



Monroe County Water Authority

Memorandum

To: Board Members

Date: March 5, 2020

From: Nicholas Noce, Executive Director

Subject: **Regular Board Meeting – Thursday, March 12, 2020 @ 9:30 a.m.
Board Room, 475 Norris Drive**

AGENDA ITEMS:

1. Personnel Items

- Resolution marking the retirement of John B. Hodgetts. We appreciate his many years of dedicated service to the Water Authority and wish him a happy and fulfilling retirement.
- There are resolutions on this Agenda to confirm two promotional appointments. Recommendation memorandums are enclosed for Board review:
 - Promotional appointment of Ethan Davidson to the title of Programmer Analyst. Mr. Davidson has been a key member of the Information Technology Department for over two years and has done an excellent job maintaining and improving our internal systems. Ethan has consistently shown initiative and leadership skills in this department with minimal supervision.
 - Promotional appointment of Chad Adams to the title of Dispatcher in the Facilities, Fleet Maintenance & Operations Department. Mr. Adams has been working periodically as a temporary Dispatcher for the last several years and has the knowledge, dependability, and skills required for the position. He is currently reachable on the eligible Civil Service List for this title.

2. There is an item on the Agenda to award a one-year unit price contract for the purchase of Clow/Eddy Hydrant Parts. This contract is for an initial term of one year, renewable for four additional one-year terms upon mutual consent. There was only one bid submitted. Our recommendation is to award this contract to the low responsive, responsible bidder, T. Mina Supply East, Inc. in the bid amount of \$25,104.60. The bid amount is based on estimated quantities.
3. There is an item on the Agenda to authorize the execution of a Professional Services Agreement for Environmental Engineering Services with 10 qualified, professional engineering consulting firms.

These services will fulfill ongoing needs for consultation for individual projects or compliance issues as they occur. Individual price proposals and schedules will be requested and evaluated for each project. Some of the historical work orders issued under the current Agreement for these services have been for environmental permitting with agencies such as the NYSDEC, USACOE, or EPA; preparation of Storm Water Pollution Prevention Plans (SWPPPs); wetland delineations; asbestos abatement; and Environmental Assessments.

Staff has reviewed the qualifications received and recommend Agreements be executed with the following firms:

- ARCADIS US, Inc.
- Barton & Loguidice, P.C.
- Bergmann & Associates
- CHA Consulting, Inc.
- Fisher Associates
- LaBella Associates, P.C.
- Passero Associates
- O'Brien & Gere, Inc. a part of Ramboll
- Ravi Engineering & Land Surveying
- Wendel

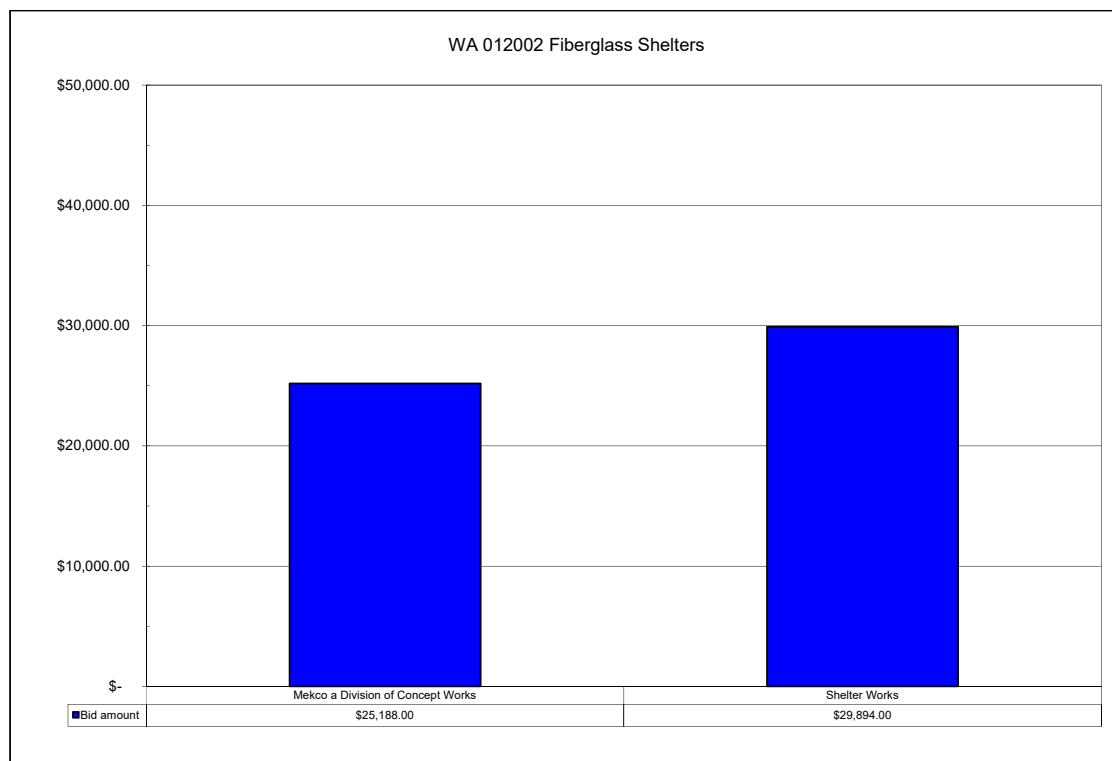
4. There is a resolution on the Agenda to authorize an amendment to the Water District Main Extension Agreement dated November 4, 2019 with the Town of Pavilion. The Water District project includes replacement of the existing Pavilion Water Storage Tank. The Town recently received bids for the project that came in significantly over budget, and the Town rejected all of the bids. The Town's Engineer is re-evaluating the packaging of the project that will allow more local contractor participation, enlist additional bidders, seek any additional funding, and allow for self-performance of some portions of the work by Town or County forces to reduce project costs.

The Authority will apply \$1,100,000 toward the construction of the new Pavilion water storage tank, which is the current estimated amount to replace the existing tank at the existing site. The original amount pledged to the project was based on the tank replacement estimate received in 2011 when the Water Authority was evaluating replacement options.

5. There is an item on the Agenda to authorize the purchase of Laboratory Supplies and Equipment utilizing New York State Office of General Services (NYS OGS) Contract Group #12000, Award #23154, from multiple vendors authorized by the Contract. Laboratory supplies and equipment will be purchased on an as-needed basis for an estimated amount of \$30,000 per contract term, for an initial term through July 17, 2020. There is an option to extend for up to four additional 12-month terms through the contract period ending July 17, 2024, provided the contract is available from NYS OGS.
6. There is an item on the Agenda to authorize the purchase of Intelligent Facility and Security Systems and Solutions materials and services from Johnson Controls, Inc., which are included under the New York State Office of General Services (NYS OGS) Contract Group #77201, Award #23150, Contract #PT68817. Purchase of materials and services will be as needed for an estimated amount of \$25,000 per contract term, for an

initial term through August 26, 2020. There is an option to extend for up to four additional 12-month terms through the contract period ending August 26, 2024, provided the contract is available from NYS OGS.

7. There is an item on the Agenda to authorize the purchase of products for microbiological testing from IDEXX Laboratories, Inc. (IDEXX). The Authority previously standardized on the use of these products from IDEXX, which was last reviewed and reaffirmed in February, 2019. IDEXX Distribution, Inc., a wholly-owned subsidiary of IDEXX Laboratories, Inc. and the sole authorized supplier in the United States, proposed pricing that is valid through March, 2022. A commodity purchase order will be utilized for the purchase of products, to be ordered as needed at the unit prices proposed, for an estimated amount of \$120,000 for a term not to exceed two years beginning April 1, 2020 through March 31, 2022.
8. There is an item on the Agenda to award a contract for Fiberglass Shelters. This contract includes furnishing and delivering two 3' x 4'-6"x 7' corrosion-resistant fiberglass shelters to be used to replace deficient shelters at the Briggs Street Pressure Reducing Valve (PRV) Station and the Victor Holcomb Booster Pump Station. There were two responsive bids submitted. Our recommendation is to award this unit price contract to MEKCO, a Division of ConceptWorks, for the bid amount of \$25,188.



9. There is an item on the Agenda to authorize the purchase of materials and services for the rehabilitation and repair of Kreag Road Booster Pump Station (BPS) Pump No. 3, which is a 300 horsepower pump manufactured by Paco Pumps. The rehabilitation and repair work, which includes replacement of a deteriorated impeller and associated components, will be performed by Siewert Equipment, a Division of Cummins-Wagner. The estimated cost for rehabilitation and repair of Pump No. 3 is \$18,000. Siewert Equipment, located in Rochester, is the sole authorized representative and distributor of Paco Pumps in Monroe County. Rehabilitation and repair of Pump No. 3 is necessary to restore hydraulic efficiency, performance, and reliability.

AUDIT COMMITTEE REPORTING

10. The Authority's Audit Committee met on March 3, 2020, and with their recommendation there are resolutions for the following:
 - Approval of the 2019 Annual Financial Statements.
 - Approval of the 2019 Annual Investment Audit.
 - Approval of the 2019 Annual Investment Report.
 - Approval of Management's Assessment of the Effectiveness of Internal Control Structure and Procedures.
 - Approval of the purchase of coverage for Cyber and Privacy Insurance.
11. The Authority's standard procurement compliance resolution.

GOVERNANCE COMMITTEE REPORTING

12. The Authority's Governance Committee met on March 3, 2020, and with their recommendation, there are resolutions for the following:
 - Re-Adoption of the MCWA's Mission Statement.
 - Acceptance of the Report on 2019 Performance Measures.
 - Adoption of Performance Measurements for 2020.

There may be additional items placed on the Agenda not finalized for this mailing.

BOARD NOTIFICATION ITEMS:

In Board folders:

- Routine Monthly Informational Updates

There may be additional items presented for discussion and/or notification.

NN/ka

Enclosures

cc: Executive Staff



Monroe County Water Authority

Memorandum

To: Raymond Benshoff, Exec. Dir. of Operations Date: 02/13/2020
From: Karin Anderson, Purchasing Manager File: WA 012001
Subject: **Recommendation for Bid Award** Copies:
March 12, 2020 Board Meeting

One bid was received on January 28, 2020, for **Clow/Eddy Hydrant Parts**. This is a one year, unit price contract based on estimated quantities, with the option to extend for up to four additional one-year terms upon mutual consent. The apparent low responsive, responsible bidder is **T. Mina Supply East, Inc.** in the amount of **\$25,104.60**.

Bid packages were sent to three other vendors, each of whom did not submit a bid.

I recommend that the bid be awarded to the low responsive, responsible bidder.

/ka

Attachment: Bid tabulation

(Dis)Approved by


Department Head


Date

(Dis)Approved by


Purchasing Manager


Date

(Dis)Approved by

Executive Director

Date

(Dis)Approved by

Executive Assistant/Board

Date

Monroe County Water Authority
MCWA 012001 – Clow/Eddy Hydrant Parts

Item No	Qty	Description	No Bid	No Bid	No Bid	No Bid
			(1) Blair Supply	(2) T. Mina Supply	(3) Core & Main	(4) F.W. Webb
1	6 ea	Clow 2500 5-1/4" Valve Seat Ring #27	\$0	\$1,687.50	\$0	\$0
2	6 ea	Clow 2500 4-1/2" Valve Seat Ring #27	\$0	\$1,461.90	\$0	\$0
3	6 ea	Clow 2500 5-1/4" Valve Seat Rubber #24	\$0	\$273.60	\$0	\$0
4	6 ea	Clow 2500 5-1/4" Upper Valve Plate #16	\$0	\$1,270.80	\$0	\$0
5	5 ea	Clow 2500 Operating Nut #1	\$0	\$155.30	\$0	\$0
6	1 ea	Clow 2500 2-1/2" Hose Nozzle #38	\$0	\$106.65	\$0	\$0
7	1 ea	Clow 2500 5" Steamer Nozzle #38	\$0	\$234.15	\$0	\$0
8	1 ea	Clow Medallion 2-1/2" Hose Nozzle #41	\$0	\$106.65	\$0	\$0
9	20 ea	Eddy #2 Operating Nut	\$0	\$448.00	\$0	\$0
10	2 ea	Eddy #3 Packing Gland #F2400249	\$0	\$89.60	\$0	\$0
11	20 ea	Eddy #4 Rubber Packing #F2400494	\$0	\$309.00	\$0	\$0
12	1 ea	Eddy #9 Pumper Nozzle 5"	\$0	\$234.15	\$0	\$0
13	1 ea	Eddy #16 Hose Nozzle 2-1/2"	\$0	\$106.65	\$0	\$0
14	4 ea	Eddy #19 4-1/2" 5' Upper Stem #A1610839	\$0	\$1,004.60	\$0	\$0
15	1 ea	Eddy #19 4-1/2" 5'6" Upper Stem	\$0	\$251.15	\$0	\$0
16	1 ea	Eddy #19 4-1/2" 6' Upper Stem	\$0	\$251.15	\$0	\$0
17	2 ea	Eddy #19 5-1/4" 5' Upper Stem #A1610841	\$0	\$502.30	\$0	\$0
18	1 ea	Eddy #19 5-1/4" 5'6" Upper Stem	\$0	\$251.15	\$0	\$0
19	1 ea	Eddy #19 5-1/4" 6' Upper Stem	\$0	\$251.15	\$0	\$0
20	1 ea	Eddy #21A 4-1/2" Valve Plate	\$0	\$142.20	\$0	\$0
21	1 ea	Eddy #21A 5-1/4" Valve Plate	\$0	\$212.50	\$0	\$0
22	6 ea	Eddy #24 4-1/2" Valve Rubber #T1600105	\$0	\$185.40	\$0	\$0
23	6 ea	Eddy #24 5-1/4" Valve Rubber #T1600104	\$0	\$417.30	\$0	\$0
24	2 ea	Eddy #25 4-1/2" Seat Ring #R2100439	\$0	\$126.70	\$0	\$0
25	2 ea	Eddy #25 5-1/4" Seat Ring #R2100084	\$0	\$139.10	\$0	\$0
26	2 ea	Eddy #29A 4-1/2" Lower Stem 5' #F2202814	\$0	\$375.50	\$0	\$0
27	4 ea	Eddy #29A 5-1/4" Lower Stem 5' #F2202813	\$0	\$859.20	\$0	\$0

Monroe County Water Authority
MCWA 012001 – Clow/Eddy Hydrant Parts

Item No	Qty	Description	No Bid		No Bid	
			(1) Blair Supply	(2) T. Mina Supply	(3) Core & Main	(4) F.W. Webb
28	12 ea	Eddy #34 Drain Lever #F1600172	\$0	\$519.00	\$0	\$0
29	12 ea	Eddy #35 Lever Pin (with cotter pins) #F1600138	\$0	\$74.40	\$0	\$0
30	12 ea	Eddy #36 Clevis & Nut #R1620030	\$0	\$426.60	\$0	\$0
31	6 ea	Eddy #37 4-1/2" Drain Support #M1600114	\$0	\$523.80	\$0	\$0
32	6 ea	Eddy #37 5-1/4" Drain Support #M1600135	\$0	\$523.80	\$0	\$0
33	12 ea	Eddy #46 Stem Coupling #M2200608	\$0	\$1,001.40	\$0	\$0
34	12 ea	Eddy #47 Stem Coupling Pin #T0400401	\$0	\$46.20	\$0	\$0
35	6 ea	Eddy #48 5' Middle Stem	\$0	\$273.60	\$0	\$0
36	1 ea	Eddy #48 5'6" Middle Stem	\$0	\$54.85	\$0	\$0
37	1 ea	Eddy #48 6' Middle Stem	\$0	\$64.15	\$0	\$0
38	1 ea	Eddy #AA Assy (Parts 19, 29A, 46, 47, 48) 4-1/2"	\$0	\$680.75	\$0	\$0
39	1 ea	Eddy #AA Assy (Parts 19, 29A, 46, 47, 48) 5-1/4"	\$0	\$795.10	\$0	\$0
40	1 ea	Eddy #BB Assembly 4-1/2" 5' Hydrant	\$0	\$157.65	\$0	\$0
41	1 ea	Eddy #BB Assembly 5-1/4" 5' Hydrant	\$0	\$231.80	\$0	\$0
42	1 ea	Eddy #C Assembly (Parts 34, 35, 36, 37) 4-1/2"	\$0	\$175.40	\$0	\$0
43	1 ea	Eddy #C Assembly (Parts 34, 35, 36, 37) 5-1/4"	\$0	\$185.45	\$0	\$0
44	6 ea	Clow 2500 Hydrant Repair Kit (MCWA #954)	\$0	\$1,250.10	\$0	\$0
45	12 ea	Eddy F-2640 4-1/2" Hydrant Repair Kit	\$0	\$2,500.20	\$0	\$0
46	20 ea	Eddy F-2640 5-1/4" Hydrant Repair Kit	\$0	\$4,167.00	\$0	\$0
TOTAL BID			\$0	\$25,104.60	\$0	\$0

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

Financial Statements as of
December 31, 2019
Together with Independent
Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

MONROE COUNTY WATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

March 3, 2020

To the Board of Directors of the
Monroe County Water Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Monroe County Water Authority (the Authority), a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Totals

We have previously audited the Authority's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in total other postemployment benefit liability and related ratios, schedule of proportionate share of net pension liability (asset), and schedule of contributions - pension plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2020, 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 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 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 the Authority's internal control over financial reporting and compliance.

MONROE COUNTY WATER AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

Management's Discussion and Analysis (Unaudited)

December 31, 2019

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 and area communities who request service.

The financial statements of the Authority include the Statement of Net Position, the Statement of Revenue, Expenses, and Change in Net Position, the Statement of Cash Flows, and related notes to the 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 Change 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 the 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, 2019. 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 (GASB). 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 2019 financial statements are presented with comparative totals from 2018.

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of its most recent fiscal year by \$318,636,993 (net position). Of this amount \$76,126,845 (unrestricted net position) may be used to meet the Authority's ongoing obligations.
- Operating revenues increased approximately \$1,133,535 or 1.6% during the current year from approximately \$70.0 million for the 2018 fiscal year to approximately \$71.2 million for the 2019 fiscal year. Most of this increase in revenues occurred in the residential customer class and is largely due to the rate increase in 2019.

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

Management's Discussion and Analysis (Unaudited)
December 31, 2019

- Several major construction projects were completed during the year, increasing the Authority's assets as follows:

<u>Project Name</u>	<u>2019</u>
2018 Cement Lining Program	\$ 4,637,000
Lake & White Rd. Water Main Replacement	\$ 1,030,000
2019 Service Replacement	\$ 871,000
2018 Water Main Replacement Phase II	\$ 749,000

Summary of Operations and Change in Net Position

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 71,155,349	\$ 70,021,814
Operating expenses	<u>(59,817,724)</u>	<u>(62,189,108)</u>
Operating income	11,337,625	7,832,706
Non-operating expenses, net	<u>(3,895,552)</u>	<u>(4,655,810)</u>
Income (loss) before capital contributions	7,442,073	3,176,896
Capital contributions	<u>3,659,335</u>	<u>3,375,133</u>
Change in net position	<u>\$ 11,101,408</u>	<u>\$ 6,552,029</u>

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

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

Management's Discussion and Analysis (Unaudited)
December 31, 2019

Financial Position Summary

Net position is an indication of the Authority's financial strength. The Authority's net position as of December 31, 2019 is \$318,636,993. A summary of the Authority's financial position is shown below.

	<u>2019</u>	<u>2018</u>
ASSETS:		
Current assets	\$ 86,900,329	\$ 79,008,690
Capital assets	414,886,956	416,968,719
Funds held by trustee	12,378,318	12,244,597
Restricted assets	<u>1,983,346</u>	<u>2,967,103</u>
 Total assets	 <u>516,148,949</u>	 <u>511,189,109</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>8,207,471</u>	 <u>11,155,351</u>
 LIABILITIES:		
Current liabilities, including current portion of long-term debt	15,228,575	17,002,374
Other liabilities (long-term)	<u>174,598,651</u>	<u>184,180,543</u>
 Total liabilities	 <u>189,827,226</u>	 <u>201,182,917</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>15,892,201</u>	 <u>13,625,958</u>
 NET POSITION:		
Net investment in capital assets	240,526,802	229,207,820
Restricted	1,983,346	2,967,103
Unrestricted	<u>76,126,845</u>	<u>75,360,662</u>
 Total net position	 <u>\$ 318,636,993</u>	 <u>\$ 307,535,585</u>

Total assets remained fairly consistent from December 31, 2018 to December 31, 2019, increasing approximately \$4,960,000 or 1%.

Deferred outflows of resources at December 31, 2019 were approximately \$2,948,000 lower than at December 31, 2018, due primarily to a decrease in the other postemployment benefits which was based on the current year actuarial valuation. Deferred outflows and inflows of resources also decreased due to a change in the actuarial valuation of the New York State Employees' Retirement System in the current year. Long-term liabilities were recorded in both years as a result of a net pension liability related to the Authority's proportionate share of the New York State Employees' Retirement System (see note 8).

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

Management's Discussion and Analysis (Unaudited)
December 31, 2019

Total liabilities decreased by approximately \$11,356,000 due primarily to the actuarial valuation of the other postemployment benefits plan.

Deferred inflows of resources at December 31, 2019 were approximately \$2,266,000 higher than December 31, 2018, due primarily to a decrease in the other postemployment benefits 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.

MCWA 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 2019. 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.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Residential/quarterly:			
Daily base charge per connection (up to ¾")	\$ 0.23	\$ 0.22	\$ 0.21
Commodity charge per 1,000 gallons	\$ 3.38	\$ 3.26	\$ 3.12
Large commercial/monthly:			
Daily base charge per connection	\$ 1.05 – 21.35	\$ 0.65 – 8.12	\$ 0.62 – 7.77
Commodity charge per 1,000 gallons -			
First 125,000 gallons	\$ 3.38	\$ 3.26	\$ 3.12
Each additional 1,000 gallons	\$ 2.40	\$ 2.31	\$ 2.21
Water district rate:			
Daily base charge per connection	\$ 1.05 – 21.35	\$ 0.65 – 8.12	\$ 0.62 - 7.77
Commodity charge per 1,000 gallons	\$ 2.30	\$ 2.31	\$ 2.21

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

Management's Discussion and Analysis (Unaudited)
December 31, 2019

Summary of Operating Revenues

	<u>2019</u>	<u>2019 Budget</u>	<u>2018</u>
Water sales:			
Residential/quarterly	\$ 56,586,731	\$ 59,206,772	\$ 55,736,718
Large commercial/monthly	6,643,643	6,981,413	6,519,743
Water districts/wholesale	<u>3,847,792</u>	<u>3,907,316</u>	<u>3,673,169</u>
Total water sales	67,078,166	70,095,501	65,929,630
Other water and operating revenue	<u>4,077,183</u>	<u>4,293,140</u>	<u>4,092,184</u>
Total operating revenue	<u>\$ 71,155,349</u>	<u>\$ 74,388,641</u>	<u>\$ 70,021,814</u>

Revenues

Water sales for 2019 were projected based on average historical usage with the typical residential customer using approximately 71 thousand gallons of water annually. This year's water sales, which include the residential, large commercial and water district classes, were \$1,148,536 more than those of 2018 and \$3,017,335 less than budget. This was due to the summer of 2019 having approximately 2" of rain more than 2018.

Other water revenue includes private fire services in the amount of \$1,333,730, and late charges in the amount of \$946,739. 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 2019, the service fee for Genesee County was \$1,067,072. Other operating revenues included cell tower lease income of \$201,423 in 2019.

As a result, total operating revenue for 2019 was \$71,155,349; \$1,133,535 more than 2018, and \$2,883,292 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.

MONROE COUNTY WATER AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****Management's Discussion and Analysis (Unaudited)****December 31, 2019**

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

	<u>2019</u>	<u>2019 Budget</u>	<u>2018</u>
Functional expenses:			
Administration	\$ 4,149,022	\$ 7,884,427	\$ 4,671,249
Production/transmission	13,275,283	15,139,284	14,479,456
Engineering	3,422,885	4,182,026	3,785,679
Facilities, fleet & operations	13,045,688	12,724,880	13,728,015
Finance and business services	<u>6,961,498</u>	<u>7,942,286</u>	<u>6,823,733</u>
Total functional expenses	<u>\$ 40,854,376</u>	<u>\$ 47,872,903</u>	<u>\$ 43,488,132</u>

Functional expenses (excluding depreciation and amortization) were \$7,018,527, or 14.7% under budget for 2019.

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

	<u>2019</u>	<u>2018</u>
Operating expenses:		
Salaries and fringe benefits	\$ 23,524,713	\$ 22,539,003
Operations and maintenance	12,331,872	13,148,795
General and administrative	4,754,791	7,557,334
City contract - capital	243,000	243,000
Depreciation and amortization	19,020,103	18,724,569
Amortization of deferred amounts on refunding, net	<u>(56,755)</u>	<u>(23,593)</u>
Total operating expenses	<u>\$ 59,817,724</u>	<u>\$ 62,189,108</u>

Total operating expenses decreased \$2,371,384 from 2018. Salaries and Benefits increased \$985,710 or 4.4%. Operations and Maintenance expense decreased \$816,923 or 6.2% compared to 2018. General and administrative expenses decreased \$2,802,543 or 37.1% from 2018. 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 2019.

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

Management's Discussion and Analysis (Unaudited)
December 31, 2019

Non-Operating Revenue (Expenses)

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

	<u>2019</u>	<u>2018</u>
Non-operating revenue (expenses):		
Federal interest subsidy	\$ 1,833,392	\$ 1,860,011
Interest earnings	1,570,885	1,004,563
Interest expense	(6,962,962)	(7,112,131)
Loss on disposal of capital assets	(377,308)	(409,108)
Realized and unrealized gains on investments, net	<u>40,441</u>	<u>855</u>
Total non-operating revenue (expenses), net	<u>\$ (3,895,552)</u>	<u>\$ (4,655,810)</u>

DEBT ADMINISTRATION

Water Revenue Bonds

As of December 31, 2019, the Authority has six water revenue bond series outstanding totaling, \$125,890,000. 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.

	Outstanding as of December	Outstanding as of December	Principal Due
<u>Authority Bond Series</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>
2007 Series Refunding	\$ 13,535,000	\$ 14,130,000	\$ 600,000
2010 Series	205,000	1,435,000	205,000
2010B Series	88,250,000	90,615,000	2,440,000
2012 Series	5,260,000	5,450,000	195,000
2013 Series	14,690,000	15,170,000	485,000
2017 Series	<u>3,950,000</u>	<u>3,950,000</u>	<u>-</u>
Total	<u>\$ 125,890,000</u>	<u>\$ 130,750,000</u>	<u>\$ 3,925,000</u>

MONROE COUNTY WATER AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

Management's Discussion and Analysis (Unaudited)

December 31, 2019

Obligations under Capital Lease

The Authority entered into an agreement with Monroe County, dated November 18, 1969, in which Monroe County agreed to finance, and the Authority agreed to construct and pay for, certain improvements within Monroe County. Improvements constructed under this agreement are owned by Monroe County but leased to the Authority. The Authority operates these leased facilities with all the responsibilities of ownership. The remaining \$338,963 of principal and interest outstanding was paid by the Authority in February 2019.

<u>County of Monroe Bond Series</u>	Outstanding as of December 2019	Outstanding as of December 2018	Principal Due 2020
1996 Series A Refunding	\$ -	\$ 330,696	\$ -

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 Aa2 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 July of 2019 and by Standard & Poor's in December of 2017 in conjunction with the 2017 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 2020, the Authority intends to spend approximately \$38.8 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
- Genesee County Water Supply Project

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

Management's Discussion and Analysis (Unaudited)
December 31, 2019

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

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)

Statement of Net Position
December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 70,893,407	\$ 63,579,479
Accounts receivable	5,448,651	5,192,440
Accrued unbilled revenue	8,005,000	7,570,000
Materials and supplies	1,563,605	1,660,185
Prepayments and other current assets	989,666	1,006,586
Total current assets	<u>86,900,329</u>	<u>79,008,690</u>
OTHER ASSETS:		
Capital assets, net	414,886,956	416,968,719
Funds held by trustee	12,378,318	12,244,597
Total other assets	<u>427,265,274</u>	<u>429,213,316</u>
RESTRICTED ASSETS:		
Debt service fund held by trustee	6,612	6,827
Debt service reserve held by trustee	1,976,734	2,960,276
Total restricted assets	<u>1,983,346</u>	<u>2,967,103</u>
Total assets	<u>516,148,949</u>	<u>511,189,109</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related - ERS	4,263,525	6,944,378
Other postemployment benefits	3,493,840	3,700,369
Deferred amounts on refunding water revenue and capital lease bonds	450,106	510,604
Total deferred outflows of resources	<u>8,207,471</u>	<u>11,155,351</u>
LIABILITIES		
CURRENT LIABILITIES:		
Current portion of water revenue bonds	3,925,000	4,860,000
Current portion of obligations under capital leases	-	330,696
Accounts payable and other liabilities	3,516,017	4,133,585
Accrued payroll and benefits	5,075,912	4,880,209
Accrued interest on water revenue and capital lease bonds	2,711,646	2,797,884
Total current liabilities	<u>15,228,575</u>	<u>17,002,374</u>
OTHER LIABILITIES:		
Water revenue bonds, net of bond premium of \$1,391,622 and \$1,508,874 for 2019 and 2018, respectively	123,356,622	127,398,874
Net pension liability - ERS	4,094,611	1,884,391
Total other postemployment benefit obligations	47,147,418	54,897,278
Total other liabilities	<u>174,598,651</u>	<u>184,180,543</u>
Total liabilities	<u>189,827,226</u>	<u>201,182,917</u>
DEFERRED INFLOWS OF RESOURCES		
Other postemployment benefits	14,431,187	7,520,838
Pension related - ERS	1,461,014	6,105,120
Total deferred inflows of resources	<u>15,892,201</u>	<u>13,625,958</u>
NET POSITION		
Net investment in capital assets	240,526,802	229,207,820
Restricted	1,983,346	2,967,103
Unrestricted	76,126,845	75,360,662
Total net position	<u>\$ 318,636,993</u>	<u>\$ 307,535,585</u>

The accompanying notes are an integral part of these statements

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

Statement of Revenue, Expenses, and Change in Net Position
For the year ended December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE:		
Water sales - residential	\$ 56,586,731	\$ 55,736,718
Water sales - industrial/commercial	6,643,643	6,519,743
Water sales - water district	3,847,792	3,673,169
Other water revenue	3,519,635	3,464,199
Other operating revenue	557,548	627,985
	<u>71,155,349</u>	<u>70,021,814</u>
Total operating revenue		
	<u>71,155,349</u>	<u>70,021,814</u>
OPERATING EXPENSES:		
Salaries and fringe benefits	23,524,713	22,539,003
Operations and maintenance	12,331,872	13,148,795
General and administrative	4,754,791	7,557,334
City contract - capital	243,000	243,000
Depreciation and amortization	19,020,103	18,724,569
Amortization of deferred amounts on refunding	(56,755)	(23,593)
	<u>59,817,724</u>	<u>62,189,108</u>
Total operating expenses		
	<u>59,817,724</u>	<u>62,189,108</u>
Total operating income	<u>11,337,625</u>	<u>7,832,706</u>
NON-OPERATING REVENUE (EXPENSES):		
Federal interest subsidy	1,833,392	1,860,011
Interest earnings	1,570,885	1,004,563
Interest expense	(6,962,962)	(7,112,131)
Loss on disposal of capital assets	(377,308)	(409,108)
Unrealized and realized gain (loss) on investments, net	40,441	855
	<u>(3,895,552)</u>	<u>(4,655,810)</u>
Total non-operating expenses, net		
	<u>(3,895,552)</u>	<u>(4,655,810)</u>
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>7,442,073</u>	<u>3,176,896</u>
CAPITAL CONTRIBUTIONS:		
Developers and customers	3,659,335	3,375,133
	<u>3,659,335</u>	<u>3,375,133</u>
Total capital contributions		
	<u>3,659,335</u>	<u>3,375,133</u>
CHANGE IN NET POSITION	11,101,408	6,552,029
NET POSITION - beginning of year	<u>307,535,585</u>	<u>300,983,556</u>
NET POSITION - end of year	<u>\$ 318,636,993</u>	<u>\$ 307,535,585</u>

The accompanying notes are an integral part of these statements.

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

Statement of Cash Flows
December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 70,471,928	\$ 70,313,888
Payments to suppliers	(17,841,521)	(15,572,051)
Payments to employees	(23,715,025)	(27,058,325)
	<u>28,915,382</u>	<u>27,683,512</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Withdrawals from funds held by trustee	850,036	1,958,852
Purchases of capital assets	(13,771,515)	(15,972,035)
Proceeds from disposal of capital assets	115,203	215,326
Federal interest subsidy	1,833,392	1,860,011
Repayments and redemptions of water revenue bonds	(4,860,000)	(4,375,000)
Repayments of obligations under capital leases	(330,696)	(312,240)
Interest paid	(7,049,200)	(7,164,940)
	<u>(23,212,780)</u>	<u>(23,790,026)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	1,570,885	1,004,563
Gains (losses) on investments	40,441	855
	<u>1,611,326</u>	<u>1,005,418</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,313,928	4,898,904
CASH AND CASH EQUIVALENTS - beginning of year	<u>63,579,479</u>	<u>58,680,575</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 70,893,407</u>	<u>\$ 63,579,479</u>

The accompanying notes are an integral part of these statements.

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

Statement of Cash Flows
For the year ended December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW		
FROM OPERATING ACTIVITIES:		
Operating income	\$ 11,337,625	\$ 7,832,706
Adjustments to reconcile operating income to net cash flow		
from operating activities:		
Depreciation and amortization	18,963,348	18,700,976
Bad debt expense (recovery)	(3,368)	30,865
Other postemployment benefit items	-	5,619,054
Changes in:		
Accounts receivable	(252,843)	300,871
Accrued unbilled revenue	(435,000)	(20,000)
Materials and supplies	96,580	110,256
Prepayments and other current assets	16,920	63,654
Accounts payable and other liabilities	(621,990)	(1,501,342)
Accrued payroll and benefits	195,703	256,578
Pension items - ERS	246,967	14,297
Total other postemployment benefit obligations	(632,982)	(3,735,606)
Customer deposits	4,422	11,203
Net cash flow from operating activities	<u>\$ 28,915,382</u>	<u>\$ 27,683,512</u>
NON-CASH CAPITAL FINANCING ACTIVITY:		
Capital assets received directly from developers and customers	<u>\$ 3,659,335</u>	<u>\$ 3,375,133</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY WATER AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2019

(With Comparative Totals for 2018)

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

Basis of Accounting

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

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.
- 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.

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

Notes to Basic Financial Statements
December 31, 2019
(With Comparative Totals for 2018)

Cash and Cash Equivalents

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

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. Generally accepted accounting principles require 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.

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.

Materials and Supplies - Inventory

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

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:

Production and distribution system	5 - 40 years
Water facility capital lease	5 - 25 years
Water rights	40 years
Pipelines and district facilities	40 years
Meters and distribution services	25 - 40 years
Automotive and construction equipment	5 years
Land improvements	10 - 20 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.

Funds Held by Trustee

Funds held by Bank of New York (the Trustee) consist of fixed income United States Government securities. The Authority reports these items at fair value based on quoted market prices. These funds are required to be held in accordance with the trust indentures for the water revenue bonds as described in Note 7.

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

Notes to Basic Financial Statements
December 31, 2019
(With Comparative Totals for 2018)

As of December 31, 2019 and 2018, the Authority had the following funds held by trustee:

	<u>2019</u>	<u>2018</u>
Capital improvement fund	\$ 6,646,106	\$ 5,775,916
New construction fund	<u>5,732,212</u>	<u>6,468,681</u>
Total funds held by trustee	<u>\$ 12,378,318</u>	<u>\$ 12,244,597</u>

Accrued Payroll and Benefits

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

Other Postemployment Benefits

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

Unamortized Bond Premium

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Authority reports deferred amounts on refunding of capital leases and water revenue bonds, as well as amounts relating to the New York State Employees' Retirement System and other postemployment benefits in this category.

Revenue Recognition

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

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/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/losses on disposals of capital assets. The Authority also receives Federal interest subsidies which are considered non-operating revenue.

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

Notes to Basic Financial Statements
December 31, 2019
(With Comparative Totals for 2018)

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.

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain amounts in 2018 have been reclassified to conform with the 2019 presentation.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not in the same detail used for the current year presentation. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2018, from which the summarized information was obtained.

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 years ended December 31, 2019 and 2018, the Authority had net purchases from the City of \$1,700,276 and \$1,523,864, respectively.

MONROE COUNTY WATER AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2019

(With Comparative Totals for 2018)

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.

- **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. In 2019 and 2018, the Authority did not hold any investments in money market funds. 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.

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

Notes to Basic Financial Statements
December 31, 2019
(With Comparative Totals for 2018)

As of December 31, 2019 and 2018, 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 for the years ended December 31:

	2019	
	Carrying Amount	Bank Balance
Demand deposits	\$ 2,236,242	\$ 2,236,242
Time deposits	16,297,999	16,733,388
Total cash and investments	<u>\$ 18,534,241</u>	<u>\$ 18,969,630</u>
Insured cash - FDIC		\$ 839,196
Uninsured - collateralized with securities held by pledging financial institution		<u>19,511,611</u>
Total insured and collateralized cash and cash equivalents		<u>\$ 20,350,807</u>
	2018	
	Carrying Amount	Bank Balance
Demand deposits	\$ 2,354,866	\$ 2,354,866
Time deposits	14,960,638	15,270,775
Total cash and investments	<u>\$ 17,315,504</u>	<u>\$ 17,625,641</u>
Insured cash - FDIC		\$ 1,066,467
Uninsured - collateralized with securities held by pledging financial institution		<u>19,779,932</u>
Total insured and collateralized cash and cash equivalents		<u>\$ 20,846,399</u>

MONROE COUNTY WATER AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)**

Total cash and cash equivalents and marketable securities by type as of December 31, 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:

	<u>2019</u>	<u>2018</u>
United States Treasury obligations	\$ 1,194,817	\$ 2,245,117
United States Treasury bills	65,427,579	58,784,422
Money market funds	16,380,880	14,950,813
Cash	<u>2,251,795</u>	<u>2,810,827</u>
	<u>\$ 85,255,071</u>	<u>\$ 78,791,179</u>

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 generally accepted accounting principles. 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 Authority has the following recurring fair value measurements as of December 31, 2019 and 2018:

- U.S. Treasury securities of \$66.0 million and \$61.0 million, respectively are valued using quoted market prices (Level 1 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, 2019 and 2018, or both:

	<u>2019</u>	<u>2018</u>
M&T Bank	\$ 17,928,845	\$ 16,726,031
Key Bank	\$ 305,561	\$ 316,467

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

Notes to Basic Financial Statements
December 31, 2019
(With Comparative Totals for 2018)

5. CAPITAL ASSETS

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

	Balance 1/1/2019	Additions	Transfers	Disposals	Balance 12/31/2019
Land and easements	\$ 10,386,494	\$ -	\$ 4,560	\$ -	\$ 10,391,054
Construction-in-progress	4,079,244	14,270,823	(14,228,494)	-	4,121,573
Total non-depreciable assets	\$ 14,465,738	\$ 14,270,823	\$ (14,223,934)	\$ -	\$ 14,512,627
Land improvements	\$ 7,708,985	\$ -	\$ -	\$ -	\$ 7,708,985
Production and distribution system	248,926,090	9,013	2,249,755	(301,690)	250,883,168
Pipelines and district facilities	305,928,864	2,195,509	6,921,092	-	315,045,465
Meters and services	97,487,914	955,505	4,143,773	(897,718)	101,689,474
Automotive and construction equipment	8,156,134	-	698,360	(461,809)	8,392,685
Water facility capital lease	78,056,980	-	-	-	78,056,980
Furniture, fixtures and other equipment	3,480,989	-	210,954	(6,644)	3,685,299
Total at cost	749,745,956	3,160,027	14,223,934	(1,667,861)	765,462,056
Less: Accumulated depreciation and amortization for:					
Land improvements	(2,460,729)	(268,249)	-	-	(2,728,978)
Production and distribution system	(92,198,577)	(8,100,273)	-	279,622	(100,019,228)
Pipelines and district facilities	(129,285,561)	(6,989,519)	-	-	(136,275,080)
Meters and services	(38,657,299)	(2,699,010)	-	526,033	(40,830,276)
Automotive and construction equipment	(4,375,965)	(555,359)	-	363,051	(4,568,273)
Water facility capital lease	(77,987,573)	(69,406)	-	-	(78,056,979)
Furniture, fixtures and other equipment	(2,277,271)	(338,286)	-	6,644	(2,608,913)
Total accumulated depreciation and amortization	(347,242,975)	(19,020,102)	-	1,175,350	(365,087,727)
Total depreciable assets - net	\$ 402,502,981	\$ (15,860,075)	\$ 14,223,934	\$ (492,511)	\$ 400,374,329
Total capital assets, net	\$ 416,968,719	\$ (1,589,252)	\$ -	\$ (492,511)	\$ 414,886,956

MONROE COUNTY WATER AUTHORITY

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December 31, 2019

(With Comparative Totals for 2018)

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Transfers	Disposals	Balance 12/31/2018
Land and easements	\$ 10,375,094	\$ -	\$ 11,400	\$ -	\$ 10,386,494
Construction-in-progress	5,019,700	16,397,355	(17,337,811)	-	4,079,244
Total non-depreciable assets	<u>\$ 15,394,794</u>	<u>\$ 16,397,355</u>	<u>\$ (17,326,411)</u>	<u>\$ -</u>	<u>\$ 14,465,738</u>
Land improvements	\$ 7,708,985	\$ -	\$ -	\$ -	\$ 7,708,985
Production and distribution system	241,050,601	-	8,411,982	(536,493)	248,926,090
Pipelines and district facilities	301,204,764	1,938,408	2,785,692	-	305,928,864
Meters and services	93,133,931	994,911	4,520,514	(1,161,442)	97,487,914
Automotive and construction equipment	7,756,358	16,494	1,072,598	(689,316)	8,156,134
Water facility capital lease	78,056,980	-	-	-	78,056,980
Furniture, fixtures and other equipment	2,959,906	-	535,625	(14,542)	3,480,989
Total at cost	<u>731,871,525</u>	<u>2,949,813</u>	<u>17,326,411</u>	<u>(2,401,793)</u>	<u>749,745,956</u>
Less: Accumulated depreciation and amortization for:					
Land improvements	(2,187,405)	(273,324)	-	-	(2,460,729)
Production and distribution system	(84,678,811)	(8,055,885)	-	536,119	(92,198,577)
Pipelines and district facilities	(122,452,633)	(6,832,928)	-	-	(129,285,561)
Meters and services	(36,812,881)	(2,573,594)	-	729,176	(38,657,299)
Automotive and construction equipment	(4,345,888)	(527,600)	-	497,523	(4,375,965)
Water facility capital lease	(77,824,797)	(162,776)	-	-	(77,987,573)
Furniture, fixtures and other equipment	(1,993,351)	(298,462)	-	14,542	(2,277,271)
Total accumulated depreciation and amortization	<u>(330,295,766)</u>	<u>(18,724,569)</u>	<u>-</u>	<u>1,777,360</u>	<u>(347,242,975)</u>
Total depreciable assets - net	<u>\$ 401,575,759</u>	<u>\$ (15,774,756)</u>	<u>\$ 17,326,411</u>	<u>\$ (624,433)</u>	<u>\$ 402,502,981</u>
Total capital assets, net	<u>\$ 416,970,553</u>	<u>\$ 622,599</u>	<u>\$ -</u>	<u>\$ (624,433)</u>	<u>\$ 416,968,719</u>

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6. CAPITAL LEASES

The Authority and the County entered into an agreement in 1969 which provides for the Authority, as agent of the County, to plan, construct, operate, manage, repair and maintain certain water facilities owned by the County and primarily financed through County bond issues. These water facilities are leased to the Authority, which, along with capital assets owned by the Authority, become an integrated water system.

These leases are defined as capital leases and the related facilities are recorded as an asset that is generally amortized over the term of the lease or the related bond issue, whichever is shorter. The lease obligation is shown as a liability with the related interest expense reported as non-operating expenses.

Water facilities under capital leases that are included within capital assets as of December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Completed water facilities	\$ 78,056,980	\$ 78,056,980
Less: Accumulated amortization	<u>(78,056,980)</u>	<u>(77,987,573)</u>
	<u>\$ -</u>	<u>\$ 69,407</u>

Amortization expense related to water facilities under capital leases was \$69,407 and \$162,776 for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2018, the amount of the County bonds outstanding was included in obligations under capital leases. The expended portion of the bond proceeds was included in water facilities under capital leases. As of December 31, 2019 the bond was paid off.

Long-term capital lease activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
County bonds issued in 1996 Series A as part of the refunding that matures at \$331,000 in 2019 bearing interest of 3.75%	\$ 330,696	\$ -	\$ (330,696)	\$ -	\$ -
Long-term capital lease liabilities	<u>\$ 330,696</u>	<u>\$ -</u>	<u>\$ (330,696)</u>	<u>\$ -</u>	<u>\$ -</u>

MONROE COUNTY WATER AUTHORITY
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Long-term capital lease activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
County bonds issued in 1996 Series A as part of the refunding that matures at \$331,000 in 2019 bearing interest of 3.75%	\$ 642,936	\$ -	\$ (312,240)	\$ (330,696)	\$ -
Long-term capital lease liabilities	\$ 642,936	\$ -	\$ (312,240)	\$ (330,696)	\$ -

December 31, 2019 and 2018, interest expense was \$1,654 and \$21,402, respectively on capital leases. Cash paid for interest was \$9,921 and \$29,208, during the years ended December 31, 2019 and 2018.

7. 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, 2019 and 2018, the Authority is in compliance with its financial covenants.

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.

MONROE COUNTY WATER AUTHORITY

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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.

At December 31, 2019 and 2018, approximately \$450,000 and \$511,000, respectively of the deferred amount on refunding was included in deferred outflows of resources on the statement of net position. For the year ended December 31, 2019 and 2018, interest expense was 2019 and 2018 \$6,961,308 and \$7,090,729, respectively on the water revenue bonds. Cash paid for interest was \$7,039,279 and \$7,127,465, during the years ended December 31, 2019 and 2018.

MONROE COUNTY WATER AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)**

Long-term water revenue bond activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Bonds issued in 2007 as part of refunding that mature in annual amounts ranging from \$600,000 to \$1,115,000 from 2020 to 2036 bearing interest ranging from 4.182% to 4.97%	\$ 14,130,000	\$ -	\$ (595,000)	\$ (600,000)	\$ 12,935,000
Bonds issued in 2010 as part of refunding that mature in annual amounts ranging from \$205,000 to \$1,230,000 from 2020 to 2020 bearing interest ranging from 3.5% to 5.0%	1,435,000	-	(1,230,000)	(205,000)	-
Bonds issued in 2010 Series B as part of refunding that mature in annual amounts ranging from \$2,440,000 to \$5,775,000 from 2020 to 2042 bearing interest ranging from 4.49% to 6.34%	90,615,000	-	(2,365,000)	(2,440,000)	85,810,000
Bonds issued in 2012 that mature in annual amounts ranging from \$195,000 to \$410,000 from 2019 to 2037 bearing interest ranging from 3.0% to 5.0%	5,450,000	-	(190,000)	(195,000)	5,065,000
Bonds issued in 2013 that mature in annual amounts ranging from \$485,000 to \$960,000 from 2019 to 2042 bearing interest ranging from 1.44% to 4.69%	15,170,000	-	(480,000)	(485,000)	14,205,000

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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
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Add: Bond premium

1,508,874	-	(117,252)	-	1,391,622
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Long-term water revenue bond liabilities

<u>\$ 132,258,874</u>	<u>\$ -</u>	<u>\$ (4,977,252)</u>	<u>\$ (3,925,000)</u>	<u>\$ 123,356,622</u>
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Long-term water revenue bond activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Bonds issued in 2007 as part of refunding that mature in annual amounts ranging from \$595,000 to \$1,115,000 from 2019 to 2036 bearing interest ranging from 4.182% to 4.97%	\$ 14,715,000	\$ -	\$ (585,000)	\$ (595,000)	\$ 13,535,000
Bonds issued in 2010 as part of refunding that mature in annual amounts ranging from \$250,000 to \$1,230,000 from 2019 to 2020 bearing interest ranging from 3.5% to 5.0%	2,265,000	-	(830,000)	(1,230,000)	205,000
Bonds issued in 2010 Series B as part of refunding that mature in annual amounts ranging from \$2,365,000 to \$5,775,000 from 2019 to 2042 bearing interest ranging from 4.49% to 6.34%	92,915,000	-	(2,300,000)	(2,365,000)	88,250,000
Bonds issued in 2012 that mature in annual amounts ranging from \$190,000 to \$410,000 from 2019 to 2037 bearing interest ranging from 3.0% to 5.0%	5,630,000	-	(180,000)	(190,000)	5,260,000

MONROE COUNTY WATER AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)**

Bonds issued in 2013 that mature in annual amounts ranging from \$480,000 to \$960,000 from 2019 to 2042 bearing interest ranging from 1.44% to 4.69%

15,650,000	-	(480,000)	(480,000)	14,690,000
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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
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Add: Bond premium

1,626,127	-	(117,253)	-	1,508,874
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Long-term water revenue bond liabilities

<u>\$ 136,751,127</u>	<u>\$ -</u>	<u>\$ (4,492,253)</u>	<u>\$ (4,860,000)</u>	<u>\$ 127,398,874</u>
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The following is a schedule of the future minimum payments under the water revenue bonds as of December 31, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,925,000	\$ 6,847,459	\$ 10,772,459
2021	4,035,000	6,698,859	10,733,859
2022	4,150,000	6,547,988	10,697,988
2023	4,280,000	6,358,921	10,638,921
2024	4,425,000	6,163,929	10,588,929
2025 - 2029	24,860,000	27,153,145	52,013,145
2030 - 2034	30,175,000	19,961,116	50,136,116
2035 - 2039	30,660,000	11,349,654	42,009,654
2040 - 2042	<u>19,380,000</u>	<u>2,440,582</u>	<u>21,820,582</u>
	<u>\$ 125,890,000</u>	<u>\$ 93,521,653</u>	<u>\$ 219,411,653</u>

MONROE COUNTY WATER AUTHORITY
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8. PENSION PLAN

New York State and Local Employees' Retirement System Plan Description

The Authority participates in the New York State Employees' Retirement System (NYSERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing, multiple employer public employee retirement system, providing 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), established to hold all net position and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an 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 Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees in NYERS contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of contributions required, and were as follows:

	<u>NYSERS</u>
2019	\$ 2,401,563
2018	\$ 2,238,932
2017	\$ 2,251,223

\$600,391 of the cash paid for NYERS during 2019, represents amounts owed for the period of January 1 - March 31, 2020 and is shown as prepayments and other current assets on the accompanying statement of net position.

\$559,733 of the cash paid for NYERS during 2018, represents amounts owed for the period of January 1 - March 31, 2019 and is shown as prepayments and other current assets on the accompanying statement of net position.

MONROE COUNTY WATER AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)****Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**

At December 31, 2019 and 2018, the Authority reported a net pension liability of \$4,094,611 and \$1,884,391, respectively for its proportionate share of the NYS ERS net pension liability. The net pension liability was measured as of March 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuations as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2019, the Authority's proportion was .0577902%, which was an increase from its proportionate share measured at December 31, 2018 of .0583864%.

At December 31, 2018, the Authority's proportion was .0583864%, which was an increase from its proportionate share measured at December 31, 2017 of .0576894%.

For the year ended December 31, 2019, the Authority recognized pension expense of \$2,648,528. At December 31, 2019, the Authority reported deferred outflow/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 806,314	\$ 274,864
Changes in assumptions	1,029,218	-
Net difference between projected and actual earnings on pension plan investments	-	1,050,903
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	26,430	135,247
Contributions subsequent to the measurement date	2,401,563	-
Total	<u>\$ 4,263,525</u>	<u>\$ 1,461,014</u>

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For the year ended December 31, 2018, the Authority recognized pension expense of \$2,253,229. At December 31, 2018, the Authority reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 672,101	\$ 555,399
Changes in assumptions	1,249,507	-
Net difference between projected and actual earnings on pension plan investments	2,736,928	5,402,421
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	46,910	147,300
Contributions subsequent to the measurement date	2,238,932	-
Total	<u>\$ 6,944,378</u>	<u>\$ 6,105,120</u>

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

Plan's Year Ended March 31:	<u>2019</u>
2020	\$ 805,016
2021	(854,022)
2022	(90,476)
2023	540,430
	<u>\$ 400,948</u>

The Authority recognized \$2,401,563 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2018 which will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

The Authority recognized \$2,238,932 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017 which will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The total pension liability for the March 31, 2018 measurement date was determined by using an actuarial valuation as of April 1, 2017, with update procedures to roll forward the total pension liability to March 31, 2018.

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The actuarial valuation used the following actuarial assumptions for both years:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2011 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

In 2019 and 2018, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocations and best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 and 2018 are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36	4.55
International Equity	14	6.35
Private Equity	10	7.50
Real Estate	10	5.55
Absolute Return Strategies	2	3.75
Opportunistic Portfolio	3	5.68
Real Assets	3	5.29
Bonds and Mortgages	17	1.31
Cash	1	-0.25
Inflation-Indexed Bonds	4	1.25
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability in 2019 and 2018 was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan'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.

MONROE COUNTY WATER AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)****Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the Authority's proportionate share of the net pension liability for 2019 and 2018 calculated using the discount rate of 7.0%, 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% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease <u>6.00%</u>	2019 Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$ 17,902,291</u>	<u>\$ 4,094,611</u>	<u>\$ (7,504,820)</u>
	1% Decrease <u>6.00%</u>	2018 Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$ 14,257,807</u>	<u>\$ 1,884,391</u>	<u>\$ (8,583,025)</u>

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 189,803,429	\$ 183,400,590
Net position	<u>(182,718,124)</u>	<u>(180,173,145)</u>
Net pension liability (asset)	<u>\$ 7,085,305</u>	<u>\$ 3,227,445</u>
ERS net position as a percentage of total pension liability	96.27%	98.24%

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

Notes to Basic Financial Statements
December 31, 2019
(With Comparative Totals for 2018)

9. POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

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 Post-employment 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.

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	146
Inactive employees entitled to but not yet receiving benefit payment	-
Active employees	200
Total participants	<u>346</u>

Total OPEB Liability

The Authority's total OPEB liability of \$47,147,418 was measured as of January 1, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.3 percent per year
Payroll Growth	Based on NYSERS actuarial valuation as of June 30, 2015;
	Sample annual increases are as shown below:

<u>YOS</u>	<u>ERS</u>
0	10.30%
10	4.86%
20	4.06%
30	3.68%
40+	3.36%

MONROE COUNTY WATER AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)**

Discount Rate	3.44 percent as of January 1, 2018 and 4.11% as of January 1, 2019
Cost Method	Entry Age Normal Level % of Salary method
Healthcare Cost Trend Rates	8 percent for 2018, decreasing 0.25 percent per year to an ultimate rate of 5.0 percent for 2031 and later years Retirees'
Share of Benefit-Related Employer Funding Policy	45 percent of projected health insurance premiums for retirees Pay-as-you-go cash basis
Census Data	Census information was provided by the Authority in August 2018.
Experience Study	Experience Study Best actuarial practices call for a periodic assumption review and Nyhart recommends the Authority to complete an actuarial assumption review (also referred to as an experience study) in the future.
Health Care Coverage Election Rate	Health Care Coverage Election Rate 100% of active employees with current coverage are assumed to elect coverage at retirement 100% of active employees who are currently on buyout are assumed to elect buyout benefit at retirement. 0% of active employees without current coverage and not on buyout are assumed to elect coverage at retirement. 100% of inactive employees (those with coverage and on buyout) are assumed to continue coverage in the future. 0% of inactive employees who do not currently have coverage are assumed to elect coverage in the future
Spousal Coverage	Spousal coverage for current retirees is based on actual data. 80% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.
Mortality	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 (RPH-2017 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out projected to 2017 using MP-2017 improvement.)
Disability	None

Changes in the Total OPEB Liability

Balance at January 1, 2019	<u>\$ 54,897,278</u>
Changes for the Year-	
Service cost	1,866,827
Interest	1,918,395
Changes of benefit terms	-
Changes in assumptions or other inputs	(4,270,515)
Differences between expected and actual experience	(5,253,944)
Benefit payments	<u>(2,010,623)</u>
Net changes	<u>(7,749,860)</u>
Balance at December 31, 2019	<u>\$ 47,147,418</u>

MONROE COUNTY WATER AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)****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 (3.11%) or 1 percentage point higher (5.11%) than the current discount rate:

	1% Decrease <u>3.11%</u>	Current Discount <u>4.11%</u>	1% Increase <u>5.11%</u>
Total OPEB Liability	<u>\$ 53,736,135</u>	<u>\$ 47,147,418</u>	<u>\$ 41,701,320</u>

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 (7.0%) or 1 percentage point higher (9.0%) than the current healthcare cost trend rate:

	Healthcare		
	1% Decrease <u>7.0%</u>	Current Rate <u>8.0%</u>	1% Increase <u>9.0%</u>
Total OPEB Liability	<u>\$ 40,583,439</u>	<u>\$ 47,147,418</u>	<u>\$ 55,408,681</u>

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

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$1,469,607. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,770,746
Changes of assumptions	1,492,473	3,660,441
Benefit payments subsequent to measurement date	<u>2,001,367</u>	<u>-</u>
Total	<u>\$ 3,493,840</u>	<u>\$ 14,431,187</u>

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

Notes to Basic Financial Statements
December 31, 2019
(With Comparative Totals for 2018)

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2020	\$ (2,315,615)
2021	(2,315,615)
2022	(2,315,615)
2023	(2,315,615)
2024	(2,315,617)
Thereafter	<u>(1,360,637)</u>
	<u>\$ (12,938,714)</u>

The Authority recognized \$2,001,367 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of January 1, 2018 which will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019.

10. COMMITMENTS AND CONTINGENCIES

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 are summarized as follows for the years ending December 31:

2020	\$ 40,444
2021	38,569
2022	36,900
2023	<u>38,320</u>
	<u>\$ 154,233</u>

Total rental expense charged to operations amounted to \$46,803 and \$47,776 during the years ended December 31, 2019 and 2018, respectively.

MONROE COUNTY WATER AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements

December 31, 2019

(With Comparative Totals for 2018)

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.

The next Phases of the project are currently in planning and design. Phase II will include the construction of new transmission mains, new pump stations, and improvement to existing pump station in Monroe County with a goal of providing an additional 2.4 million gallons of water per day to Genesee County.

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.

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

2020	\$ 829,847
2021	829,847
2022	829,847
2023	829,847
2024	829,847
2025 - 2026	<u>1,659,694</u>
	<u>\$ 5,808,929</u>

The Authority expensed \$829,847 under this agreement during both years ended December 31, 2019.

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.

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

Notes to Basic Financial Statements
December 31, 2019
(With Comparative Totals for 2018)

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

2020	\$ 243,000
2021	243,000
2022	243,000
2023	243,000
2024	243,000
2025 - 2029	1,215,000
2030 - 2033	<u>972,000</u>
	<u>\$ 3,402,000</u>

The Authority expenses \$243,000 under this agreement during each of the years ended December 31, 2019 and 2018.

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.

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.

11. SELF-INSURANCE

The Authority is self-insured for workers' compensation claims. The Authority transfers its risk of loss through the purchase of commercial insurance for workers' compensation benefits up to a maximum aggregate amount of \$5,000,000, 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, 2019 and 2018, there were no liabilities recorded for workers' compensation claims.

12. 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 .6% service fee each year through August 31, 2020. For the years ended December 31, 2019 and 2018, the Authority paid approximately \$3,000,000 and \$3,900,000, respectively, to the County under the terms of this agreement.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

Draft- Subject to Change

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

Schedule of Changes in Total OPEB Liability an Related Ratios (Unaudited)
For the year ended December 31, 2019

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service cost	\$ 1,866,827	\$ 2,047,877								
Interest	1,918,395	2,277,994								
Changes of benefit terms	-	421,956								
Differences between expected and actual experience	(4,270,515)	(8,774,311)								
Changes in assumptions	(5,253,944)	2,089,463								
Benefit payments	(2,010,623)	(1,798,585)								
Total change in total OPEB liability	(7,749,860)	(3,735,606)								
Total OPEB liability - beginning	54,897,278	58,632,884								
Total OPEB liability - ending	<u>\$ 47,147,418</u>	<u>\$ 54,897,278</u>								
Covered-employee payroll	\$ 17,097,419	\$ 16,478,853								
Total OPEB liability as a percentage of covered-employee payroll	275.8%	333.1%								

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	4.11%	3.44%	3.81%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

MONROE COUNTY WATER AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

Schedule of Proportionate Share of Net Pension Liability (Asset) - (Unaudited)

For the year ended December 31, 2019

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of the net pension liability (asset)	0.578%	0.058%	0.058%	0.060%	0.001%					
Proportionate share of the net pension liability (asset)	\$ 4,094,611	\$ 1,884,391	\$ 5,420,629	\$ 9,693,114	\$ 2,021,835					
Covered-employee payroll	\$ 16,617,975	\$ 14,993,931	\$ 14,584,555	\$ 14,651,331	\$ 14,724,692					
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.64%	12.57%	37.17%	66.16%	13.73%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.70%	90.70%	97.90%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

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

Schedule of Contributions - Pension Plans (Unaudited)
For the year ended December 31, 2019

NEW YORK STATE	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 2,238,932	\$ 2,251,223	\$ 2,216,347	\$ 2,628,166	\$ 2,975,247					
Contributions in relation to the contractually required contribution	<u>2,238,932</u>	<u>2,251,223</u>	<u>2,216,347</u>	<u>2,628,166</u>	<u>2,975,247</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll	<u>\$ 16,617,975</u>	<u>\$ 14,993,931</u>	<u>\$ 14,584,555</u>	<u>\$ 14,651,331</u>	<u>\$ 14,724,692</u>					
Contributions as a percentage of covered-employee payroll	13.47%	15.01%	15.20%	17.94%	20.21%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

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

March 3, 2020

To the Board of Directors of
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 business-type activities of the Monroe County Water Authority (the Authority), a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 3, 2020.

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) to determine the 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 entity'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT ACCOUNTANT'S REPORT

March 3, 2020

To the Board of Directors of
Monroe County Water Authority:

We have examined the Monroe County Water Authority's (the Authority's), a discretely presented component unit of the County of Monroe, New York, compliance with its own investment policies and applicable laws and regulations related to investments for the year ended December 31, 2019. Management of the Authority 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, in all material respects, with the specified requirements referenced above. 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 noncompliance, 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, 2019.

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.



Monroe County Water Authority

Memorandum

To: Scott Nasca, Chairman, & MCWA Board Members

Date: March 3, 2020

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

Subject: 2019 Investment Report

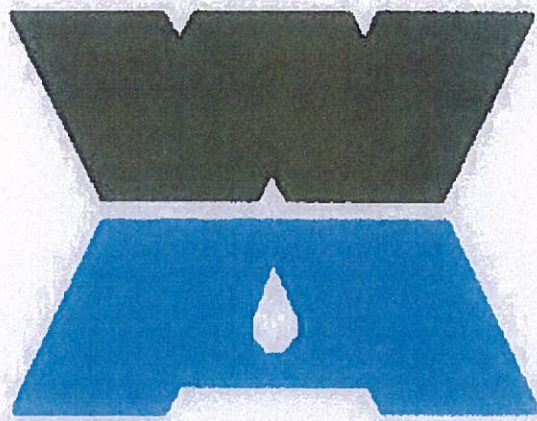
Copies: N. Noce
L. Magguilli
L. Rawlins
A. Mammino

In accordance with the Authority's Annual Statement of Investment Policy, readopted April 2019, I respectfully submit the 2019 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

Annual Investment Report

**For the Year Ending
December 31, 2019**

MONROE COUNTY WATER AUTHORITY

December 31, 2019 INVESTMENT REPORT

MONROE COUNTY WATER AUTHORITY HELD FUNDS

	<u>Cash on Hand</u>	<u>Money Market/CDs/ US T-Bills</u>
Beginning Balance: As of 1/1/19		
Water Revenue*	\$ 414,188	\$ 6,694,329
Operations & Maintenance*	1,927,652	7,943,666
General Fund	-	3,721,928
Renewal & Replacement	-	11,456,263
Debt Service	-	4,743,291
Subordinated Indebtness	-	340,538
OPEB Fund	-	26,316,651
Retirement New York State	-	-
Total	\$ 2,341,840	\$ 61,216,666
Ending Balance: As of 12/31/19		
Water Revenue*	\$ 320,807	\$ 5,914,336
Operations & Maintenance*	1,566,353	10,723,704
General Fund	-	4,747,069
Renewal & Replacement	-	14,108,351
Debt Service	-	4,174,732
Subordinated Indebtness	-	-
OPEB Fund	-	28,857,581
Retirement New York State	-	-
Total	\$ 1,887,160	\$ 68,525,773

Interest Received:	DECEMBER 2019	DECEMBER 2018
Money Market/Cd's/US T-Bills	\$ 1,064,263	\$ 378,312
Interest Accrued -	469,882	316,612

* Earnings Credit

TRUSTEE HELD FUNDS

Beginning Balance: As of 1/1/19

Debt Service	\$ 6,833
Debt Service Reserve*	2,828,874
Capital Improvement Fund*	5,775,915
New Construction Fund*	6,468,681

Ending Balance: As of 12/31/19

Debt Service	\$ 6,612
Debt Service Reserve*	1,738,613
Capital Improvement Fund*	6,646,106
New Construction Fund*	5,732,212

Interest Received -12/31/19	\$ 311,860
InterestAccrued -12/31/19	146,035

**Monroe County Water Authority
Trustee Investments
As of December 31, 2019**

<u>FUND</u>	<u>TYPE</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>DAYS TO MATURITY</u>	<u>FACE VALUE</u>	<u>PURCHASE PRICE</u>	<u>VALUE* 12/31/2019</u>	<u>YIELD</u>	<u>(PREMIUM) DISCOUNT AMORT</u>	<u>ACCRUED INTEREST</u>	
2010 DSR	T-BILLS	08/08/19	07/16/20	198	\$ 24,000.00	\$ 23,611.95	\$ 23,799.36	1.72%		164.00	
					\$ 24,000.00	\$ 23,611.95	\$ 23,799.36				
			average days to maturity	198		weighted average yield		1.72%			
2012 DSR	T-BILLS	12/11/19	12/03/20	338	\$ 451,000.00	\$ 444,496.83	\$ 444,753.65	1.47%		363.00	
	T-BILLS	08/13/19	07/16/20	198	26,000.00	25,575.98	25,782.64	1.77%			
	average days to maturity	268		weighted average yield		1.48%					
2013 DSR	T-BILLS	12/05/19	12/03/20	338	\$ 143,000.00	\$ 140,887.59	\$ 141,019.45	1.48%	55,612.24	151.00	
	US T-NOTES	08/01/13	05/15/23	1231	1,188,000.00	1,103,169.38	1,192,597.56	1.74%			
	average days to maturity	785		weighted average yield		1.71%					
2017 PRIN	T-BILLS	12/06/19	12/03/20	338	\$ 4,000.00	\$ 3,940.91	\$ 3,944.60	1.49%		4.00	
					\$ 4,000.00	\$ 3,940.91	\$ 3,944.60				
			average days to maturity	338		weighted average yield		1.49%			
CAP IMPROVE	T-BILLS	05/23/19	01/30/20	30	\$ 1,509,000.00	\$ 1,485,624.08	\$ 1,507,294.83	2.25%		20,593.00	
	T-BILLS	06/20/19	02/27/20	58	297,000.00	293,123.70	296,302.05	1.91%			
	T-BILLS	07/18/19	03/26/20	86	553,000.00	545,848.33	551,053.44	1.87%			
	T-BILLS	08/15/19	04/23/20	114	501,000.00	495,213.71	498,610.23	1.68%			
	T-BILLS	09/19/19	05/21/20	142	1,274,000.00	1,258,549.57	1,266,445.18	1.80%			
	T-BILLS	10/15/19	06/18/20	170	1,061,000.00	1,049,891.27	1,053,371.41	1.54%			
	T-BILLS	11/14/19	07/16/20	198	603,000.00	597,016.73	597,958.92	1.47%			
	T-BILLS	12/17/19	08/13/20	226	929,000.00	919,985.60	920,174.50	1.47%			
	average days to maturity	72		weighted average yield		1.79%					
NEW CONST	T-BILLS	07/18/19	01/02/20	2	\$ 266,000.00	\$ 263,604.23	\$ 266,000.00	1.95%		2,367.00	
	T-BILLS	01/16/19	01/02/20	2	3,652,000.00	3,564,887.47	3,652,000.00	2.51%			
	T-BILLS	08/15/19	02/06/20	37	1,919,000.00	1,902,353.34	1,916,217.45	1.80%			
TOTAL					\$ 5,837,000.00	\$ 5,730,845.04	\$ 5,834,217.45				
% In T-Bills	91.75%					weighted average yield		2.25%			
% in T-Note	8.25%				\$ 14,400,000.00	\$ 14,117,780.67	\$ 14,357,325.27		\$ 55,612.24	\$ 146,035.00	
	100.00%										
			average days to maturity	14							
			TOTALS								
			Portfolio average days	279		Portfolio weighted average yield		1.95%			

*market value source trustee monthly statements

BANK OF NEW YORK
STATEMENT OF CHANGES IN TRUSTEE FUNDS
FOR PERIOD ENDING DECEMBER 31, 2019

	Debt Service Reserve Funds	Debt Service Funds	Capital Improvement Fund	New Construction Fund
CASH RECEIPTS				
Cash Balance Jan 1	\$ 442,531	\$ 606	\$ -	\$ -
Investment Liquidations	2,118,456	6,322,543	15,365,650	13,820,346
Interest Received	43,021	7,555	163,499	97,785
Transfer from Other Funds	243,033	11,909,385	1,045,000	-
Total	\$ 2,847,041	\$ 18,240,089	\$ 16,574,149	\$ 13,918,131
CASH DISBURSEMENTS				
Property Additions	\$ -	-	\$ 338,308	\$ 834,251
Interest to Bondholders	-	7,044,645	-	-
Bond Maturities & Purchases	-	4,860,000	-	-
Investment Purchases	1,494,136	6,328,167	16,235,841	13,083,880
Transfers to Other Funds	1,352,033	6,612	-	-
Cash Balance Dec 31, 2019	872	665	-	-
Total	\$ 2,847,041	\$ 18,240,089	\$ 16,574,149	\$ 13,918,131
Investments at Dec 31				
Investments (at cost)	\$ 1,737,741	\$ 5,947	\$ 6,646,106	\$ 5,732,212
Accrued Interest	854	4	43,067	102,110
Total	\$ 1,738,595	\$ 5,951	\$ 6,689,173	\$ 5,834,322
Cash & Investment Balance at 1/1/19	\$ 2,828,874	\$ 6,833	\$ 5,775,915	\$ 6,468,681
Cash & Investment Balance at 12/31/19	\$ 1,738,613	\$ 6,612	\$ 6,646,106	\$ 5,732,212

**Monroe County Water Authority
Local Investments
As of December 31, 2019**

<u>FUND</u>	<u>TYPE</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>DAYS TO MATURITY</u>	<u>FACE VALUE</u>	<u>PURCHASE PRICE</u>	<u>VALUE*</u>	<u>YIELD</u>	<u>ACCRUED INTEREST</u>
OPEB	T-BILL	01/03/19	01/02/20	2	\$ 2,000,000.00	\$ 1,949,848.89	\$ 1,999,766.00	2.56%	\$ 49,884.00
	T-BILL	02/27/19	01/30/20	30	1,500,000.00	1,466,159.58	1,498,302.00	2.49%	30,730.00
	T-BILL	09/10/19	02/13/20	44	1,516,000.00	1,504,372.28	1,513,116.57	1.81%	8,349.00
	T-BILL	04/29/19	02/27/20	58	2,000,000.00	1,960,986.67	1,995,286.60	2.37%	31,560.00
	T-BILL	04/17/19	02/27/20	58	610,000.00	597,524.14	608,567.11	2.40%	10,155.00
	T-BILL	04/16/19	03/26/20	86	2,000,000.00	1,955,341.67	1,992,964.00	2.40%	33,335.00
	T-BILL	06/27/19	04/23/20	114	1,981,000.00	1,949,529.61	1,971,388.19	1.96%	19,552.00
	T-BILL	04/29/19	04/23/20	114	2,000,000.00	1,954,000.00	1,990,296.00	2.38%	31,560.00
	T-BILL	05/23/19	04/23/20	114	1,800,000.00	1,762,368.00	1,791,266.40	2.31%	24,864.00
	T-BILL	05/28/19	05/21/20	142	790,000.00	772,668.28	785,245.78	2.27%	10,506.00
	T-BILL	06/26/19	05/21/20	142	2,034,000.00	1,998,947.40	2,021,877.97	1.91%	19,971.00
	T-BILL	06/25/19	06/18/20	170	2,036,000.00	1,998,844.70	2,021,057.80	1.88%	19,559.00
	T-BILL	07/23/19	07/18/20	200	2,031,000.00	1,993,328.34	2,013,888.22	1.90%	17,659.00
	T-BILL	08/15/19	08/13/20	226	1,006,000.00	989,114.85	996,310.21	1.70%	6,427.00
	T-BILL	09/18/19	09/10/20	254	1,105,000.00	1,086,209.48	1,093,229.54	1.76%	5,459.00
	T-BILL	10/10/19	10/08/20	282	1,986,000.00	1,955,597.87	1,962,598.37	1.53%	6,849.00
	T-BILL	11/07/19	11/05/20	310	1,979,000.00	1,948,985.17	1,953,518.20	1.52%	4,453.00
	T-BILL	12/10/19	12/03/20	338	1,024,000.00	1,009,193.24	1,009,823.74	1.49%	866.00
					\$ 29,398,000.00	\$ 28,853,020.17	\$ 29,218,502.70		
	average days to maturity				149	weighted average yield		2.04%	
R & R	T-BILLS	07/30/19	01/16/20	16	\$ 1,514,000.00	\$ 1,499,772.61	\$ 1,512,919.00	2.04%	12,601.00
	T-BILLS	07/25/19	01/23/20	23	1,515,000.00	1,499,911.44	1,513,478.94	2.02%	13,181.00
	T-BILLS	08/22/19	02/20/20	51	1,715,000.00	1,699,371.82	1,711,446.01	1.82%	11,249.00
	T-BILLS	09/19/19	03/19/20	79	2,018,000.00	1,999,636.20	2,011,288.13	1.85%	10,337.00
	T-BILLS	09/20/19	04/23/20	114	1,920,000.00	1,899,264.00	1,910,684.16	1.85%	9,792.00
	T-BILLS	12/16/19	07/16/20	198	1,512,000.00	1,498,992.52	1,499,260.95	1.46%	916.00
	T-BILLS	12/13/19	06/11/20	163	2,014,000.00	1,999,368.01	1,999,893.94	1.48%	1,454.00
	T-BILLS	08/21/19	08/13/20	226	2,033,000.00	1,999,641.86	2,013,418.14	1.70%	12,300.00
					\$ 14,241,000.00	\$ 14,095,958.46	\$ 14,172,389.27		
	average days to maturity				109	weighted average yield		1.76%	
DEBT SERVICE	T-BILLS	09/25/19	01/02/20	2	\$ 1,246,000.00	\$ 1,239,751.78	\$ 1,246,000.00	1.83%	6,121.00
	T-BILLS	12/04/19	07/16/20	198	1,968,000.00	1,949,980.50	1,951,301.52	1.50%	2,162.00
	CD	06/11/19	01/02/20	2	985,000.00	985,000.00	985,000.00	2.05%	10,940.00
					\$ 4,199,000.00	\$ 4,174,732.28	\$ 4,182,301.52		
	average days to maturity				67	weighted average yield		1.72%	

**Monroe County Water Authority
Local Investments
As of December 31, 2019**

<u>FUND</u>	<u>TYPE</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>DAYS TO MATURITY</u>	<u>FACE VALUE</u>	<u>PURCHASE PRICE</u>	<u>VALUE*</u>	<u>YIELD</u>	<u>ACCRUED INTEREST</u>
GENERAL FUND	T-BILL	04/25/19	01/02/20	2	\$ 1,500,000.00	\$ 1,475,850.00	\$ 1,499,824.50	2.36%	23,959.00
	T-BILL	07/31/19	05/21/20	142	1,218,000.00	1,199,236.03	1,210,741.09	1.91%	9,796.00
	T-BILL	12/16/19	12/03/20	338	501,000.00	493,975.01	494,064.16	1.46%	318.00
	T-BILL	07/18/19	06/18/20	170	1,526,000.00	1,499,615.46	1,514,961.98	1.88%	13,018.00
TOTAL					\$ 4,745,000.00	\$ 4,668,676.50	\$ 4,719,591.73		
% in T-Bills	98.13%		average days to maturity	163		weighted average yield		1.99%	
% in CD's	1.87%								
	100.00%								
TOTALS					\$ 52,583,000.00	\$ 51,792,387.41	\$ 52,292,785.22		\$ 469,882.00
Portfolio average days						weighted average yield		1.93%	

* value used on the monthly statements

MONROE COUNTY WATER AUTHORITY
LOCAL INVESTMENT MATURED HISTORY
JANUARY 1, 2019 Thru DECEMBER 31, 2019

BANK	FUND	SETTLEMENT DATE	MATURITY DATE	YIELD	PURCHASE AMOUNT	MATURITY AMOUNT	INTEREST RECEIVED
JP MORGAN	DEBT SERVICE	06/18/18	01/03/19	1.99%	667,686.38	675,000.00	7,313.62
KEY BANK	OPEB	02/23/18	01/03/19	1.93%	2,950,675.83	3,000,000.00	49,324.17
KEY BANK	R & R	06/25/18	01/03/19	1.99%	692,720.00	700,000.00	7,280.00
KEY BANK	DEBT SERVICE	09/06/18	01/10/19	2.15%	977,760.25	985,000.00	7,239.75
KEY BANK	DEBT SERVICE	08/30/18	01/10/19	2.13%	863,282.39	870,000.00	6,717.61
JP MORGAN	R & R	09/14/18	01/17/19	2.14%	1,532,527.22	1,544,000.00	11,472.78
KEY BANK	R & R	08/30/18	02/21/19	2.16%	1,682,150.00	1,700,000.00	17,850.00
JP MORGAN	GENERAL FUND	12/11/18	02/26/19	1.87%	1,012,008.25	1,016,056.00	4,047.75
JP MORGAN	R & R	12/11/18	02/26/19	1.87%	1,518,382.98	1,524,456.09	6,073.11
KEY BANK	OPEB	06/18/18	02/28/19	2.12%	1,478,006.25	1,500,000.00	21,993.75
JP MORGAN	R & R	09/25/18	03/21/19	2.27%	1,977,678.33	2,000,000.00	22,321.67
JP MORGAN	R & R	10/15/18	04/11/19	2.36%	1,116,920.31	1,130,000.00	13,079.69
KEY BANK	GENERAL FUND	06/27/18	04/25/19	2.21%	1,276,553.06	1,300,000.00	23,446.94
KEY BANK	OPEB	10/09/18	04/25/19	2.40%	1,974,260.00	2,000,000.00	25,740.00
KEY BANK	OPEB	08/24/18	04/25/19	2.26%	3,029,148.33	3,075,000.00	45,851.67
JP MORGAN	GENERAL FUND	02/26/19	05/14/19	1.92%	1,016,056.00	1,020,228.60	4,172.60
JP MORGAN	R & R	02/26/19	05/14/19	1.92%	1,524,456.09	1,530,716.52	6,260.43
KEY BANK	R & R	12/18/18	05/16/19	2.44%	841,591.85	850,000.00	8,408.15
KEY BANK	OPEB	06/20/18	05/23/19	2.27%	1,062,670.70	1,085,000.00	22,329.30
KEY BANK	OPEB	09/18/18	05/23/19	2.38%	1,476,123.33	1,500,000.00	23,876.67
KEY BANK	R & R	09/26/18	05/23/19	2.41%	1,525,817.85	1,550,000.00	24,182.15
KEY BANK	R & R	12/14/18	06/13/19	2.51%	556,093.24	563,000.00	6,906.76
KEY BANK	OPEB	07/27/18	06/20/19	2.34%	2,986,641.33	3,050,000.00	63,358.67
JP MORGAN	OPEB	07/13/18	06/20/19	2.30%	2,946,083.91	3,010,000.00	63,916.09
KEY BANK	DEBT SERVICE	04/15/19	07/11/19	2.37%	969,509.94	975,000.00	5,490.06
KEY BANK	DEBT SERVICE	05/21/19	07/11/19	2.28%	986,844.38	990,000.00	3,155.62
KEY BANK	DEBT SERVICE	02/06/19	07/11/19	2.33%	692,917.36	700,000.00	7,082.64
KEY BANK	DEBT SERVICE	03/07/19	07/11/19	2.41%	1,467,827.00	1,480,000.00	12,173.00
KEY BANK	DEBT SERVICE	10/18/18	07/18/19	2.53%	1,255,140.26	1,279,000.00	23,859.74
JP MORGAN	DEBT SERVICE	12/04/18	07/18/19	2.53%	979,421.51	995,000.00	15,578.49
KEY BANK	GENERAL FUND	09/24/18	07/18/19	2.48%	1,176,141.00	1,200,000.00	23,859.00
JP MORGAN	OPEB	12/12/18	07/18/19	2.48%	1,989,725.25	2,020,000.00	30,274.75
KEY BANK	R & R	02/21/19	07/25/19	2.42%	989,904.44	1,000,000.00	10,095.56
JP MORGAN	GENERAL FUND	05/14/19	07/30/19	1.99%	1,020,228.60	1,024,483.80	4,255.20
JP MORGAN	R & R	05/14/19	07/30/19	1.99%	1,530,716.52	1,537,100.82	6,384.30
JP MORGAN	OPEB	10/12/18	08/15/19	2.54%	990,511.02	1,012,000.00	21,488.98
KEY BANK	R & R	02/21/19	08/22/19	2.47%	987,816.11	1,000,000.00	12,183.89
KEY BANK	R & R	03/19/19	08/22/19	2.43%	623,529.90	630,000.00	6,470.10
JP MORGAN	R & R	04/12/19	08/22/19	2.35%	1,140,195.83	1,150,000.00	9,804.17

**MONROE COUNTY WATER AUTHORITY
LOCAL INVESTMENT MATURED HISTORY
JANUARY 1, 2019 Thru DECEMBER 31, 2019**

BANK	FUND	SETTLEMENT DATE	MATURITY DATE	YIELD	PURCHASE AMOUNT	MATURITY AMOUNT	INTEREST RECEIVED
KEY BANK	OPEB	09/19/18	09/12/19	2.53%	1,502,479.61	1,540,000.00	37,520.39
JP MORGAN	R & R	01/17/19	09/12/19	2.42%	1,525,611.61	1,550,000.00	24,388.39
JP MORGAN	R & R	03/21/19	09/19/19	2.40%	1,976,036.67	2,000,000.00	23,963.33
KEY BANK	OPEB	04/30/19	09/26/19	2.40%	1,087,365.87	1,098,000.00	10,634.13
KEY BANK	OPEB	12/10/18	10/10/19	2.59%	1,957,608.88	2,000,000.00	42,391.12
JP MORGAN	R & R	03/08/19	10/10/19	2.42%	1,478,490.00	1,500,000.00	21,510.00
KEY BANK	OPEB	12/02/18	11/07/19	2.66%	1,951,553.33	2,000,000.00	48,446.67
KEY BANK	RETIREMENT	09/04/19	11/07/19	1.90%	749,500.02	752,000.00	2,499.98
KEY BANK	RETIREMENT	02/06/19	11/07/19	2.47%	490,866.67	500,000.00	9,133.33
KEY BANK	RETIREMENT	06/11/19	11/07/19	2.15%	500,610.71	505,000.00	4,389.29
KEY BANK	RETIREMENT	04/15/19	11/07/19	2.35%	251,658.51	255,000.00	3,341.49
KEY BANK	RETIREMENT	03/19/19	11/07/19	2.42%	255,043.92	259,000.00	3,956.08
KEY BANK	R & R	05/20/19	11/14/19	2.38%	1,186,294.00	1,200,000.00	13,706.00
KEY BANK	OPEB	01/04/19	12/05/19	2.49%	1,006,900.82	1,030,000.00	23,099.18
JP MORGAN	R & R	05/28/19	12/05/19	2.26%	1,185,993.33	1,200,000.00	14,006.67
TOTALS					\$ 70,591,736.95	\$ 71,560,041.83	\$ 968,304.88

**MONROE COUNTY WATER AUTHORITY
MONEY MARKET
AS OF DECEMBER 31, 2019**

BANK	FUND	ENDING BALANCE 12/31/19
M & T Bank	OPEB	4,560.83
	R & R	11,649.06
	General Fund	364.63
		<u>\$ 16,574.52</u>
	Interest Earned as of Decmber 31, 2019	\$ 2,042.17
	Weighted Average Yield	0.65%
Key Bank	R & R	\$ 743.50
	General Fund	78,028.57
		<u>\$ 78,772.07</u>
	Interest Earned as of December 31, 2019	\$ 124.98
	Weighted Average Yield	0.15%
	Total Interest on Money Markets	\$ 2,167.15

**MONROE COUNTY WATER AUTHORITY
INVESTMENT HISTORY**

<u>2019</u>	<u>AVERAGE INVESTMENT BALANCE</u>	<u>INTEREST RATE</u>	<u>INTEREST EARNED</u>
<u>OPERATIONS & MAINTENANCE - MONEY MARKET/ M & T</u>			
JANUARY	\$ 7,945,603.76	0.45 % - 1.00 %	\$ 3,874.80
FEBRUARY	8,949,957.86	1.00 % - 1.00 %	7,250.11
MARCH	9,956,964.11	1.00 % - 1.00 %	8,691.37
APRIL	6,715,058.03	1.00 % - 1.00 %	6,301.57
MAY	5,472,107.95	1.00 % - 1.00 %	4,647.48
JUNE	5,891,716.46	1.00 % - 1.00 %	4,569.54
JULY	6,311,681.50	1.00 % - 1.00 %	5,360.53
AUG	7,442,732.84	1.00 % - .90 %	5,113.64
SEPT	6,242,239.47	.90 % - 0.75 %	5,756.28
OCT	8,708,005.09	.75 % - 0.75 %	5,546.82
NOV	11,379,590.78	.75 % - 0.65 %	6,436.84
DEC	11,386,044.73	.65 % - 0.65 %	6,488.16
			<hr/>
		\$	70,037.14
<u>WATER REVENUE - MONEY MARKET / M & T BANK</u>			
JANUARY	\$ 3,795,624.48	0.45 % - 1.00 %	\$ 1,874.85
FEBRUARY	2,901,120.85	1.00 % - 1.00 %	1,665.52
MARCH	2,703,610.81	1.00 % - 1.00 %	2,016.22
APRIL	2,648,166.79	1.00 % - 1.00 %	1,895.30
MAY	2,664,663.93	1.00 % - 1.00 %	1,887.29
JUNE	2,415,327.94	1.00 % - 1.00 %	2,166.71
JULY	3,433,454.44	1.00 % - 1.00 %	2,629.05
AUG	3,822,822.29	1.00 % - .90 %	2,497.82
SEPT	3,378,871.36	.90 % - 0.75 %	2,103.60
OCT	3,186,122.45	.75 % - 0.75 %	1,861.47
NOV	4,267,823.05	.75 % - 0.65 %	1,419.45
DEC	3,043,097.23	.65 % - 0.65 %	1,736.77
			<hr/>
		\$	23,754.05

**MONROE COUNTY WATER AUTHORITY
LOCAL CASH & INVESTMENT
STATEMENT OF COLLATERAL
AS OF DECEMBER 31, 2019**

<u>MCWA INVESTMENT</u>	<u>COLLATERAL TYPE</u>	<u>MARKET VALUE</u>
	<u>M & T Bank</u>	
19,159,790.52	GNMA G2SF	19,542,986.33
250,000.00	FDIC Time Deposits	250,000.00
250,000.00	FDIC Demand Deposits	250,000.00
<u>\$ 19,659,790.52</u>		<u>\$ 20,042,986.33</u>
	<u>KEY BANK</u>	
\$ 11,451.36	FHR 4136 PT	\$ 11,680.39
250,000.00	FDIC Time Deposits	250,000.00
<u>\$ 261,451.36</u>		<u>\$ 261,680.39</u>
	<u>J.P.Morgan Chase Bank</u>	
33,634.66	FDIC Time Deposits	33,634.66
<u>\$ 33,634.66</u>		<u>\$ 33,634.66</u>
 \$ 19,954,876.54	 TOTAL	 \$ 20,338,301.38

BANK CHARGES M & T
2019
OPERATIONS AND PAYROLL ACCOUNTS

	COST	CREDITS	TOTAL COST
JAN	\$ 2,271.50	\$ (939.66)	\$ 1,331.84
FEB	\$ 1,965.02	\$ (706.98)	\$ 1,258.04
MARCH	\$ 1,770.15	\$ (434.37)	\$ 1,335.78
APRIL	\$ 2,000.75	\$ (731.41)	\$ 1,269.34
MAY	\$ 2,227.58	\$ (927.40)	\$ 1,300.18
JUNE	\$ 2,081.09	\$ (762.39)	\$ 1,318.70
JULY	\$ 2,258.93	\$ (717.10)	\$ 1,541.83
AUGUST	\$ 1,995.24	\$ (860.43)	\$ 1,134.81
SEPTEMBER	\$ 2,098.89	\$ (796.88)	\$ 1,302.01
OCTOBER	\$ 2,518.55	\$ (895.66)	\$ 1,622.89
NOVEMBER	\$ 2,745.29	\$ (1,258.90)	\$ 1,486.39
DECEMBER	\$ 2,749.74	\$ (892.92)	\$ 1,856.82
	<hr/>		
	\$ 26,682.73	\$ (9,924.10)	\$ 16,758.63

M & T
2019
WATER REVENUE ACCOUNT
LOCKBOX

	COST	CREDITS	TOTAL COST
JAN	\$ 9,293.92	\$ (16.99)	\$ 9,276.93
FEB	\$ 8,212.64	\$ (10.71)	\$ 8,201.93
MARCH	\$ 8,265.66	\$ (15.23)	\$ 8,250.43
APRIL	\$ 9,133.98	\$ (12.97)	\$ 9,121.01
MAY	\$ 9,999.66	\$ (10.26)	\$ 9,989.40
JUNE	\$ 8,666.13	\$ (13.81)	\$ 8,652.32
JULY	\$ 9,837.19	\$ (17.24)	\$ 9,819.95
AUGUST	\$ 9,177.68	\$ (14.18)	\$ 9,163.50
SEPTEMBER	\$ 8,781.72	\$ (12.56)	\$ 8,769.16
OCTOBER	\$ 9,914.78	\$ (16.93)	\$ 9,897.85
NOVEMBER	\$ 8,808.22	\$ (16.06)	\$ 8,792.16
DECEMBER	\$ 8,692.05	\$ (12.86)	\$ 8,679.19
	<hr/>		
	\$ 108,783.63	(169.80)	\$ 108,613.83

**KEY BANK
2019
WATER REVENUE ACCOUNT
ELECTRONIC**

	COST	CREDITS	TOTAL COST
JAN	\$ 3,149.36	\$ (73.82)	\$ 3,075.54
FEB	\$ 3,075.46	\$ (48.64)	\$ 3,026.82
MARCH	\$ 2,637.31	\$ (47.68)	\$ 2,589.63
APRIL	\$ 2,662.25	\$ (55.76)	\$ 2,606.49
MAY	\$ 3,151.97	\$ (75.53)	\$ 3,076.44
JUNE	\$ 2,812.39	\$ (56.25)	\$ 2,756.14
JULY	\$ 2,594.69	\$ (74.87)	\$ 2,519.82
AUGUST	\$ 3,259.42	\$ (55.81)	\$ 3,203.61
SEPTEMBER	\$ 2,797.80	\$ (32.48)	\$ 2,765.32
OCTOBER	\$ 2,934.29	\$ (63.97)	\$ 2,870.32
NOVEMBER	\$ 3,099.38	\$ (72.26)	\$ 3,027.12
DECEMBER	\$ 2,758.40	\$ (65.43)	\$ 2,692.97
	\$ 34,932.72	(722.50)	\$ 34,210.22
TOTAL FOR ALL SERVICES	\$ 170,399.08	\$ (10,816.40)	\$ 159,582.68

**Trustee Services
2019
Bank of New York**

2010 B Series	\$ 2,000.00
2017 Series	\$ 2,000.00
2010 Series	\$ 3,445.00
2012 Series	\$ 2,120.00
2013 Series	\$ 2,200.00
	<u>\$ 11,765.00</u>

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



Monroe County Water Authority

Memorandum

January 31, 2020

To: Nicholas Noce, Executive Director

From: Amy Molinari, Director of Finance & Business Services

A handwritten signature in blue ink, appearing to be 'AM' or 'Amy Molinari'.

Subject: Annual Assessment of the Effectiveness of MCWA Internal Controls and Risks

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 2019 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 2019 the Authority completed an internal control assessment of processes and procedures performed by the Authority's staff. The 2019 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, charge card and credit card usage.

Six members of the Authority's senior staff and five 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 reviews completed in past years it is concluded that:

- Key Water Authority assets are protected by extensive security systems and inspection protocols
- Cross checks effectively 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 2019 assessment did not detect discrepancies to its internal controls that would compromise the financial or operational integrity of the Authority.

MISSION STATEMENT
(READOPTED MARCH, 2020 ~~2019~~)

The Monroe County Water 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 and area communities who request service.



REPORT ON 2019 PERFORMANCE MEASUREMENTS

The Monroe County Water Authority will evaluate and monitor the following goals and global performance measurements to assess our effectiveness in meeting our mission.

The **reliability** component of our mission will be evaluated by the following:

- Continuity of production capacity is paramount. Unplanned outages from treatment plants and pumping stations are tracked by the number of events and duration of events. As each of these facilities is unique and will have a varying level of severity of impact, each outage event of greater than four hours is assessed and, if necessary, an action plan to minimize impacts is to be developed.

✓ **Results for 2019:** *There were no unplanned outages of supply capacity lasting more than four hours. Outages of specific treatment components, tanks, pumps and water mains were either planned in advance or did not lead to a significant reduction in capacity. MCWA's treatment, distribution and storage systems have been designed with redundancy and flexibility so that individual components may be temporarily taken out of service while maintaining MCWA's full ability to meet customer demands.*

- Distribution System reliability is measured by an assessment of the number of main breaks per mile of water main as benchmarked against the most recent American Water Works Association Benchmarking report. Our goal is to achieve a benchmark that is better than the national average ratio.

✓ **Results for 2019:** *The AWWA benchmark to meet the goal for system integrity is to be less than 33.5 breaks / 100 miles of pipeline / year. Our distribution system now includes 3,350 miles of water main and in 2019 the actual number of breaks and leaks repaired was 717 yielding an actual system integrity rating of 21.40, well below national median.*

- Maintaining the long-term reliability of our infrastructure requires a planned reinvestment in its renewal. Our goal is to implement a budget that reinvests a minimum of 2% of annual revenues in the renewal and replacement of our infrastructure.

✓ **Results for 2019:** *The Water Authority's 2019 budget for infrastructure related reinvestment was as follows:*

▪ Security:	\$ 50,000
▪ Production & Transmission:	\$ 1,625,000
▪ Engineering:	\$ 9,100,000
▪ Facilities Fleet Operations:	\$ 1,835,000
▪ <u>Finance & Business Services</u>	<u>\$ 2,937,000</u>
▪ Total	\$ 15,547,000

All projects in the budget were either initiated or completed in 2019. This reinvestment in infrastructure replacement was greater than the goal amount.

The **quality** aspect of our mission will be evaluated by:

- Our goal is to produce and deliver water that meets or exceeds the requirements of state and federal water quality regulations. This can be measured by compliance with each regulated parameter and is reported to the Board, and our customers, with an annual Water Quality Report.

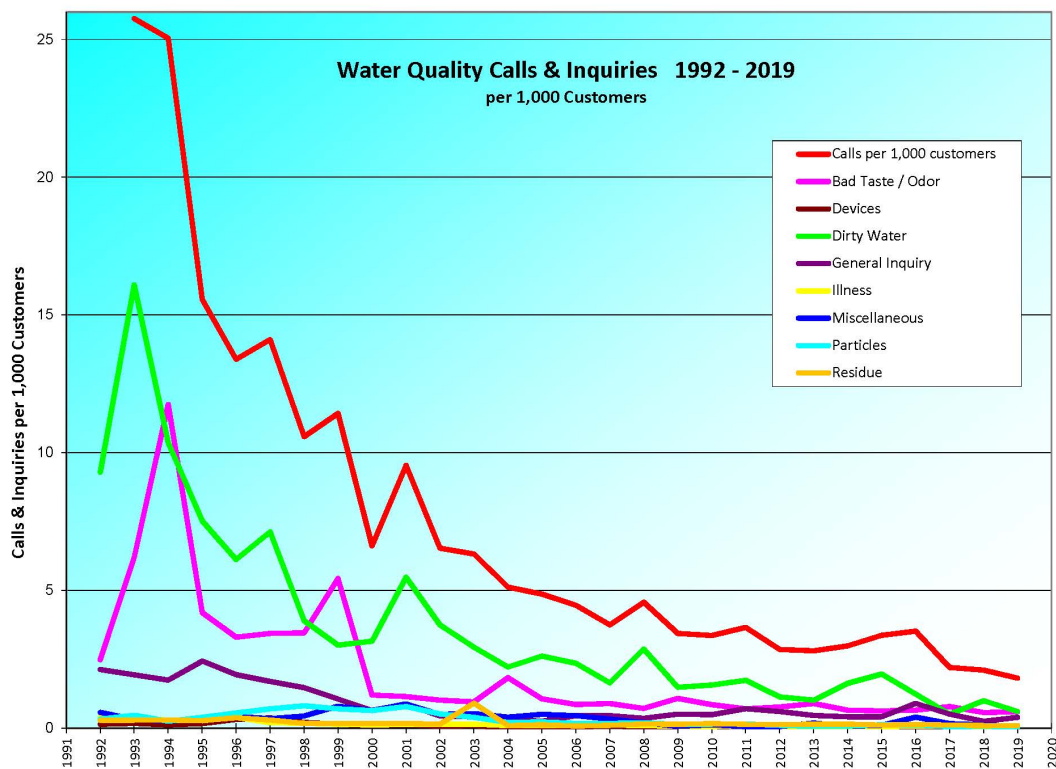
✓ **Results for 2019:**

All of Monroe County Water Authority's produced and delivered water supplies were in full compliance with New York State Health Department and EPA regulatory requirements. Our Annual Water Quality Report reflecting this achievement will be made available to our customers on the MCWA.com website or delivered to customers in accordance with the revised EPA regulations regarding the Consumer Confidence Report (CCR) requirements.

- Our Customer Service Information System includes tracking mechanisms for categorizing and measuring the number of customer calls that are specific to quality. Trends and specific events are analyzed and, if necessary, action plans are to be implemented.

✓ **Results for 2019:**

MCWA received about 338 quality related customer calls in 2019 (1.8 calls per thousand customers). The Shoremont Lab handled 81 of these calls. The overall trend in customer calls remains downward.



The **affordable** component of our mission will be judged in relation to:

- Our goal is to achieve a better than average cost of service for a typical residential customer as benchmarked against our peer group of New York State water purveyors.

✓ **Results for 2019:** *The analyses of the rates charged for a typical residential customer for our peer group is shown below. MCWA rates in the lower quartile, significantly better than the 2019 goal.*

Comparison of 2020 Water Charges^{1, 2, 3} (All amounts in \$)				
	Annual Fixed Charge	Annual Consumption- Based Charge	Annual Minimum Charge	Annual Total Charge
Albany Water Board	0	261	111	261
City of Syracuse	0	289	161	289
Erie County Water Authority	80	235	201	315
Monroe County Water Authority	84	237	84	321
City of Watertown	0	323	147	323
Suffolk County Water Authority	192	142	192	334
Niagara Falls Water Board	15	320	192	335
Western Nassau Water Authority	0	344	194	344
City of Rochester	105	253	105	359
Onondaga County Water Authority	140	220	140	360
New York	0	373	179	373
City of Binghamton	64	310	201	374
Yonkers	203	176	203	379
City of Poughkeepsie	3	402	123	405
Buffalo Water Board	200	214	200	413
Elmira Water Board	0	439	169	439
Mohawk Valley Water Authority	131	345	275	477
Average	72	287	169	359
Notes				
¹ Charges are based on rates in effect in January 2020.				
² Charges assume a single family residential customer using a 5/8" meter and 70,000 gallons of water per year.				
³ Minimum charges include fixed charges.				

- The ratings on our bonds affect the cost of capital to our customers and it also provides an outside perspective and analysis of the overall financial health of the Water Authority. Our goal is to maintain a double A rating or better from the rating agencies.

✓ **Results for 2019:** *Our Moody's and Standard & Poor's ratings are listed below. These were reviewed and assigned by both agencies in December 2017 with the issuance of the Water System Revenue Refunding Bonds Series 2017. Moody's rating was reviewed and reconfirmed in July 2019.*

- *Standard and Poor's: AA+*
- *Moody's: Aa2*

The measure of our water supply **fostering economic vitality** will be judged by:

- Our goal is to produce and deliver water in a manner that meets both our residential and our commercial/industrial customer's needs; to both retain current users and enabling those looking to locate in our service area.

✓ **Results for 2019:** *Presented below is a summary of new service inquiries:*

- *53 new Industrial/Commercial customer accounts*
- *30 new residential subdivisions with 640 new customers*
- *5 new water districts with 95 new customers*
- *29 new customers from well conversions or new home construction*

The response to **request of service** to area communities' component of our mission statement will be measured by:

- Requests for service can be accurately measured by reporting and tabulating contacts from local communities. Internal procedures direct all such contacts of this nature be directed to the Executive Director's office, who will annually report all such requests and the status thereof to the Board.

✓ **Results for 2019:** *Presented below is a summary of leases renewed and contacts made by water purveyors that are presently un-served, or looking to upgrade service from wholesale to retail:*

- *We renewed the retail lease with the Town of Pavilion.*
- *We responded to inquiries and had discussions regarding service options with the New York State Office of Children and Family Services Industry Residential Center regarding new, or significantly expanded, service.*



PERFORMANCE MEASUREMENTS FOR 2020

The Monroe County Water Authority will evaluate and monitor the following goals and global performance measurements to assess our effectiveness in meeting our mission.

The **reliability** component of our mission will be evaluated by the following:

- Continuity of production capacity is paramount. Unplanned outages from treatment plants and pumping stations are tracked by the number of events and duration of events. As each of these facilities is unique and will have a varying level of severity of impact, each outage event of greater than four hours is assessed and, if necessary, an action plan to minimize impacts is to be developed.
- Distribution System reliability is measured by an assessment of the number of main breaks per mile of water main as benchmarked against the most recent American Water Works Association Benchmarking report. Our goal is to achieve a benchmark that is better than the national average ratio.
- Maintaining the long-term reliability of our infrastructure requires a planned reinvestment in its renewal. Our goal is to implement a budget that reinvests a minimum of 2% of annual revenues in the renewal and replacement of our infrastructure.

The **quality** aspect of our mission will be evaluated by:

- Our goal is to produce and deliver water that meets or exceeds the requirements of state and federal water quality regulations. This can be measured by compliance with each regulated parameter and is reported to the Board, and our customers, with an annual Water Quality Report.
- Our Customer Service Information System includes tracking mechanisms for categorizing and measuring the number of customer calls that are specific to quality. Trends and specific events are analyzed and, if necessary, action plans are to be implemented.

The **affordable** component of our mission will be judged in relation to:

- Our goal is to achieve a better than average cost of service for a typical residential customer as benchmarked against our peer group of New York State water purveyors.
- The ratings on our bonds affect the cost of capital to our customers and it also provides an outside perspective and analysis of the overall financial health of the Water Authority. Our goal is to maintain a double A rating or better from the rating agencies.

The measure of our water supply **fostering economic vitality** will be judged by:

- The availability of a plentiful, high quality water supply can be critical differentiator for attracting new businesses, and the associated economic benefits of new jobs, to our service area. Our goal is to produce and deliver water in a manner that meets both our residential and our commercial/industrial customer's needs; to both retain current users

and enabling those looking to locate in our service area. New service inquiries are handled by our Engineering Department who will annually report a summary of such requests and their status to the Board.

The response to **request of service** to area communities component of our mission statement will be measured by:

- Requests for service can be accurately measured by reporting and tabulating contacts from local communities. Internal procedures direct all such contacts of this nature be directed to the Executive Director's office, who will annually report all such requests and the status thereof to the Board.