable to future accounting periods are recorded as expenditures in the period that the payments are made. In the government-wide statements, the cost of the prepaid items is recorded as expenses when consumed rather than when purchased.

7. Interfund Receivables, Payables and Transfers

Interfund receivable and payable balances for the District represent primarily the payment of premiums and interest earnings that will be reimbursed subsequent to year end. Interfund transfer balances represent the funding of capital expenditures through general fund appropriations.

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

8. Due from Other Governments

Amounts due from other governments are for amounts owed to the District by the Town of Oyster Bay and other municipalities.

9. Unearned Revenue

Unearned revenue consists of balances where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts include collections in advance.

10. Inventory of Materials and Supplies

The District's inventory consists of expendable supplies and repair parts and is recorded using the consumption method. The cost of inventory is recorded as expenditures/expenses when consumed rather than when purchased. Inventory is valued at cost utilizing the latest invoice price, which approximates the first-in, first-out method.

11. Capital Assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at their acquisition value at the date of donation. Subsequent to December 31, 1980, infrastructure assets consisting of water mains have been reported at historical cost.

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

Buildings	40 years
Improvements	20 years
Wells, water tanks and other structures	40 years
Water mains	40-50 years
Machinery and equipment	10-20 years
Office furniture and equipment	5 years
Vehicle	8 years
Software	5-10 years

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

12. 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.

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

13. 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 financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualifies for reporting in this category. First is related to the pension reported in the government-wide Statement of Net Position. This represents the differences between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between the District's contributions and proportionate share of contributions. This amount also includes the District contributions to the pension systems subsequent to the measurement date. The second item is related to total other postemployment benefits payable reported in the government-wide Statement of Net Position. This represents the changes of assumptions or other inputs. See Note F and G.

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to the pension reported in the government-wide Statement of Net Position. This represents the differences between expected and actual experience, net difference between projected and actual earnings on pension plan investments and the change in proportion and differences between the District's contributions and its proportionate share of contributions. The second item is related to the other postemployment benefits liability reported in the government-wide Statement of Net Position. This represents the changes in assumptions or other inputs and the difference between expected and actual experience. See Notes F and G.

14. Long-Term Obligations

All long-term obligations are reported as liabilities in the government-wide statements. The long-term obligations consist of general obligation bonds payable, compensated absences, other postemployment benefits payable and net pension liability - proportionate share.

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 principal and interest reported as expenditures. The liabilities for compensated absences, other postemployment benefits payable and net pension liability proportionate share are liquidated through future budgetary appropriations in the general fund.

15. Compensated Absences

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. Employees accrue sick leave at the rate of 13 days per year and may accumulate such credits up to a total of 240 days. Upon separation from service, employees are paid a percentage of their unused sick leave, which ranges from 50% to 100%, based on the number of years employed.

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

15. Compensated Absences (continued)

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. Compensated absence liability and expenditure are reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

16. 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's employees may become eligible for these benefits if they reach age 55 and 10 years of service while working for the District. Health care and survivor's benefits are in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), and are provided through the New York State Empire Plan (the "Empire Plan") whose premiums are based on the benefits paid throughout the State 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 postemployment benefits payable is recorded as a long-term liability in the government-wide statements.

17. Insurance

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.

18. Net Position and Fund Equity Classifications

Government-Wide Financial Statements

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

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by any outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. 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 or enabling legislation.
- c. Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

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

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

18. Net Position and Fund Equity Classifications (continued)

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; they are non-spendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory of materials and supplies recorded in the general fund.

Restricted fund balance includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority. The Board of Commissioners is not empowered to establish local law; accordingly, the District will not have committed fund balance.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has the authority to assign amounts to be used for specific purposes. Assigned fund balances including all remaining amounts (except negative balances) that are not reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. It is also used to report negative fund balances in other governmental funds.

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

The Board of Commissioners strives to maintain an adequate level of fund balance due to the volatility of revenues.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

19. Use of Estimates

The preparation of basic 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, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reported period. Actual results could differ from those estimates.

20. Subsequent Events

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

B. Stewardship, Compliance and Accountability

1. Budgetary Data

Budget Policies

The District prepares an annual budget for the general fund, which is approved by the Board of Commissioners.

The budget is then submitted to the Town of Oyster Bay for inclusion in the Town Budget and a public hearing is held thereon. The budget is not subject to referendum. The annual budget lapses at year end and any revisions are adopted by resolution of the Board of Commissioners.

Budget(s) are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances (if any) carried forward from the prior year.

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

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 the 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. On September 6, 2018, the District's Board of Commissioners unanimously voted and approved a resolution to override the tax levy cap imposed by the State for the 2019 Budget. For 2019, the District adopted a budget that includes an increase in real property taxes, which resulted in an increase to the real property tax levy of 30% from 2018.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

B. Stewardship, Compliance and Accountability (continued)

2. Fund Balance

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

	General Fund	Capital Projects Funds	Total
Nonspendable:			
Inventory of materials and supplies	\$ 186,672		\$ 186,672
Restricted for:			
Capital improvements		1,365,627	1,365,627
Capital projects reserves	1,888,049	1,454,346	3,342,395
Repair reserve	514,794		514,794
Employee benefit accrued liability	650,826		650,826
Retirement contribution	372,987		372,987
Debt service reserve	144,954		144,954
Total Restricted	3,571,610	2,819,973	6,391,583
Assigned to:			
Subsequent year's budget	120,000		120,000
Capital improvements		238,040	238,040
Debt service	2,300,000		2,300,000
Encumbrances	105,194		105,194
Total Assigned	2,525,194	238,040	2,763,234
Unassigned	3,869,966	-0-	3,869,966
Total Fund Balances	\$ 10,153,442	\$ 3,058,013	\$ 13,211,455

Capital Projects Reserves

In accordance with New York State General Municipal Law §6-c, the District has established a "type" capital reserve to finance the cost of improvements to the water distribution system. Expenditures from this reserve require the approval of the Board of Commissioners. The reserve may be funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

B. Stewardship, Compliance and Accountability (continued)

2. Fund Balance (continued)

Capital Projects Reserves (continued)

A summary of activity in the capital reserve fund for 2019 is as follows:

Beginning balance	\$ 1,296,718
Transferred from unassigned	1,000,000
Interest earned on reserved cash	16,331
Appropriation for capital projects fund	<u>(425,000)</u>
	<u>\$ 1,888,049</u>

Repair Reserve

In accordance with New York State General Municipal Law §6-d, the District has established a repair reserve to finance the cost of emergency repairs to the water distribution system. Expenditures from this reserve require the approval of the Board of Commissioners. The reserve may be funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account. This reserve is accounted for in the general fund.

Beginning balance	\$ 559,750
Transferred from unassigned	\$ 200,000
Interest earned on reserved cash	8,597
Transfer to capital projects fund	<u>(253,553)</u>
	<u>\$ 514,794</u>

Employee Benefit Accrued Liability

In accordance with New York State General Municipal Law §6-p, the District has established an employee benefit accrued liability reserve to finance the cost of accrued employee benefits due to employees upon termination of service. This employee benefit accrued liability reserve is funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account. This reserve is accounted for in the general fund.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

B. Stewardship, Compliance and Accountability (continued)

2. Fund Balance (continued)

Employee Benefit Accrued Liability (continued)

Beginning balance	\$ 492,376
Transferred from unassigned	150,000
Interest earned on reserved cash	<u>8,450</u>
	<u>\$ 650,826</u>

Retirement Contributions

In accordance with New York State General Municipal Law §6-r, the District has established a retirement contribution reserve to finance the cost of the retirement contribution to the New York State and Local Employees' Retirement System. This retirement contribution reserve is funded with budgetary appropriations or revenues not required by law to be paid into any other fund or account. This reserve is accounted for in the general fund.

Beginning balance	\$ 366,516
Interest earned on reserved cash	<u>6,471</u>
	<u>\$ 372,987</u>

Debt Service Reserve

These funds arose from unspent bond proceeds amounting to \$144,954. These funds will be used to pay off outstanding general obligation debt as the particular issues become due.

Debt Service

The Board of Commissioners designated \$2,300,000 for debt service retirement. This designation will be used to fund future debt service costs.

C. Cash and Investments

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. District monies must be deposited in Federal Deposit Insurance Corporation ("FDIC") - insured commercial banks or trust companies located within the State.

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

C. Cash and Investments (continued)

The District is authorized to use demand accounts, money market accounts and certificates of deposit. 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 deposits and time deposits not covered by the FDIC. Obligations that may be pledged as collateral are obligations of the United States and its agencies, and obligations of the State and its municipalities.

Custodial Credit Risk - Deposits/Investments - Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency.

Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: (a) collateralized with securities held by the pledging financial institution, or (b) collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name, or (c) uncollateralized.

At December 31, 2019, the District's bank deposit balances were \$11,063,022, of which \$250,000 was covered by the Federal Deposit Insurance Corporation and \$10,813,022 was covered by an irrevocable stand by letter of credit and various investments issued by the Federal Home Loan Bank, which is held by the pledging financial institution, in the District's name.

As of December 31, 2019, the District did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

D. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Capital assets not being depreciated:				
Land	\$ 304,000			\$ 304,000
Construction in progress	7,274,256	\$ 7,753,072	\$ 946,138	14,081,190
Total Capital Assets Not Being Depreciated	<u>7,578,256</u>	<u>7,753,072</u>	<u>946,138</u>	<u>14,385,190</u>
Depreciable capital assets:				
Buildings	8,272,687			8,272,687
Improvements	4,726,018	433,855		5,159,873
Wells, water tanks and structures	7,623,096	942,833		8,565,929
Water mains	13,071,569	154,219		13,225,788
Machinery and equipment	16,074,403	3,465,153		19,539,556
Software	42,352			42,352
Total Depreciable Capital Assets	<u>49,810,125</u>	<u>4,996,060</u>	<u>-0-</u>	<u>54,806,185</u>
Accumulated depreciation:				
Buildings	3,841,533	251,364		4,092,897
Improvements	2,469,018	185,244		2,654,262
Wells, water tanks and structures	3,183,684	231,189		3,414,873
Water mains	5,490,958	331,004		5,821,962
Machinery and equipment	10,454,344	668,160		11,122,504
Software	17,909	4,769		22,678
Total Accumulated Depreciation	<u>\$ 25,457,446</u>	<u>\$ 1,671,730</u>	<u>\$ -0-</u>	<u>27,129,176</u>
Total Net Depreciable Capital Assets				<u>27,677,009</u>
Total Capital Assets				<u>\$ 42,062,199</u>

Depreciation expense totaled \$1,671,730 and was charged to home and community services - water supply services.

Jericho Water District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets 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, 2019, the District has not recorded any such impairment losses.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

E. Long-Term Obligations

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

General Obligation Bonds - The District periodically borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit of the Town of Oyster Bay, bear interest at rates ranging from 3.0% to 4.0%, and maturity dates ranging from 2028 to 2033.

Principal and interest payments to maturity of general obligation serial bonds as of December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 2020	\$ 819,000	\$ 405,891	\$ 1,224,891
2021	845,000	380,398	1,225,398
2022	871,000	354,122	1,225,122
2023	900,000	327,003	1,227,003
2024	928,000	299,022	1,227,022
2025-2029	4,898,000	1,024,169	5,922,169
2030-2033	3,207,000	225,559	3,432,559
	<u>\$ 12,468,000</u>	<u>\$ 3,016,164</u>	<u>\$ 15,484,164</u>

Bond Anticipation Notes Payable- A bond anticipation note in the amount of \$7,485,000 was issued on March 14, 2019. With an interest rate of 3.00%. The District, pursuant to GASB guidance, did not record this note as a liability in the fund financial statements since it demonstrated an ability to consummate refinancing. The ability to consummate refinancing was evidenced by obtaining a renewal of financing prior to the issuance of the current year's financial statements (see Note J).

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

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

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

E. Long-Term Obligations (continued)

The following is a summary of changes in long-term debt for the period ended December 31, 2019:

	Balance 1/1/2019,	Increases	Reductions	Balance 12/31/19	Non-current Liabilities Due Within One Year
General obligation bonds	\$ 13,224,000	\$ -0-	\$ 756,000	\$ 12,468,000	\$ 819,000
Bond anticipation notes payable	-0-	7,485,000	-0-	7,485,000	-0-
Compensated absences	1,085,590	230,805	166,817	1,149,578	57,479
Other postemployment benefits payable*	11,367,866	1,607,188	324,262	12,650,792	-0-
Net pension liability - proportionate share	244,009	959,918	681,627	522,300	-0-

F. Retirement System

Plan Description and Benefits Provided

The District participates in the New York State Employees' Retirement System ("System"). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. 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 plan 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. 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, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Tiers 1 and 2

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

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

F. Retirement System (continued)

Plan Description and Benefits Provided (continued)

Tiers 1 and 2 (continued)

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

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

Tiers 3, 4 and 5

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

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

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

Tier 6

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

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

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

F. Retirement System (continued)

Plan Description and Benefits Provided (continued)

Tier 6 (continued)

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

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 members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4 and 5 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: (1) all pensioners who have attained age 62 and have been retired for five years; (2) all pensioners who have attained age 55 and have been retired for ten years; (3) all disability pensioners, regardless of age, who have been retired for five years; (4) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and (5) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

Contributions

Generally, Tiers 3, 4 and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and Tier 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and Tier 6 members are required to contribute for all years of service. Under the authority of the New York State Retirement and Social Security Law, the Comptroller

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

F. Retirement System (continued)

annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

The contribution paid during the current year was equal to 100% of the required payment. The contractually required contribution for the year ended December 31, 2019 was \$360,314.

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

At December 31, 2019, the District reported the following liability of \$522,300 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. 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 System in reports provided to the District.

Net pension liability	\$	522,300
District's portion of the Plan's total net pension liability		0.0073716%
Change in allocation of the System's total net pension liability since the prior measurement date		(0.0074867)

There was no significant change in the District's portion of the Plan's total net pension liability from March 31, 2018 to March 31, 2019.

For the year ended December 31, 2019, the District's recognized pension expense of \$361,293. At December 31, 2019, the District's reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,852	\$ 35,061
Changes of assumptions	131,285	
Net difference between projected and actual earnings on pension plan investments		134,051
Changes in proportion and differences between the District's contributions and proportionate share of contributions	77,660	21,587
District's contribution subsequent to the measurement date	273,860	
Total	\$ 585,657	\$ 190,699

The District's contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

F. Retirement System (continued)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31, 2020	\$	126,838
2021		(87,149)
2022		1,658
2023		79,751
		<u>121,098</u>
	\$	<u>121,098</u>

Actuarial Assumptions

The total pension liability as of the measurement date of March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

The actuarial valuations used the following actuarial assumptions:

Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Investment rate of return (net of investment expense)	7.0%
Salary scale	4.2%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Cost of living adjustment	1.3%
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 to March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015.

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

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

F. Retirement System (continued)

Actuarial Assumptions (continued)

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Private equity	10.0%	7.50%
Real estate	10.0%	5.55%
Absolute return strategies	2.0%	3.75%
Opportunistic portfolio	3.0%	5.68%
Real assets	3.0%	5.29%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation indexed bonds	4.0%	1.25%
	100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for the System. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 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 7.0%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability (asset)	\$ 2,283,577	\$ 522,300	\$ (957,298)

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

F. Retirement System (continued)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers participating in the System as of March 31, 2018 were as follows (in thousands):

	ERS
Employers' total pension liability	\$ 189,803,429
Plan Fiduciary Net Position	(182,718,124)
Employers' net pension asset/(liability)	\$ 7,085,305
Ratio of plan fiduciary net position to the Employers' total pension liability	96.27%

G. Other Postemployment Benefits than Pensions (OPEB)

The District established a single-employer defined benefit OPEB plan per its contracts with employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

Medical and dental coverage, including prescription drugs as part of the medical plan, is offered to retirees on a fully insured basis through the New York State Health Insurance Program (NYSHIP, the Empire Core Plus Plan and GIGNA Dental Insurance). Retirement is available, if the employee has obtained the age of 55 and completed 10 years of service with Jericho Water District. The District will also reimburse the full premium costs for Medicare part B payments. This contract will be renegotiated at various times in the future.

The District will pay 75% of the cost to continue coverage for the non-remarried spouse and dependents of an active employee for three years after that date of death and one year after the date of death for a retiree. The District shall assume the full cost of premiums for members hired prior to July 6, 2011. For members hired on or after July 6, 2011, retirees pay 10% of the premium.

The District pays full coverage for retiree medical and dental insurance.

Employees Covered by Benefit Terms

The number of participants as of January 1, 2020, the effective date of the OPEB valuation, is as follows:

	Participants
Active employees	37
Inactive employees or beneficiaries currently receiving benefit payments	25
Total	62

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

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

G. Other Postemployment Benefits than Pensions (OPEB) (continued)

Total OPEB Liability

The District's total OPEB liability of \$12,650,792 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019, with update procedures used to rollforward the OPEB liability to the measurement date.

Funding Policy

The District currently pays for other postemployment benefits on a pay-as-you-go basis.

Actuarial Assumptions and Other Inputs

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

The total OPEB liability in the January 1, 2019 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	3.50%
Discount rate	2.74%
Healthcare cost trend rates	7.0% in 2019, grading down .5% per annum to an ultimate rate of 5.0% in years 2023 and later.

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

Mortality rates from RPH-2014 Total Dataset mortality table were used to project fully generationally using projection scale MP-2019.

The decrement tables used for this valuation are based on the New York State Employees' Retirement System (ERS). The current valuation reflects tables released in 2015 for ERS.

In the January 1, 2019 actuarial valuation, the liabilities were computed using the entry age normal method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s).

Other changes impacting the valuation were due to updated mortality tables to reflect an updated projection scale. The healthcare cost trend rate was reset to 7.0% in 2019, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2023 and later.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

G. Other Postemployment Benefits than Pensions (OPEB) (continued)

Changes in the Total OPEB Liability

The following table shows the components of the District's other postemployment benefits liability:

	Total OPEB Liability
Balance at December 31, 2018	\$ 11,367,866
Changes for the year:	
Service cost	421,263
Interest	422,382
Differences between expected and actual experience	(1,613,419)
Changes of assumptions or other inputs	2,376,962
Benefit payments	(324,262)
Net Changes	1,282,926
Balance at December 31, 2019	\$ 12,650,792

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 (1.74%) or 1-percentage-point higher (3.74%) than the current discount rate:

	One Percent Decrease (1.74%)	Current Discount Rate (2.74%)	One Percent Increase (3.74%)
Total OPEB Liability	\$ 14,929,809	\$ 12,650,792	\$ 10,845,681

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current healthcare cost trend rates:

	One Percent Decrease (6.00% to 4.00%)	Healthcare Cost Trend Rates (7.00% to 5.00%)	One Percent Increase (8.00% to 6.00%)
Total OPEB Liability	\$ 10,623,141	\$ 12,650,792	\$ 15,313,413

JERICO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

G. Other Postemployment Benefits than Pensions (OPEB) (continued)

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

For the year ended December 31, 2019, the District recognized OPEB expense of \$751,701. At December 31, 2019, the District reported deferred outflows or inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -0-	\$ 1,373,326
Changes of assumptions or other inputs	2,023,247	785,258
Total	\$ 2,023,247	\$ 2,158,584

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

For the years ending December 31, 2020	\$ (91,944)
2021	(91,944)
2022	(91,944)
2023	(54,938)
2024	113,622
Thereafter	81,811
	\$ (135,337)

H. Commitments and Contingencies

Litigation

The District is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the District.

JERICHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

H. Commitments and Contingencies (continued)

Capital Improvements

The District is committed to the long-term maintenance of the water system and plans capital improvements on a regular basis. At December 31, 2019, the District had contracts and other commitments outstanding related to capital projects as follows:

Projects Financed with Bond Authorizations	
Wheatley Tank Rehabilitation	\$ 3,095,009
Split Rock Tank Rehabilitation	279,184
Nitrate Removal Facility	2,123,463
Meter Change Out Program	159,732
Sub-Total	<u>5,657,388</u>
 Projects Financed from General Fund Appropriations	
AC Unit at District Headquarters	50,800
Service Connection Replacement	9,000
Southwoods Road Test Well	6,806
Kirby Lane AOP System	83,433
Fuel Tank Monitoring System	12,531
PTAS at Well No.6 & 16	643,653
Pump House No. 12 Driveway	23,525
Installation of GACs No.4	37,513
Rehabilitation of Well No. 12 Electoral Upgrade	32,880
McCoun's Lane Water Main	366,725
Sub-Total	<u>1,266,866</u>
Total Encumbrances	<u>\$ 6,924,254</u>

I. New Pronouncements

Statement No. 87, "Leases", the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2021 as amended by Statement No. 95.

Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", the objective of which is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020 as amended by statement No. 95.

JERICOHO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

I. New Pronouncements (continued)

Statement No. 91 "Conduit Debt Obligations" The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2021 as amended by statement No 95.

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance" The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective date for all of the above pronouncements have been extended. GASB 87 has been postponed 18 months, GASB 89 and GASB 91 have been postponed one year.

The District will evaluate the impact these pronouncements may have on its financial statements and will implement them as applicable and when material.

J. Subsequent Event

In March 2020, the District issued \$13,350,000 of new bond anticipation notes with an interest rate of 2.00% and renewed bond anticipation notes of \$7,485,000 at an interest rate of 2.00% which matures on March 12, 2021.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken global and specially in New York State to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relation of protective measures, management cannot reasonably estimate the actual impact on the District's financial position at this time.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Notes to Required Supplementary Information

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations may be made. The capital project fund is budgeted on a project basis.

JERICO WATER DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance Positive (Negative)
Revenues					
Real property taxes	\$ 1,880,000	\$ 1,880,000	\$ 1,880,008		\$ 8
Other real property tax items	60,000	60,000	89,910		29,910
Departmental income	8,812,502	8,812,503	8,904,320		91,817
Use of money and property	27,850	27,850	195,180		167,330
Sale of property and compensation for loss	250,000	250,000	383,476		133,476
Miscellaneous local sources	1,000	1,000	92,598		91,598
Total Revenues	<u>11,031,352</u>	<u>11,031,353</u>	<u>11,545,492</u>		<u>514,139</u>
Expenditures					
Home and Community Service - Water Supply:					
Administration	1,712,690	1,725,690	1,306,058	12,317	407,315
Source of supply, power and pumping	2,072,000	2,038,682	1,782,695		255,987
Purification	848,109	673,109	501,769	60	171,280
Transmission and distribution	3,096,284	3,132,803	2,670,278	92,817	369,708
Employee benefits	2,047,105	2,047,103	1,795,543		251,560
Debt service	1,229,247	1,229,249	1,229,249		-0-
Total Expenditures	<u>11,005,435</u>	<u>10,846,636</u>	<u>9,285,592</u>	<u>105,194</u>	<u>1,455,850</u>
Other Financing Uses					
Interfund transfers out	(395,000)	(1,232,353)	(1,032,353)		200,000
Total Other Financing Uses	<u>(395,000)</u>	<u>(1,232,353)</u>	<u>(1,032,353)</u>		<u>200,000</u>
Net Change in Fund Balance	<u>\$ (369,083)</u>	<u>\$ (1,047,636)</u>	1,227,547	<u>\$ (105,194)</u>	<u>\$ 2,169,989</u>
Fund Balance at Beginning of Year			<u>8,925,895</u>		
Fund Balance at End of Year			<u>\$ 10,153,442</u>		

JERICHO WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues				
Real Property Taxes	\$ 1,880,000	\$ 1,880,000	\$ 1,880,008	\$ 8
Other Real Property Taxes				
Payment in lieu of taxes	60,000	60,000	89,910	29,910
Departmental Income				
Metered water sales	8,595,402	8,595,402	8,585,747	(9,655)
Fireline charges	100,000	100,001	117,098	17,097
Hydrant and sprinkler permits	30,000	30,000	24,950	(5,050)
Interest and penalties - water rents	55,000	55,000	78,750	23,750
Implementation charges	4,600	4,600	7,275	2,675
Other water charges	27,500	27,500	90,500	63,000
Total Departmental Income	8,812,502	8,812,503	8,904,320	91,817
Use of Money and Property				
Interest earnings	27,850	27,850	195,180	167,330
Total Use of Money and Property	27,850	27,850	195,180	167,330
Sale of Property and Compensation for Loss				
Sale of water supplies	160,000	160,000	252,863	92,863
Plant supplies and labor	80,000	80,000	105,200	25,200
Insurance recoveries	10,000	10,000	25,413	15,413
Total Sale of Property and Compensation for Loss	250,000	250,000	383,476	133,476
Miscellaneous Local Sources				
Refund of prior year expense			32,658	32,658
Premium on obligations			54,502	54,502
Other unclassified revenue	1,000	1,000	5,438	4,438
Total Miscellaneous Local Sources	1,000	1,000	92,598	91,598
Total Revenues	11,031,352	11,031,353	11,545,492	514,139

JERICO WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance Positive (Negative)
Expenditures					
Administration					
Office salaries	\$ 758,000	\$ 758,000	\$ 702,689	\$ -	\$ 55,311
Commissioners fees	20,000	20,000	17,200		2,800
Office equipment	46,616	49,230	45,098		4,132
Auditing	32,500	30,886	29,950		936
Legal	71,662	71,662	58,300	4,891	8,471
Other professional services	73,050	86,050	78,661	6,000	1,389
Insurance	179,500	178,000	161,151		16,849
Communications	48,000	48,000	42,895		5,105
Computer expense	75,112	75,112	67,095		8,017
Office expense	92,000	92,500	81,994		10,506
Water conservation	3,500	3,500		1,426	2,074
Conventions, dues and education	13,750	13,750	10,246		3,504
NY Metropolitan Commuter tax	10,000	10,000	8,184		1,816
Election expenses	4,000	4,000	2,595		1,405
Contingency	285,000	285,000			285,000
Total Administration	1,712,690	1,725,690	1,306,058	12,317	407,315
Source of Supply, Power and Pumping					
Heat, light and power	2,072,000	2,038,682	1,782,695		255,987
Purification					
Caustic soda	400,000	410,609	313,284		97,325
Water analysis	433,109	247,500	188,485	60	58,955
Repairs	15,000	15,000			15,000
Total Purification	848,109	673,109	501,769	60	171,280
Transmission and Distribution					
Plant salaries	1,861,250	1,861,251	1,696,868		164,383
Equipment and capital outlay - plant	226,753	282,771	184,821	41,186	56,764
Water supplies	209,771	209,771	174,332	32,805	2,634
Plant supplies	39,705	35,905	19,584	1,489	14,832
Plant expense	103,250	103,322	69,623	6,775	26,924
Grounds maintenance	25,000	30,000	29,698		302
Engineering and consulting	58,588	82,736	74,280	8,456	-0-
Auto	81,144	72,875	56,458	75	16,342
Road patches	110,000	107,928	73,616		34,312
Other professional services	109,400	92,152	70,023	1,940	20,189
Conventions, dues and education	12,500	12,500	10,145		2,355
License and permits	15,000	8,900	4,415		4,485
Electrical and well repair	243,923	232,692	206,415	91	26,186
Total Transmission and Distribution	3,096,284	3,132,803	2,670,278	92,817	369,708

(continued)

JERICO WATER DISTRICT
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Encum- brances	Variance Positive (Negative)
Employee Benefits					
State retirement	\$ 360,105	\$ 360,314	\$ 360,314		\$ -0-
Social security	205,000	204,789	177,955		26,834
Employee accrual payout	80,000	80,000			80,000
Hospital and medical insurance	1,237,500	1,237,500	1,129,444		108,056
Workers' compensation insurance	157,500	157,500	123,840		33,660
Unemployment insurance	2,000	2,000			2,000
Life insurance	5,000	5,000	3,990		1,010
Total Employee Benefits	<u>2,047,105</u>	<u>2,047,103</u>	<u>1,795,543</u>	-0-	<u>251,560</u>
Debt Service					
Serial bonds - principal	756,000	756,000	756,000		-0-
Serial bonds - interest	473,247	473,249	473,249		-0-
Total Debt Service	<u>1,229,247</u>	<u>1,229,249</u>	<u>1,229,249</u>	-0-	<u>-0-</u>
Total Expenditures	<u>11,005,435</u>	<u>10,846,636</u>	<u>9,285,592</u>	105,194	<u>1,455,850</u>
Other Financing Uses					
Interfund transfers out	395,000	1,232,353	1,032,353		200,000
Total Expenditures and Other Financing Uses	<u>\$ 11,400,435</u>	<u>\$ 12,078,989</u>	<u>\$ 10,317,945</u>	<u>\$ 105,194</u>	<u>\$ 1,655,850</u>

JERICOHO WATER DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER
POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS
December 31, 2019

Period	Total OPEB Liability - Beginning of the Period	Service Cost	Interest on Total OPEB Liability	Differences Between Expected and Actual Experience	Changes in Benefit Terms	Changes of Assumptions or Other Inputs	Benefit Payments	Total OPEB Liability - End of the Period	Covered- Employee Payroll	Total OPEB Liability as a Percentage of Covered- Employee Payroll
January 1, 2018 - December 31, 2018	\$ 12,008,665	\$ 480,832	\$ 423,688	\$ -0-	\$ -0-	\$ (1,196,390)	\$ (348,929)	\$ 11,367,866	\$ 2,750,407	413.32%
January 1, 2019 - December 31, 2019	\$ 11,367,866	\$ 421,263	\$ 422,382	(1,613,419.00)	\$ -0-	\$ 2,376,962	\$ (324,262)	\$ 12,650,792	\$ 2,105,321	600.90%

Notes to Schedule:

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

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

Changes of Assumptions

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

The following are the discount rates used in each period:

2019	2.74%
2018	4.10%
2017	3.44%

Change in Actuarial Cost Method

The District adopted GASB Statement No. 75 in the year-ended December 31, 2018 and continues to use the entry age normal as a percentage of payroll, the prescribed method under GASB 75.

JERICHO WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2019

NYSERS	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0073716%	0.0075604%	0.0079627%	0.0077890%	0.0078027%	0.0078027%
District's proportionate share of the net pension liability (asset)	\$ 522,300	\$ 244,009	\$ 748,191	\$ 1,250,163	\$ 263,593	\$ 352,591
District's covered payroll	\$ 2,454,028	\$ 2,261,920	\$ 2,131,853	\$ 2,112,734	\$ 2,052,218	\$ 2,090,313
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	21.28%	10.79%	35.10%	59.17%	12.84%	16.87%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

JERICO WATER DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
December 31, 2019

	NYSERS									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 360,314	\$ 341,999	\$ 330,023	\$ 334,564	\$ 360,821	\$ 394,553	\$ 424,582	\$ 532,068	\$ 266,971	\$ 205,565
Contributions in relation to the contractually required contribution	<u>360,314</u>	<u>341,999</u>	<u>330,023</u>	<u>334,564</u>	<u>360,821</u>	<u>394,553</u>	<u>424,582</u>	<u>532,068</u>	<u>266,971</u>	<u>205,565</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered payroll	\$ 2,497,127	\$ 2,412,572	\$ 2,211,586	\$ 2,136,332	\$ 2,156,307	\$ 2,070,708	\$ 2,076,672	\$ 2,043,726	\$ 1,954,864	\$ 2,020,704
Contributions as a percentage of covered payroll	14.43%	14.18%	14.92%	15.66%	16.73%	19.05%	20.45%	26.03%	13.66%	10.17%

OTHER SUPPLEMENTARY INFORMATION

JERICO WATER DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
 Year Ended December 31, 2019

Capital Project	Expenditures Prior Years	Expenditures Current Year	Encum- brances	Total
Projects Financed with Bond Authorizations				
Wheatley Tank Rehabilitation	\$ 3,567,230	\$ 2,171,341	\$ 3,095,009	\$ 8,833,580
Split Rock Tank Rehabilitation	16	816	279,184	280,016
Nitrate Removal Facility	1,870,601	4,866,623	2,123,463	8,860,687
Meter Change Out Program	1,580,277	2,979,302	159,732	4,719,311
Bond Issuance Costs	27,386	7,225		34,611
Sub-Total	<u>7,045,510</u>	<u>10,025,307</u>	<u>5,657,388</u>	<u>22,728,205</u>
Projects Financed from General Fund Appropriations				
AC Unit at District Headquarters			50,800	50,800
Service Connection Replacement			9,000	9,000
Southwoods Road Test Well		14,194	6,806	21,000
Merry Lane AOP System		27,300		27,300
Kirby Lane AOP System		35,067	83,433	118,500
Fuel Tank Monitoring System		68,318	12,531	80,849
Anita Ave Water Main Replacement		92,101		92,101
Light Truck		21,948		21,948
PTAS at Well No. 6 & 16		55,346	643,654	699,000
Pump House No. 12 Building Improvements	34,662	63,093		97,755
Pump House No. 12 Driveway		8,475	23,525	32,000
Installation of GACs No.4	19,018	416,719	37,513	473,250
Installation of GACs No.18		342,100		342,100
Rehabilitation of Well No. 12 Electoral Upgrade		82,390	32,879	115,269
Roof Replacement at Various Facilities	13,026	212,521		225,547
Rehabilitation of Well No. 12	884,708	58,132		942,840
Sign Front Entrance at District Headquarters		23,750		23,750
Landscape Front Entrance at District Headquarters	2,150			2,150
McCoun's Lane Water Main	25,466	5,762	366,725	397,953
Fire Alarm at District Headquarters		38,680		38,680
Installation - Developers		45,421		45,421
Sub-Total	<u>979,030</u>	<u>1,611,317</u>	<u>1,266,866</u>	<u>3,857,213</u>
Total Capital Projects	<u>\$ 8,024,540</u>	<u>\$ 11,636,624</u>	<u>\$ 6,924,254</u>	<u>\$ 26,585,418</u>