Monroe County Water Authority

Memorandum

To: MCWA Audit Committee*

Date: February 22, 2022

From: Nicholas Noce, Executive Director

Copy: S. Nasca, Ex-Officio
D. Hendrickson

Subject: Meeting Scheduled **Tuesday, March 1, 2022 at 8:00 a.m.**

Attached is the agenda for the Tuesday, March 1, 2022 meeting of the Audit Committee.

The first item for this meeting will be a review of the 2021 Audited Financial Plan. Doug Zimmerman and Tom Smith from EFPR Group, LLP will be in attendance to present the Audit for 2021.

The second item for this meeting is to review MCWA's 2021 Investment Audit, presented by the EFPR Group, LLP.

The next item on the agenda will be to review the 2021 Investment Report, to be presented by Amy Molinari.

The next item on the agenda will be to review the Assessment of the Effectiveness of Internal Controls, to be presented by Amy Molinari.

The last item on the agenda will be to confirm the next Audit Committee meeting scheduled for Thursday, May 5, 2022 at 8:00 a.m.

If you have any questions, please feel free to contact me. Please inform Diane or me if you are unable to attend the March 1st meeting. Thank you.

NN/dlh
Attachment

*Committee Members:
Joseph R. Rulison, Chairperson
Matthew J. Fero
Sheryal A. Volpe

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of
the County of Monroe, New York)

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

December 31, 2021 and 2020

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of
the County of Monroe, New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Monroe County Water Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Monroe County Water Authority (the Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2021 and 2020, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the additional information as listed in the table of contents on pages 43 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 Reporting Required by Government Auditing Standards

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

Williamsville, New York
, 2022

Management's Discussion and Analysis

December 31, 2021

The Monroe County Water Authority (the Authority) is a not-for-profit public benefit corporation that reliably provides quality, affordable water that fosters economic vitality and enhanced quality of life for Monroe County, New York (the County) and area communities who request service. The Authority is a discretely presented component unit of the County.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Authority include the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, the Statement of Cash Flows, and related notes to financial statements. The Statement of Net Position provides information about the nature and the amounts of investments and resources (assets), deferred outflows of resources, and the obligations to the Authority's creditors (liabilities), and deferred inflows of resources, with the difference between these reported as net position.

The Statement of Revenue, Expenses and Changes in Net Position shows how the Authority's net position changed during the year. It accounts for all the year's revenues and expenses, measures the financial results of the Authority's operations for the year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, and investing activities.

The notes to financial statements contain information that is essential to the understanding of the financial statements, such as the Authority's accounting methods and policies.

Management provides the following discussion and analysis (MD&A) of the Authority's financial position and activities. This overview is provided for the year ended December 31, 2021. The information contained in this analysis should be used by the reader in conjunction with the information contained in our audited financial statements and the notes to those financial statements, all of which follow this narrative on the subsequent pages.

FINANCIAL HIGHLIGHTS

The Authority's financial statements are prepared on the accrual basis of accounting promulgated by the Governmental Accounting Standards Board. The Authority is a single-purpose entity and revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

The 2021 financial statements are presented with comparative totals from 2020.

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of its most recent fiscal year by $340,486,180 (net position). Of this amount $50,892,348 (unrestricted net position) may be used to meet the Authority's ongoing obligations.

- Operating revenues increased $3,075,688 or 3.95% during the current year from $77,825,993 for the 2020 fiscal year to $80,901,681 for the 2021 fiscal year. This increase in revenue is largely due to consumption and rates increases in 2021.

Summary of Operations and Change in Net Position

	2021	2020
Operating revenue	$ 80,901,681	77,825,993
Operating expenses	(67,996,454)	(64,973,837)
Operating income	12,905,227	12,852,156
Non-operating expenses, net	(5,805,303)	(5,411,706)
Income before capital contributions	7,099,924	7,440,450
Capital contributions	4,466,997	2,841,816
Change in net position	$ 11,566,921	10,282,266

Capital contributions are revenue from developers and customers for water system capital improvements donated to the Authority.

Financial Position Summary

Net position is an indication of the Authority's financial strength. The Authority's net position as of December 31, 2021 is $340,486,180. A summary of the Authority's financial position is shown below.

	2021	2020
Assets:		
Current assets	$ 109,906,945	96,513,883
Capital assets	430,588,225	427,824,586
Funds held by trustee	20,767,803	25,860,508
Restricted assets	2,737,993	1,878,985
Total assets	564,000,966	552,077,962
Deferred Outflows of Resources	38,799,463	21,214,718
Liabilities:		
Current liabilities, including current portion of long-term	15,067,433	15,968,091
Long-term liabilities	220,794,350	216,209,502
Total liabilities	235,861,783	232,177,593
Deferred Inflows of Resources	26,452,466	12,195,828
Net Position:		
Net investment in capital assets	286,855,839	279,579,331
Restricted	2,737,993	1,878,985
Unrestricted	50,892,348	47,460,943
Total net position	$ 340,486,180	328,919,259

Total assets increased from December 31, 2020 to 2021 by $11,923,004 or 2% due to capital asset additions as well as increased cash balances.

Deferred outflows of resources at December 31, 2021 were $17,584,745 higher than at December 31, 2020, due to an increase in the other postemployment benefits which was based on the current year actuarial valuation. Deferred outflows of resources also increased due to a change in the actuarial valuation of the New York State and Local Retirement System in the current year.

Total liabilities increased by $3,684,190 due primarily to the actuarial valuations of the other postemployment benefits plan.

Deferred inflows of resources at December 31, 2021 were $14,256,638 higher than December 31, 2020, due primarily to an increase in the pension as a result of the calculated actuarial values.

As a water utility, the Authority has a significant investment in infrastructure. The Authority's infrastructure includes approximately 3,350 miles of pipelines ranging from 2-inch in diameter to 60-inch in diameter, 51 booster pumping stations, 49 storage tanks, 2 reservoirs, 3 water treatment plants, land and other facilities required in the treatment and distribution of potable water to its customers. The Authority's net position also includes funds available to pay for ongoing and future construction or replacements, and/or additions, to this infrastructure.

Authority Rates and Charges

The Authority sets its rates annually in concurrence with the adoption of its annual operating budget. The Authority is required by its Master Trust Indenture dated October 1, 1991 and Supplemental Indentures issued with and specific to each subsequent revenue bond issue (Trust Indentures) to set rates and fees sufficient to cover all of its operating and capital expenses.

Many factors were considered by the Authority's Board members when the rates were being set for 2021. Based in part on the recommendation of the Authority's independent rate consultant, the commodity and base rates increased by a modest amount and are shown in the following table.

	2021	2020	2019
Residential/quarterly:			
Daily base charge per connection (up to ¾")	$ 0.24	0.23	0.22
Commodity charge per 1,000 gallons	3.53	3.38	3.26
Large commercial/monthly:			
Daily base charge per connection			
Commodity charge per 1,000 gallons -	$ 1.35 - 31.01	1.05 - 21.35	0.65 - 8.12
First 125,000 gallons	3.53	3.38	3.26
Each additional 1,000 gallons	2.51	2.40	2.31
Water district/wholesale:			
Daily base charge per connection	$ 1.35 - 31.01	1.05 - 21.35	0.65 - 8.12
Commodity charge per 1,000 gallons	2.29	2.30	2.31

Summary of Operating Revenues	2021	2021 Budget	2020
Water sales:			
Residential/quarterly	$ 63,986,170	63,092,913	63,283,710
Large commercial/monthly	6,855,080	7,504,599	6,221,883
Water districts wholesale	4,728,140	3,907,316	4,024,113
Total water sales	75,569,390	74,504,828	73,529,706
Other water and operating revenue	5,332,291	7,135,014	4,296,287
Total operating revenue	$ 80,901,681	81,639,842	77,825,993

Revenue

Water sales for 2021 were projected based on average historical usage with the typical residential customer using approximately 69 thousand gallons of water annually. This year's water sales, which include the residential, large commercial and water district classes, were $2,039,684 more than those of 2020 and $1,064,562 more than budget. The summer of 2021 was hot and dry which increased demand. The effects of the pandemic resulted in increases in residential and industrial sales.

Other water revenue includes private fire services in the amount of $1,356,976, and late charges in the amount of $963,109. Also included are payments made to the Authority by Genesee County for debt service on facilities constructed and owned by the Authority for the benefit of the respective counties. In 2021 and 2020, the service fee for Genesee County was $2,025,583 and $1,307,823, respectively. Other operating revenues included cell tower lease income of $222,656 and $221,921 in 2021 and 2020, respectively.

As a result, total operating revenue for 2021 was $80,901,681, which was $3,075,688 more than 2020, and $738,161 less than budget estimates.

Operating Expenses

The Authority's expenses (excluding depreciation and amortization) are budgeted and tracked functionally by operating department. The Authority is divided into the following five departments: Administration; Production/Transmission; Engineering; Facilities, Fleet & Operations; and Finance & Business Services.

The following is a breakdown of the Authority's functional expenses by operating department (excluding depreciation and amortization):

	2021	2021 Budget	2020
Functional expenses:			
Administration	$ 10,440,996	5,663,673	4,048,684
Production/transmission	13,839,409	14,660,865	14,161,400
Engineering	3,534,341	4,950,570	4,236,786
Facilities, fleet & operations	13,398,153	14,604,038	14,873,172
Finance and business services	7,415,505	8,868,218	8,448,903
Total functional expenses	$ 48,628,404	48,747,364	45,768,945

Functional expenses (operating expenses excluding depreciation) were $108,960, or 0.22% under budget for 2021.

The following is a breakdown of the Authority's total operating expenses:

	2021	2020
Operating expenses:		
Salaries and fringe benefits	$ 24,663,087	23,980,649
Operations and maintenance	12,748,091	12,299,987
General and administrative	10,974,226	9,245,309
City contract - capital	243,000	243,000
Depreciation and amortization	19,368,050	19,204,892
Total operating expenses	$ 67,996,454	64,973,837

Total operating expenses increased $3,022,617 from 2020. Salaries and Benefits increased $682,438 or 3%. Operations and Maintenance expense increased $448,104 or 4% compared to 2020. General and administrative expenses increased $1,728,917 or 19% from 2020. City contract - capital is the Authority's share of capital projects outlined in the 2011 Exchange Agreement for Water Supply with the City of Rochester and did not change for 2021.

Non-Operating Revenue (Expenses)

The Authority's non-operating revenue (expenses) is composed of the following:

	2021	2020
Non-operating revenue (expenses):		
Federal interest subsidy	$ 1,905,752	1,798,135
Interest earnings	74,098	722,325
Interest expense	(7,356,804)	(7,239,451)
Bond issuance costs	-	(305,766)
Loss on disposal of capital assets	(394,108)	(418,865)
Realized and unrealized gains on investments, net	(34,241)	31,916
Total non-operating revenue (expenses), net	$ (5,805,303)	(5,411,706)

CAPITAL ASSETS

At the end of 2021, the Authority had $430,588,225 invested in a broad range of capital assets (see table below). This amount represents a net increase of $2,763,639 over last year.

Capital Assets, Net of Depreciation

	2021	2020
Land easements	$ 10,608,853	10,591,378
Construction-in-progress	20,623,931	18,824,424
Land improvements	7,829,480	7,708,985
Production and distribution system	257,070,621	253,305,193
Pipelines and district facilities	335,985,142	325,135,539
Meters and services	108,786,308	104,783,925
Automotive and construction equipment	8,888,839	8,706,137
Water facility capital lease	78,056,980	78,056,980
Furniture, fixtures and other equipment	3,646,666	3,736,009
Accumulated depreciation	(400,908,595)	(383,023,984)
	$ 430,588,225	427,824,586

DEBT ADMINISTRATION

Water Revenue Bonds

As of December 31, 2021, the Authority has six water revenue bond series outstanding totaling, $139,550,000. The 2007 Series bonds continue to be payable by Genesee County to the Authority under the terms of the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000. A portion of the 2020 Series bonds are also payable by Genesee County to the Authority.

Authority Bond Series	Outstanding as of December 2021	Outstanding as of December 2020	Principal Due 2022
2007 Series Refunding	$ 12,325,000	12,935,000	615,000
2010B Series	83,295,000	85,810,000	2,600,000
2012 Series	4,860,000	5,065,000	215,000
2013 Series	13,715,000	14,205,000	500,000
2017 Series	3,735,000	3,950,000	220,000
2020 Series	21,620,000	21,920,000	375,000
Total	$ 139,550,000	143,885,000	4,525,000

Credit Ratings

The Authority is the recipient of very favorable credit ratings from both Moody's Investors Service and Standard & Poor's. The Authority has an Aa1 rating assigned to its revenue bonds by Moody's Investors Service and an AA+ rating by Standard & Poor's. The Authority's bond ratings were last reviewed by Moody's Investor Service in March of 2020 and by Standard & Poor's in March of 2020 in conjunction with the 2020 bond issuance. The Authority issues revenue bonds subject to its Master Trust Indenture dated October 1, 1991 and Supplemental Indentures issued with, and specific to, each subsequent revenue bond issue.

ECONOMIC FACTORS AND NEXT YEAR'S GOALS

The Authority continues to develop the necessary infrastructure and operational practices to meet its short and long- term plans while ensuring quality customer service is provided and competitive rates are being maintained.

In 2022, the Authority intends to spend approximately $16.9 million for capital improvements, including the following major projects.

- SWTP Infrastructure
- Water Main Rehabilitation and Replacements
- Tank Painting and Rehabilitation
- Meter Replacements
- Service Replacements
- Vehicle Replacements
- Generator Optimization
- Storage Tank Projects

The Authority believes it possesses the financial and leadership capabilities to accomplish its goals during the upcoming year.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Authority and its future results and financial position is not presently determinable.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Director of Finance & Business Services, Monroe County Water Authority, 475 Norris Drive, Rochester, New York, 14610 or call (585) 442-2000.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	$ 91,428,332	58,015,035
Investments	-	20,777,218
Accounts receivable	6,872,589	7,534,591
Accrued unbilled revenue	7,952,000	7,742,000
Materials and supplies	1,939,015	1,518,516
Prepayments and other current assets	1,715,009	926,523
Total current assets	109,906,945	96,513,883
Other assets:		
Capital assets, net	430,588,225	427,824,586
Funds held by trustee	20,767,803	25,860,508
Total other assets	451,356,028	453,685,094
Restricted assets:		
Debt service fund held by trustee	868,306	4,645
Debt service reserve held by trustee	1,869,687	1,874,340
Total restricted assets	2,737,993	1,878,985
Total assets	564,000,966	552,077,962
Deferred Outflows of Resources:		
Pension	13,675,853	11,707,530
OPEB	24,731,304	9,085,982
Debt refunding	392,306	421,206
Total deferred outflows of resources	38,799,463	21,214,718
Liabilities:		
Current liabilities:		
Accounts payable and other liabilities	2,718,331	3,707,302
Accrued payroll and benefits	4,934,564	4,969,868
Accrued interest	2,889,538	2,955,921
Current portion of water revenue bonds	4,525,000	4,335,000
Total current liabilities	15,067,433	15,968,091
Long-term liabilities:		
Water revenue bonds, net of bond premium of $4,574,692 in 2021 and $4,781,461 in 2020	139,599,692	144,331,461
Net pension liability	58,190	16,339,575
Total OPEB liability	81,136,468	55,538,466
Total long-term liabilities	220,794,350	216,209,502
Total liabilities	235,861,783	232,177,593
Deferred Inflows of Resources:		
Pension	17,249,499	378,751
OPEB	9,202,967	11,817,077
Total deferred inflows of resources	26,452,466	12,195,828
Net Position:		
Net investment in capital assets	286,855,839	279,579,331
Restricted	2,737,993	1,878,985
Unrestricted	50,892,348	47,460,943
Total net position	$340,486,180	328,919,259

See accompanying notes to financial statements.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2021 and 2020

	2021	2020
Operating revenue:		
Water sales - residential	$ 63,986,170	63,283,710
Water sales - industrial/commercial	6,855,080	6,221,883
Water sales - water district	4,728,140	4,024,113
Other water revenue	4,580,859	3,792,884
Other operating revenue	751,432	503,403
Total operating revenue	80,901,681	77,825,993
Operating expenses:		
Salaries and fringe benefits	24,663,087	23,980,649
Operations and maintenance	12,748,091	12,299,987
General and administrative	10,974,226	9,245,309
City contract - capital	243,000	243,000
Depreciation	19,368,050	19,204,892
Total operating expenses	67,996,454	64,973,837
Total operating income	12,905,227	12,852,156
Non-operating revenue (expenses):		
Federal interest subsidy	1,905,752	1,798,135
Interest earnings	74,098	722,325
Interest expense	(7,356,804)	(7,239,451)
Bond issuance costs	-	(305,766)
Loss on disposal of capital assets	(394,108)	(418,865)
Realized and unrealized gain and losses on investments, net	(34,241)	31,916
Total non-operating expenses, net	(5,805,303)	(5,411,706)
Income before capital contributions	7,099,924	7,440,450
Capital contributions - developers and customers	4,466,997	2,841,816
Change in net position	11,566,921	10,282,266
Net position at beginning of year	328,919,259	318,636,993
Net position at end of year	$ 340,486,180	328,919,259

See accompanying notes to financial statements.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Statements of Cash Flows
Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers	$ 81,353,683	76,003,053
Payments to suppliers	(26,163,273)	(21,488,779)
Payments to employees	(18,738,781)	(20,183,201)
Net cash flows provided by operating activities	36,451,629	34,331,073
Cash flows from capital and related financing activities:		
Deposits (withdrawals) to funds held by trustees, net	4,233,697	(13,377,829)
Purchases of capital assets	(18,058,800)	(29,807,493)
Proceeds from disposal of capital assets	-	87,922
Federal interest subsidy	1,905,752	1,798,135
Repayments of water revenue bonds	(4,335,000)	(3,925,000)
Issuance of water revenue bonds	-	21,920,000
Amortization of debt refunding	28,900	28,900
Bond premiums received	-	3,576,781
Amortization of bond premiums	(206,769)	(186,942)
Bond issuance costs	-	(305,766)
Interest paid	(7,423,187)	(6,995,176)
Net cash flows used in capital and related financing activities	(23,855,407)	(27,186,468)
Cash flows from investing activities:		
Purchase of investments, net	20,777,218	(20,777,218)
Interest received	74,098	722,325
Realized and unrealized gains and losses on investments, net	(34,241)	31,916
Net cash flows provided by (used in) from investing activities	20,817,075	(20,022,977)
Net change in cash and cash equivalents	33,413,297	(12,878,372)
Cash and cash equivalents at beginning of year	58,015,035	70,893,407
Cash and cash equivalents at end of year	$ 91,428,332	58,015,035

(Continued)

See accompanying notes to financial statements.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Statements of Cash Flows, Continued

	2021	2020
Reconciliation of operating income to net cash flow provided by operating activities:		
Operating income	$ 12,905,227	12,852,156
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation	19,368,050	19,204,892
Bad debt expense	31,530	19,531
Changes in:		
Accounts receivable	630,472	(2,105,471)
Accrued unbilled revenue	(210,000)	263,000
Materials and supplies	(420,499)	45,089
Prepayments and other current assets	(788,486)	63,143
Accounts payable and other liabilities	(988,971)	191,285
Accrued payroll and benefits	(35,304)	(106,044)
Pension items	(1,378,960)	3,718,696
OPEB items	7,338,570	184,796
Net cash flows provided by operating activities	$ 36,451,629	34,331,073
Non-cash capital and related financing activities:		
Capital assets received directly from developers and customers	$ 4,466,997	2,841,816
Disposal of capital assets	(394,108)	(418,865)
	$ 4,072,889	2,422,951

See accompanying notes to financial statements.

(1) Organization

Monroe County Water Authority (the Authority), a discretely presented component unit of the County of Monroe, New York (the County), is a public benefit corporation organized under the Public Authorities Law of the State of New York. The Authority was created to finance, construct, operate and maintain a water supply and distribution system for the benefit of the residents of the County and the State of New York.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles.

The activities of the Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

(b) Basis of Presentation

GASB requires the classification of net position into three categories defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent capital-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted net position - This component of net position consists of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

(2) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

- Unrestricted net position - This component consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

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

(c) Cash and Cash Equivalents and Investments

For purposes of presenting the statement of cash flows, the Authority considers all highly liquid short-term investments with an original maturity of three months or less from date of purchase to be cash or cash equivalents.

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the assets or liabilities; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Authority assess the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

(2) Summary of Significant Accounting Policies, Continued

(d) Accounts Receivable

Accounts receivable consists of fees for services for water charges due from individuals, businesses, and other governments. Accounts receivable are carried on the balance sheet at net realizable value. The Authority has elected to record bad debts using the direct write-off method. GAAP requires the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(e) Accrued Unbilled Revenues

Accrued unbilled revenues represent revenue earned in the current year but not billed to customers until future dates, usually within three months, and is an estimate made by management using historical trends.

(f) Materials and Supplies

Materials and supplies are stated at cost and are determined using a weighted-average method.

(g) Prepayments and Other Current Assets

Prepayment and other current assets reflect costs applicable to future accounting periods and are recorded as prepayments and other current assets.

(h) Capital Assets

Capital assets are stated at cost. Depreciation and amortization are provided using the straight-line method over the following estimated useful lives or lease term if shorter:

Land improvements	10 - 20 years
Production and distribution system	5 - 40 years
Pipelines and district facilities	40 years
Meters and services	25 - 40 years
Automotive and construction equipment	5 years
Water facility capital lease	5 - 25 years
Furniture, fixtures and other equipment	5 - 15 years

Improvements, renewals and significant repairs over $5,000 that extend the life of the asset are capitalized; other repairs and maintenance costs are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any unrelated gains or losses are recorded.

(2) Summary of Significant Accounting Policies, Continued

(i) Funds Held by Trustee

Funds held by Bank of New York (the Trustee) consist of fixed income United States Government securities. These funds are required to be held in accordance with the trust indentures for the water revenue bonds as described in note 6.

As of December 31, 2021 and 2020, the Authority had the following funds held by trustee:

	2021	2020
Capital improvement fund	$ 15,748,986	19,979,424
New construction fund	5,018,817	5,881,084
Total funds held by trustee	$ 20,767,803	25,860,508

(j) Accrued Payroll and Benefits

It is the Authority's policy to record employee benefits, including accumulated vacation and sick leave, as a current liability on the statements of net position. The Authority's employees are granted vacation and sick leave in varying amounts based on the underlying employee contracts.

(k) Other Postemployment Benefits (OPEB)

The Authority provides certain health care benefits to its retired employees in accordance with the provisions of employment contracts.

(l) Unamortized Bond Premium

Bond premium related to the issuance of debt obligations is amortized over the term of the respective bond issues.

(m) Deferred Outflows and Inflows of Resources

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) until then. The Authority has three items that qualify for reporting in this category. The first item is related to pensions and represents the effect of the net change in the Authority's proportion of the collective net pension liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension system not included in pension expense as well as the Authority's contributions to the pension systems subsequent to the measurement date. The second item is related to OPEB and relates to differences between expected and actual experience, changes in assumptions as well as the Authority's contributions subsequent to the measurement date. The third item is the deferred loss the Authority incurred on its debt refundings.

(2) Summary of Significant Accounting Policies, Continued

(m) Deferred Outflows and Inflows of Resources, Continued

Deferred inflows of resources represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category. The first is related to pensions and represents the effect of the net change in the Authority's proportion of the collective net pension liability and difference during the measurement periods between the Authority's contributions and its proportion share of total contributions to the pension systems not included in the pension expense. The second item is related to OPEB and relates to differences between expected and actual experience and changes in assumptions.

(n) Revenue Recognition

Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings.

(o) Operating and Non-Operating Revenues and Expenses

Operating revenue consists of water revenue and other related revenue. The Authority defines non-operating revenue as interest earnings on investment assets and realized and unrealized gains or losses on sales of investments. Non-operating expenses are defined as interest expense and other costs related to issuance of long-term debt and gains and losses on disposals of capital assets. The Authority also receives Federal interest subsidies which are considered non-operating revenue.

(p) Capital Contributions from Developers and Customers

Capital contributions from developers and customers represent amounts for betterments or additions to capital assets that have been contributed to the Authority.

(q) Income Tax Status

As a public benefit corporation, the Authority is exempt from federal and state income taxes, as well as state and local property and sales taxes.

(r) Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Water Agreement

The Authority and the City of Rochester, New York (the City) entered into an agreement in 2011 that provides for the exchange of water between the two entities at a fixed rate that is established annually based on the weighted average cost of each entity's typical residential customer. Authority consumption of the City's water is offset against the City's consumption of the Authority's water with the net consumption charged at the annual exchange rate. For the year ended December 31, 2021 and 2020, the Authority had net purchases from the City of $1,449,359 and $1,555,906, respectively.

(4) Deposits With Financial Institutions and Investments

The guidelines established by the Authority permit the investment of funds held by the Authority, and funds held in trust for the Authority, to be invested in accordance with New York State Public Authorities Law. Investments must be in the form of obligations of the State of New York, or in general obligations of its political subdivisions; obligations of the United States or its agencies whose principal and interest payments are fully guaranteed by the federal government; and in collateralized time deposits or certificates of deposit issued by a commercial bank or trust company, which is a member of the Federal Deposit Insurance Corporation (FDIC). The Authority's investment policy limits its deposit and investment activity to time deposits, demand deposits, certificates of deposit, United States Government obligations and repurchase agreements.

The Authority's investment policy requires its deposits and investments, not controlled by the Trustee, to be 100% collateralized through federal deposit insurance or other obligations. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States or the State of New York. Collateral must be delivered to the Authority or an authorized custodial bank. In addition, the Authority's investment policy includes the following provisions for credit risk and custodial credit risk (as defined below):

- Custodial credit risk
  For cash deposits or investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.
  - The Authority limits its investments (other than United States securities held by the Trustee) at any financial institution to 1% of such institution's total assets.
  - Any financial institution in which the Authority invests funds must have in excess of $50,000,000 in capital stock and retained earnings and the Authority limits its investments (other than United States securities held by the Trustee) at these institutions to 5% of the total capital stock and retained earnings.

(4) Deposits With Financial Institutions and Investments, Continued

- Credit risk
  For cash deposits or investments, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

  - The Authority limits its investments in money market funds to those with the highest short-term or long-term rating by at least one nationally recognized rating agency. The money market funds detailed in this section are used as savings accounts by the Authority and these accounts are classified as cash and cash equivalents and not investments.
  - As of December 31, 2021 and 2020, the Authority's deposits and investments in various banks are below.
  - Total deposits of cash and cash equivalents, marketable securities and related collateral, included in cash and cash equivalents and marketable securities, not controlled by the Trustee (including certificates of deposit and money market funds) are as follows as of December 31, 2021 and 2020:

	2021	
	Carrying Amount	Bank Balance
Demand deposits	$ 3,932,602	5,120,684
Time deposits	87,495,730	87,495,730
Total cash and investments	$ 91,428,332	92,616,414
Insured cash - FDIC		$ 898,480
Uninsured - collateralized with securities held by pledging financial institution		94,146,358
Total insured and collateralized cash and cash equivalents		$ 95,044,838

	2020	
	Carrying Amount	Bank Balance
Demand deposits	$ 2,470,082	1,757,004
Time deposits	55,544,953	55,544,953
Total cash and investments	$ 58,015,035	57,301,957
Insured cash - FDIC		$ 1,205,300
Uninsured - collateralized with securities held by pledging financial institution		60,145,868
Total insured and collateralized cash and cash equivalents		$ 61,351,168

(4) Deposits With Financial Institutions and Investments, Continued

Total cash and cash equivalents and marketable securities by type as of December 31, 2021 and 2020, including certificates of deposit controlled by the Trustee and reported in 'Capital improvement fund', 'New construction fund', and 'Restricted Assets' in the accompanying financial statements, are as follows:

	2021	2020
United States Treasury obligations	$ 1,207,626	3,239,076
United States Treasury bills	21,429,865	45,085,954
Money market funds	868,305	-
Cash	91,428,332	58,206,716
	$ 114,934,128	106,531,746

United States Treasury obligations and United States Treasury bills are considered level 1 investments. The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following deposits and investments, excluding amounts controlled by the Trustee, held with one financial institution represent five percent or more of the Authority's total deposits and investments at either December 31, 2021 and 2020, or both:

	2021	2020
M&T Bank	$ 92,042,588	56,121,312
Percentage	99%	98%

(5) Capital Assets

Capital asset activity for the years ended December 31, 2021 and 2020 was as follows:

	2021				
	Balance 1/1/2021	Additions	Transfers	Disposals	Balance 12/31/2021
Land and easements	$ 10,591,378	-	17,475	-	10,608,853
Construction-in-progress	18,824,424	18,730,363	(16,930,856)	-	20,623,931
Total non-depreciable assets	29,415,802	18,730,363	(16,913,381)	-	31,232,784
Land improvements	7,708,985	-	120,495	-	7,829,480
Production and distribution system	253,305,193	7,300	4,698,376	(940,248)	257,070,621
Pipelines and district facilities	325,135,539	2,609,506	8,278,392	(38,295)	335,985,142
Meters and services	104,783,925	1,178,628	3,447,359	(623,604)	108,786,308
Automotive and construction equipment	8,706,137	-	214,675	(31,973)	8,888,839
Water facility capital lease	78,056,980	-	-	-	78,056,980
Furniture, fixtures and other equipment	3,736,009	-	154,084	(243,427)	3,646,666
Total at cost	781,432,768	3,795,434	16,913,381	(1,877,547)	800,264,036
Less accumulated depreciation:					
Land improvements	(3,005,883)	(185,834)	-	-	(3,191,717)
Production and distribution system	(107,426,471)	(7,983,367)	-	815,533	(114,594,305)
Pipelines and district facilities	(143,492,259)	(7,451,415)	-	4,037	(150,939,637)
Meters and services	(43,303,885)	(2,885,807)	-	393,468	(45,796,224)
Automotive and construction equipment	(4,828,802)	(544,315)	-	6,648	(5,366,469)
Water facility capital lease	(78,056,979)	-	-	(1)	(78,056,980)
Furniture, fixtures and other equipment	(2,909,705)	(317,312)	-	263,754	(2,963,263)
Total accumulated depreciation	(383,023,984)	(19,368,050)	-	1,483,439	(400,908,595)
Total depreciable assets, net	398,408,784	(15,572,616)	16,913,381	(394,108)	399,355,441
Total capital assets, net	$ 427,824,586	3,157,747	-	(394,108)	430,588,225

(5) Capital Assets, Continued

	2020				
	Balance 1/1/2020	Additions	Transfers	Disposals	Balance 12/31/2020
Land and easements	$ 10,391,054	-	200,324	-	10,591,378
Construction-in-progress	4,121,573	30,256,405	(15,553,554)	-	18,824,424
Total non-depreciable assets	14,512,627	30,256,405	(15,353,230)	-	29,415,802
Land improvements	7,708,985	-	-	-	7,708,985
Production and distribution system	250,883,168	5,832	3,211,273	(795,080)	253,305,193
Pipelines and district facilities	315,045,465	1,781,782	8,308,772	(480)	325,135,539
Meters and services	101,689,474	517,368	3,051,004	(473,921)	104,783,925
Automotive and construction equipment	8,392,685	-	703,211	(389,759)	8,706,137
Water facility capital lease	78,056,980	-	-	-	78,056,980
Furniture, fixtures and other equipment	3,685,299	-	78,970	(28,260)	3,736,009
Total at cost	765,462,056	2,304,982	15,353,230	(1,687,500)	781,432,768
Less accumulated depreciation:					
Land improvements	(2,728,978)	(268,242)	(8,663)	-	(3,005,883)
Production and distribution system	(100,019,228)	(8,027,822)	8,656	611,923	(107,426,471)
Pipelines and district facilities	(136,275,080)	(7,217,659)	-	480	(143,492,259)
Meters and services	(40,830,276)	(2,797,166)	8	323,549	(43,303,885)
Automotive and construction equipment	(4,568,273)	(565,951)	(1)	305,423	(4,828,802)
Water facility capital lease	(78,056,979)	-	-	-	(78,056,979)
Furniture, fixtures and other equipment	(2,608,913)	(328,052)	-	27,260	(2,909,705)
Total accumulated depreciation	(365,087,727)	(19,204,892)	-	1,268,635	(383,023,984)
Total depreciable assets, net	400,374,329	(16,899,910)	15,353,230	(418,865)	398,408,784
Total capital assets, net	$ 414,886,956	13,356,495	-	(418,865)	427,824,586

(6) Water Revenue Bonds

The Authority has entered into Trust Indentures under which all outstanding bonds have been issued. The Trust Indentures pledge all revenues and other income collected by the Authority for payment of principal and interest on the bonds. The Trust Indentures also generally require establishment of a trust fund called "the water system revenue fund," for which the Authority acts as a trustee, into which all revenue is to be deposited, as well as a debt service reserve fund under which the Authority is required to maintain deposit amounts sufficient to cover the annual debt service or provide a surety bond (as defined in the Trust Indentures) of its bonds. The Authority covenants in its indenture that it will establish water rates sufficient to cover the sum of: (1) 1.2 times debt service, (2) expenses of operating, maintaining, renewing and replacing the water system and maintaining the debt service reserve fund, and (3) any additional amounts required to pay all other charges payable from the Authority's revenue. As of December 31, 2021 and 2020, the Authority is in compliance with its financial covenants.

(6) Water Revenue Bonds, Continued

Series 2007 Bonds

The Authority issued 2001 series bonds in the amount of $20,000,000 which are entirely payable by Genesee County to the Authority under the terms of the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000. The first principal payment on the 2001 Series was made in 2006. During 2007, the bonds were advance refunded by the Authority on behalf of Genesee County with the issuance of the Series 2007 Bonds.

In 2015, the New York State Environmental Facilities Corporation (EFC) refinanced its 2007 series bonds, which included bonds issued for the Authority. The Authority's portion of the bond, $16,425,000, was part of the EFC issue of $367,455,000 State Clean Water & Drinking Water Revolving Fund Revenue Bonds Series 2015D, dated August 13, 2015. The Authority's 2007 series bonds, which were part of the original EFC 2007 financing, remained intact with the Authority receiving its share of the interest savings through credits from EFC at the time of debt service payments. This refinancing and its associated costs will save Genesee County over $2,700,000 over the term of the bond. The entire $16,425,000 continues to be payable by Genesee County to the Authority under the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000. In addition, the bond refunding resulted in present value savings to the Authority of $1,470,817.

Series 2010 Bonds

In 2010, the Authority issued the 2010 Series bonds which refunded the 1993 Series A bonds and the 1997 bonds. This refinancing and its associated costs were paid by the Authority and will save the Authority approximately $773,000 over the term of the bond. In addition, the bond refunding resulted in an economic gain on refunding of $680,000. The excess of the net carrying amount of the refunded bonds over the reacquisition price in the amount of $527,039 has been deferred and was allocated between bond premium and deferred gain on refunding and is being amortized over the term of the new bonds using the straight-line method through 2035.

Series 2017 Bonds

In 2017, the Authority issued the 2017 Series bonds which was used to advance refund a portion of the Authority's Water System Revenue Bonds, Series 2010. Such proceeds were deposited with the Trustee to be held in a special trust account for the redemption of the refunded bonds on their respective redemption dates. $4,300,000 of bonds outstanding was considered defeased at December 31, 2017. This refinancing and its associated costs were paid by the Authority and will save the Authority approximately $345,000 over the term of the bond. In addition, the bond refunding resulted in an economic gain on refunding of $481,576. The excess of the net carrying amount of the refunded bonds over the reacquisition price in the amount of $330,072 has been deferred and is being amortized over the term of the new bonds using the straight-line method through 2034.

(6) Water Revenue Bonds, Continued

Series 2020 Bonds

In 2020, the Authority issued $21,920,000 of bonds. The bonds mature in 2050 with a stated interest rate that ranges from 4.0% to 5.0%. The Authority received $3,576,781 in premiums for this issuance.

Remedies for Default

The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, upon demand of the Trustee, the Authority shall pay over to the Trustee and cause any Construction Fund Custodian to pay over the Trustee (i) forthwith, all moneys, securities and funds then held by any Construction Fund Custodian, and (ii) as promptly as practicable after receipt thereof, all Revenues.

During the continuance of an Event of Default due to payment failure, the Revenues received by the Trustee or by a Bondholders' Committee shall be applied by the Trustee or by the Bondholders' Committee, as the case may be, first to the payment of all necessary and proper Operating expenses of the Water System and all other proper disbursements or liabilities made or incurred by the Trustee or by the Bondholders' Committee, as the case may be; secondly, to the then due and overdue payments into the Bond Fund, including the making up of deficiencies therein; and lastly, for any lawful purpose in connection with the Water System.

Changes in Water Revenue Bonds

At December 31, 2021 and 2020, $392,306 and $421,206, respectively, of the deferred amount on refunding was included in deferred outflows of resources on the statements of net position. For the years ended December 31, 2021 and 2020, interest expense was $7,356,804 and $7,239,451, respectively, on the water revenue bonds. Cash paid for interest was $7,423,187 and $6,995,176, during the years ended December 31, 2021 and 2020, respectively.

Long-term water revenue bond activity for the years ended December 31, 2021 and 2020:

	2021					
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year	Due After One Year
Bonds issued in 2007 as part of refunding that mature in annual amounts ranging from $610,000 to $1,115,000 from 2021 to 2036 bearing interest ranging from 4.182% to 4.97%	$ 12,935,000	-	610,000	12,325,000	615,000	11,710,000
Bonds issued in 2010 Series B as part of refunding that mature in annual amounts ranging from $2,515,000 to $5,775,000 from 2021 to 2042 bearing interest ranging from 4.49% to 6.34%	85,810,000	-	2,515,000	83,295,000	2,600,000	80,695,000

(6) Water Revenue Bonds, Continued

	2021					
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year	Due After One Year
Bonds issued in 2012 that mature in annual amounts ranging from $205,000 to $410,000 from 2021 to 2037 bearing interest ranging from 3.0% to 5.0%	$ 5,065,000	-	205,000	4,860,000	215,000	4,645,000
Bonds issued in 2013 that mature in annual amounts ranging from $490,000 to $960,000 from 2021 to 2042 bearing interest ranging from 1.44% to 4.69%	14,205,000	-	490,000	13,715,000	500,000	13,215,000
Bonds issued in 2017 as part of refunding that mature in annual amounts ranging from $215,000 to $360,000 from 2021 to 2034 bearing interest ranging from 2.0% to 5.0%	3,950,000	-	215,000	3,735,000	220,000	3,515,000
Bond issued in 2020 mature in annual amounts ranging from $300,000 to $220,000 from 2021 to 2050 bearing interest from 4.0% to 5.0%	21,920,000	-	300,000	21,620,000	375,000	21,245,000
Add: Bond premiums	4,781,461	-	206,769	4,574,692	-	4,574,692
Long-term water revenue bond liabilities	$ 148,666,461	-	4,541,769	144,124,692	4,525,000	139,599,692

	2020					
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year	Due After One Year
Bonds issued in 2007 as part of refunding that mature in annual amounts ranging from $610,000 to $1,115,000 from 2021 to 2036 bearing interest ranging from 4.182% to 4.97%	$ 13,535,000	-	600,000	12,935,000	610,000	12,325,000
Bonds issued in 2010 as part of refunding that mature in an annual amount of $205,000 to 2020 bearing interest from 3.5% to 5.0%	205,000	-	205,000	-	-	-
Bonds issued in 2010 Series B as part of refunding that mature in annual amounts ranging from $2,515,000 to $5,775,000 from 2021 to 2042 bearing interest ranging from 4.49% to 6.34%	88,250,000	-	2,440,000	85,810,000	2,515,000	83,295,000

(6) Water Revenue Bonds, Continued

	2020					
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year	Due After One Year
Bonds issued in 2012 that mature in annual amounts ranging from $205,000 to $410,000 from 2021 to 2037 bearing interest ranging from 3.0% to 5.0%	$ 5,260,000	-	195,000	5,065,000	205,000	4,860,000
Bonds issued in 2013 that mature in annual amounts ranging from $490,000 to $960,000 from 2021 to 2042 bearing interest ranging from 1.44% to 4.69%	14,690,000	-	485,000	14,205,000	490,000	13,715,000
Bonds issued in 2017 as part of refunding that mature in annual amounts ranging from $215,000 to $360,000 from 2021 to 2034 bearing interest ranging from 2.0% to 5.0%	3,950,000	-	-	3,950,000	215,000	3,735,000
Bond issued in 2020 mature in annual amounts ranging from $300,000 to $220,000 from 2021 to 2050 bearing interest from 4.0% to 5.0%	-	21,920,000	-	21,920,000	300,000	21,620,000
Add: Bond premiums	1,391,622	3,576,781	186,942	4,781,461	-	4,781,461
Long-term water revenue bond liabilities	$ 127,281,622	25,496,781	4,111,942	148,666,461	4,335,000	144,331,461

The following is a schedule of the future minimum payments under the water revenue bonds as of December 31, 2021:

	Principal	Interest	Total
2022	$ 4,525,000	7,433,313	11,958,313
2023	4,675,000	7,224,996	11,899,996
2024	4,840,000	7,009,754	11,849,754
2025	5,035,000	6,752,571	11,787,571
2026	5,235,000	6,491,572	11,726,572
2027 - 2031	29,490,000	28,099,109	57,589,109
2032 - 2036	35,345,000	19,541,915	54,886,915
2037 - 2041	34,190,000	10,002,316	44,192,316
2042 - 2046	11,610,000	1,801,390	13,411,390
2047 - 2050	4,605,000	377,300	4,982,300
	$ 139,550,000	94,734,236	234,284,236

(7) Pension Obligations

(a) Plan Descriptions and Benefits Provided

Employees' Retirement System

The Authority participates in the New York State and Local Employee Retirement System (the 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 position 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. System benefits are established under the provision 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 County also participates in the Public Employees Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The GLIP 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.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3.0 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 6.0 percent of their salary for their entire length of service. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems fiscal year ending March 31.

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

At December 31, 2021 and 2020, the Authority reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2021 and 2020, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Authority's proportionate share of the net pension liability was based on a projection of the Authority'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 System in reports provided to the Authority.

(7) Pension Obligations, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

	2021	2020
Measurement date	3/31/2021	3/31/2020
Net pension liability	$ 58,190	16,339,575
Authority's proportion of the System's net pension liability	0.0584392%	0.0617040%
Changes in proportionate share from prior year	(0.0032648)	0.0039138

For the years ended December 31, 2021 and 2020, the Authority recognized pension expense of ($1,290,184) and $6,149,944, respectively, for the System in the statements of revenue, expenses and changes in net position. At December 31, 2021 and 2020 the Authority's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 710,660	-
Changes of assumptions	10,699,308	(201,792)
Net difference between projected and actual investment earnings on pension plan investments	-	(16,715,663)
Changes in proportion and differences between the County's contributions and proportionate share of contributions	207,032	(332,044)
County's contributions subsequent to the measurement date	2,058,853	-
Total	$ 13,675,853	(17,249,499)

(7) Pension Obligations, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 961,650	-
Changes of assumptions	329,002	284,087
Net difference between projected and actual investment earnings on pension plan investments	8,376,460	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	209,561	94,664
County's contributions subsequent to the measurement date	1,830,857	-
Total	$ 11,707,530	378,751

County contributions subsequent to the March 31, 2021 measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ending	
2022	$ (1,025,211)
2023	(387,257)
2024	(933,850)
2025	(3,286,181)
	$ (5,632,499)

(c) Actuarial Assumptions

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

(7) Pension Obligations, Continued

(c) Actuarial Assumptions, Continued

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

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

The long-term 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Asset class:		
Domestic equity	32.00%	4.05%
International equity	15.00%	6.30%
Private equity	10.00%	6.75%
Real estate equity	9.00%	4.95%
Opportunistic/ARS portfolio	3.00%	4.50%
Real assets	3.00%	5.95%
Fixed income	23.00%	0.00%
Credit	4.00%	3.63%
Cash	1.00%	0.50%
	100.00%	

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

(7) Pension Obligations, Continued

(d) Discount Rate

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

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

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

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset (liability)	$ (16,151,359)	(58,190)	14,783,478

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of all participating employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)
Measurement date	3/31/2021
Employers' total pension liability	$ (220,680)
Plan fiduciary net position	220,580
Employers' net pension liability	$ (100)
Ratio of plan fiduciary net position to the Employers' total pension liability	99.95%

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2021 and 2020 represent the projected employer contribution for the period of April 1, 2021 through March 21, 2022 and through April 1, 2020 through March 31, 2021, respectively, based on paid employee wages multiplied by the employer's contribution rate, by tier. Retirement contributions paid to the System for the years ended December 31, 2021 and 2020 was $2,669,138 and $2,431,247, respectively.

(8) Other Postemployment Benefits

(a) Plan Description and Benefits

The Authority provides certain health care benefits for retired employees. The Authority administers the Retirement Benefits Plan (the Retirement Plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). In general, the Authority provides health care benefits for those retired personnel who are eligible for a pension through the NYSERS. The Retirement Plan can be amended by action of the Authority subject to applicable collective bargaining and employment agreements.

The obligations of the Retirement Plan are established by action of the Authority pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 10%, depending on when the employee was hired. The Authority will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the Retirement Plan are paid by the Authority. The Authority currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums.

(b) Employees Covered by Benefit Terms

At December 31, 2021 and 2020, the following employees were covered by the benefit terms:

	2021	2020
Retired participants	151	146
Active participants	171	197
Total participants	322	343

(c) Total OPEB Liability

The Authority's total OPEB liability of $81,136,468 and $55,538,466 was measured as of January 1, 2021 and 2020 and was determined by an actuarial valuation as of that date.

(8) Other Postemployment Benefits, Continued

(d) Actuarial Methods and Other Inputs

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% per year
Payroll Growth	3.0% per year
Discount Rate	2.13% The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation based on the 20 year AA municipal bond rate as of December 31, 2021.
Cost Method	Entry Age Normal (Percent of Salary)
Healthcare Cost Trend Rates	6.5% for 2021, decreasing to an ultimate rate of 4.04% for 2089 and later years
Employer Funding Policy	Pay-as-you-go cash basis
Census Data	As of January 1, 2021
Mortality	Retired and Active Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021. Surviving Spouses Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021.

(e) Changes in the Total OPEB Liability

		2021	2020
Total OPEB liability at beginning of year	$	55,538,466	47,147,418
Changes for the year:			
Service cost		3,073,473	1,474,068
Interest		1,648,145	1,957,629
Differences between expected and actual experience		11,489,334	1,081,653
Changes of assumptions		11,312,724	5,879,065
Benefit payments		(1,925,674)	(2,001,367)
Total changes		25,598,002	8,391,048
Total OPEB liability at of end of year	$	81,136,468	55,538,466

(8) Other Postemployment Benefits, Continued

(f) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2021 1% Decrease	2021 Current Discount Rate	2021 1% Increase
Total OPEB liability	$ (93,498,710)	(81,136,468)	(70,320,622)

	2020 1% Decrease	2020 Current Discount Rate	2020 1% Increase
Total OPEB liability	$ (64,088,677)	(55,538,466)	(48,565,746)

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

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

	2021 1% Decrease	2021 Current Trend Rate	2021 1% Increase
Total OPEB liability	$ (67,813,426)	(81,136,468)	(97,339,621)

	2020 1% Decrease	2020 Current Trend Rate	2020 1% Increase
Total OPEB liability	$ (47,745,088)	(55,538,466)	(65,438,559)

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2021 and 2020, the Authority recognized OPEB expense of $7,338,570 and $2,110,470, respectively. At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(8) Other Postemployment Benefits, Continued

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,277,602	6,762,674
Changes in assumptions	14,453,702	2,440,293
Total	$ 24,731,304	9,202,967

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 927,131	8,766,710
Changes in assumptions	6,233,177	3,050,367
Contributions subsequent to the measurement date	1,925,674	-
Total	$ 9,085,982	11,817,077

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

Year ending	
2022	$ 2,616,952
2023	2,616,952
2024	2,616,950
2025	3,571,930
2026	4,105,553
Thereafter	-
	$ 15,528,337

(9) Commitments and Contingencies

(a) Commitments

The Authority has entered into agreements with various water districts, towns and villages whereby the Authority obtains the use of the water facilities and agrees to provide water services to the residents of such districts. A number of these agreements require payments to be made by the Authority equal to the interest and principal due each year on the districts' outstanding debt related to the leased facilities. These agreements are classified as operating leases in the accompanying financial statements and recorded as a component of operating expenses. Any improvements to these facilities are capitalized by the Authority.

Amounts due under these commitments amounted to $36,900 for the year ending December 31, 2022.

Total rental expense charged to operations amounted to $44,122 and $45,835 during the years ended December 31, 2021 and 2020, respectively.

The Authority has an "Amended and Restated Water Development and Supply Agreement" with Genesee County to finance, construct, own, operate and supply water service in and for that County of Genesee. Genesee County is continuing to develop and increase the amount of water supplied by the Authority to and within Genesee County in multiple phases.

The first Phase of the project involved the construction of approximately thirty-five miles of water mains financed with the proceeds of the 2001 Series Water Revenue Bonds and capital grants from state and federal agencies (see further disclosure in note 6). Expenditures of $24,061,115 were incurred for this project since Phase I was completed in 2004.

Phase II includes the construction of new transmission mains, new pump stations, and improvement to an existing pump station in Monroe County with a goal of providing approximately an additional 2.0 million gallons of water per day to Genesee County.

Phase II is currently in construction and a 2022 service date is anticipated.

The next phases of the project are currently in planning and design.

The Authority has entered into an agreement in 2010 whereby Monroe County is to provide certain public security and safety services to the Authority through December 31, 2026.

(9) Commitments and Contingencies, Continued

(a) Commitments, Continued

Amounts that are due under this agreement are summarized as follows for the years ended December 31:

2022	$ 829,847
2023	829,847
2024	829,847
2025	829,847
2026	829,847
	$ 4,149,235

The Authority expensed $829,847 under this agreement during each of the years ended December 31, 2021 and 2020.

The Authority has entered into a water exchange agreement with the City of Rochester, New York (the City). A stipulation of the agreement required the City to replace its Rush Reservoir with covered storage of water. The Authority is required to pay for 54% of the costs of the project, not to exceed a total project cost of $9,000,000. The Authority's maximum commitment is $4,860,000 over 20 years.

Amounts that are due under this agreement are summarized as follows for the years ended December 31:

2022	$ 243,000
2023	243,000
2024	243,000
2025	243,000
2026	243,000
2027 - 2031	1,215,000
2032	243,000
	$ 2,673,000

The Authority expensed $243,000 under this agreement during each of the years ended December 31, 2021 and 2020.

(b) Contingencies

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The Authority has various insurance policies with third-party carriers related to property protection, casualty and statutory and non-statutory employee protection.

(9) Commitments and Contingencies, Continued

(b) Contingencies, Continued

The Authority 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 Authority.

(10) Self-Insured Workers' Compensation

The Authority is self-insured for workers' compensation claims. The Authority transfers its risk of loss thorough the purchase of commercial insurance for workers' compensation benefits up to a maximum aggregate amount of $5,000,000 per occurrence, subject to a deductible of $500,000 per occurrence. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2021 and 2020, there were no liabilities recorded for workers' compensation claims.

(11) Related Party Transactions

The Authority has a contract with the County to supply the Authority with power and natural gas. The contract states that the Authority will purchase power and gas from the County at market value, plus a 0.6% service fee each year through August 31, 2025. For the years ended December 31, 2021 and 2020, the Authority paid $3,912,301 and $3,216,058, respectively, to the County under the terms of this agreement.

(12) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Authority and its future results and financial position is not presently determinable.

(13) Subsequent Events

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

(14) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 87 - Leases. Effective for fiscal years beginning after June 15, 2021.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Required Supplementary Information
Schedule of Changes in the Authority's
Total OPEB Liability and Related Ratios
December 31, 2021

Total OPEB liability	2021	2020	2019	2018
Service cost	$ 3,073,473	1,474,068	1,866,827	2,047,877
Interest	1,648,145	1,957,629	1,918,395	2,277,994
Changes of benefit terms	-	-	-	421,956
Differences between expected and actual experience	11,489,334	1,081,653	(5,253,944)	(8,774,311)
Changes of assumptions	11,312,724	5,879,065	(4,270,515)	2,086,463
Benefit payments	(1,925,674)	(2,001,367)	(2,010,623)	(1,798,585)
Net change in total OPEB liability	25,598,002	8,391,048	(7,749,860)	(3,738,606)
Total OPEB liability - beginning	55,538,466	47,147,418	54,894,278	58,632,884
Total OPEB liability - ending	$ 81,136,468	55,538,466	47,144,418	54,894,278
Covered payroll	$ 13,296,731	14,641,528	17,097,419	16,478,853
Total OPEB liability as a percentage of covered payroll	589.17%	379.32%	275.80%	333.10%

Notes to schedule:

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 actuarial valuation:

2021	2020	2019	2018
2.13%	3.26%	4.11%	3.44%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
December 31, 2021

	NYSERS Pension Plan						
	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.0584392%	0.0617040%	0.0577902%	0.0583864%	0.0580000%	0.0600000%	0.0010000%
Authority's proportionate share of the net pension liability	$ 58,190	16,339,575	4,094,611	1,884,391	5,420,629	9,693,114	2,021,835
Authority's covered payroll	$ 17,023,526	16,860,861	16,617,975	14,993,931	14,584,555	14,651,331	14,724,692
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	0.34%	96.91%	24.64%	12.57%	37.17%	66.16%	13.73%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.29%	94.70%	90.70%	97.95%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Required Supplementary Information
Schedule of the Authority's Pension Contributions
December 31, 2021

NYSERS Pension Plan

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,669,138	2,431,247	2,238,932	2,251,223	2,216,347	2,628,166	2,975,247
Contributions in relation to the contractually required contribution	2,669,138	2,431,247	2,238,932	2,251,223	2,216,347	2,628,166	2,975,247
Contribution deficiency (excess)	$ -	-	-	-	-	-	-
Authority's covered payroll	$ 17,023,526	16,860,861	16,617,975	14,993,931	14,584,555	14,651,331	14,724,692
Contributions as a percentage of covered payroll	15.68%	14.42%	13.47%	15.01%	15.20%	17.94%	20.21%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

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

The Board of Directors
Monroe County Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Monroe County Water Authority (the Authority), a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated , 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Williamsville, New York
, 2022

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REPORT TO THE BOARD

, 2022

The Board of Directors
Monroe County Water Authority

Dear Board Members:

We have audited the financial statements of the Monroe County Water Authority (the Authority) as of and for the year ended December 31, 2021, and have issued our report thereon dated , 2022. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2021. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

For the year ended December 31, 2021, we evaluated the key factors and assumptions used by management in determining accounting estimates and were reasonable in relation to the financial statements taken as a whole.

Sensitive Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material misstatements detected as a result of our audit procedures.

Disagreements with Management

For purposes of this report, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

<u>Other Audit Findings or Issues</u>

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

* * * * *

This information is intended solely for the use of the Board of Directors and management of the Monroe County Water Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

EFPR GROUP, CPAs, PLLC

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
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INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors
Monroe County Water Authority

We have examined the Monroe County Water Authority's (the Authority), a discretely presented component unit of the County of Monroe, New York, compliance with Section 201.3 of Title Two of the Official Compilation of Codes Rules and Regulations of the State of New York related to investments for the year ended December 31, 2021. The Authority's management is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied with specified requirements, in all material respects. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2021.

This report is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Williamsville, New York
, 2022

EFPR GROUP, CPAs PLLC

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Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2021.

This report is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Williamsville, New York
, 2022

Monroe County Water Authority

Memorandum

To: Joseph R. Rulison, Chairman
MCWA Audit Committee Members

Date: February 18, 2022

From: Amy A. Molinari, Director of Finance and Business Services

Subject: 2021 Investment Report

Copies: N. Noce
L. Magguilli
L. Rawlins
A. Mammino

In accordance with the Authority's Annual Statement of Investment Policy, readopted April 2021, I respectfully submit the 2021 Investment Report for your review. Additionally, under Article XIV of the MCWA Annual statement of Investment Policy, the Authority has sufficient funds to meet the next six months of obligations, which include any debt service payments and operating expenses.

We are in compliance with the attached report.

Should you have any questions or comments, feel free to contact me.

Attachment

Monroe County Water Authority

Investment Report

For Year Ending
DECEMBER 31, 2021

DRAFT

MONROE COUNTY WATER AUTHORITY
December 31, 2021 INVESTMENT REPORT

MONROE COUNTY WATER AUTHORITY HELD FUNDS

		Cash on Hand		Money Market/CDs/ US T-Bills
Beginning Balance: As of 1/1/21				
Water Revenue*	$	498,880	$	6,792,530
Operations & Maintenance*		3,884,145		11,744,903
General Fund		-		5,391,561
Renewal & Replacement		-		14,037,596
Debt Service		-		4,598,000
OPEB Fund		-		31,257,581
Rate Stabilzation Fund		-		2,500,000
Total	$	4,383,025	$	76,322,171
Ending Balance: As of 12/31/21				
Water Revenue*	$	627,350	$	6,652,048
Operations & Maintenance*		4,470,485		8,248,748
General Fund				8,498,252
Renewal & Replacement				22,108,919
Debt Service				4,809,000
OPEB Fund				32,257,581
Rate Stabilzation Fund				5,000,000
Total	$	5,097,835	$	87,574,548

Interest Received:		**DECEMBER 2021**		**DECEMBER 2020**
Money Market/Cd's/US T-Bills	$	48,671	$	929,533
Interest Accrued -		-		26,996

* Earnings Credit

TRUSTEE HELD FUNDS

Beginning Balance: As of 1/1/21		
Debt Service	$	4,644
Debt Service Reserve*		1,744,305
Capital Improvement Fund*		7,850,534
New Construction Fund*		5,881,086
2020 MCWA Construction Fund*		3,083,638
2020 Genesee Cnty Constrution Fund*		9,586,156
Ending Balance: As of 12/31/21		
Debt Service	$	868,306
Debt Service Reserve*		1,765,230
Capital Improvement Fund*		8,608,496
New Construction Fund*		5,018,818
2020 MCWA Construction Fund*		754,103
2020 Genesee Cnty Constrution Fund*		5,386,378
Accrued Interest	$	1,702
Interest Received -12/31/21		39,657

Monroe County Water Authority
Trustee Investments
As of December 31, 2021

FUND	TYPE	PURCHASE DATE	MATURITY DATE	DAYS TO MATURITY	FACE VALUE	PURCHASE PRICE	VALUE* 12/31/2021	YIELD	(PREMIUM) DISCOUNT AMORT	ACCRUED INTEREST
2012 DSR	T-BILLS	12/2/2021	12/1/2022	335	$ 477,000.00	$ 475,984.76	$ 475,750.26	0.21%	$ -	$ 81.00
					$ 477,000.00	$ 475,984.76	$ 475,750.26			
			average days to maturity	335		weighted average yield		0.21%		
2013 DSR	T-BILLS	12/2/2021	12/1/2022	335	$ 184,000.00	$ 183,608.38	$ 183,517.92	0.21%		31.00
	US T-NOTES	8/1/2013	5/15/2023	500	1,188,000.00	1,103,169.38	1,207,625.76	1.69%	72,962.88	
					$ 1,372,000.00	$ 1,286,777.76	$ 1,391,143.68			
			average days to maturity	418		weighted average yield		1.49%		
CAP IMPROVE	T-BILLS	4/27/2021	1/27/2022	27	$ 27,000.00	$ 26,993.40	$ 26,999.46	0.03%		6.00
	T-BILLS	4/30/2021	1/27/2022	27	666,000.00	665,901.88	665,986.68	0.02%		88.00
	T-BILLS	3/25/2021	2/24/2022	55	672,000.00	671,874.93	671,973.12	0.02%		105.00
	T-BILLS	11/22/2021	3/10/2022	69	589,000.00	588,964.66	588,952.88	0.02%		13.00
	T-BILLS	5/20/2021	4/21/2022	111	1,576,000.00	1,575,852.91	1,575,653.28	0.01%		98.00
	T-BILLS	6/21/2021	5/19/2022	139	1,458,000.00	1,457,368.04	1,457,460.54	0.05%		367.00
	T-BILLS	7/16/2021	6/16/2022	167	911,000.00	910,627.00	910,453.40	0.04%		187.00
	T-BILLS	8/20/2021	7/14/2022	195	1,414,000.00	1,413,491.12	1,412,642.56	0.04%		206.00
	T-BILLS	9/20/2021	8/11/2022	223	1,280,000.00	1,279,768.89	1,278,451.20	0.02%		73.00
	T-BILLS	9/17/2021	9/8/2022	251	794,000.00	793,772.30	792,793.12	0.01%		67.00
	T-BILLS	12/27/2021	12/1/2022	335	223,000.00	222,979.00	222,415.74	0.02%		-
					$ 9,610,000.00	$ 9,607,594.13	$ 9,603,781.98			
			average days to maturity	145		weighted average yield		0.03%		
NEW CONST	T-BILLS	8/27/2021	6/16/2022	167	$ 2,000,000.00	$ 1,999,593.06	$ 1,998,800.00	0.03%		175.00
	T-BILLS	8/27/2021	2/10/2022	41	2,000,000.00	1,999,856.19	1,999,940.00	0.02%		109.00
	T-BILLS	8/27/2021	8/11/2022	223	1,018,000.00	1,017,782.88	1,016,768.22	0.02%		78.00
					$ 5,018,000.00	$ 5,017,232.13	$ 5,015,508.22			
			average days to maturity	144		weighted average yield		0.02%		
MCWA PROJECT	T-BILLS	11/22/2021	1/20/2022	20	$ 563,000.00	$ 562,981.55	$ 562,994.37	0.01%		12.00
	T-BILLS	12/27/2021	2/17/2022	48	191,000.00	190,997.24	190,992.36	0.01%		-
					$ 754,000.00	$ 753,978.79	$ 753,986.73			
			average days to maturity	34		weighted average yield		0.01%		
GENESEE CNTY PROJECTS	T-BILLS	12/27/2021	2/17/2022	48	$ 5,386,000.00	$ 5,385,922.20	$ 5,385,784.56	0.01%		6.00
					$ 5,386,000.00	$ 5,385,922.20	$ 5,385,784.56			
			average days to maturity	48		weighted average yield		0.01%		
TOTAL										
% In T-Bills	94.75%		**TOTALS**		**$ 22,617,000.00**	**$ 22,527,489.77**	**$ 22,625,955.43**		**$ 72,962.88**	**$ 1,702.00**
% in T-Note	5.25%									
	100.00%									
			Portfolio average days	187		Portfolio weighted average yield		0.11%		

*market value source trustee monthly statements

BANK OF NEW YORK
STATEMENT OF CHANGES IN TRUSTEE FUNDS
FOR PERIOD ENDING DECEMBER 31, 2021

	Debt Service Reserve Funds	Debt Service Funds	Capital Improvement Fund	New Construction Fund	2020 MCWA Const Fund	2020 Gen Cnty Const Fund
CASH RECEIPTS						
Cash Balance Jan 1	$ 641,137	$ 561	$ -	$ -	$ -	$ -
Investment Liquidations	640,855	5,393,161	19,762,603	26,530,920	10,360,685	9,590,089
Interest Received	20,934	140	10,832	3,456	2,159	2,136
Transfer from Other Funds	-	12,374,579	3,280,000	25	-	-
Total	$ 1,302,926	$ 17,768,441	$ 23,053,435	$ 26,534,401	$ 10,362,844	$ 9,592,225
CASH DISBURSEMENTS						
Property Additions	$ -	-	$ 1,532,871	$ 865,750	$ 2,331,663	$ 4,201,914
Interest to Bondholders	-	7,601,057	-	-	-	-
Bond Maturities & Purchases	-	4,335,000	-	-	-	-
Investment Purchases	1,300,458	5,832,331	21,520,564	25,668,651	8,031,181	5,390,311
Transfers to Other Funds	-	-	-	-	-	-
Cash Balance Dec 31, 2021	2,468	53	-	-	-	-
Total	$ 1,302,926	$ 17,768,441	$ 23,053,435	$ 26,534,401	$ 10,362,844	$ 9,592,225
Investments at Dec 31						
Investments (at cost)	$ 1,762,762	$ 868,253	$ 9,608,497	$ 5,018,818	$ 754,103	$ 5,386,378
Accrued Interest	112	-	1,210	362	12	6
Total	$ 1,762,874	$ 868,253	$ 9,609,707	$ 5,019,180	$ 754,115	$ 5,386,384
Cash & Investment Balance at 1/1/21	$ 1,744,305	$ 4,644	$ 7,850,534	$ 5,881,086	$ 3,083,638	$ 9,586,156
Cash & Investment Balance at 12/31/21	$ 1,765,230	$ 868,306	$ 8,608,496	$ 5,018,818	$ 754,103	$ 5,386,378

MONROE COUNTY WATER AUTHORITY
MONEY MARKET
AS OF DECEMBER 31, 2021

BANK	FUND		ENDING BALANCE 12/31/21
M & T Bank	OPEB	$	32,257,581.00
	Debt Service		4,809,000.00
	Rate Stabilization		5,000,000.00
	R & R		22,108,175.73
	General Fund		8,420,177.39
		$	72,594,934.12
	Interest Earned as of December 31, 2021	$	20,813.40
	Weighted Average Yield		0.02%
Key Bank	R & R	$	742.90
	General Fund		78,074.64
		$	78,816.21
	Interest Earned as of December 31, 2021	$	7.88
	Weighted Average Yield		0.01%
	Total Interest on Money Markets	$	20,821.28

MONROE COUNTY WATER AUTHORITY
LOCAL INVESTMENT MATURED HISTORY
JANUARY 1, 2021 THRU DECEMBER 31,2021

BANK	FUND	SETTLEMENT DATE	MATURITY DATE	INTEREST YIELD	PURCHASE AMOUNT	MATURITY AMOUNT	INTEREST RECEIVED
JP MORGAN	GENERAL FUND	06/25/20	01/28/21	0.12%	1,199,132.00	1,200,000.00	868.00
JP MORGAN	R & R	06/09/20	01/28/21	0.14%	999,093.89	1,000,000.00	906.11
KEY	OPEB	02/11/20	01/31/21	1.45%	1,998,556.60	2,000,000.00	1,443.40
JP MORGAN	R & R	06/22/20	02/25/21	0.13%	999,104.44	1,000,000.00	895.56
JP MORGAN	OPEB	06/25/20	02/25/21	0.12%	499,591.67	500,000.00	408.33
KEY	OPEB	05/20/20	03/25/21	0.11%	1,998,197.50	2,000,000.00	1,802.50
JP MORGAN	OPEB	06/23/20	03/25/21	0.14%	1,997,861.11	2,000,000.00	2,138.89
JP MORGAN	R & R	06/08/20	04/22/21	0.14%	1,997,526.67	2,000,000.00	2,473.33
KEY	OPEB	05/19/20	04/22/21	0.12%	1,997,840.56	2,000,000.00	2,159.44
KEY	R & R	06/03/20	05/20/21	0.13%	1,198,479.00	1,200,000.00	1,521.00
JP MORGAN	OPEB	06/08/20	05/20/21	0.15%	1,997,116.67	2,000,000.00	2,883.33
JP MORGAN	OPEB	06/17/20	05/20/21	0.14%	1,997,378.89	2,000,000.00	2,621.11
KEY	OPEB	06/22/20	06/17/21	0.14%	1,897,340.00	1,900,000.00	2,660.00
TOTALS					$ 20,777,219.00	$ 20,800,000.00	$ 22,781.00

MONROE COUNTY WATER AUTHORITY
INVESTMENT HISTORY

2021	AVERAGE INVESTMENT BALANCE	INTEREST RATE		INTEREST EARNED
OPERATIONS & MAINTENANCE - MONEY MARKET/ M &T				
JANUARY	$ 11,745,302.48	0.08 % - 0.08 %	$	798.04
FEBRUARY	10,495,545.49	0.08 % - 0.08 %		687.98
MARCH	9,246,389.48	0.08 % - 0.08 %		628.26
APRIL	8,947,163.81	0.08 % - 0.05 %		438.23
MAY	9,347,612.19	0.05 % - 0.02 %		312.44
JUNE	7,972,805.25	0.02 % - 0.02 %		147.36
JULY	7,347,978.18	0.02 % - 0.02 %		124.81
AUG	7,348,102.99	0.02 % - 0.02 %		124.82
SEPT	8,181,544.29	0.02 % - 0.02 %		136.68
OCT	9,048,376.29	0.02 % - 0.01 %		148.42
NOV	9,248,512.58	0.02 % - 0.01 %		124.16
DEC	9,498,617.91	0.02 % - 0.01 %		172.99
			$	**3,844.19**
WATER REVENUE - MONEY MARKET / M & T BANK				
JANUARY	$ 3,743,901.03	0.08 % - 0.08 %	$	267.39
FEBRUARY	2,916,409.69	0.08 % - 0.08 %		189.42
MARCH	3,325,011.54	0.08 % - 0.08 %		196.11
APRIL	2,732,682.75	0.08 % - 0.05 %		93.32
MAY	2,939,657.65	0.05 % - 0.02 %		86.70
JUNE	3,407,063.92	0.02 % - 0.02 %		53.82
JULY	4,042,506.23	0.02 % - 0.02 %		58.31
AUG	4,967,545.53	0.02 % - 0.02 %		73.43
SEPT	3,962,784.91	0.02 % - 0.02 %		54.90
OCT	3,538,058.18	0.02 % - 0.01 %		50.54
NOV	3,530,881.49	0.02 % - 0.01 %		53.27
DEC	3,390,061.18	0.02 % - 0.02 %		47.93
			$	**1,225.14**

MONROE COUNTY WATER AUTHORITY
LOCAL CASH & INVESTMENT
STATEMENT OF COLLATERAL
AS OF DECEMBER 31, 2021

MCWA INVESTMENT	COLLATERAL TYPE	MARKET VALUE
	M & T Bank	
91,542,587.91	GNMA G2SF	93,373,439.67
250,000.00	FDIC Time Deposits	250,000.00
250,000.00	FDIC Demand Deposits	250,000.00
$ 92,042,587.91		$ 93,873,439.67
	KEY BANK	
$ 585,795.03	FN 1359B CB FIX	$ 597,510.93
250,000.00	FDIC Demand Deposits	250,000.00
250,000.00	FDIC Time Deposits	250,000.00
$ 1,085,795.03		$ 1,097,510.93
	J.P.Morgan Chase Bank	
175,345.82	US T-Notes	175,407.46
250,000.00	FDIC Time Deposits	250,000.00
$ 425,345.82		$ 425,407.46
$ 93,553,728.76	**TOTAL**	**$ 95,396,358.06**

BANK CHARGES M &T
2021
OPERATIONS AND PAYROLL ACCOUNTS

	COST	CREDITS	TOTAL COST
JAN	$ 2,136.85	$ (1,140.48)	$ 996.37
FEB	2,149.95	(1,059.95)	1,090.00
MARCH	2,365.34	(1,128.57)	1,236.77
APRIL	2,238.45	(1,180.63)	1,057.82
MAY	1,971.54	(765.52)	1,206.02
JUNE	2,283.99	(826.53)	1,457.46
JULY	2,593.65	(1,028.21)	1,565.44
AUGUST	2,472.56	(1,296.96)	1,175.60
SEPTEMBER	1,401.95	(1,017.85)	384.10
OCTOBER	1,502.00	(976.66)	525.34
NOVEMBER	1,469.69	(1,440.70)	28.99
DECEMBER	1,905.58	(1,256.21)	649.37
	$ 24,491.55	$ (13,118.27)	$ 11,373.28

M & T
2021
WATER REVENUE ACCOUNT
LOCKBOX

	COST	CREDITS	TOTAL COST
JAN	$ 8,467.71	$ (34.04)	$ 8,433.67
FEB	7,466.37	(18.23)	7,448.14
MARCH	8,443.66	(23.58)	8,420.08
APRIL	8,334.18	(19.96)	8,314.22
MAY	7,219.46	(27.92)	7,191.54
JUNE	8,252.48	(20.93)	8,231.55
JULY	8,475.85	(35.36)	8,440.49
AUGUST	8,013.33	(32.63)	7,980.70
SEPTEMBER	7,871.28	(24.29)	7,846.99
OCTOBER	8,062.45	(22.63)	8,039.82
NOVEMBER	8,062.69	(35.90)	8,026.79
DECEMBER	8,605.23	(38.48)	8,566.75
	$ 97,274.69	(333.95)	$ 96,940.74

KEY BANK
2021
WATER REVENUE ACCOUNT
ELECTRONIC

		COST		CREDITS		TOTAL COST
JAN	$	2,815.95	$	(163.32)	$	2,652.63
FEB		3,194.14		(199.72)		2,994.42
MARCH		2,805.67		(167.62)		2,638.05
APRIL		3,014.15		(144.36)		2,869.79
MAY		3,189.91		(160.41)		3,029.50
JUNE		2,799.28		(158.39)		2,640.89
JULY		3,008.94		(224.65)		2,784.29
AUGUST		3,125.70		(247.35)		2,878.35
SEPTEMBER		3,178.79		(170.28)		3,008.51
OCTOBER		2,842.26		(188.54)		2,653.72
NOVEMBER		3,118.35		(178.08)		2,940.27
DECEMBER		3,207.39		(263.02)		2,944.37
	$	36,300.53		(2265.74)	$	34,034.79
TOTAL FOR ALL SERVICES	$	158,066.77	$	(15,717.96)	$	142,348.81

Trustee Services
2021
Bank of New York

2010 B Series	$	2,200.00
2017 Series	$	2,000.00
2012 Series	$	2,000.00
2013 Series	$	2,120.00
2020 Series	$	2,500.00
	$	10,820.00

Auditors:	EFPR Group, LLP
Trustee:	The Bank of New York Mellon
Financial Advisors:	Capital Market Advisors, LLC
Banks:	Key Bank M & T Bank JP Morgan Chase Bank

MONROE COUNTY WATER AUTHORITY
ANNUAL STATEMENT OF INVESTMENT POLICY
(READOPTED APRIL 2022 ~~2021~~)

ARTICLE 1
INTRODUCTION

Section 2925 of the New York Public Authorities Law requires the Authority to adopt investment guidelines on an annual basis. The purpose of these guidelines is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Authority while protecting its funds.

Certain of the Members of and the Director of Finance for the Authority are duly authorized to invest Authority monies pursuant to the New York Public Authorities Law and are trustees of Authority funds. Accordingly, such persons are acting as fiduciaries and will be subject to a prudent investor standard.

ARTICLE 2
SCOPE

This policy covers all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. It is intended that this policy cover all funds and investment activities under the direct control of the Authority, except for retirement or other employee benefit plans and deferred compensation funds.

ARTICLE 3
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1. The investment policies and practices of the Authority are based upon limitations set forth in the New York Public Authorities Law. These limitations seek to assure compliance with all laws governing the investment of monies under the control of the Authority. They also seek to protect the principal of funds entrusted to the Authority through the following objectives in order of importance.

A. Safety: It is the primary duty and responsibility of the Director of Finance to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Director of Finance shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used as much as practicable given the range of permitted investments in order to reduce exposure to principal loss.

B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Yield: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

ARTICLE 4
PERMITTED INVESTMENTS

Section 1097 of the New York Public Authorities Law permits the Authority to invest solely in bank account deposits, which can be secured by government obligations. Notwithstanding the foregoing, this Section permits the Authority to contract with the holders of any of its bonds as to the investment of available funds. The Authority has issued various bonds pursuant to that certain Trust Indenture, dated as of October 1, 1991 (the "Indenture"), by and between the Authority and Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), including all amendments and supplements thereto. Section 511 of the Indenture permits the Authority (or the Trustee on its behalf) to invest funds not required for immediate disbursement solely in Authorized Investments. Section 101 of the Indenture defines the term "Authorized Investments;" attached hereto as Exhibit A is a copy of such definition, with a summary of permitted investments for funds other than those deposited in the Bond Fund.

ARTICLE 5
SECURED INVESTMENTS

The following describes the Authority's procedures regarding securing certificated and uncertificated securities.

1. The Authority's security interest in certificated securities purchased outright or acquired by repurchase agreement or held as collateral shall be perfected by:

A. Certificated Securities securing or transferred by a repurchase agreement or used as collateral to secure any other investment or cash balance shall be physically delivered, as far as practicable, to the Authority or its custodian for safekeeping throughout the term of the investment agreement.

B. Payment of funds shall only be made against the delivery of physical securities when securities are purchased outright, or the delivery of collateral when a repurchase agreement or certificate of deposit is involved.

C. These securities and collateral shall be physically segregated by the custodian or the financial institution (in the event delivery of the collateral to the custodian or the Authority is not practical) into an account held on behalf of the Authority.

D. The custodian shall release such securities or collateral upon the termination of the investment agreement as directed by the Custodial Agreement.

2. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) purchased outright shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities purchased.

B. Transfer of such securities to the Reserve Bank account of the Authority's custodian or financial institution and held in the name of the Authority.

C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

3. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) held as collateral for repurchase agreements or other deposits shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities transferred or pledged.

B. Transfer of such securities to the Reserve Bank account of the custodian and pledged to the Authority (or to the custodian acting for the Authority).

C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

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B. Book entry securities shall be secured as provided in Article 5, Sections 2 and 3 above.

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A. An independent audit of the Authority's investments shall be conducted annually at the direction of the Director of Finance.

B. The audit report shall be incorporated into the annual investment report described in Article 14 hereof.

3. The Authority shall comply with the following collateral requirements:

A. Investments and cash balances shall be fully (100%) secured by collateral, except as provided in subsection C below.

B. Collateral may consist of obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments in Section 101 of the Indenture.

C. FDIC, FSLIC, and SIPC insurance may be substituted for collateral as available and up to its limit.

4. The Authority shall monitor the foregoing through the following procedures:

A. The Authority shall monitor the recorded value of the collateral to make certain it is equal to the current market value, including accrued interest, of the collateral at the time of the initial investment, and thereafter monthly. For certain short-term investments the market value shall be monitored on a daily basis.

B. Substitutions of collateral shall be permitted in like-kind or upon written agreement subject to the approval of the Treasurer, the Executive Director, the Director of Finance or the lawful delegate of any of them.

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Pursuant to Section 2925 of the New York Public Authorities Law, any investments made by the Authority shall be evidenced by written contracts. All such contracts shall contain the provisions of the type described in Section 2925(3)(c) (i) – (iv). Notwithstanding the foregoing, the Authority may by resolution authorize certain investment transactions to be made by oral agreement where a written contract is not practical or there is not a regular business practice of written contracts; in such case, the Authority shall adopt procedures to govern such investment or transaction. In connection with any written contract, the Authority shall furnish a copy of these investment guidelines to each financial institution and obtain a written confirmation from such financial institution that it has reviewed and understands such guidelines.

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The investment, per this policy, of Authority idle monies is annually delegated to the Director of Finance by the Members who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Director of Finance may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility

for the overall investment program. The Director of Finance will review all investment transactions on a regular basis to assure compliance with this Statement of Investment Policy.

ARTICLE 9
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Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such persons shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority's portfolio. All officers and employees involved in the investment of public funds are required to comply with the Authority's Conflict of Interest Policy.

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The Authority shall invest only in the types of investments specifically described herein. All other investments are prohibited from use in this portfolio, including but not limited to common stocks, futures and the writing of options. The use of short positions is also prohibited.

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A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity.

ARTICLE 12
SWAPS

A swap is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, or to increase investment quality. In no instance shall a swap be used for speculative purposes. Any such swap shall be simultaneous (same day execution of sale and purchase), and requires the written approval of the Director of Finance.

ARTICLE 13
INTERNAL CONTROLS

Pursuant to other provisions of the New York Public Authorities Law, a system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separation of transaction authority from

accounting and recordkeeping, separation of custodial safekeeping from transaction authority, accounting, and recordkeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards. The Director of Finance will establish an annual process of independent review by an external audit firm. This review will provide assurances of strong internal controls by reviewing compliance with previously established policies and procedures.

ARTICLE 14
REPORTING

The Director of Finance will submit a quarterly investment report to the Members and the Executive Director. This report will include: a list of portfolio transactions, type of investment, issuer, date of maturity, amount of deposit/par amount, current market value of all securities (with the source of the market valuation), rate of interest, and a statement indicating compliance or noncompliance with this Statement of Investment Policy. As applicable and appropriate based on the type of investment, additional items listed will also include average weighted yield, average days to maturity, accrued interest earned during the period and fiscal year to date, percent distribution to each type of investment and any funds under management by contracted parties, including lending programs. The report will include a list of auditors, investment bankers, brokers, agents, dealers and advisers, as applicable.

The Director of Finance will submit an annual investment report to the Members and the Executive Director. In addition to the information set forth in the preceding paragraph, the annual report will contain a yearly update regarding the Authority's investment guidelines, amendments to such guidelines, if any, the results of the annual independent investment audit, the investment performance record of the Authority, and a list of the total fees, commissions and other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment-related services to the Authority. The annual investment report shall be prepared in conformity with generally accepted accounting principles for governments (GAAP) and shall comply with Governmental Accounting Standards Board (GASB) Statement No. 3. In addition, GASB Statement No. 28 and GASB Statement No.31 shall be applied as appropriate.

The Authority shall submit its annual investment report to the Division of the Budget with copies to the chief executive officer and chief financial officer of the County of Monroe, the Department of Audit and Control of the State of New York, the Senate Finance Committee, and the Assembly Ways and Means Committee.

Copies of the Authority's annual investment report shall be made available to the public upon reasonable request therefor.

ARTICLE 15
QUALIFIED BANKS AND SECURITIES DEALERS

The Authority shall conduct business only with banks, agents and registered investment securities brokers and dealers. The Authority's staff will investigate all institutions that wish to conduct business with the Authority and evaluate their quality, reliability, experience, capitalization, size and any other relevant information. All institutions must sign an information request form, and agree to abide by the conditions set forth in this Investment Policy. The Director of Finance shall maintain a list of approved institutions and security broker/dealers.

This will be done annually by having the financial institutions complete and return an information request form, and an audited financial statement within 90 days of the institution's fiscal year-end. In the event the primary dealer rejects the language in the dealer information request form, the Director of Finance may return to the Authority's Board for approval of alternative language proposed by the primary dealer.

ARTICLE 16
RISK TOLERANCE

The Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Director of Finance is expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Director of Finance shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

As described herein, the Indenture permits the use of various types of investments. Funds invested pursuant to the Indenture include short-term funds for operating needs as well as longer-term funds for capital needs. The Authority shall manage market and interest rate risk within each category of investments by investing to a shorter term. The Authority shall also seek to avoid trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

Controlling and managing risk is the foremost portfolio management objective. The Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return.

In addition to these general policy considerations, the following specific policies will be strictly observed:

A. All transactions will be executed on a delivery-versus-payment basis.

B. A competitive bid process, when practical, will be used to place all investment purchases and sell transactions.

ARTICLE 17
DIVERSIFICATION

In order to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions, the Director of Finance shall diversify the investment portfolio by security type, institution and maturity. In particular, the Authority shall limit its investments at any financial institution to 1% of such institution's assets.

ARTICLE 18
STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy shall be reviewed and submitted annually to the Members in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. Such review and approval shall occur each year at the Authority's Annual Meeting.

Exhibit A

Included below is the definition of "Authorized Investments" and the list of permitted investments per section 101 of the Trust Indenture dated as of October 1, 1991.

Items (i)-(iii) below apply to the investment of funds held in the Bond Fund.

All other funds held under the Trust Indenture may be invested in any of the categories of authorized investments.

"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

MONROE COUNTY WATER AUTHORITY
ANNUAL STATEMENT OF INVESTMENT POLICY
(READOPTED APRIL 2022 ~~2021~~)

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INTRODUCTION

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INTERNAL CONTROLS

Pursuant to other provisions of the New York Public Authorities Law, a system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separation of transaction authority from

accounting and recordkeeping, separation of custodial safekeeping from transaction authority, accounting, and recordkeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards. The Director of Finance will establish an annual process of independent review by an external audit firm. This review will provide assurances of strong internal controls by reviewing compliance with previously established policies and procedures.

ARTICLE 14
REPORTING

The Director of Finance will submit a quarterly investment report to the Members and the Executive Director. This report will include: a list of portfolio transactions, type of investment, issuer, date of maturity, amount of deposit/par amount, current market value of all securities (with the source of the market valuation), rate of interest, and a statement indicating compliance or noncompliance with this Statement of Investment Policy. As applicable and appropriate based on the type of investment, additional items listed will also include average weighted yield, average days to maturity, accrued interest earned during the period and fiscal year to date, percent distribution to each type of investment and any funds under management by contracted parties, including lending programs. The report will include a list of auditors, investment bankers, brokers, agents, dealers and advisers, as applicable.

The Director of Finance will submit an annual investment report to the Members and the Executive Director. In addition to the information set forth in the preceding paragraph, the annual report will contain a yearly update regarding the Authority's investment guidelines, amendments to such guidelines, if any, the results of the annual independent investment audit, the investment performance record of the Authority, and a list of the total fees, commissions and other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment-related services to the Authority. The annual investment report shall be prepared in conformity with generally accepted accounting principles for governments (GAAP) and shall comply with Governmental Accounting Standards Board (GASB) Statement No. 3. In addition, GASB Statement No. 28 and GASB Statement No.31 shall be applied as appropriate.

The Authority shall submit its annual investment report to the Division of the Budget with copies to the chief executive officer and chief financial officer of the County of Monroe, the Department of Audit and Control of the State of New York, the Senate Finance Committee, and the Assembly Ways and Means Committee.

Copies of the Authority's annual investment report shall be made available to the public upon reasonable request therefor.

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The Authority shall conduct business only with banks, agents and registered investment securities brokers and dealers. The Authority's staff will investigate all institutions that wish to conduct business with the Authority and evaluate their quality, reliability, experience, capitalization, size and any other relevant information. All institutions must sign an information request form, and agree to abide by the conditions set forth in this Investment Policy. The Director of Finance shall maintain a list of approved institutions and security broker/dealers.

This will be done annually by having the financial institutions complete and return an information request form, and an audited financial statement within 90 days of the institution's fiscal year-end. In the event the primary dealer rejects the language in the dealer information request form, the Director of Finance may return to the Authority's Board for approval of alternative language proposed by the primary dealer.

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The Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Director of Finance is expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Director of Finance shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

As described herein, the Indenture permits the use of various types of investments. Funds invested pursuant to the Indenture include short-term funds for operating needs as well as longer-term funds for capital needs. The Authority shall manage market and interest rate risk within each category of investments by investing to a shorter term. The Authority shall also seek to avoid trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

Controlling and managing risk is the foremost portfolio management objective. The Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return.

In addition to these general policy considerations, the following specific policies will be strictly observed:

A. All transactions will be executed on a delivery-versus-payment basis.

B. A competitive bid process, when practical, will be used to place all investment purchases and sell transactions.

ARTICLE 17
DIVERSIFICATION

In order to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions, the Director of Finance shall diversify the investment portfolio by security type, institution and maturity. In particular, the Authority shall limit its investments at any financial institution to 1% of such institution's assets.

ARTICLE 18
STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy shall be reviewed and submitted annually to the Members in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. Such review and approval shall occur each year at the Authority's Annual Meeting.

Exhibit A

Included below is the definition of "Authorized Investments" and the list of permitted investments per section 101 of the Trust Indenture dated as of October 1, 1991.

Items (i)-(iii) below apply to the investment of funds held in the Bond Fund.

All other funds held under the Trust Indenture may be invested in any of the categories of authorized investments.

"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

MONROE COUNTY WATER AUTHORITY
ANNUAL STATEMENT OF INVESTMENT POLICY
(READOPTED APRIL 2022 ~~2021~~)

ARTICLE 1
INTRODUCTION

Section 2925 of the New York Public Authorities Law requires the Authority to adopt investment guidelines on an annual basis. The purpose of these guidelines is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Authority while protecting its funds.

Certain of the Members of and the Director of Finance for the Authority are duly authorized to invest Authority monies pursuant to the New York Public Authorities Law and are trustees of Authority funds. Accordingly, such persons are acting as fiduciaries and will be subject to a prudent investor standard.

ARTICLE 2
SCOPE

This policy covers all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. It is intended that this policy cover all funds and investment activities under the direct control of the Authority, except for retirement or other employee benefit plans and deferred compensation funds.

ARTICLE 3
OBJECTIVES

1. The investment policies and practices of the Authority are based upon limitations set forth in the New York Public Authorities Law. These limitations seek to assure compliance with all laws governing the investment of monies under the control of the Authority. They also seek to protect the principal of funds entrusted to the Authority through the following objectives in order of importance.

   A. Safety: It is the primary duty and responsibility of the Director of Finance to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Director of Finance shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used as much as practicable given the range of permitted investments in order to reduce exposure to principal loss.

   B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. <u>Yield</u>: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. <u>Public Trust</u>: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

ARTICLE 4
PERMITTED INVESTMENTS

Section 1097 of the New York Public Authorities Law permits the Authority to invest solely in bank account deposits, which can be secured by government obligations. Notwithstanding the foregoing, this Section permits the Authority to contract with the holders of any of its bonds as to the investment of available funds. The Authority has issued various bonds pursuant to that certain Trust Indenture, dated as of October 1, 1991 (the "Indenture"), by and between the Authority and Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), including all amendments and supplements thereto. Section 511 of the Indenture permits the Authority (or the Trustee on its behalf) to invest funds not required for immediate disbursement solely in Authorized Investments. Section 101 of the Indenture defines the term "Authorized Investments;" attached hereto as Exhibit A is a copy of such definition, with a summary of permitted investments for funds other than those deposited in the Bond Fund.

ARTICLE 5
SECURED INVESTMENTS

The following describes the Authority's procedures regarding securing certificated and uncertificated securities.

1. The Authority's security interest in certificated securities purchased outright or acquired by repurchase agreement or held as collateral shall be perfected by:

A. Certificated Securities securing or transferred by a repurchase agreement or used as collateral to secure any other investment or cash balance shall be physically delivered, as far as practicable, to the Authority or its custodian for safekeeping throughout the term of the investment agreement.

B. Payment of funds shall only be made against the delivery of physical securities when securities are purchased outright, or the delivery of collateral when a repurchase agreement or certificate of deposit is involved.

C. These securities and collateral shall be physically segregated by the custodian or the financial institution (in the event delivery of the collateral to the custodian or the Authority is not practical) into an account held on behalf of the Authority.

D. The custodian shall release such securities or collateral upon the termination of the investment agreement as directed by the Custodial Agreement.

2. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) purchased outright shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities purchased.

B. Transfer of such securities to the Reserve Bank account of the Authority's custodian or financial institution and held in the name of the Authority.

C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

3. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) held as collateral for repurchase agreements or other deposits shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities transferred or pledged.

B. Transfer of such securities to the Reserve Bank account of the custodian and pledged to the Authority (or to the custodian acting for the Authority).

C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

ARTICLE 6
MONITORING

The following describes the Authority's procedures regarding monitoring of certain types of investments.

1. The Authority shall apply the following procedures for safekeeping:

A. Certificated securities and other collateral held by the Authority's Custodian or other financial intermediary for safekeeping shall be segregated or otherwise identified as pledged to the Authority.

B. Book entry securities shall be secured as provided in Article 5, Sections 2 and 3 above.

2. The Authority shall apply the following procedures regarding audits:

A. An independent audit of the Authority's investments shall be conducted annually at the direction of the Director of Finance.

B. The audit report shall be incorporated into the annual investment report described in Article 14 hereof.

3. The Authority shall comply with the following collateral requirements:

A. Investments and cash balances shall be fully (100%) secured by collateral, except as provided in subsection C below.

B. Collateral may consist of obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments in Section 101 of the Indenture.

C. FDIC, FSLIC, and SIPC insurance may be substituted for collateral as available and up to its limit.

4. The Authority shall monitor the foregoing through the following procedures:

A. The Authority shall monitor the recorded value of the collateral to make certain it is equal to the current market value, including accrued interest, of the collateral at the time of the initial investment, and thereafter monthly. For certain short-term investments the market value shall be monitored on a daily basis.

B. Substitutions of collateral shall be permitted in like-kind or upon written agreement subject to the approval of the Treasurer, the Executive Director, the Director of Finance or the lawful delegate of any of them.

ARTICLE 7
WRITTEN CONTRACTS

Pursuant to Section 2925 of the New York Public Authorities Law, any investments made by the Authority shall be evidenced by written contracts. All such contracts shall contain the provisions of the type described in Section 2925(3)(c) (i) – (iv). Notwithstanding the foregoing, the Authority may by resolution authorize certain investment transactions to be made by oral agreement where a written contract is not practical or there is not a regular business practice of written contracts; in such case, the Authority shall adopt procedures to govern such investment or transaction. In connection with any written contract, the Authority shall furnish a copy of these investment guidelines to each financial institution and obtain a written confirmation from such financial institution that it has reviewed and understands such guidelines.

ARTICLE 8
DELEGATION OF AUTHORITY

The investment, per this policy, of Authority idle monies is annually delegated to the Director of Finance by the Members who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Director of Finance may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility

for the overall investment program. The Director of Finance will review all investment transactions on a regular basis to assure compliance with this Statement of Investment Policy.

ARTICLE 9
ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such persons shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority's portfolio. All officers and employees involved in the investment of public funds are required to comply with the Authority's Conflict of Interest Policy.

ARTICLE 10
INELIGIBLE INVESTMENTS

The Authority shall invest only in the types of investments specifically described herein. All other investments are prohibited from use in this portfolio, including but not limited to common stocks, futures and the writing of options. The use of short positions is also prohibited.

ARTICLE 11
DERIVATIVES

A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity.

ARTICLE 12
SWAPS

A swap is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, or to increase investment quality. In no instance shall a swap be used for speculative purposes. Any such swap shall be simultaneous (same day execution of sale and purchase), and requires the written approval of the Director of Finance.

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Pursuant to other provisions of the New York Public Authorities Law, a system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separation of transaction authority from

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This will be done annually by having the financial institutions complete and return an information request form, and an audited financial statement within 90 days of the institution's fiscal year-end. In the event the primary dealer rejects the language in the dealer information request form, the Director of Finance may return to the Authority's Board for approval of alternative language proposed by the primary dealer.

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As described herein, the Indenture permits the use of various types of investments. Funds invested pursuant to the Indenture include short-term funds for operating needs as well as longer-term funds for capital needs. The Authority shall manage market and interest rate risk within each category of investments by investing to a shorter term. The Authority shall also seek to avoid trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

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In addition to these general policy considerations, the following specific policies will be strictly observed:

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Items (i)-(iii) below apply to the investment of funds held in the Bond Fund.

All other funds held under the Trust Indenture may be invested in any of the categories of authorized investments.

"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

MONROE COUNTY WATER AUTHORITY
ANNUAL STATEMENT OF INVESTMENT POLICY
(READOPTED APRIL 2022 ~~2021~~)

ARTICLE 1
INTRODUCTION

Section 2925 of the New York Public Authorities Law requires the Authority to adopt investment guidelines on an annual basis. The purpose of these guidelines is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Authority while protecting its funds.

Certain of the Members of and the Director of Finance for the Authority are duly authorized to invest Authority monies pursuant to the New York Public Authorities Law and are trustees of Authority funds. Accordingly, such persons are acting as fiduciaries and will be subject to a prudent investor standard.

ARTICLE 2
SCOPE

This policy covers all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. It is intended that this policy cover all funds and investment activities under the direct control of the Authority, except for retirement or other employee benefit plans and deferred compensation funds.

ARTICLE 3
OBJECTIVES

1. The investment policies and practices of the Authority are based upon limitations set forth in the New York Public Authorities Law. These limitations seek to assure compliance with all laws governing the investment of monies under the control of the Authority. They also seek to protect the principal of funds entrusted to the Authority through the following objectives in order of importance.

   A. Safety: It is the primary duty and responsibility of the Director of Finance to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Director of Finance shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used as much as practicable given the range of permitted investments in order to reduce exposure to principal loss.

   B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Yield: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

ARTICLE 4
PERMITTED INVESTMENTS

Section 1097 of the New York Public Authorities Law permits the Authority to invest solely in bank account deposits, which can be secured by government obligations. Notwithstanding the foregoing, this Section permits the Authority to contract with the holders of any of its bonds as to the investment of available funds. The Authority has issued various bonds pursuant to that certain Trust Indenture, dated as of October 1, 1991 (the "Indenture"), by and between the Authority and Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), including all amendments and supplements thereto. Section 511 of the Indenture permits the Authority (or the Trustee on its behalf) to invest funds not required for immediate disbursement solely in Authorized Investments. Section 101 of the Indenture defines the term "Authorized Investments;" attached hereto as Exhibit A is a copy of such definition, with a summary of permitted investments for funds other than those deposited in the Bond Fund.

ARTICLE 5
SECURED INVESTMENTS

The following describes the Authority's procedures regarding securing certificated and uncertificated securities.

1. The Authority's security interest in certificated securities purchased outright or acquired by repurchase agreement or held as collateral shall be perfected by:

A. Certificated Securities securing or transferred by a repurchase agreement or used as collateral to secure any other investment or cash balance shall be physically delivered, as far as practicable, to the Authority or its custodian for safekeeping throughout the term of the investment agreement.

B. Payment of funds shall only be made against the delivery of physical securities when securities are purchased outright, or the delivery of collateral when a repurchase agreement or certificate of deposit is involved.

C. These securities and collateral shall be physically segregated by the custodian or the financial institution (in the event delivery of the collateral to the custodian or the Authority is not practical) into an account held on behalf of the Authority.

D. The custodian shall release such securities or collateral upon the termination of the investment agreement as directed by the Custodial Agreement.

2. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) purchased outright shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities purchased.

B. Transfer of such securities to the Reserve Bank account of the Authority's custodian or financial institution and held in the name of the Authority.

C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

3. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) held as collateral for repurchase agreements or other deposits shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities transferred or pledged.

B. Transfer of such securities to the Reserve Bank account of the custodian and pledged to the Authority (or to the custodian acting for the Authority).

C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

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MONITORING

The following describes the Authority's procedures regarding monitoring of certain types of investments.

1. The Authority shall apply the following procedures for safekeeping:

A. Certificated securities and other collateral held by the Authority's Custodian or other financial intermediary for safekeeping shall be segregated or otherwise identified as pledged to the Authority.

B. Book entry securities shall be secured as provided in Article 5, Sections 2 and 3 above.

2. The Authority shall apply the following procedures regarding audits:

   A. An independent audit of the Authority's investments shall be conducted annually at the direction of the Director of Finance.

   B. The audit report shall be incorporated into the annual investment report described in Article 14 hereof.

3. The Authority shall comply with the following collateral requirements:

   A. Investments and cash balances shall be fully (100%) secured by collateral, except as provided in subsection C below.

   B. Collateral may consist of obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments in Section 101 of the Indenture.

   C. FDIC, FSLIC, and SIPC insurance may be substituted for collateral as available and up to its limit.

4. The Authority shall monitor the foregoing through the following procedures:

   A. The Authority shall monitor the recorded value of the collateral to make certain it is equal to the current market value, including accrued interest, of the collateral at the time of the initial investment, and thereafter monthly. For certain short-term investments the market value shall be monitored on a daily basis.

   B. Substitutions of collateral shall be permitted in like-kind or upon written agreement subject to the approval of the Treasurer, the Executive Director, the Director of Finance or the lawful delegate of any of them.

ARTICLE 7
WRITTEN CONTRACTS

Pursuant to Section 2925 of the New York Public Authorities Law, any investments made by the Authority shall be evidenced by written contracts. All such contracts shall contain the provisions of the type described in Section 2925(3)(c) (i) – (iv). Notwithstanding the foregoing, the Authority may by resolution authorize certain investment transactions to be made by oral agreement where a written contract is not practical or there is not a regular business practice of written contracts; in such case, the Authority shall adopt procedures to govern such investment or transaction. In connection with any written contract, the Authority shall furnish a copy of these investment guidelines to each financial institution and obtain a written confirmation from such financial institution that it has reviewed and understands such guidelines.

ARTICLE 8
DELEGATION OF AUTHORITY

The investment, per this policy, of Authority idle monies is annually delegated to the Director of Finance by the Members who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Director of Finance may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility

for the overall investment program. The Director of Finance will review all investment transactions on a regular basis to assure compliance with this Statement of Investment Policy.

ARTICLE 9
ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such persons shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority's portfolio. All officers and employees involved in the investment of public funds are required to comply with the Authority's Conflict of Interest Policy.

ARTICLE 10
INELIGIBLE INVESTMENTS

The Authority shall invest only in the types of investments specifically described herein. All other investments are prohibited from use in this portfolio, including but not limited to common stocks, futures and the writing of options. The use of short positions is also prohibited.

ARTICLE 11
DERIVATIVES

A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity.

ARTICLE 12
SWAPS

A swap is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, or to increase investment quality. In no instance shall a swap be used for speculative purposes. Any such swap shall be simultaneous (same day execution of sale and purchase), and requires the written approval of the Director of Finance.

ARTICLE 13
INTERNAL CONTROLS

Pursuant to other provisions of the New York Public Authorities Law, a system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separation of transaction authority from

accounting and recordkeeping, separation of custodial safekeeping from transaction authority, accounting, and recordkeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards. The Director of Finance will establish an annual process of independent review by an external audit firm. This review will provide assurances of strong internal controls by reviewing compliance with previously established policies and procedures.

ARTICLE 14
REPORTING

The Director of Finance will submit a quarterly investment report to the Members and the Executive Director. This report will include: a list of portfolio transactions, type of investment, issuer, date of maturity, amount of deposit/par amount, current market value of all securities (with the source of the market valuation), rate of interest, and a statement indicating compliance or noncompliance with this Statement of Investment Policy. As applicable and appropriate based on the type of investment, additional items listed will also include average weighted yield, average days to maturity, accrued interest earned during the period and fiscal year to date, percent distribution to each type of investment and any funds under management by contracted parties, including lending programs. The report will include a list of auditors, investment bankers, brokers, agents, dealers and advisers, as applicable.

The Director of Finance will submit an annual investment report to the Members and the Executive Director. In addition to the information set forth in the preceding paragraph, the annual report will contain a yearly update regarding the Authority's investment guidelines, amendments to such guidelines, if any, the results of the annual independent investment audit, the investment performance record of the Authority, and a list of the total fees, commissions and other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment-related services to the Authority. The annual investment report shall be prepared in conformity with generally accepted accounting principles for governments (GAAP) and shall comply with Governmental Accounting Standards Board (GASB) Statement No. 3. In addition, GASB Statement No. 28 and GASB Statement No.31 shall be applied as appropriate.

The Authority shall submit its annual investment report to the Division of the Budget with copies to the chief executive officer and chief financial officer of the County of Monroe, the Department of Audit and Control of the State of New York, the Senate Finance Committee, and the Assembly Ways and Means Committee.

Copies of the Authority's annual investment report shall be made available to the public upon reasonable request therefor.

ARTICLE 15
QUALIFIED BANKS AND SECURITIES DEALERS

The Authority shall conduct business only with banks, agents and registered investment securities brokers and dealers. The Authority's staff will investigate all institutions that wish to conduct business with the Authority and evaluate their quality, reliability, experience, capitalization, size and any other relevant information. All institutions must sign an information request form, and agree to abide by the conditions set forth in this Investment Policy. The Director of Finance shall maintain a list of approved institutions and security broker/dealers.

This will be done annually by having the financial institutions complete and return an information request form, and an audited financial statement within 90 days of the institution's fiscal year-end. In the event the primary dealer rejects the language in the dealer information request form, the Director of Finance may return to the Authority's Board for approval of alternative language proposed by the primary dealer.

ARTICLE 16
RISK TOLERANCE

The Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Director of Finance is expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Director of Finance shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

As described herein, the Indenture permits the use of various types of investments. Funds invested pursuant to the Indenture include short-term funds for operating needs as well as longer-term funds for capital needs. The Authority shall manage market and interest rate risk within each category of investments by investing to a shorter term. The Authority shall also seek to avoid trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

Controlling and managing risk is the foremost portfolio management objective. The Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return.

In addition to these general policy considerations, the following specific policies will be strictly observed:

A. All transactions will be executed on a delivery-versus-payment basis.

B. A competitive bid process, when practical, will be used to place all investment purchases and sell transactions.

ARTICLE 17
DIVERSIFICATION

In order to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions, the Director of Finance shall diversify the investment portfolio by security type, institution and maturity. In particular, the Authority shall limit its investments at any financial institution to 1% of such institution's assets.

ARTICLE 18
STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy shall be reviewed and submitted annually to the Members in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. Such review and approval shall occur each year at the Authority's Annual Meeting.

Exhibit A

Included below is the definition of "Authorized Investments" and the list of permitted investments per section 101 of the Trust Indenture dated as of October 1, 1991.

Items (i)-(iii) below apply to the investment of funds held in the Bond Fund.

All other funds held under the Trust Indenture may be invested in any of the categories of authorized investments.

"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

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(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

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C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

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C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

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   A. An independent audit of the Authority's investments shall be conducted annually at the direction of the Director of Finance.

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Pursuant to Section 2925 of the New York Public Authorities Law, any investments made by the Authority shall be evidenced by written contracts. All such contracts shall contain the provisions of the type described in Section 2925(3)(c) (i) – (iv). Notwithstanding the foregoing, the Authority may by resolution authorize certain investment transactions to be made by oral agreement where a written contract is not practical or there is not a regular business practice of written contracts; in such case, the Authority shall adopt procedures to govern such investment or transaction. In connection with any written contract, the Authority shall furnish a copy of these investment guidelines to each financial institution and obtain a written confirmation from such financial institution that it has reviewed and understands such guidelines.

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The investment, per this policy, of Authority idle monies is annually delegated to the Director of Finance by the Members who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Director of Finance may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility

for the overall investment program. The Director of Finance will review all investment transactions on a regular basis to assure compliance with this Statement of Investment Policy.

ARTICLE 9
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Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such persons shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority's portfolio. All officers and employees involved in the investment of public funds are required to comply with the Authority's Conflict of Interest Policy.

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The Authority shall invest only in the types of investments specifically described herein. All other investments are prohibited from use in this portfolio, including but not limited to common stocks, futures and the writing of options. The use of short positions is also prohibited.

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A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity.

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A swap is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, or to increase investment quality. In no instance shall a swap be used for speculative purposes. Any such swap shall be simultaneous (same day execution of sale and purchase), and requires the written approval of the Director of Finance.

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INTERNAL CONTROLS

Pursuant to other provisions of the New York Public Authorities Law, a system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separation of transaction authority from

accounting and recordkeeping, separation of custodial safekeeping from transaction authority, accounting, and recordkeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards. The Director of Finance will establish an annual process of independent review by an external audit firm. This review will provide assurances of strong internal controls by reviewing compliance with previously established policies and procedures.

ARTICLE 14
REPORTING

The Director of Finance will submit a quarterly investment report to the Members and the Executive Director. This report will include: a list of portfolio transactions, type of investment, issuer, date of maturity, amount of deposit/par amount, current market value of all securities (with the source of the market valuation), rate of interest, and a statement indicating compliance or noncompliance with this Statement of Investment Policy. As applicable and appropriate based on the type of investment, additional items listed will also include average weighted yield, average days to maturity, accrued interest earned during the period and fiscal year to date, percent distribution to each type of investment and any funds under management by contracted parties, including lending programs. The report will include a list of auditors, investment bankers, brokers, agents, dealers and advisers, as applicable.

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This will be done annually by having the financial institutions complete and return an information request form, and an audited financial statement within 90 days of the institution's fiscal year-end. In the event the primary dealer rejects the language in the dealer information request form, the Director of Finance may return to the Authority's Board for approval of alternative language proposed by the primary dealer.

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As described herein, the Indenture permits the use of various types of investments. Funds invested pursuant to the Indenture include short-term funds for operating needs as well as longer-term funds for capital needs. The Authority shall manage market and interest rate risk within each category of investments by investing to a shorter term. The Authority shall also seek to avoid trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

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In addition to these general policy considerations, the following specific policies will be strictly observed:

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B. A competitive bid process, when practical, will be used to place all investment purchases and sell transactions.

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In order to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions, the Director of Finance shall diversify the investment portfolio by security type, institution and maturity. In particular, the Authority shall limit its investments at any financial institution to 1% of such institution's assets.

ARTICLE 18
STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy shall be reviewed and submitted annually to the Members in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. Such review and approval shall occur each year at the Authority's Annual Meeting.

Exhibit A

Included below is the definition of "Authorized Investments" and the list of permitted investments per section 101 of the Trust Indenture dated as of October 1, 1991.

Items (i)-(iii) below apply to the investment of funds held in the Bond Fund.

All other funds held under the Trust Indenture may be invested in any of the categories of authorized investments.

"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

MONROE COUNTY WATER AUTHORITY
ANNUAL STATEMENT OF INVESTMENT POLICY
(READOPTED APRIL 2022 ~~2021~~)

ARTICLE 1
INTRODUCTION

Section 2925 of the New York Public Authorities Law requires the Authority to adopt investment guidelines on an annual basis. The purpose of these guidelines is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Authority while protecting its funds.

Certain of the Members of and the Director of Finance for the Authority are duly authorized to invest Authority monies pursuant to the New York Public Authorities Law and are trustees of Authority funds. Accordingly, such persons are acting as fiduciaries and will be subject to a prudent investor standard.

ARTICLE 2
SCOPE

This policy covers all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. It is intended that this policy cover all funds and investment activities under the direct control of the Authority, except for retirement or other employee benefit plans and deferred compensation funds.

ARTICLE 3
OBJECTIVES

1. The investment policies and practices of the Authority are based upon limitations set forth in the New York Public Authorities Law. These limitations seek to assure compliance with all laws governing the investment of monies under the control of the Authority. They also seek to protect the principal of funds entrusted to the Authority through the following objectives in order of importance.

A. Safety: It is the primary duty and responsibility of the Director of Finance to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Director of Finance shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used as much as practicable given the range of permitted investments in order to reduce exposure to principal loss.

B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Yield: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

ARTICLE 4
PERMITTED INVESTMENTS

Section 1097 of the New York Public Authorities Law permits the Authority to invest solely in bank account deposits, which can be secured by government obligations. Notwithstanding the foregoing, this Section permits the Authority to contract with the holders of any of its bonds as to the investment of available funds. The Authority has issued various bonds pursuant to that certain Trust Indenture, dated as of October 1, 1991 (the "Indenture"), by and between the Authority and Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), including all amendments and supplements thereto. Section 511 of the Indenture permits the Authority (or the Trustee on its behalf) to invest funds not required for immediate disbursement solely in Authorized Investments. Section 101 of the Indenture defines the term "Authorized Investments;" attached hereto as Exhibit A is a copy of such definition, with a summary of permitted investments for funds other than those deposited in the Bond Fund.

ARTICLE 5
SECURED INVESTMENTS

The following describes the Authority's procedures regarding securing certificated and uncertificated securities.

1. The Authority's security interest in certificated securities purchased outright or acquired by repurchase agreement or held as collateral shall be perfected by:

A. Certificated Securities securing or transferred by a repurchase agreement or used as collateral to secure any other investment or cash balance shall be physically delivered, as far as practicable, to the Authority or its custodian for safekeeping throughout the term of the investment agreement.

B. Payment of funds shall only be made against the delivery of physical securities when securities are purchased outright, or the delivery of collateral when a repurchase agreement or certificate of deposit is involved.

C. These securities and collateral shall be physically segregated by the custodian or the financial institution (in the event delivery of the collateral to the custodian or the Authority is not practical) into an account held on behalf of the Authority.

D. The custodian shall release such securities or collateral upon the termination of the investment agreement as directed by the Custodial Agreement.

2. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) purchased outright shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities purchased.

B. Transfer of such securities to the Reserve Bank account of the Authority's custodian or financial institution and held in the name of the Authority.

C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

3. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) held as collateral for repurchase agreements or other deposits shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities transferred or pledged.

B. Transfer of such securities to the Reserve Bank account of the custodian and pledged to the Authority (or to the custodian acting for the Authority).

C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

ARTICLE 6
MONITORING

The following describes the Authority's procedures regarding monitoring of certain types of investments.

1. The Authority shall apply the following procedures for safekeeping:

A. Certificated securities and other collateral held by the Authority's Custodian or other financial intermediary for safekeeping shall be segregated or otherwise identified as pledged to the Authority.

B. Book entry securities shall be secured as provided in Article 5, Sections 2 and 3 above.

2. The Authority shall apply the following procedures regarding audits:

   A. An independent audit of the Authority's investments shall be conducted annually at the direction of the Director of Finance.

   B. The audit report shall be incorporated into the annual investment report described in Article 14 hereof.

3. The Authority shall comply with the following collateral requirements:

   A. Investments and cash balances shall be fully (100%) secured by collateral, except as provided in subsection C below.

   B. Collateral may consist of obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments in Section 101 of the Indenture.

   C. FDIC, FSLIC, and SIPC insurance may be substituted for collateral as available and up to its limit.

4. The Authority shall monitor the foregoing through the following procedures:

   A. The Authority shall monitor the recorded value of the collateral to make certain it is equal to the current market value, including accrued interest, of the collateral at the time of the initial investment, and thereafter monthly. For certain short-term investments the market value shall be monitored on a daily basis.

   B. Substitutions of collateral shall be permitted in like-kind or upon written agreement subject to the approval of the Treasurer, the Executive Director, the Director of Finance or the lawful delegate of any of them.

ARTICLE 7
WRITTEN CONTRACTS

Pursuant to Section 2925 of the New York Public Authorities Law, any investments made by the Authority shall be evidenced by written contracts. All such contracts shall contain the provisions of the type described in Section 2925(3)(c) (i) – (iv). Notwithstanding the foregoing, the Authority may by resolution authorize certain investment transactions to be made by oral agreement where a written contract is not practical or there is not a regular business practice of written contracts; in such case, the Authority shall adopt procedures to govern such investment or transaction. In connection with any written contract, the Authority shall furnish a copy of these investment guidelines to each financial institution and obtain a written confirmation from such financial institution that it has reviewed and understands such guidelines.

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The investment, per this policy, of Authority idle monies is annually delegated to the Director of Finance by the Members who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Director of Finance may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility

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(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

MONROE COUNTY WATER AUTHORITY
ANNUAL STATEMENT OF INVESTMENT POLICY
(READOPTED APRIL 2022 ~~2021~~)

ARTICLE 1
INTRODUCTION

Section 2925 of the New York Public Authorities Law requires the Authority to adopt investment guidelines on an annual basis. The purpose of these guidelines is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Authority while protecting its funds.

Certain of the Members of and the Director of Finance for the Authority are duly authorized to invest Authority monies pursuant to the New York Public Authorities Law and are trustees of Authority funds. Accordingly, such persons are acting as fiduciaries and will be subject to a prudent investor standard.

ARTICLE 2
SCOPE

This policy covers all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. It is intended that this policy cover all funds and investment activities under the direct control of the Authority, except for retirement or other employee benefit plans and deferred compensation funds.

ARTICLE 3
OBJECTIVES

1. The investment policies and practices of the Authority are based upon limitations set forth in the New York Public Authorities Law. These limitations seek to assure compliance with all laws governing the investment of monies under the control of the Authority. They also seek to protect the principal of funds entrusted to the Authority through the following objectives in order of importance.

A. Safety: It is the primary duty and responsibility of the Director of Finance to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Director of Finance shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used as much as practicable given the range of permitted investments in order to reduce exposure to principal loss.

B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Yield: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

ARTICLE 4
PERMITTED INVESTMENTS

Section 1097 of the New York Public Authorities Law permits the Authority to invest solely in bank account deposits, which can be secured by government obligations. Notwithstanding the foregoing, this Section permits the Authority to contract with the holders of any of its bonds as to the investment of available funds. The Authority has issued various bonds pursuant to that certain Trust Indenture, dated as of October 1, 1991 (the "Indenture"), by and between the Authority and Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), including all amendments and supplements thereto. Section 511 of the Indenture permits the Authority (or the Trustee on its behalf) to invest funds not required for immediate disbursement solely in Authorized Investments. Section 101 of the Indenture defines the term "Authorized Investments;" attached hereto as Exhibit A is a copy of such definition, with a summary of permitted investments for funds other than those deposited in the Bond Fund.

ARTICLE 5
SECURED INVESTMENTS

The following describes the Authority's procedures regarding securing certificated and uncertificated securities.

1. The Authority's security interest in certificated securities purchased outright or acquired by repurchase agreement or held as collateral shall be perfected by:

A. Certificated Securities securing or transferred by a repurchase agreement or used as collateral to secure any other investment or cash balance shall be physically delivered, as far as practicable, to the Authority or its custodian for safekeeping throughout the term of the investment agreement.

B. Payment of funds shall only be made against the delivery of physical securities when securities are purchased outright, or the delivery of collateral when a repurchase agreement or certificate of deposit is involved.

C. These securities and collateral shall be physically segregated by the custodian or the financial institution (in the event delivery of the collateral to the custodian or the Authority is not practical) into an account held on behalf of the Authority.

D. The custodian shall release such securities or collateral upon the termination of the investment agreement as directed by the Custodial Agreement.

2. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) purchased outright shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities purchased.

B. Transfer of such securities to the Reserve Bank account of the Authority's custodian or financial institution and held in the name of the Authority.

C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

3. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) held as collateral for repurchase agreements or other deposits shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities transferred or pledged.

B. Transfer of such securities to the Reserve Bank account of the custodian and pledged to the Authority (or to the custodian acting for the Authority).

C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

ARTICLE 6
MONITORING

The following describes the Authority's procedures regarding monitoring of certain types of investments.

1. The Authority shall apply the following procedures for safekeeping:

A. Certificated securities and other collateral held by the Authority's Custodian or other financial intermediary for safekeeping shall be segregated or otherwise identified as pledged to the Authority.

B. Book entry securities shall be secured as provided in Article 5, Sections 2 and 3 above.

2. The Authority shall apply the following procedures regarding audits:

A. An independent audit of the Authority's investments shall be conducted annually at the direction of the Director of Finance.

B. The audit report shall be incorporated into the annual investment report described in Article 14 hereof.

3. The Authority shall comply with the following collateral requirements:

A. Investments and cash balances shall be fully (100%) secured by collateral, except as provided in subsection C below.

B. Collateral may consist of obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments in Section 101 of the Indenture.

C. FDIC, FSLIC, and SIPC insurance may be substituted for collateral as available and up to its limit.

4. The Authority shall monitor the foregoing through the following procedures:

A. The Authority shall monitor the recorded value of the collateral to make certain it is equal to the current market value, including accrued interest, of the collateral at the time of the initial investment, and thereafter monthly. For certain short-term investments the market value shall be monitored on a daily basis.

B. Substitutions of collateral shall be permitted in like-kind or upon written agreement subject to the approval of the Treasurer, the Executive Director, the Director of Finance or the lawful delegate of any of them.

ARTICLE 7
WRITTEN CONTRACTS

Pursuant to Section 2925 of the New York Public Authorities Law, any investments made by the Authority shall be evidenced by written contracts. All such contracts shall contain the provisions of the type described in Section 2925(3)(c) (i) – (iv). Notwithstanding the foregoing, the Authority may by resolution authorize certain investment transactions to be made by oral agreement where a written contract is not practical or there is not a regular business practice of written contracts; in such case, the Authority shall adopt procedures to govern such investment or transaction. In connection with any written contract, the Authority shall furnish a copy of these investment guidelines to each financial institution and obtain a written confirmation from such financial institution that it has reviewed and understands such guidelines.

ARTICLE 8
DELEGATION OF AUTHORITY

The investment, per this policy, of Authority idle monies is annually delegated to the Director of Finance by the Members who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Director of Finance may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility

for the overall investment program. The Director of Finance will review all investment transactions on a regular basis to assure compliance with this Statement of Investment Policy.

ARTICLE 9
ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such persons shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority's portfolio. All officers and employees involved in the investment of public funds are required to comply with the Authority's Conflict of Interest Policy.

ARTICLE 10
INELIGIBLE INVESTMENTS

The Authority shall invest only in the types of investments specifically described herein. All other investments are prohibited from use in this portfolio, including but not limited to common stocks, futures and the writing of options. The use of short positions is also prohibited.

ARTICLE 11
DERIVATIVES

A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity.

ARTICLE 12
SWAPS

A swap is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, or to increase investment quality. In no instance shall a swap be used for speculative purposes. Any such swap shall be simultaneous (same day execution of sale and purchase), and requires the written approval of the Director of Finance.

ARTICLE 13
INTERNAL CONTROLS

Pursuant to other provisions of the New York Public Authorities Law, a system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separation of transaction authority from

accounting and recordkeeping, separation of custodial safekeeping from transaction authority, accounting, and recordkeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards. The Director of Finance will establish an annual process of independent review by an external audit firm. This review will provide assurances of strong internal controls by reviewing compliance with previously established policies and procedures.

ARTICLE 14
REPORTING

The Director of Finance will submit a quarterly investment report to the Members and the Executive Director. This report will include: a list of portfolio transactions, type of investment, issuer, date of maturity, amount of deposit/par amount, current market value of all securities (with the source of the market valuation), rate of interest, and a statement indicating compliance or noncompliance with this Statement of Investment Policy. As applicable and appropriate based on the type of investment, additional items listed will also include average weighted yield, average days to maturity, accrued interest earned during the period and fiscal year to date, percent distribution to each type of investment and any funds under management by contracted parties, including lending programs. The report will include a list of auditors, investment bankers, brokers, agents, dealers and advisers, as applicable.

The Director of Finance will submit an annual investment report to the Members and the Executive Director. In addition to the information set forth in the preceding paragraph, the annual report will contain a yearly update regarding the Authority's investment guidelines, amendments to such guidelines, if any, the results of the annual independent investment audit, the investment performance record of the Authority, and a list of the total fees, commissions and other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment-related services to the Authority. The annual investment report shall be prepared in conformity with generally accepted accounting principles for governments (GAAP) and shall comply with Governmental Accounting Standards Board (GASB) Statement No. 3. In addition, GASB Statement No. 28 and GASB Statement No.31 shall be applied as appropriate.

The Authority shall submit its annual investment report to the Division of the Budget with copies to the chief executive officer and chief financial officer of the County of Monroe, the Department of Audit and Control of the State of New York, the Senate Finance Committee, and the Assembly Ways and Means Committee.

Copies of the Authority's annual investment report shall be made available to the public upon reasonable request therefor.

ARTICLE 15
QUALIFIED BANKS AND SECURITIES DEALERS

The Authority shall conduct business only with banks, agents and registered investment securities brokers and dealers. The Authority's staff will investigate all institutions that wish to conduct business with the Authority and evaluate their quality, reliability, experience, capitalization, size and any other relevant information. All institutions must sign an information request form, and agree to abide by the conditions set forth in this Investment Policy. The Director of Finance shall maintain a list of approved institutions and security broker/dealers.

This will be done annually by having the financial institutions complete and return an information request form, and an audited financial statement within 90 days of the institution's fiscal year-end. In the event the primary dealer rejects the language in the dealer information request form, the Director of Finance may return to the Authority's Board for approval of alternative language proposed by the primary dealer.

ARTICLE 16
RISK TOLERANCE

The Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Director of Finance is expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Director of Finance shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

As described herein, the Indenture permits the use of various types of investments. Funds invested pursuant to the Indenture include short-term funds for operating needs as well as longer-term funds for capital needs. The Authority shall manage market and interest rate risk within each category of investments by investing to a shorter term. The Authority shall also seek to avoid trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

Controlling and managing risk is the foremost portfolio management objective. The Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return.

In addition to these general policy considerations, the following specific policies will be strictly observed:

A. All transactions will be executed on a delivery-versus-payment basis.

B. A competitive bid process, when practical, will be used to place all investment purchases and sell transactions.

ARTICLE 17
DIVERSIFICATION

In order to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions, the Director of Finance shall diversify the investment portfolio by security type, institution and maturity. In particular, the Authority shall limit its investments at any financial institution to 1% of such institution's assets.

ARTICLE 18
STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy shall be reviewed and submitted annually to the Members in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. Such review and approval shall occur each year at the Authority's Annual Meeting.

Exhibit A

Included below is the definition of "Authorized Investments" and the list of permitted investments per section 101 of the Trust Indenture dated as of October 1, 1991.

Items (i)-(iii) below apply to the investment of funds held in the Bond Fund.

All other funds held under the Trust Indenture may be invested in any of the categories of authorized investments.

"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

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(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

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(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

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B. Payment of funds shall only be made against the delivery of physical securities when securities are purchased outright, or the delivery of collateral when a repurchase agreement or certificate of deposit is involved.

C. These securities and collateral shall be physically segregated by the custodian or the financial institution (in the event delivery of the collateral to the custodian or the Authority is not practical) into an account held on behalf of the Authority.

D. The custodian shall release such securities or collateral upon the termination of the investment agreement as directed by the Custodial Agreement.

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B. Transfer of such securities to the Reserve Bank account of the Authority's custodian or financial institution and held in the name of the Authority.

C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

3. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) held as collateral for repurchase agreements or other deposits shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities transferred or pledged.

B. Transfer of such securities to the Reserve Bank account of the custodian and pledged to the Authority (or to the custodian acting for the Authority).

C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

ARTICLE 6
MONITORING

The following describes the Authority's procedures regarding monitoring of certain types of investments.

1. The Authority shall apply the following procedures for safekeeping:

A. Certificated securities and other collateral held by the Authority's Custodian or other financial intermediary for safekeeping shall be segregated or otherwise identified as pledged to the Authority.

B. Book entry securities shall be secured as provided in Article 5, Sections 2 and 3 above.

2. The Authority shall apply the following procedures regarding audits:

   A. An independent audit of the Authority's investments shall be conducted annually at the direction of the Director of Finance.

   B. The audit report shall be incorporated into the annual investment report described in Article 14 hereof.

3. The Authority shall comply with the following collateral requirements:

   A. Investments and cash balances shall be fully (100%) secured by collateral, except as provided in subsection C below.

   B. Collateral may consist of obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments in Section 101 of the Indenture.

   C. FDIC, FSLIC, and SIPC insurance may be substituted for collateral as available and up to its limit.

4. The Authority shall monitor the foregoing through the following procedures:

   A. The Authority shall monitor the recorded value of the collateral to make certain it is equal to the current market value, including accrued interest, of the collateral at the time of the initial investment, and thereafter monthly. For certain short-term investments the market value shall be monitored on a daily basis.

   B. Substitutions of collateral shall be permitted in like-kind or upon written agreement subject to the approval of the Treasurer, the Executive Director, the Director of Finance or the lawful delegate of any of them.

ARTICLE 7
WRITTEN CONTRACTS

Pursuant to Section 2925 of the New York Public Authorities Law, any investments made by the Authority shall be evidenced by written contracts. All such contracts shall contain the provisions of the type described in Section 2925(3)(c) (i) – (iv). Notwithstanding the foregoing, the Authority may by resolution authorize certain investment transactions to be made by oral agreement where a written contract is not practical or there is not a regular business practice of written contracts; in such case, the Authority shall adopt procedures to govern such investment or transaction. In connection with any written contract, the Authority shall furnish a copy of these investment guidelines to each financial institution and obtain a written confirmation from such financial institution that it has reviewed and understands such guidelines.

ARTICLE 8
DELEGATION OF AUTHORITY

The investment, per this policy, of Authority idle monies is annually delegated to the Director of Finance by the Members who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Director of Finance may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility

for the overall investment program. The Director of Finance will review all investment transactions on a regular basis to assure compliance with this Statement of Investment Policy.

ARTICLE 9
ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such persons shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority's portfolio. All officers and employees involved in the investment of public funds are required to comply with the Authority's Conflict of Interest Policy.

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INELIGIBLE INVESTMENTS

The Authority shall invest only in the types of investments specifically described herein. All other investments are prohibited from use in this portfolio, including but not limited to common stocks, futures and the writing of options. The use of short positions is also prohibited.

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DERIVATIVES

A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity.

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A swap is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, or to increase investment quality. In no instance shall a swap be used for speculative purposes. Any such swap shall be simultaneous (same day execution of sale and purchase), and requires the written approval of the Director of Finance.

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INTERNAL CONTROLS

Pursuant to other provisions of the New York Public Authorities Law, a system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separation of transaction authority from

accounting and recordkeeping, separation of custodial safekeeping from transaction authority, accounting, and recordkeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards. The Director of Finance will establish an annual process of independent review by an external audit firm. This review will provide assurances of strong internal controls by reviewing compliance with previously established policies and procedures.

ARTICLE 14
REPORTING

The Director of Finance will submit a quarterly investment report to the Members and the Executive Director. This report will include: a list of portfolio transactions, type of investment, issuer, date of maturity, amount of deposit/par amount, current market value of all securities (with the source of the market valuation), rate of interest, and a statement indicating compliance or noncompliance with this Statement of Investment Policy. As applicable and appropriate based on the type of investment, additional items listed will also include average weighted yield, average days to maturity, accrued interest earned during the period and fiscal year to date, percent distribution to each type of investment and any funds under management by contracted parties, including lending programs. The report will include a list of auditors, investment bankers, brokers, agents, dealers and advisers, as applicable.

The Director of Finance will submit an annual investment report to the Members and the Executive Director. In addition to the information set forth in the preceding paragraph, the annual report will contain a yearly update regarding the Authority's investment guidelines, amendments to such guidelines, if any, the results of the annual independent investment audit, the investment performance record of the Authority, and a list of the total fees, commissions and other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment-related services to the Authority. The annual investment report shall be prepared in conformity with generally accepted accounting principles for governments (GAAP) and shall comply with Governmental Accounting Standards Board (GASB) Statement No. 3. In addition, GASB Statement No. 28 and GASB Statement No.31 shall be applied as appropriate.

The Authority shall submit its annual investment report to the Division of the Budget with copies to the chief executive officer and chief financial officer of the County of Monroe, the Department of Audit and Control of the State of New York, the Senate Finance Committee, and the Assembly Ways and Means Committee.

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This will be done annually by having the financial institutions complete and return an information request form, and an audited financial statement within 90 days of the institution's fiscal year-end. In the event the primary dealer rejects the language in the dealer information request form, the Director of Finance may return to the Authority's Board for approval of alternative language proposed by the primary dealer.

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As described herein, the Indenture permits the use of various types of investments. Funds invested pursuant to the Indenture include short-term funds for operating needs as well as longer-term funds for capital needs. The Authority shall manage market and interest rate risk within each category of investments by investing to a shorter term. The Authority shall also seek to avoid trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

Controlling and managing risk is the foremost portfolio management objective. The Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return.

In addition to these general policy considerations, the following specific policies will be strictly observed:

A. All transactions will be executed on a delivery-versus-payment basis.

B. A competitive bid process, when practical, will be used to place all investment purchases and sell transactions.

ARTICLE 17
DIVERSIFICATION

In order to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions, the Director of Finance shall diversify the investment portfolio by security type, institution and maturity. In particular, the Authority shall limit its investments at any financial institution to 1% of such institution's assets.

ARTICLE 18
STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy shall be reviewed and submitted annually to the Members in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. Such review and approval shall occur each year at the Authority's Annual Meeting.

Exhibit A

Included below is the definition of "Authorized Investments" and the list of permitted investments per section 101 of the Trust Indenture dated as of October 1, 1991.

Items (i)-(iii) below apply to the investment of funds held in the Bond Fund.

All other funds held under the Trust Indenture may be invested in any of the categories of authorized investments.

"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

MONROE COUNTY WATER AUTHORITY
ANNUAL STATEMENT OF INVESTMENT POLICY
(READOPTED APRIL 2022 ~~2021~~)

ARTICLE 1
INTRODUCTION

Section 2925 of the New York Public Authorities Law requires the Authority to adopt investment guidelines on an annual basis. The purpose of these guidelines is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Authority while protecting its funds.

Certain of the Members of and the Director of Finance for the Authority are duly authorized to invest Authority monies pursuant to the New York Public Authorities Law and are trustees of Authority funds. Accordingly, such persons are acting as fiduciaries and will be subject to a prudent investor standard.

ARTICLE 2
SCOPE

This policy covers all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. It is intended that this policy cover all funds and investment activities under the direct control of the Authority, except for retirement or other employee benefit plans and deferred compensation funds.

ARTICLE 3
OBJECTIVES

1. The investment policies and practices of the Authority are based upon limitations set forth in the New York Public Authorities Law. These limitations seek to assure compliance with all laws governing the investment of monies under the control of the Authority. They also seek to protect the principal of funds entrusted to the Authority through the following objectives in order of importance.

   A. Safety: It is the primary duty and responsibility of the Director of Finance to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Director of Finance shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used as much as practicable given the range of permitted investments in order to reduce exposure to principal loss.

   B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Yield: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

ARTICLE 4
PERMITTED INVESTMENTS

Section 1097 of the New York Public Authorities Law permits the Authority to invest solely in bank account deposits, which can be secured by government obligations. Notwithstanding the foregoing, this Section permits the Authority to contract with the holders of any of its bonds as to the investment of available funds. The Authority has issued various bonds pursuant to that certain Trust Indenture, dated as of October 1, 1991 (the "Indenture"), by and between the Authority and Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), including all amendments and supplements thereto. Section 511 of the Indenture permits the Authority (or the Trustee on its behalf) to invest funds not required for immediate disbursement solely in Authorized Investments. Section 101 of the Indenture defines the term "Authorized Investments;" attached hereto as Exhibit A is a copy of such definition, with a summary of permitted investments for funds other than those deposited in the Bond Fund.

ARTICLE 5
SECURED INVESTMENTS

The following describes the Authority's procedures regarding securing certificated and uncertificated securities.

1. The Authority's security interest in certificated securities purchased outright or acquired by repurchase agreement or held as collateral shall be perfected by:

A. Certificated Securities securing or transferred by a repurchase agreement or used as collateral to secure any other investment or cash balance shall be physically delivered, as far as practicable, to the Authority or its custodian for safekeeping throughout the term of the investment agreement.

B. Payment of funds shall only be made against the delivery of physical securities when securities are purchased outright, or the delivery of collateral when a repurchase agreement or certificate of deposit is involved.

C. These securities and collateral shall be physically segregated by the custodian or the financial institution (in the event delivery of the collateral to the custodian or the Authority is not practical) into an account held on behalf of the Authority.

D. The custodian shall release such securities or collateral upon the termination of the investment agreement as directed by the Custodial Agreement.

2. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) purchased outright shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities purchased.

B. Transfer of such securities to the Reserve Bank account of the Authority's custodian or financial institution and held in the name of the Authority.

C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

3. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) held as collateral for repurchase agreements or other deposits shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities transferred or pledged.

B. Transfer of such securities to the Reserve Bank account of the custodian and pledged to the Authority (or to the custodian acting for the Authority).

C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

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   A. An independent audit of the Authority's investments shall be conducted annually at the direction of the Director of Finance.

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   A. Investments and cash balances shall be fully (100%) secured by collateral, except as provided in subsection C below.

   B. Collateral may consist of obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments in Section 101 of the Indenture.

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   A. The Authority shall monitor the recorded value of the collateral to make certain it is equal to the current market value, including accrued interest, of the collateral at the time of the initial investment, and thereafter monthly. For certain short-term investments the market value shall be monitored on a daily basis.

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"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

MONROE COUNTY WATER AUTHORITY
ANNUAL STATEMENT OF INVESTMENT POLICY
(READOPTED APRIL 2022 ~~2021~~)

ARTICLE 1
INTRODUCTION

Section 2925 of the New York Public Authorities Law requires the Authority to adopt investment guidelines on an annual basis. The purpose of these guidelines is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Authority while protecting its funds.

Certain of the Members of and the Director of Finance for the Authority are duly authorized to invest Authority monies pursuant to the New York Public Authorities Law and are trustees of Authority funds. Accordingly, such persons are acting as fiduciaries and will be subject to a prudent investor standard.

ARTICLE 2
SCOPE

This policy covers all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. It is intended that this policy cover all funds and investment activities under the direct control of the Authority, except for retirement or other employee benefit plans and deferred compensation funds.

ARTICLE 3
OBJECTIVES

1. The investment policies and practices of the Authority are based upon limitations set forth in the New York Public Authorities Law. These limitations seek to assure compliance with all laws governing the investment of monies under the control of the Authority. They also seek to protect the principal of funds entrusted to the Authority through the following objectives in order of importance.

   A. Safety: It is the primary duty and responsibility of the Director of Finance to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Director of Finance shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used as much as practicable given the range of permitted investments in order to reduce exposure to principal loss.

   B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Yield: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

ARTICLE 4
PERMITTED INVESTMENTS

Section 1097 of the New York Public Authorities Law permits the Authority to invest solely in bank account deposits, which can be secured by government obligations. Notwithstanding the foregoing, this Section permits the Authority to contract with the holders of any of its bonds as to the investment of available funds. The Authority has issued various bonds pursuant to that certain Trust Indenture, dated as of October 1, 1991 (the "Indenture"), by and between the Authority and Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), including all amendments and supplements thereto. Section 511 of the Indenture permits the Authority (or the Trustee on its behalf) to invest funds not required for immediate disbursement solely in Authorized Investments. Section 101 of the Indenture defines the term "Authorized Investments;" attached hereto as Exhibit A is a copy of such definition, with a summary of permitted investments for funds other than those deposited in the Bond Fund.

ARTICLE 5
SECURED INVESTMENTS

The following describes the Authority's procedures regarding securing certificated and uncertificated securities.

1. The Authority's security interest in certificated securities purchased outright or acquired by repurchase agreement or held as collateral shall be perfected by:

A. Certificated Securities securing or transferred by a repurchase agreement or used as collateral to secure any other investment or cash balance shall be physically delivered, as far as practicable, to the Authority or its custodian for safekeeping throughout the term of the investment agreement.

B. Payment of funds shall only be made against the delivery of physical securities when securities are purchased outright, or the delivery of collateral when a repurchase agreement or certificate of deposit is involved.

C. These securities and collateral shall be physically segregated by the custodian or the financial institution (in the event delivery of the collateral to the custodian or the Authority is not practical) into an account held on behalf of the Authority.

D. The custodian shall release such securities or collateral upon the termination of the investment agreement as directed by the Custodial Agreement.

2. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) purchased outright shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities purchased.

B. Transfer of such securities to the Reserve Bank account of the Authority's custodian or financial institution and held in the name of the Authority.

C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

3. The Authority's security interest in uncertificated Treasury Securities (issued in book entry form) held as collateral for repurchase agreements or other deposits shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities transferred or pledged.

B. Transfer of such securities to the Reserve Bank account of the custodian and pledged to the Authority (or to the custodian acting for the Authority).

C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

ARTICLE 6
MONITORING

The following describes the Authority's procedures regarding monitoring of certain types of investments.

1. The Authority shall apply the following procedures for safekeeping:

A. Certificated securities and other collateral held by the Authority's Custodian or other financial intermediary for safekeeping shall be segregated or otherwise identified as pledged to the Authority.

B. Book entry securities shall be secured as provided in Article 5, Sections 2 and 3 above.

2. The Authority shall apply the following procedures regarding audits:

A. An independent audit of the Authority's investments shall be conducted annually at the direction of the Director of Finance.

B. The audit report shall be incorporated into the annual investment report described in Article 14 hereof.

3. The Authority shall comply with the following collateral requirements:

A. Investments and cash balances shall be fully (100%) secured by collateral, except as provided in subsection C below.

B. Collateral may consist of obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments in Section 101 of the Indenture.

C. FDIC, FSLIC, and SIPC insurance may be substituted for collateral as available and up to its limit.

4. The Authority shall monitor the foregoing through the following procedures:

A. The Authority shall monitor the recorded value of the collateral to make certain it is equal to the current market value, including accrued interest, of the collateral at the time of the initial investment, and thereafter monthly. For certain short-term investments the market value shall be monitored on a daily basis.

B. Substitutions of collateral shall be permitted in like-kind or upon written agreement subject to the approval of the Treasurer, the Executive Director, the Director of Finance or the lawful delegate of any of them.

ARTICLE 7
WRITTEN CONTRACTS

Pursuant to Section 2925 of the New York Public Authorities Law, any investments made by the Authority shall be evidenced by written contracts. All such contracts shall contain the provisions of the type described in Section 2925(3)(c) (i) – (iv). Notwithstanding the foregoing, the Authority may by resolution authorize certain investment transactions to be made by oral agreement where a written contract is not practical or there is not a regular business practice of written contracts; in such case, the Authority shall adopt procedures to govern such investment or transaction. In connection with any written contract, the Authority shall furnish a copy of these investment guidelines to each financial institution and obtain a written confirmation from such financial institution that it has reviewed and understands such guidelines.

ARTICLE 8
DELEGATION OF AUTHORITY

The investment, per this policy, of Authority idle monies is annually delegated to the Director of Finance by the Members who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Director of Finance may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility

for the overall investment program. The Director of Finance will review all investment transactions on a regular basis to assure compliance with this Statement of Investment Policy.

ARTICLE 9
ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such persons shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority's portfolio. All officers and employees involved in the investment of public funds are required to comply with the Authority's Conflict of Interest Policy.

ARTICLE 10
INELIGIBLE INVESTMENTS

The Authority shall invest only in the types of investments specifically described herein. All other investments are prohibited from use in this portfolio, including but not limited to common stocks, futures and the writing of options. The use of short positions is also prohibited.

ARTICLE 11
DERIVATIVES

A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity.

ARTICLE 12
SWAPS

A swap is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, or to increase investment quality. In no instance shall a swap be used for speculative purposes. Any such swap shall be simultaneous (same day execution of sale and purchase), and requires the written approval of the Director of Finance.

ARTICLE 13
INTERNAL CONTROLS

Pursuant to other provisions of the New York Public Authorities Law, a system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separation of transaction authority from

accounting and recordkeeping, separation of custodial safekeeping from transaction authority, accounting, and recordkeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards. The Director of Finance will establish an annual process of independent review by an external audit firm. This review will provide assurances of strong internal controls by reviewing compliance with previously established policies and procedures.

ARTICLE 14
REPORTING

The Director of Finance will submit a quarterly investment report to the Members and the Executive Director. This report will include: a list of portfolio transactions, type of investment, issuer, date of maturity, amount of deposit/par amount, current market value of all securities (with the source of the market valuation), rate of interest, and a statement indicating compliance or noncompliance with this Statement of Investment Policy. As applicable and appropriate based on the type of investment, additional items listed will also include average weighted yield, average days to maturity, accrued interest earned during the period and fiscal year to date, percent distribution to each type of investment and any funds under management by contracted parties, including lending programs. The report will include a list of auditors, investment bankers, brokers, agents, dealers and advisers, as applicable.

The Director of Finance will submit an annual investment report to the Members and the Executive Director. In addition to the information set forth in the preceding paragraph, the annual report will contain a yearly update regarding the Authority's investment guidelines, amendments to such guidelines, if any, the results of the annual independent investment audit, the investment performance record of the Authority, and a list of the total fees, commissions and other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment-related services to the Authority. The annual investment report shall be prepared in conformity with generally accepted accounting principles for governments (GAAP) and shall comply with Governmental Accounting Standards Board (GASB) Statement No. 3. In addition, GASB Statement No. 28 and GASB Statement No.31 shall be applied as appropriate.

The Authority shall submit its annual investment report to the Division of the Budget with copies to the chief executive officer and chief financial officer of the County of Monroe, the Department of Audit and Control of the State of New York, the Senate Finance Committee, and the Assembly Ways and Means Committee.

Copies of the Authority's annual investment report shall be made available to the public upon reasonable request therefor.

ARTICLE 15
QUALIFIED BANKS AND SECURITIES DEALERS

The Authority shall conduct business only with banks, agents and registered investment securities brokers and dealers. The Authority's staff will investigate all institutions that wish to conduct business with the Authority and evaluate their quality, reliability, experience, capitalization, size and any other relevant information. All institutions must sign an information request form, and agree to abide by the conditions set forth in this Investment Policy. The Director of Finance shall maintain a list of approved institutions and security broker/dealers.

This will be done annually by having the financial institutions complete and return an information request form, and an audited financial statement within 90 days of the institution's fiscal year-end. In the event the primary dealer rejects the language in the dealer information request form, the Director of Finance may return to the Authority's Board for approval of alternative language proposed by the primary dealer.

ARTICLE 16
RISK TOLERANCE

The Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Director of Finance is expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Director of Finance shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

As described herein, the Indenture permits the use of various types of investments. Funds invested pursuant to the Indenture include short-term funds for operating needs as well as longer-term funds for capital needs. The Authority shall manage market and interest rate risk within each category of investments by investing to a shorter term. The Authority shall also seek to avoid trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

Controlling and managing risk is the foremost portfolio management objective. The Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return.

In addition to these general policy considerations, the following specific policies will be strictly observed:

A. All transactions will be executed on a delivery-versus-payment basis.

B. A competitive bid process, when practical, will be used to place all investment purchases and sell transactions.

ARTICLE 17
DIVERSIFICATION

In order to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions, the Director of Finance shall diversify the investment portfolio by security type, institution and maturity. In particular, the Authority shall limit its investments at any financial institution to 1% of such institution's assets.

ARTICLE 18
STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy shall be reviewed and submitted annually to the Members in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. Such review and approval shall occur each year at the Authority's Annual Meeting.

Exhibit A

Included below is the definition of "Authorized Investments" and the list of permitted investments per section 101 of the Trust Indenture dated as of October 1, 1991.

Items (i)-(iii) below apply to the investment of funds held in the Bond Fund.

All other funds held under the Trust Indenture may be invested in any of the categories of authorized investments.

"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the

total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or

instrumentality of the United States of America or any state or political subdivision provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.

Monroe County Water Authority

Memorandum

February 18, 2022

To: Nicholas Noce, Executive Director
From: Amy Molinari, Director of Finance & Business Services
Subject: Annual Assessment of the Effectiveness of MCWA Internal Controls and Risks

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Annually a number of Authority functions are reviewed to assess potential risks to Authority operations and assets. This assessment includes both a review of Authority documents and also employee interviews to evaluate compliance with the Authority's policies and procedures. An additional component of this assessment is a review of the Water Authority's compliance with the reporting requirements established by the New York State Authority Budget Office. The 2021 assessment confirmed that the Authority's policies and procedures are being followed and that the Authority has complied with Authority Budget Office reporting requirements.

In 2021, the Authority completed an internal control assessment of processes and procedures performed by the Authority's staff. The 2021 assessment included the review of the following: procurement procedures, accounts payable procedures, payroll procedures including a review of random weeks of payroll records to insure accurate charging of hours worked as well as time off hours, ABO website content requirements, and credit card usage.

Five members of the Authority's senior staff and eight other management employees were interviewed as part of a risk assessment process. The interviews covered a wide range of topics to assess employee knowledge, compliance with Authority policies and procedures, employee access to safety and job related training, stimulate thought processes regarding risks the Authority may face and to identify potential internal and external risks to the Water Authority.

Consistent with past years reviews it is concluded that:

- Key Water Authority assets are protected by extensive security systems and inspection protocols
- Cross checks manually monitor the purchasing and inventorying of procured items
- The Water Authority is in compliance with the requirements of the NYS Authority Budget Office and maintains transparency of its operations through its web site
- No material weakness of the Authority's financial procedures were identified by the most recent external audit of the Authority's financial transactions

As observed in past assessments, Authority employees remain committed to delivering the highest level of services to the Authority's customers.

While no assessment of compliance with current policies and procedures can guarantee the absence of any risk to Authority operations, the 2021 assessment found that the Authority has sufficient controls within the parameters of its current IT systems and software, and did not detect discrepancies to its internal controls that would compromise the financial or operational integrity of the Authority.